



Quarterly report for the quarter ending 30 June 2014

Release date: 21 July 2014

HIGHLIGHTS

- Two takeover offers received for Ambassador
- Both takeover offers at significant premium to Ambassador pre-bid share price

Takeover Offers for Ambassador Oil & Gas

Ambassador Oil and Gas Ltd (ASX: AQO) is currently the subject of two competing, unconditional, off-market takeover offers which are at significant premiums when compared to the Ambassador share price prior to the announcement of the offers. The takeover offers are from Cooper basin mid-cap explorer and producer Drillsearch Energy (ASX: DLS) and US listed unconventional explorer and producer, Magnum Hunter Resources Corporation (NYSE: MHR). Each company is seeking to secure ownership of Ambassadors' 47.5% carried interest in the highly prospective PEL 570, a permit independently assessed to contain significant volumes of natural gas which is believed to be low in CO₂ and high in hydrocarbon liquids.

Drillsearch Offer

On 28 May 2014, Ambassador announced that it had signed a bid implementation agreement with Drillsearch Energy Limited in relation to a proposed off-market takeover offer for all of the issued shares in Ambassador which it did not already own. Under Drillsearch's initial offer, Drillsearch (Central) Pty Limited, a wholly owned subsidiary of Drillsearch, offered 1 Drillsearch share for every 5.4 Ambassador shares.

On 16 June 2014, Drillsearch varied its offer by increasing its offer consideration from 1 Drillsearch share for every 5.4 Ambassador shares to include 5 cents cash for every Ambassador share. Drillsearch also immediately declared the offer unconditional and announced accelerated payment terms. The implied value of the Drillsearch offer is \$0.321 per Ambassador share based on Drillsearch's closing share price of \$1.465 as at Friday 18 July 2014.

Drillsearch dispatched its Bidder's Statement on 12 June 2014 and the Supplementary Drillsearch Bidder's Statement on 16 June 2014. These statements set out the detailed terms of the Drillsearch offer. Ambassador also released its Target's Statement in response to the Drillsearch offer on 1 July 2014. These documents are available on Ambassador's website www.ambassadorsexp.com.au and on the ASX's website at www.asx.com.au (ASX Code: AQO).

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website www.ambassadorsexp.com.au

As at the date of this report, the Drillsearch Offer is scheduled to close at 7.00pm AEST on 28 July 2014, unless extended.

Magnum Hunter Offer

On 10 June 2014, Magnum Hunter Resources Corporation announced its intentions to make an off-market takeover offer for all of the issued shares in Ambassador on the basis of one share of Magnum Hunter common stock for every 27.8 Ambassador shares.

On 17 June 2014, Magnum Hunter announced its intentions to increase the consideration offered under its off-market takeover offer to one share of Magnum Hunter common stock for every 23.6 Ambassador Shares, and declared the Magnum Hunter Offer unconditional. On 20 June 2014, Magnum Hunter lodged with ASIC the Magnum Hunter Bidder's Statement.

The implied value of the Magnum Hunter offer is \$0.328 per Ambassador share based on the closing share price of Magnum Hunter common stock on the NYSE of USD\$7.27 as at Friday 18 July 2014 and an AUD:USD exchange rate of 0.939 based on the rate published by Bloomberg as at 18 July 2014.

Ambassador also released its Target's Statement in response to the Magnum Hunter Offer on 7 July 2014. These documents are available on Ambassador's website www.ambassadorexp.com.au and on the ASX's website at www.asx.com.au (ASX Code: AQO).

As at the date of this report, the Magnum Hunter Offer is scheduled to close at 7.00pm AEST on 22 August 2014, unless extended.

Takeovers Panel

On 18 June 2014, Magnum Hunter lodged an application with the Takeovers Panel in relation to the affairs of Ambassador seeking a declaration of unacceptable circumstances in relation to the early acceptances of the Drillsearch Offer by some of Ambassador's Shareholders and Directors.

On 22 June 2014, Drillsearch lodged a separate application with the Takeovers Panel seeking a declaration of unacceptance circumstances on the basis that the Magnum Hunter Bidder's Statement has material disclosure deficiencies.

