



AMBASSADOR OIL AND GAS LIMITED

7 July 2014

ASX Limited  
ASX Company Announcements Platform

**Release of Target's Statement in response to the Magnum Hunter Offer**

Ambassador Oil & Gas Limited (ACN 152 595 429) (ASX: AQO) (**Ambassador**) today releases its Target's Statement (**Target's Statement**) in response to the off-market takeover bid by Outback Shale Hunter Pty Ltd (ACN 169 963 820), a wholly owned subsidiary of Magnum Hunter Resources Corporation (a Delaware corporation) for all of the ordinary shares in Ambassador, in compliance with item 14 of subsection 633(1) of the *Corporations Act 2001* (Cth).

The Target's Statement will be lodged with ASIC and Outback Shale Hunter Pty Ltd today. This Target's Statement will be dispatched to Ambassador Shareholders.

Yours sincerely

**AMBASSADOR OIL AND GAS LIMITED**

**Emmanuel Correia**  
**Company Secretary**

AMBASSADOR OIL AND GAS LIMITED

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Ambassador Oil & Gas Limited  
ABN 28 152 595 429

## TARGET'S STATEMENT

in response to the unconditional, off-market takeover bid made by **Outback Shale Hunter Pty Ltd (ACN 169 963 820)**, a wholly owned subsidiary of **Magnum Hunter Resources Corporation (a Delaware corporation)**, for all of the issued shares in **Ambassador Oil & Gas Limited (ABN 28 152 595 429)** for 1 share of Magnum Hunter common stock for every 23.6 of your Ambassador Shares.

**The Ambassador Directors' recommendation is set out in Section 2 of this Target's Statement**

**Ambassador Shareholders should read this Target's Statement in full before deciding whether to accept the **Magnum Hunter Offer****

**THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**If you are in any doubt as to how to deal with it, you should consult your legal, financial, taxation or other professional adviser.**



Legal Adviser

JOHNSON WINTER & SLATTERY  
LAWYERS

## Important notices

### Nature of this document

This document is a Target's Statement issued by Ambassador Oil & Gas Limited (ABN 28 152 595 429) (**Ambassador**) under Division 3 of Part 6.5 of the Corporations Act. This Target's Statement is given in response to the unconditional off-market takeover bid by Outback Shale Hunter Pty Ltd (ACN 169 963 820) (**Magnum Hunter Bidco**), a wholly owned subsidiary of Magnum Hunter Resources Corporation (a Delaware corporation) (**Magnum Hunter**), for all of the issued shares in Ambassador Oil & Gas Limited for 1 share of Magnum Hunter common stock for every 23.6 Ambassador Shares. This is an important document and requires your immediate attention.

### ASIC and ASX disclaimer

A copy of this Target's Statement has been lodged with ASIC and sent to the ASX. Neither ASIC nor the ASX nor any of their respective officers takes any responsibility for the contents of this Target's Statement.

### Definitions and interpretation

A number of defined terms are used in this Target's Statement. These terms are explained in Section 11 of this Target's Statement together with the rules of interpretation that applies to this Target's Statement.

### Investment decisions

Nothing in this Target's Statement constitutes investment, legal, tax or other advice. This Target's Statement does not take into account your individual objectives, financial situation or particular needs and should not therefore be relied on as the sole basis for any decision in relation to the Magnum Hunter Offer or the Drillsearch Offer. You should seek your own independent legal, financial and taxation advice before deciding whether to accept or reject the Magnum Hunter Offer or the Drillsearch Offer.

### Forward looking statements

Some of the statements appearing in this Target's Statement may be in the nature of forward looking statements. You should be aware that such statements are not statements of known fact and that there is no certainty of outcome in relation to the matters to which the statements relate. They reflect views held only as at the date of this document and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to Ambassador and the market sector in which Ambassador operates as well as general economic conditions, conditions in the financial markets, exchange rates and interest rates and regulatory changes, many of which are outside the control of Ambassador and the Ambassador Board. As a consequence, actual events or results may differ materially from the events or results expressed or implied in any forward looking statement.

None of Ambassador, Ambassador's directors, officers and employees, any persons named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement, makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement.

### Information about Magnum Hunter and Drillsearch in this Target's Statement

Except where disclosed otherwise in this Target's Statement, the information about Magnum Hunter and Magnum Hunter Bidco and Drillsearch and Drillsearch Bidco contained in this Target's Statement has been prepared by Ambassador using publicly available information including the Magnum Hunter Bidder's Statement, the Drillsearch Bidder's Statement, the Supplementary Drillsearch Bidder's Statement, which has not been independently verified by Ambassador. Accordingly, to the maximum extent permitted by law, Ambassador does not assume responsibility and does not make any representation or warranty (express or implied) as to the accuracy or completeness of such information.

### Diagrams and rounding

Any diagrams, charts, maps, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available at the date of this Target's Statement. In addition, any numerical information may not add up due to rounding.

### Notice to foreign shareholders

The release, publication or distribution of this Target's Statement may, in some jurisdictions, be restricted by law or regulation and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations applicable outside of Australia.

### Reserves

Unless otherwise disclosed in this Target's Statement, the statements contained in this Target's Statement about Ambassador's reserves estimates have been prepared by Mr Giustino Guglielmo, BEng (mech) MSPE FIEAust, who is the Managing Director and a full-time employee of Ambassador, in accordance with the definitions and guidelines in the 2007 Petroleum Reserves Management System approved by the Society of Petroleum Engineers (SPE-PRMS). Mr Giustino Guglielmo is qualified in accordance with ASX Listing Rule 5.11 and consents to the inclusion of the reserves estimates in the form and context in which they appear.

The statements in this Target's Statement about Drillsearch's reserves have been prepared by Drillsearch and have been extracted without material amendment from information included in public documents filed by Drillsearch. This information has not been independently verified by Ambassador.

**Privacy**

Ambassador has collected your information from the register of Ambassador's Shareholders for the purpose of providing you with this Target's Statement. The type of information Ambassador has collected about you includes your name, contact details and information on your shareholding in Ambassador. Without this information, Ambassador would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of shareholders to be held in a public register.

**No website is part of this Target's Statement**

Any references in this Target's Statement to websites are a textual reference for information only and no information in any website forms part of this Target's Statement.

**Date of this Target's Statement**

This document is dated 7 July 2014.

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## Key dates and events

Date of announcement of the First Magnum Hunter Offer	10 June 2014
Date of announcement of the revised Magnum Hunter Offer	16 June 2014
Date Magnum Hunter Bidder's Statement lodged with ASIC	20 June 2014
Date of this Target's Statement	7 July 2014
Date of the Magnum Hunter Offer	20 June 2014
Commencement of the Magnum Hunter Offer Period	20 June 2014
Close of the Magnum Hunter Offer Period (unless extended)	7:00pm (Sydney time), 23 July 2014

### Further information

Any questions regarding this Target's Statement should be directed to Ambassador on +61 3 9021 6140 between 9:00am and 5:00pm AEST Monday to Friday.

**Note:** *Magnum Hunter Bidco may extend the Magnum Hunter Offer Period in accordance with the Corporations Act in the circumstances described in Section 7.7 of this Target's Statement. If Magnum Hunter Bidco does so, Magnum Hunter Bidco will send you a notice specifying the new date that the Magnum Hunter Offer Period closes. Magnum Hunter Bidco may also withdraw the Magnum Hunter Offer in accordance with the Corporations Act in the circumstances described in Section 7.18 of this Target's Statement. If Magnum Hunter Bidco does so, Ambassador Shareholders will no longer be able to accept the Magnum Hunter Offer.*



## Ambassador Chairman's letter

7 July 2014

Dear Ambassador Shareholder,

### Magnum Hunter Offer

On 10 June 2014, Magnum Hunter Resources Corporation (**Magnum Hunter**) announced its intentions to make an off-market takeover offer for all of the issued shares in Ambassador for one share of Magnum Hunter common stock for every 27.8 Ambassador Shares. Magnum Hunter is a United States entity with its common stock listed on the New York Stock Exchange (**NYSE**).

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 \$0.368<sup>1</sup> per Ambassador Share based on the closing share price of Magnum Hunter common stock on the NYSE of USD\$8.14 on 4 July 2014, being the last practicable trading day prior to the date of this Target's Statement.

You should have received the Magnum Hunter Bidder's Statement which sets out the detailed terms of the Magnum Hunter Offer. A copy of the Magnum Hunter Bidder's Statement is also available on the Ambassador website ([www.ambassadorsexp.com.au](http://www.ambassadorsexp.com.au)).

### Drillsearch Offer

On 28 May 2014, Ambassador announced that it had signed a Bid Implementation Agreement with Drillsearch Energy Limited (ABN 73 006 474 844) (**Drillsearch**) in relation to a proposed off-market takeover offer for all of the issued shares in Ambassador which it does not already own. Under Drillsearch's initial offer, Drillsearch (Central) Pty Limited (ABN 41 160 522 056) (**Drillsearch Bidco**), a wholly owned subsidiary of Drillsearch, offered you 1 Drillsearch Share for every 5.4 of your 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 Bidco also immediately declared the Drillsearch Offer unconditional. The implied value of the Drillsearch Offer is \$0.333 per Ambassador Share based on Drillsearch's closing share price of \$1.530 on 4 July 2014, being the last practicable trading day prior to the date of this Target's Statement.

You should have received the Drillsearch Bidder's Statement and the Supplementary Drillsearch Bidder's Statement which sets out the detailed terms of the Drillsearch Offer. A copy of the Drillsearch Bidder's Statement and the Supplementary Drillsearch Bidder's Statement are also available on the Ambassador website ([www.ambassadorsexp.com.au](http://www.ambassadorsexp.com.au)).

Ambassador also released its Target's Statement in response to the Drillsearch Offer on 1 July 2014. You should have recently received a copy of this, which is also available on the Ambassador website ([www.ambassadorsexp.com.au](http://www.ambassadorsexp.com.au)).

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<sup>1</sup> Calculated based on an exchange rate of 0.9365 US Dollars per 1.00 Australian Dollar, as published by Bloomberg at market close on 4 July 2014.

## The Ambassador Directors' recommendation

The Ambassador Directors importantly note that under both the Magnum Hunter Offer and the Drillsearch Offer, Ambassador Shareholders would realise a significant premium to the closing price of Ambassador Shares of \$0.195 on 23 May 2014, being the trading day prior to Ambassador entering into a trading halt pending announcement of Drillsearch's initial offer on 28 May 2014. Accordingly:

- the implied value of the Magnum Hunter Offer of \$0.368 per Ambassador Share<sup>2</sup> represents a premium of 88.87% to the closing price of Ambassador Shares of \$0.195 on 23 May 2014; and
- the implied value of the Drillsearch Offer of \$0.333 per Ambassador Share<sup>3</sup> represents a premium of 70.94% to the closing price of Ambassador Shares of \$0.195 on 23 May 2014.

## Recommendation

Having given careful consideration to the Magnum Hunter Offer and the Drillsearch Offer, the Ambassador Directors unanimously recommend that:

Ambassador Shareholders should **ACCEPT THE MAGNUM HUNTER OFFER** if you:

- wish to receive the higher implied premium for your Ambassador Shares; or
- prefer to have an investment in a larger New York Stock Exchange listed entity with extensive experience in the unconventional oil and gas industry and large interests in shale resource basins in the United States in respect of which Magnum Hunter intends to invest significant capital in exploration and development activities; **AND**
- are prepared to accept the risk profile of being a Magnum Hunter shareholder or the risks and uncertainties of participating in the Magnum Hunter Sale Facility.

However, Ambassador Shareholders should **ACCEPT THE DRILLSEARCH OFFER** if one or more of the following applies:

- You wish to retain and increase your exposure to the Cooper Basin with an investment in Drillsearch, consistent with your initial investment in Ambassador and the risk profile of holding Drillsearch Shares is acceptable to you.
- You prefer to receive a combination of cash and shares in an Australian ASX listed entity, instead of common stock in an entity which is listed on the New York Stock Exchange.
- You intend to liquidate your investment in the short term and wish to have a greater degree of control and certainty in relation to the subsequent sale of the consideration received for your Ambassador Shares.
- The risk profile of holding Magnum Hunter common stock or participating in the Magnum Hunter Sale Facility in order to liquidate your investment may be unacceptable for your investment circumstances.
- You wish to have the benefit of scrip-for-scrip capital gains tax rollover relief (in which acceptance of the Drillsearch Offer has a greater likelihood of receiving such relief than if you accept the Magnum Hunter Offer).

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<sup>2</sup> Based on the closing sales price of Magnum Hunter common stock on the New York Stock Exchange of USD\$8.14 on 4 July 2014, being the last practicable trading day prior to the date of this Target's.

<sup>3</sup> Based on Drillsearch's closing share price of \$1.530 on 4 July 2014, being the last practicable trading day prior to the date of this Target's.

In making their recommendation, your Ambassador Directors have taken into account the following key considerations for Ambassador Shareholders:

Reasons why you may wish to accept the Magnum Hunter Offer	Reasons why you may wish to accept the Drillsearch Offer
The Magnum Hunter Offer represents a significant premium to the closing price of Ambassador Shares of \$0.195 on 23 May 2014, being the trading day prior to Ambassador entering into a trading halt pending announcement of Drillsearch's original offer on 28 May 2014.	The Drillsearch Offer represents a significant premium to the closing price of Ambassador Shares of \$0.195 on 23 May 2014, being the trading day prior to Ambassador entering into a trading halt pending announcement of Drillsearch's original offer on 28 May 2014.
As at 4 July 2014, being the last practical trading day prior to the date of this Target's Statement, the implied value of the Magnum Hunter Offer represents a premium over the implied value of the Drillsearch Offer.	By accepting the Drillsearch Offer you will own Drillsearch Shares allowing you to retain a less diluted exposure to Ambassador's key asset, and gain greater exposure to a more diversified Cooper Basin asset base in a profitable mid-tier ASX listed oil and gas business, and the risk profile of holding Drillsearch Shares is acceptable to you.
You may prefer an investment in a larger NYSE listed entity with:  (i) extensive experience in the unconventional oil and gas industry; and  (ii) large interests in shale resource basins in the United States in respect of which Magnum Hunter intends to invest significant capital in exploration and development activities.	You may prefer to receive cash and shares in Drillsearch, being an Australian ASX listed entity, instead of Magnum Hunter common stock, listed on the New York Stock Exchange.
You may prefer an investment in a NYSE listed entity that historically has had good trading volume and liquidity of its shares.	Ambassador Shareholders who favour a greater degree of certainty and control in relation to the liquidation of the consideration received for their Ambassador Shares may prefer to receive Drillsearch Shares and sell those on the ASX, rather than participate in the Magnum Hunter Sale Facility under the Magnum Hunter Offer (in particular in the short term).
You may prefer an investment in a NYSE listed entity which provides geological, geographical and exchange rate diversity to your investment or asset portfolio.	The risk profile of holding Magnum Hunter common stock or participating in the Magnum Hunter Sale Facility in order to liquidate your investment may be unacceptable for your investment circumstances.
	There may be a greater likelihood of receiving scrip-for-scrip capital gains tax rollover relief if you accept the Drillsearch Offer (in which acceptance of the Drillsearch Offer has a greater likelihood of receiving such relief than if you accept the Magnum Hunter Offer).