On 20 and 23 June 2014, in response to the respective applications lodged by Magnum Hunter and Drillsearch, the Takeovers Panel announced that it had made interim orders with the effect that Drillsearch and Magnum Hunter respectively must not take any further steps to process any acceptances received in relation to each of their offers. These interim orders have effect until the earliest of:

- further order of the Takeovers Panel;
- the determination of the proceedings before the Takeovers Panel; and
- 2 months from the date of the interim order.

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As at the date of this report the Panel has not released its final orders. The media releases announced by the Takeovers Panel provide further information regarding these events, and can be obtained from the ASX's website at www.asx.com.au (ASX Code: AQO)

A copy of a copy of all the documentation relevant to the takeover is available on the ASX announcements platform and also available on the Ambassador website (www.ambassadorexp.com.au).

PEL 570 Farm-out to Outback Energy Hunter

During the quarter the joint venture continued the detailed geological studies and development of the geophysical acquisition strategy required to mature the drilling locations for the drilling program scheduled to commence in the first half of 2015.

US unconventional acreage

Ambassador broadened its oil exploration efforts by acquiring highly prospective oil exploration leases in emerging, oil prone, resource plays in the Rocky Mountain region of the United States of America. The leases acquired represent a low cost option in an emerging oil province.

Ambassador holds leases in the Denver Julesburg basin in Colorado totaling over 3,000 net acres. In the December quarter 2013 the company exercised an option to acquire a further net 9,350 net acres in Arapahoe County. During the quarter the company continued the title verification process for the acquisition.

For further information contact:

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About Ambassador

Ambassador Oil & Gas Ltd is a diversified unconventional oil and gas exploration company with assets in Australia and the US.

In January 2014 Ambassador concluded a farm-out to New Standard Energy (ASX: NSE) where Ambassador retains a 47.5% interest in the Cooper basin PEL 570 in return for a carried interest through \$42.5 million of direct exploration expenditure

PEL 570 is independently assessed to contain potential gas in place of up to 20 trillion cubic feet contained in unconventional rock and coal seams.

The permit is situated in the northern end of the gas prone Patchawarra trough which is characterised by low-CO₂ levels and higher liquids content, particularly in the northern regions of the basin. It covers 2400 km², is close to infrastructure and remains a key target for unconventional gas exploitation. The Cooper basin is linked to the east coast gas market by an existing gas pipeline network providing Cooper basin gas with direct access to Queensland Liquefied Natural Gas projects near Gladstone currently under construction and the wider Australian East coast market.

In the US Ambassador has acquired highly prospective oil and gas exploration leases in emerging, oil prone, resource plays in Colorado. Ambassador holds a parcel of leases in Colorado totalling 3,327 net acres and has exercised an option to acquire a further net 9,350 acres in Colorado.

Competent Person Statement

Unless otherwise indicated, the statements contained in this report about Ambassador Oil & Gas Limited reserves estimates have been prepared by Mr Guistino Guglielmo BEng (mech) MSPE FIEAust, who is Managing Director, a full time employee of Ambassador Oil & Gas Limited, in accordance with the definitions and guidelines in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers (**SPE PRMS**). Mr Guglielmo consents to the inclusion of the reserves estimates in the form and context in which they appear.