Further details as to why you may wish to accept the Magnum Hunter Offer or the Drillsearch Offer, or none at all, are set out in Section 2 of this Target's Statement.

In considering whether or not to accept the Magnum Hunter Offer, the Drillsearch Offer, or none at all, your Ambassador Directors encourage you to:

- carefully read this Target's Statement, the Magnum Hunter Bidder's Statement, the Drillsearch Bidder's Statement, the Supplementary Drillsearch Bidder's Statement and Ambassador's Target's Statement in response to the Drillsearch Offer;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- take into account the other relevant considerations discussed in Section 2.5 of this Target's Statement;
- consider the alternatives discussed in Section 6 of this Target's Statement; and
- obtain independent financial, legal, taxation or other professional advice before making a decision.

This Target's Statement, which I encourage you to read in its entirety, sets out your Directors' formal response to the Magnum Hunter Offer and contains their recommendation, the reasons for their recommendation and other important information you should consider in deciding whether to accept the Magnum Hunter Offer.

The Magnum Hunter Offer is open until 7:00pm (Sydney Time) on 23 July 2014, unless extended. To accept the Magnum Hunter Offer, please follow the instructions set out in Section 4 of the Magnum Hunter Bidder's Statement.

The Drillsearch Offer is open until 7:00pm (Sydney Time) on 14 July 2014, unless extended. To accept the Drillsearch Offer, please follow the instructions set out in Section 4 of this Target's Statement.

If you are in any doubt as to whether to accept the Magnum Hunter Offer or the Drillsearch Offer, or none at all, you should seek your own independent professional advice.

Yours sincerely



**David Shaw**  
Non-Executive Chairman  
Ambassador Oil & Gas Limited

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## 1 Summary of the Magnum Hunter Offer

Set out below is a summary of the key features of the Magnum Hunter Offer. Please also refer to Section 5 of this Target's Statement for responses to a number of frequently asked questions in relation to the Magnum Hunter Offer.

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<b>The Bidder</b>	Magnum Hunter is making the Magnum Hunter Offer through its wholly owned subsidiary, Magnum Hunter Bidco. For further information about Magnum Hunter and Magnum Hunter Bidco, please see Section 9 of this Target's Statement and Sections 7, 8 and 9 of the Magnum Hunter Bidder's Statement.
<b>The Magnum Hunter Offer</b>	Magnum Hunter Bidco offers to acquire all of your Ambassador Shares.
<b>Magnum Hunter Offer Consideration</b>	You are offered 1 share of Magnum Hunter common stock for every 23.6 Ambassador Shares.
<b>Closing date</b>	Unless withdrawn or extended, the Magnum Hunter Offer is open until 7:00pm (Sydney time) on 23 July 2014.
<b>Magnum Hunter common stock payment date</b>	<p>If you accept the Magnum Hunter Offer, the Magnum Hunter common stock will be issued to you on or before the earlier of one month after the date of your acceptance or 21 days after the end of the Magnum Hunter Offer Period.</p> <p>However, on 20 and 23 June 2014, the Takeovers Panel announced that it had made interim orders with the effect that Drillsearch Bidco and Magnum Hunter Bidco 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:</p> <ul style="list-style-type: none"><li>• further order of the Takeovers Panel;</li><li>• the determination of the proceedings before the Takeovers Panel; and</li><li>• 2 months from the date of the interim order.</li></ul> <p>Accordingly, accepting Ambassador Shareholders will not receive the Magnum Hunter Offer Consideration or Drillsearch Offer Consideration whilst the respective interim orders remain in effect. Please see Section 3 regarding further information about the Takeovers Panel applications.</p> <p>Further details on when you will be paid are set out in Section 7.11 of this Target's Statement and Section 15.5 of the Magnum Hunter Bidder's Statement.</p>

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**Magnum Hunter  
Sale Facility**

If you wish to accept the Magnum Hunter Offer but you do not wish to receive Magnum Hunter common stock, you may elect to participate in the Magnum Hunter Sale Facility. Under this facility, you will receive the cash proceeds from the sale of the Magnum Hunter common stock you would otherwise be entitled to.

However, the Ambassador Directors believe you would receive a material discount to the implied value of the Magnum Hunter Offer if you elect to participate in the Magnum Hunter Sale Facility.

There is no guarantee as to when the Sale Facility Agent will be able to sell your Magnum Hunter common stock, if at all, and therefore no guarantee as to when you will receive the cash proceeds of those sales.

Further details regarding the Magnum Hunter Sale Facility are set out in Section 7.5 of this Target's Statement and Section 15.9 of the Magnum Hunter Bidder's Statement.

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**Unconditional offer**

On 17 June 2014, Magnum Hunter Bidco declared the Magnum Hunter Offer unconditional. This means the Magnum Hunter Offer will proceed and will not be subject to any conditions. This means that if you accept the Magnum Hunter Offer, Magnum Hunter Bidco will acquire your Ambassador Shares and you will receive the Magnum Hunter Offer Consideration.

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**How to accept****CHESS Holdings**

You should read Section 4 of this Target's Statement and Section 15.4 of the Magnum Hunter Bidder's Statement for full details on how to accept the Magnum Hunter Offer.

If your Ambassador Shares are in a CHESS Holding (holder identification number beginning with 'X'), to accept you must either:

- instruct your controlling participant (usually your broker) to accept the Magnum Hunter Offer for you; or
- complete, sign and return the Acceptance Form (which was enclosed in the Magnum Hunter Bidder's Statement).

**Issuer Sponsored Holdings**

If your Ambassador Shares are in an Issuer Sponsored Holding (securityholder reference number beginning with 'I') or if at the time of your acceptance you are entitled to be (but are not yet) registered as the holder of your Ambassador Shares, to accept you must complete, sign and return the Acceptance Form (which was enclosed in the Magnum Hunter Bidder's Statement).

Signed Acceptance Forms must be posted to:

Link Market Services  
Ambassador Oil & Gas Limited Takeover  
Locked Bag A14  
Sydney South NSW 1235

A self-addressed envelope is enclosed with the Magnum Hunter Bidder's Statement.

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	<p>To be effective your acceptance must be received by Magnum Hunter Bidco before the Magnum Hunter Offer closes.</p>
<p><b>Australian and United States tax implications</b></p>	<p>A general outline of the Australian and United States tax implications of accepting the Magnum Hunter Offer is set out in Section 14 of the Magnum Hunter Bidder's Statement. That general outline has been prepared by Magnum Hunter Bidco.</p> <p>Magnum Hunter common stock is listed on the New York Stock Exchange. Section 14.2 of the Magnum Hunter Bidder's Statement provides a general outline of the United States tax implications of owning and disposing of Magnum Hunter common stock and participating in the Magnum Hunter Sale Facility.</p> <p>As the outline is a general outline only, you are advised to seek your own specific professional advice as to the taxation implications applicable to your circumstances.</p> <p>Ambassador Shareholders are also urged to consult your tax or legal adviser in relation to the application of United States tax implications relevant to your circumstances.</p>
<p><b>Further information</b></p>	<p>For questions about your Ambassador Shares, the Magnum Hunter Offer or how to accept the Magnum Hunter Offer please refer to the remainder of this Target's Statement and the Magnum Hunter Bidder's Statement.</p>

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## 2 Ambassador Directors' recommendations and reasons

### 2.1 Ambassador Directors' recommendations

As at the date of this Target's Statement, the directors of Ambassador are:

- David Shaw (Non-Executive Chairman);
- Giustino Guglielmo (Managing Director); and
- Emmanuel Correia (Non-Executive Director and Company Secretary).

Having given careful consideration to the Magnum Hunter Offer and the Drillsearch Offer, the Ambassador Directors unanimously recommend:

Ambassador Shareholders should **ACCEPT THE MAGNUM HUNTER OFFER** if you:

- wish to receive the higher implied premium for your Ambassador Shares; or
- prefer to have an investment in a larger New York Stock Exchange listed entity with extensive experience in the unconventional oil and gas industry and large interests in shale resource basins in the United States in respect of which Magnum Hunter intends to invest significant capital in exploration and development activities; **AND**
- are prepared to accept the risk profile of being a Magnum Hunter shareholder or the risks and uncertainties of participating in the Magnum Hunter Sale Facility.

However, Ambassador Shareholders should **ACCEPT THE DRILLSEARCH OFFER** if one or more of the following applies:

- You wish to retain and increase your exposure to the Cooper Basin with an investment in Drillsearch, consistent with your initial investment in Ambassador and the risk profile of holding Drillsearch Shares is acceptable to you.
- You prefer to receive a combination of cash and shares in an Australian ASX listed entity, instead of common stock in an entity which is listed on the New York Stock Exchange.
- You intend to liquidate your investment in the short term and wish to have a greater degree of control and certainty in relation to the subsequent sale of the consideration received for your Ambassador Shares.
- The risk profile of holding Magnum Hunter common stock or participating in the Magnum Hunter Sale Facility in order to liquidate your investment may be unacceptable for your investment circumstances.
- You wish to have the benefit of scrip-for-scrip capital gains tax rollover relief (in which acceptance of the Drillsearch Offer has a greater likelihood of receiving such relief than if you accept the Magnum Hunter Offer).

In considering whether to accept the Magnum Hunter Offer, the Drillsearch Offer, or none at all, your Ambassador Directors encourage you to:

- carefully read this Target's Statement, the Magnum Hunter Bidder's Statement, the Drillsearch Bidder's Statement, the Supplementary Drillsearch Bidder's Statement and Ambassador's Target's Statement in response to the Drillsearch Offer;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;

- take into account the other relevant considerations discussed in Section 2.5 of this Target's Statement;
- consider the alternatives discussed in Section 6 of this Target's Statement; and
- obtain independent financial, legal, taxation or other professional advice before making a decision.

## **2.2 Ambassador Directors' intentions**

On 16 June 2014, two of the three Ambassador Directors, Mr David Shaw and Mr Giustino Guglielmo, having independently assessed the merits of the Drillsearch Offer, accepted the Drillsearch Offer in respect of the 9,000,000 Ambassador Shares that they own or control, representing approximately 6.34% of the issued Ambassador Shares.

Mr Shaw and Mr Guglielmo accepted the Drillsearch Offer in respect of those Ambassador Shares before Magnum Hunter announced its revised takeover offer for Ambassador, which was announced on 17 June 2014.

Mr Giustino Guglielmo also has an interest in 100,000 Ambassador Shares held jointly in his capacity as a trustee of the Nicola Guglielmo Family Trust, and 1 Ambassador Share held directly by Mr Guglielmo. As at the date of this Target's Statement, Mr Guglielmo remains undecided on whether he intends to accept the Drillsearch Offer, the Magnum Hunter Offer, or neither of them or sell on market in respect to these Ambassador Shares, representing approximately 0.07% of the issued Ambassador Shares.

Mr Emmanuel Correia, Non-Executive Director and Company Secretary of Ambassador, as at the date of this Target's Statement, remains undecided on whether he intends to accept the Drillsearch Offer, the Magnum Hunter Offer, or neither of them or sell on market. Mr Correia owns or controls 1,375,000 Ambassador Shares, representing approximately 0.96% of the issued Ambassador Shares.

## 2.3 Reasons why you may wish to accept the Magnum Hunter Offer

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1. The Magnum Hunter Offer represents a significant premium to the closing price of Ambassador Shares of \$0.195 on 23 May 2014, being the trading day prior to Ambassador entering into a trading halt pending announcement of Drillsearch's original offer on 28 May 2014.
  2. As at 4 July 2014, being the last practical trading day prior to the date of this Target's Statement, the implied value of the Magnum Hunter Offer represents a 10.49% premium over the implied value of the Drillsearch Offer.
  3. You may prefer an investment in a larger NYSE listed entity with:
    - (i) extensive experience in the unconventional oil and gas industry; and
    - (ii) large interests in shale resource basins in the United States in respect of which Magnum Hunter intends to invest significant capital in exploration and development activities.
  4. You may prefer an investment in a NYSE listed entity that historically has had good trading volume and liquidity.
  5. You may prefer an investment in a NYSE listed entity which provides geological, geographical and exchange rate diversity.
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However, the Ambassador Directors note that there are certain risks in becoming a shareholder of Magnum Hunter. Some of these risks are described by the Ambassador Directors in Section 2.4; **"Reason 5 to accept the Drillsearch Offer: The risk profile of holding Magnum Hunter common stock may be unacceptable for your investment circumstances"** and in Section 9.2. Section 6 "Risks factors" in the Magnum Hunter Bidder's Statement.

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### Reason 1 to accept the Magnum Hunter Offer:

**The Magnum Hunter Offer represents a significant premium to the closing price of Ambassador Shares of \$0.195 on 23 May 2014, being the trading day prior to Ambassador entering into a trading halt pending announcement of Drillsearch's original offer on 28 May 2014.**

The consideration offered under the Magnum Hunter Offer is 1 Magnum Hunter common stock for every 23.6 of your Ambassador Shares.

The Magnum Hunter Offer implies a value of \$0.368 per Ambassador Share based on Magnum Hunter's closing share price of USD\$8.14 on 4 July 2014, being the last practicable trading day prior to the date of this Target's Statement. Specifically, the implied value of the Magnum Hunter Offer of \$0.368 per Ambassador Share represents a substantial premium of 88.87% to the closing price of Ambassador Shares of \$0.195 on 23 May 2014, the trading day prior to Ambassador entering into a trading halt pending announcement of the Drillsearch's original offer on 28 May 2014.

Your Ambassador Directors believe that the Magnum Hunter Offer provides Ambassador Shareholders with a compelling premium to the pre-bid Ambassador Share prices.

Your Ambassador Directors also note that the 88.87% premium of the Magnum Hunter Offer will change as a result of market movements in the Magnum Hunter share price and foreign currency exchange movements.

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## **Reason 2 to accept the Magnum Hunter Offer:**

**As at 4 July 2014, being the last practical trading day prior to the date of this Target's Statement, the implied value of the Magnum Hunter Offer represents a premium over the implied value of the Drillsearch Offer.**

As at 4 July 2014, being the last practicable trading day prior to the date of this Target's Statement, the implied value of the Magnum Hunter Offer was \$0.368 per Ambassador Share, compared to the implied value of the Drillsearch Offer of \$0.333 per Ambassador Share.

Accordingly, as at 4 July 2014, the Magnum Hunter Offer represents a 10.49% premium over the implied value of the Drillsearch Offer.