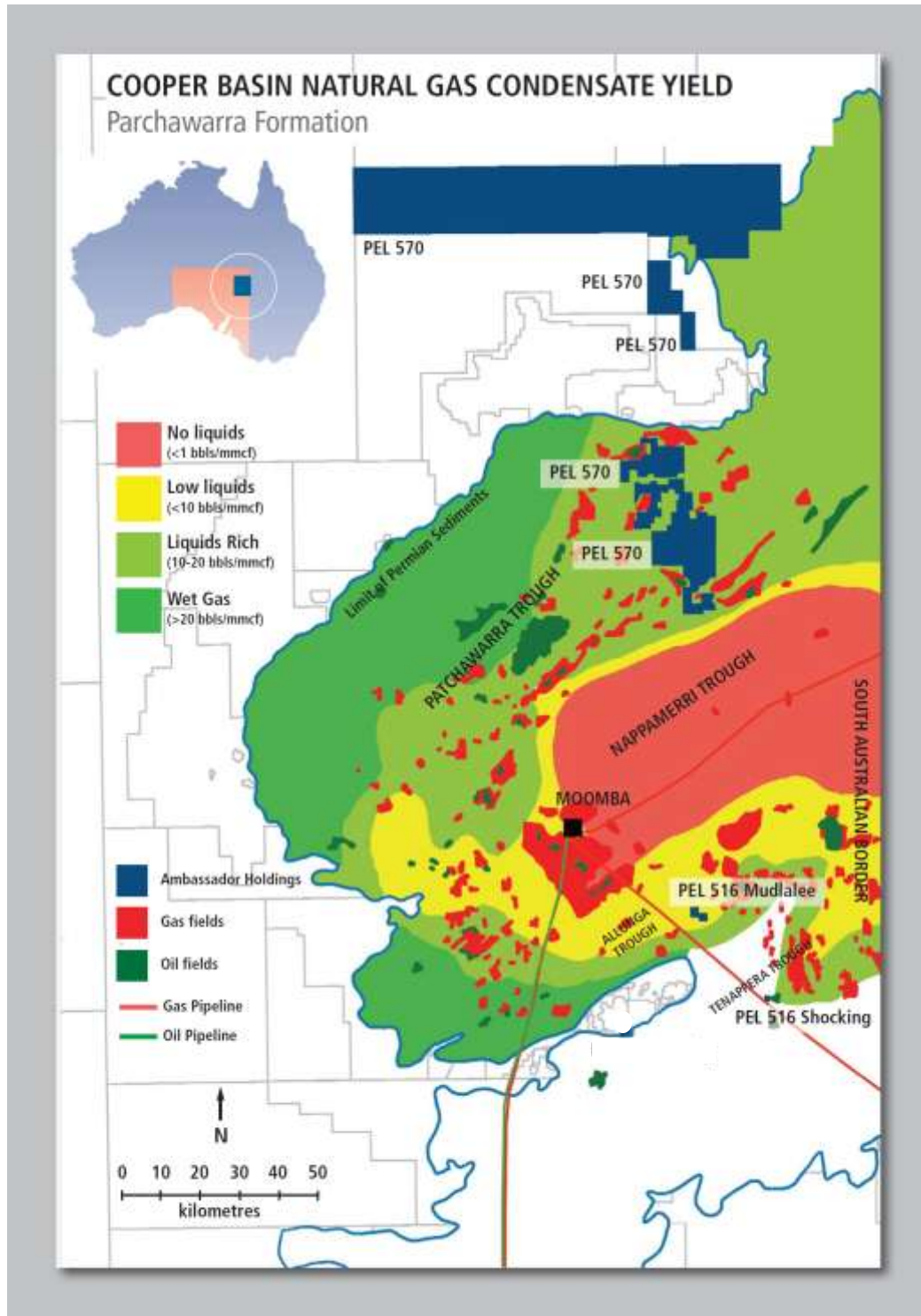
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Ambassador Oil and Gas Ltd

Location of Ambassador Oil & Gas assets - South Australian Cooper Basin



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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Ambassador Oil & Gas Limited

ABN

28 152 595 429

Quarter ended ("current quarter")

30 June 2014

Consolidated statement of cash flows

| | | Current quarter | Year to date |
|---|--|-----------------|-------------------------------|
| | | \$A'000 | (..12..... months) \$A'000 |
| Cash flows related to operating activities | | | |
| 1.1 | Receipts from product sales and related debtors | | |
| 1.2 | Payments for (a) exploration & evaluation (b) development (c) production (d) administration | (270) | (15) (1,266) |
| 1.3 | Dividends received | | |
| 1.4 | Interest and other items of a similar nature received | 37 | 228 |
| 1.5 | Interest and other costs of finance paid | | |
| 1.6 | Income taxes paid | | |
| 1.7 | Other (provide details if material) | | |
| | | (233) | (1053) |
| Net Operating Cash Flows | | | |
| Cash flows related to investing activities | | | |
| 1.8 | Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets | (275) | (682) (275) |
| 1.9 | Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets | | 1,000 |
| 1.10 | Loans to other entities | | |
| 1.11 | Loans repaid by other entities | | |
| 1.12 | Other (provide details if material) | | |
| | Net investing cash flows | (275) | 43 |
| 1.13 | Total operating and investing cash flows (carried forward) | (508) | (1010) |