However, your Ambassador Directors note that the 10.49% premium of the Magnum Hunter Offer over the Drillsearch Offer will change as a result of market movements in the Magnum Hunter and Drillsearch share prices and in the case of the Magnum Hunter Offer, the implied value is also subject to foreign exchange currency movements.

In addition, the uncertainties in relation to the sale of Magnum Hunter common stock pursuant to the Magnum Hunter Sale Facility are also likely to materially impact the difference in premium between the Magnum Hunter Offer and the Drillsearch Offer.

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## **Reason 3 to accept the Magnum Hunter Offer:**

**You may prefer an investment in a larger NYSE listed entity with:**

- (i) extensive experience in the unconventional oil and gas industry; and**
- (ii) large interests in shale resource basins in the United States in respect of which Magnum Hunter intends to invest significant capital in exploration and development activities.**

Magnum Hunter is a larger entity than Drillsearch. Magnum Hunter is a NYSE listed oil and gas company engaged in the exploration for and the exploitation, acquisition and development and production of crude oil, natural gas and natural gas liquids resources in the United States. Magnum Hunter has stated that, as at close of trading on 18 June 2014, it had a market capitalisation of approximately AUD\$1.7 billion.

### **Exposure to Magnum Hunter's business**

Magnum Hunter is presently active in three unconventional shale resource plays in the United States, specifically:

- the Marcellus Shale in West Virginia and Ohio;
- the Utica Shale in south-eastern Ohio and western West Virginia; and
- the Williston Basin/Bakken Shale in North Dakota.

Magnum Hunter is a participant in three prospective and active unconventional shale plays in the United States. The United States business environment in the oil and gas industry is characterised by a diversity of supply of technical expertise, equipment and materials. This generally results in efficient well drilling and construction and a ready availability of those services, reducing lead times for such operations.

The United States also has an extensive product processing and transportation network, or infrastructure, to allow the export of oil, gas and gas liquids to market, minimising the delay in monetising an economic hydrocarbon resource.



An attractive resource, an active work program, lower costs and faster access to markets can be significant value drivers in the oil and gas business in which Magnum Hunter operates.

Magnum Hunter is also a major shareholder (holding approximately 17% of the issued shares) in New Standard Energy Limited (ASX Code: NSE), the joint venture partner of Ambassador in PEL 570.

**Magnum Hunter has extensive experience in the unconventional oil and gas industry**

Magnum Hunter has substantial unconventional onshore shale oil and gas experience having been a pioneer in some of the largest shale plays in the United States during recent years. Magnum Hunter strives to use state of the art drilling, completion and production technologies, including certain completion techniques that Magnum Hunter has developed and continues to refine, allowing Magnum Hunter the opportunity for cost effective drilling, completion and production success.

In the past five years Magnum Hunter has monetised a significant holding in the Eagleford shale in south Texas for cash and non-cash consideration of US\$401 million after applying its expertise to developing those properties.

Magnum Hunter has indicated that it considers Ambassador's PEL 570 highly prospective for hydrocarbon resources and is looking to apply some or all of its advanced drilling, completion and production technologies at its disposal.

Further details regarding Magnum Hunter and its operations are set out in the Magnum Hunter Bidder's Statement, specifically Section 7 "Magnum Hunter and Outback Shale Hunter".

However, Ambassador Shareholders should also be aware that holding NYSE listed common stock will be different to holding shares in an Australian ASX listed entity. The holding and trading of Magnum Hunter common stock may be subject to additional administrative requirements, exposure to foreign exchange risk, subject to unfamiliar US securities law, a different regulatory regime and potentially a different and unfamiliar US tax system. There may also be difficulties in monitoring the financial performance of Magnum Hunter, as regulatory financial information would be presented on a United States GAAP basis, which may be unfamiliar to most Australian resident investors.

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**Reason 4 to accept the Magnum Hunter Offer:**

**You may prefer an investment in a NYSE listed entity that historically has had good trading volume and liquidity.**

Ambassador Shareholders who accept the Magnum Hunter Offer will receive shares that have historically traded at significantly higher daily volumes than Drillsearch. As outlined in Section 5.5 of the Magnum Hunter Bidder's Statement, the average trading daily volume of Magnum Hunter common stock on the NYSE has been approximately 4.1 million shares for the 2014 year to date. This volume of trading, if continued, should provide ample opportunity for the sale of Magnum Hunter common stock, provided however, they are not "restricted securities".

Ambassador Shareholders should also be aware that holding NYSE listed Magnum Hunter common stock will be different to holding shares in an Australian ASX listed entity. The holding and trading of Magnum Hunter common stock may be subject to additional administrative requirements, exposure to foreign exchange risk, subject to unfamiliar US securities law, a different regulatory regime and potentially a different and unfamiliar US tax system. There may also be difficulties in monitoring the

financial performance of Magnum Hunter, as regulatory financial information would be presented on a United States GAAP basis, which may be unfamiliar to most Australian resident investors.

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**Reason 5 to accept the Magnum Hunter Offer:**

**You may prefer an investment in a NYSE listed entity which provides geological, geographical and exchange rate diversity.**

Ambassador Shareholders who accept the Magnum Hunter Offer will obtain an investment with exposure to a number of geological oil and gas formations which are located in the United States and also have exposure to the large United States oil and gas market. This exposure may be preferable to some Ambassador Shareholders who are seeking an element of diversification in their investment portfolio. In addition, the Magnum Hunter Offer would also still have an interest in Ambassador's 47.5% of PEL 570 in the Cooper Basin, the precise quantum of that interest would be dependent on the percentage of shareholding in Ambassador that Magnum Hunter acquires as a result of the Magnum Hunter Offer.

However, Ambassador Shareholders should also be aware that holding NYSE listed common stock will be different to holding shares in an Australian ASX listed entity. The holding and trading of Magnum Hunter common stock may be subject to additional administrative requirements, exposure to foreign exchange risk, subject to unfamiliar US securities law, a different regulatory regime and potentially a different and unfamiliar US tax system. There may also be difficulties in monitoring the financial performance of Magnum Hunter, as regulatory financial information would be presented on a United States GAAP basis, which may be unfamiliar to most Australian resident investors

## 2.4 Reasons why you may wish to accept the Drillsearch Offer

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1. The Drillsearch Offer represents a significant premium to the closing price of Ambassador Shares of \$0.195 on 23 May 2014, being the trading day prior to Ambassador entering into a trading halt pending announcement of Drillsearch's original offer on 28 May 2014.
  2. By accepting the Drillsearch Offer you will own Drillsearch Shares allowing you to retain a less diluted exposure to Ambassador's key asset, and gain greater exposure to a more diversified Cooper Basin asset base in a profitable mid-tier ASX listed oil and gas business, and the risk profile of holding Drillsearch Shares is acceptable to you.
  3. You may prefer to receive cash and shares in Drillsearch, being an Australian ASX listed entity, instead of Magnum Hunter common stock, listed on the New York Stock Exchange.
  4. Ambassador Shareholders who favour a greater degree of certainty and control in relation to the liquidation of the consideration received for their Ambassador Shares may prefer to receive Drillsearch Shares and sell those on the ASX, rather than participate in the Magnum Hunter Sale Facility under the Magnum Hunter Offer (in particular in the short term).
  5. The risk profile of holding Magnum Hunter common stock or participating in the Magnum Hunter Sale Facility in order to liquidate your investment may be unacceptable for your investment circumstances.
  6. There may be a greater likelihood of receiving scrip-for-scrip capital gains tax rollover relief if you accept the Drillsearch Offer (in which acceptance of the Drillsearch Offer has a greater likelihood of receiving such relief than if you accept the Magnum Hunter Offer).
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### Reason 1 to accept the Drillsearch Offer:

**The Drillsearch Offer represents a significant premium to the closing price of Ambassador Shares of \$0.195 on 23 May 2014, being the trading day prior to Ambassador entering into a trading halt pending announcement of Drillsearch's original offer on 28 May 2014.**

The consideration offered under the Drillsearch Offer is 1 Drillsearch Share for every 5.4 of your Ambassador Shares plus 5 cents cash for every Ambassador Share.

The Drillsearch Offer implies a value of \$0.333 per Ambassador Share based on Drillsearch's closing share price of \$1.530 on 4 July 2014, being the last practicable trading day prior to the date of this Target's Statement. Specifically, the implied value of the Drillsearch Offer of \$0.333 per Ambassador Share represents a substantial premium of 70.94% to the closing price of Ambassador Shares of \$0.195 on 23 May 2014, the trading day prior to Ambassador entering into a trading halt pending announcement of the original Drillsearch Offer on 28 May 2014.

Your Ambassador Directors believe that the Drillsearch Offer provides Ambassador Shareholders with a compelling premium to the pre-bid Ambassador Share prices.

Your Ambassador Directors also note that the 70.94% premium of the Drillsearch Offer will change as a result of market movements in the Drillsearch share price.

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## Reason 2 to accept the Drillsearch Offer:

**By accepting the Drillsearch Offer you will own Drillsearch Shares allowing you to retain a less diluted exposure to Ambassador's key asset, and gain greater exposure to a more diversified asset base in a profitable mid-tier ASX listed oil and gas business, and the risk profile of holding Drillsearch Shares is acceptable to you.**

Drillsearch is a larger and more diversified oil and gas company than Ambassador. The respective boards of Ambassador and Drillsearch believe there is a compelling strategic rationale for the Drillsearch Offer, which would consolidate Drillsearch's dominant position in the Northern Cooper Wet Gas area by combining Ambassador's 47.5% non-operated interest in PEL 570 with Drillsearch's 80% owned and operated interest in the adjacent PEL 101. You may prefer to retain and increase your exposure to the Cooper Basin, consistent with your initial investment in Ambassador.

On the other hand, if you accept the Magnum Hunter Offer and receive Magnum Hunter common stock, you will become a shareholder in Magnum Hunter. Magnum Hunter is a larger United States-based operator, and the Cooper Basin would comprise a significantly smaller part of its overall business, which would in turn dilute the benefit in an investment in the Cooper Basin.

If the Drillsearch Offer succeeds, it is anticipated that Ambassador Shareholders may benefit from:

- **Exposure to Drillsearch's business:** exposure to Drillsearch, which is a profitable mid-tier ASX listed oil and gas company focused on growing reserves, production and cash flow.
- **Drillsearch's Cooper Basin interests:** exposure to Drillsearch's Cooper Basin interests that includes:<sup>4</sup>
  - exposure to a prolific Oil Business on the Western Flank;
  - a Wet Gas Business pursuing commercialisation of a number of existing discoveries in the Western and Northern Cooper areas;
  - an active Unconventional exploration program focused on ATP 940P in the Nappamerri Trough; and
  - 2P reserves of 28.7 million barrels of oil equivalent.
- **Strong acreage position in the Cooper Basin:** the Merged Group will have a strong presence in the Cooper Basin.
- **Ability to leverage scale efficiencies:** by combining Ambassador's assets with those of Drillsearch, the Merged Group may benefit from access to shared infrastructure and scale efficiencies to capitalise on the complementary acreage.
- **Diversified asset base:** Ambassador Shareholders will gain exposure to a larger and more diversified pool of assets and opportunities including Drillsearch's interests in the Cooper Basin, whilst retaining exposure to Ambassador's current asset base. Ambassador Shareholders will benefit from the operational diversity provided by exposure to numerous producing oil fields in the Cooper Basin.

There are a number of risks associated with an investment in Drillsearch Shares, including:

- merger integration risks;

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<sup>4</sup> Details derived from page 6 of the Drillsearch Bidder's Statement.

- exploration and development risks;
- drilling risks;
- production risks; and
- oil and gas price fluctuations.

You are already exposed to several of these risks, to varying degrees, as a result of holding Ambassador Shares. Please see Section 8 of the Drillsearch Bidder's Statement for further information.

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### **Reason 3 to accept the Drillsearch Offer:**

**You may prefer to receive cash and shares in Drillsearch, an Australian ASX listed entity, instead of Magnum Hunter common stock, listed on the New York Stock Exchange.**

Under the Drillsearch Offer, accepting Ambassador Shareholders will receive 1 Drillsearch Share for every 5.4 of your Ambassador Shares plus 5 cents cash for every Ambassador Share. Drillsearch is an Australian entity with its shares listed, and tradable on, the ASX.

Under the Magnum Hunter Offer, accepting Ambassador Shareholders will receive 1 share of Magnum Hunter common stock for every 23.6 Ambassador Shares. Magnum Hunter is listed New York Stock Exchange (**NYSE**).

Ambassador Shareholders (who are predominantly Australian resident shareholders based on the shareholder profile in Ambassador's share register) may prefer the familiarity of holding shares in an Australian ASX listed company in the form of Drillsearch Shares that could be more easily traded on the ASX, as compared to holding Magnum Hunter common stock that is listed on the NYSE, which can only be traded through a broker with international affiliation.<sup>5</sup>

The holding and trading of Magnum Hunter common stock may be subject to additional administrative requirements, exposure to foreign exchange risk, subject to unfamiliar US securities law, a different regulatory regime and potentially a different and unfamiliar US tax system. There may also be difficulties in monitoring the financial performance of Magnum Hunter, as regulatory financial information would be presented on a United States GAAP basis, which may be unfamiliar to most Australian resident investors.

Furthermore, as stated in Annexure A of the Magnum Hunter Bidder's Statement (pages 117 to 118), Ambassador Shareholders who accept the Magnum Hunter Offer may be issued with Magnum Hunter common stock that are "restricted securities" for the purposes of the *United States Securities Act of 1936*. If the Magnum Hunter common stocks are "restricted securities", restrictions on resale may apply.<sup>6</sup>

Any resale of "restricted securities" would be subject to a six-month holding period running from the date the restricted securities of Magnum Hunter common stock are acquired and certain other conditions. If you accept the Magnum Hunter Offer and elect to receive Magnum Hunter Stock and they are restricted securities, your ability to trade those securities, and the price at which you may sell them at, may be adversely affected.

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<sup>5</sup> "Annexure A – Trading Your Consideration Stock" of the Magnum Hunter Bidder's Statement, pages 117 to 118.

<sup>6</sup> Unless registered under the *United States Securities Act of 1933* or an exemption from registration is available.

Stated in Annexure A of the Magnum Hunter Bidder's Statement, Magnum Hunter expects that most, if not all, of the shares in Magnum Hunter common stock issued pursuant to the Magnum Hunter Offer would not be restricted securities. However, Magnum Hunter advises, and so too do your Ambassador Directors, that you consult your legal advisers if you have any questions about whether shares in Magnum Hunter common stock would be restricted securities if you were to accept the Magnum Hunter Offer, and, if so, obtain advice on applicable resale restrictions.