| | | | |
|------|--|-------|--------|
| 1.13 | Total operating and investing cash flows (brought forward) | (508) | (1010) |
| 1.14 | Cash flows related to financing activities | | |
| 1.15 | Proceeds from issues of shares, options, etc. | | |
| 1.16 | Proceeds from sale of forfeited shares | | |
| 1.17 | Proceeds from borrowings | | |
| 1.18 | Repayment of borrowings | | |
| 1.19 | Dividends paid | | |
| 1.19 | Other (provide details if material) | | |
| | Net financing cash flows | | |
| | Net increase (decrease) in cash held | (508) | (1010) |
| 1.20 | Cash at beginning of quarter/year to date | 6,103 | 6,605 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | |
| 1.22 | Cash at end of quarter | 5,595 | 5,595 |

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 129 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | N/A |
| 1.25 | Explanation necessary for an understanding of the transactions | |
| | N/A | |

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

| | Amount available \$A'000 | Amount used \$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities | Nil | Nil |
| 3.2 Credit standby arrangements | Nil | Nil |

Estimated cash outflows for next quarter

| | \$A'000 |
|--------------------------------|------------|
| 4.1 Exploration and evaluation | - |
| 4.2 Development | - |
| 4.3 Production | - |
| 4.4 Administration | 890** |
| Total | 890 |

** The increase in estimated cash outflow for the next quarter primarily relates to the estimate of costs for legal, advisory, registry and other activities associated with the two current takeover offers. This amount is subject to change as a result of the requirements of the respective takeover offers and process.

Reconciliation of cash

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | Current quarter \$A'000 | Previous quarter \$A'000 |
|---|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank | 1,108 | 766 |
| 5.2 Deposits at call | 4,487 | 5,337 |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (refundable deposit on oil and gas leases at 31 March reclassified as loans) | - | - |
| Total: cash at end of quarter (item 1.22) | 5,595 | 6,103 |

Changes in interests in mining tenements and petroleum tenements

| | Tenement reference and location | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter | |
|-----|---|-------------------------------|---|----------------------------|-------|
| 6.1 | Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed | PEL 570 SA Cooper Basin | Registration of farm-out to New Standard Energy Ltd (ASX:NSE) | 100% | 47.5% |
| 6.2 | Interests in mining tenements and petroleum tenements acquired or increased | | | | |

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

| | | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|-----|--|--------------|---------------|---|--|
| 7.1 | Preference securities (description) | - | - | - | - |
| 7.2 | Changes during quarter | | | | |
| | (a) Increases through issues | - | - | - | - |
| | (b) Decreases through returns of capital, buy-backs, redemptions | - | - | - | - |
| 7.3 | Ordinary securities | 142,058,491 | 142,058,491 | - | - |
| 7.4 | Changes during quarter | | | | |
| | (a) Increases through issues | - | - | - | - |
| | (b) Decreases through returns of capital, buy-backs | - | - | - | - |
| 7.5 | Convertible debt securities (description) | - | - | - | - |

| | | | | | |
|------|---|---|---|---|---|
| 7.6 | Changes during quarter | - | - | - | - |
| | (a) Increases through issues | | | | |
| | (b) Decreases through securities matured, converted | - | - | - | - |
| 7.7 | Options (<i>description and conversion factor</i>) | - | - | - | - |
| 7.8 | Issued during quarter | - | - | - | - |
| 7.9 | Exercised during quarter | - | - | - | - |
| 7.10 | Expired during quarter | - | - | - | - |
| 7.11 | Debentures (<i>totals only</i>) | - | - | | |
| 7.12 | Unsecured notes (<i>totals only</i>) | - | - | | |

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: Emmanuel Correia
Director/Company secretary

Date: 21 July 2014

Print name: Emmanuel Correia.

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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