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#### **Reason 4 to accept the Drillsearch Offer:**

**Ambassador Shareholders who favour a greater degree of certainty and control in relation to the liquidation of the consideration received for their Ambassador Shares may prefer to receive Drillsearch Shares and sell those on the ASX, rather than participate in the Magnum Hunter Sale Facility under the Magnum Hunter Offer (in particular in the short term).**

Ambassador Shareholders who favour cash over scrip may prefer to receive Drillsearch Shares and the cash component under the Drillsearch Offer and sell those on the ASX, as this option may provide greater price certainty than electing to participate in the Magnum Hunter Sale Facility. For the reasons outlined below, the Ambassador Directors consider it is likely that Ambassador Shareholders would receive a material discount to the implied value of the Magnum Hunter Offer if they elect to participate in the Magnum Hunter Sale Facility.

Under the Magnum Hunter Offer, Ambassador Shareholders may instead elect to receive cash rather than holding Magnum Hunter common stock by electing to participate in the Magnum Hunter Sale Facility. Under this facility, the Magnum Hunter common stock to which an accepting Ambassador Shareholder would otherwise be entitled will be issued to the Sale Facility Agent and sold on their behalf. The proceeds of that sale will be remitted to the Ambassador Shareholder, less any costs and expenses of the sale, such as stamp duty and other sale expenses. The election to participate in the Magnum Hunter Sale Facility must be made at the time of acceptance of the Magnum Hunter Offer.

In addition, Section 14.2(5) of the Magnum Hunter Bidder's Statement (pages 87 to 88) states that payment of dividends or proceeds from the disposal of Magnum Hunter common stock may be subject to additional reporting requirements and "backup withholding" at the rate of 28%, unless an Ambassador Shareholder establishes an exemption, for example, by properly certifying your non-United States status on an United States Internal Revenue Service (**IRS**) Form W-8BEN. Ambassador Shareholders are strongly advised to consult your legal or tax adviser in relation to the implications of "backup withholding" by participating in the Magnum Hunter Sale Facility.

Section 15.9 of the Magnum Hunter Bidder's Statement sets out further details of the Magnum Hunter Sale Facility, which relevantly states that:

- The Sale Facility Agent can only sell the Magnum Hunter common stock outside of the United States and only to non-United States persons.
- The Magnum Hunter common stock sold by the Sale Facility Agent will be "restricted securities" under United States securities law<sup>7</sup> and any purchaser of those securities will be subject to restrictions on transfer, including a restriction on any sales in the United States or for the benefit of United States persons for a period of 6 months.

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<sup>7</sup> Unless registered under the *United States Securities Act of 1933* or an exemption from registration is available.

- The Sale Facility Agent will only be issued with your Magnum Hunter common stock for sale under the Magnum Hunter Sale Facility on or before the earlier of one month after the date of your acceptance or 21 days after the end of the Magnum Hunter Offer period.
- The Sale Facility Agent will only remit the cash proceeds to Ambassador Shareholders after **all** Magnum Hunter common stock it has been issued has been sold by the Sale Facility Agent.
- There is no guarantee as to when the Sale Facility Agent will be able to sell your Magnum Hunter common stock, if at all, and therefore no guarantee as to when you will receive the cash proceeds of those sales.
- The proceeds you would receive under the Magnum Hunter Sale Facility would be less any stamp duty and other sale expenses. The Magnum Hunter Bidder's Statement has not specified what stamp duty, costs and expenses would be, or how they would be calculated.
- The Magnum Hunter Sale Facility is not underwritten, and therefore no guarantee that the Sale Facility Agent will be able to sell your Magnum Hunter common stock at the same price as the implied value of the Magnum Hunter Offer.

For the reasons above, the Ambassador Directors consider that:

- the significant restrictions on resale of the Magnum Hunter common stock, particularly since it can only be offered to non-United States persons and any purchaser would be subject to a 6 month resale restriction;
- the undisclosed stamp duty, sale costs and expenses;
- exposure to foreign currency movement;
- the fact that no guarantee can be provided as to when your Magnum Hunter common stock would be sold, if at all; and
- the uncertain timing as to when Ambassador Shareholders would receive the cash proceeds,

would likely have a material and adverse impact on the price at which the Sale Facility Agent could sell the Magnum Hunter common stock. Accordingly, the Ambassador Directors consider it is likely that Ambassador Shareholders would receive a material discount to the implied value of the Magnum Hunter Offer if they elect to participate in the Magnum Hunter Sale Facility.

On 20 and 23 June 2014, the Takeovers Panel announced that it had made interim orders with the effect that Drillsearch Bidco and Magnum Hunter Bidco 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.

Accordingly, accepting Ambassador Shareholders will not receive the Drillsearch Offer Consideration or the Magnum Hunter Offer Consideration whilst the respective interim orders remain in effect. Please see Section 3 regarding further information about the Takeovers Panel applications.

However, on 16 June 2014, Drillsearch announced accelerated payment terms whereby Drillsearch Bidco will provide the Drillsearch Offer Consideration (Drillsearch Shares and the cash component) within 10 Business Days of receipt of a valid acceptance. Once the interim orders are no longer in effect, an Ambassador Shareholder who accepts the Drillsearch Offer and subsequently sells some or all of

their Drillsearch Shares on the ASX is more likely to receive cash sooner, than if an Ambassador Shareholder accepts the Magnum Hunter Offer and elects to participate in the Magnum Hunter Sale Facility (by which time the Magnum Hunter common stock price and the Australian to US Dollar exchange rate may have materially changed from the point at which an Ambassador Shareholder makes the decision on which to accept the Magnum Hunter Offer).

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#### **Reason 5 to accept the Drillsearch Offer:**

**The risk profile of holding Magnum Hunter common stock or participating in the Magnum Hunter Sale Facility in order to liquidate your investment may be unacceptable for your investment circumstances.**

You may prefer to accept the Drillsearch Offer and receive 1 Drillsearch Share for every 5.4 of your Ambassador Shares plus 5 cents cash for every Ambassador Share, rather than becoming a shareholder in Magnum Hunter, because you may consider Magnum Hunter's risk profile to be unacceptable for your investment circumstances.

Based on the Ambassador Directors' review of the Magnum Hunter Bidder's Statement and their own independent analysis, they have identified material concerns with an investment in Magnum Hunter, including:

- **(History of significant losses)** Magnum Hunter has a history of losses and cannot assure investors that it will be profitable in the foreseeable future, with accumulated deficit of US\$586.4 million since it entered the oil and gas business in April 2005 through to 31 December 2013.<sup>8</sup>
- **(Significant debt levels)** Magnum Hunter has significant debt levels. As at 31 March 2014, Magnum Hunter's total outstanding indebtedness was approximately US\$869.9 million. Magnum Hunter states that it depends upon borrowings under its credit facilities, cash generated from operations, proceeds from sales of non-core assets, and the availability of equity and debt financing to fund its operations and planned capital expenditure. This significant level of indebtedness and reliance on borrowings could adversely affect Magnum Hunter's financial condition and ability to operate its business.<sup>9</sup>
- **(Pending SEC investigations)** Magnum Hunter is currently subject to pending United States Securities and Exchange Commission (**SEC**) investigation. As stated in Section 6 "Risk factors" of the Magnum Hunter Bidder's Statement (page 25), *"on 26 April 2013, Magnum Hunter was advised by the staff of the SEC Enforcement Division that the SEC had commenced an inquiry into matters disclosed in certain of Magnum Hunter's SEC filings and press releases, as well as the sufficiency of Magnum Hunter's internal controls and its decisions to change auditors from Hein & Associates LLP to PricewaterhouseCoopers LLP, and from PricewaterhouseCoopers LLP to BDO USA, LLP, among other matters."*

Magnum Hunter has not provided any details relating to the circumstances as to why Hein & Associates LLP and PricewaterhouseCoopers LLP were removed as its auditors in the Magnum Hunter Bidder's Statement.

Magnum Hunter may incur significant professional fees and other costs in responding to the SEC investigation, and if enforcement action is determined, Magnum Hunter could be required to pay substantial civil

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<sup>8</sup> Section 6 "Risk factors" of the Magnum Hunter Bidder's Statement, page 25.

<sup>9</sup> Section 6 "Risk factors" of the Magnum Hunter Bidder's Statement, page 25.



penalties and fines. Magnum Hunter has failed to disclose the scope, timing and quantum of the penalties, fines or sanctions which may be imposed by the SEC. The SEC could also impose other sanctions against Magnum Hunter or its current and/or former directors and officers. Any of these events could have a material adverse affect on the business of Magnum Hunter, its financial condition, results of operations or cash flows.<sup>10</sup>

The Ambassador Directors consider the pending SEC investigation material and may raise questions surrounding the adequacy of Magnum Hunter's regulatory disclosure requirements, internal and financial controls and general business operations.

- **(Subject to class actions and other litigation)** The Magnum Hunter Bidder's Statement disclosed details of material litigation which Magnum Hunter is currently the subject of as at the date of the Magnum Hunter Bidder's Statement. On 23 June 2014,<sup>11</sup> Magnum Hunter was successful in dismissing five of the separate securities class action and shareholder derivative lawsuits filed in four different judicial courts without any monies paid to any plaintiffs or their respective legal counsel. Magnum Hunter states that the plaintiffs in the consolidated securities class action lawsuit can appeal the decision to the United States Court of Appeals for the Second Circuit. Magnum Hunter states that it is currently working to obtain dismissal of the last remaining shareholder derivative lawsuit. The material litigation related to several shareholder class action complaints and putative shareholder derivative complaints, some of which relate to the SEC investigation referred to above.

In relation to the remaining shareholder derivative lawsuit, Magnum Hunter has failed to provide details on the timing for the case to be heard, Magnum Hunter's position on the claim or the scope, timing or quantum of the claim. These details may be highly material for Ambassador Shareholders.

Magnum Hunter also notes that it has received demand letters from several shareholders seeking books and records relating to the allegations in relation to the material litigation which Magnum Hunter is currently the subject of. It is possible that additional similar legal proceedings may be filed against Magnum Hunter and that similar shareholder demands could be made. Further details of the material litigation disclosed by Magnum Hunter are set out in Section 16.3 "Material Litigation" of the Magnum Hunter Bidder's Statement (pages 99 to 101).

Further details of the above risks, and other relevant risks, are set out in Section 6 "Risk factors" of the Magnum Hunter Bidder's Statement (page 25).

Ambassador was not provided access to due diligence on Magnum Hunter (other than Magnum Hunter's latest statutory accounts and several independent broker reports in relation to Magnum Hunter) and therefore does not have any information which a reasonable person would expect to have a material effect on the price or value of Magnum Hunter securities, its business, operations or any other information that may be material to a decision by an Ambassador Shareholder whether or not to accept the Magnum Hunter Offer.

**Reason 4** on page 18 of this Target's Statement outlines the risks and uncertainties in relation to the Magnum Hunter Sale Facility.

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<sup>10</sup> Section 6 "Risk factors" of the Magnum Hunter Bidder's Statement, pages 27 to 28.

<sup>11</sup> Magnum Hunter's press release dated 24 June 2014 "*Magnum Hunter Resources Announces Dismissal of Consolidated Securities Class Action Lawsuit in the United States District Court for the Southern District of New York.*"

## **Reason 6 to accept the Drillsearch Offer:**

**There may be a greater likelihood of receiving scrip-for-scrip capital gains tax rollover relief if you accept the Drillsearch Offer (in which acceptance of the Drillsearch Offer has a greater likelihood of receiving such relief than if you accept the Magnum Hunter Offer).**

A general outline of the Australian tax implications of accepting the Drillsearch Offer is set out in Section 9 of the Drillsearch Bidder's Statement and Section 5 of the Supplementary Drillsearch Bidder's Statement applicable to the cash component of the Drillsearch Offer Consideration.

A general outline of the Australian and United States tax implications of accepting the Magnum Hunter Offer is set out in Section 11 of the Magnum Hunter Bidder's Statement.

Those general outlines contain information regarding the availability of scrip-for-scrip capital gains tax rollover relief.

Generally speaking, scrip-for-scrip rollover relief enables a shareholder to elect to defer a capital gain made on the disposal of a share as part of a corporate takeover or merger, if the shareholder receives a replacement share in exchange. However, one of the key requirements to be entitled to scrip-for-scrip rollover relief is that as a result of a corporate takeover or merger, the bidder (and its wholly owned subsidiaries) acquires at least 80% of the voting shares in Ambassador.

As at 4 July 2014, being the last practical trading day prior to the date of this Target's Statement, Drillsearch (with its Associates) has a Relevant Interest in approximately 52.97% of the voting shares in Ambassador.<sup>12</sup> Accordingly, there is a greater likelihood that scrip-for-scrip capital gains tax rollover relief would be available to Ambassador Shareholders who accept the Drillsearch Offer (only in respect of the scrip component of the Drillsearch Offer Consideration, and not the cash component).

Scrip-for-scrip rollover relief would only be available under the Magnum Hunter Offer if Drillsearch also accepted into the Magnum Hunter Offer (in order for Magnum Hunter to acquire at least 80% of the voting shares in Ambassador).

If Ambassador Shareholders accept the Magnum Hunter Offer and receive Magnum Hunter common stock, and scrip-for-scrip capital gains tax rollover relief is **not** available, then Ambassador Shareholders may have capital gains tax liability. If so, Ambassador Shareholders would need to fund that capital gains tax liability.

Since the outline of the Australian and United States taxation implications of accepting the Magnum Hunter Offer or the Drillsearch Offer are general in nature only, you are advised to seek your own specific professional advice as to the taxation implications applicable to your circumstances.

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<sup>12</sup> As at 4 July 2014, being the last practical trading day prior to the date of this Target's Statement. Based on Drillsearch's ASIC Form 604 Notice of change of interests of substantial holder dated 30 June 2014. On 18 June 2014, Magnum Hunter submitted an application to the Takeovers Panel seeking a declaration of unacceptable circumstances in relation to the affairs of Ambassador. Magnum Hunter has sought orders to the effect that Drillsearch must divest of its 19.9% pre-bid shareholding in Ambassador and allow any Ambassador Shareholder who has already accepted the Drillsearch Offer the right to withdraw that acceptance. The Takeovers Panel may grant such orders with the effect that Drillsearch's shareholding in Ambassador would be less than stated above.

## 2.5 Other relevant considerations

The Ambassador Directors also encourage you to take into account the following additional considerations in deciding whether to accept the Magnum Hunter Offer, the Drillsearch Offer, or none at all.

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1. You may wish to sell your Ambassador Shares on-market on the ASX and not accept the Magnum Hunter Offer or the Drillsearch Offer.
  2. There is a risk that liquidity in Ambassador Shares may be reduced if Magnum Hunter Bidco or Drillsearch Bidco is unable to proceed to compulsory acquisition.
  3. You may consider there is the potential for a superior proposal to be made in relation to Ambassador in the foreseeable future.
  4. The Ambassador Share price is likely to fall, at least in the short term, if you do not accept the Magnum Hunter Offer or the Drillsearch Offer and the respective Offer Periods have closed, in the absence of a superior proposal.
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### Other relevant considerations 1:

#### **You may wish to sell your Ambassador Shares on-market on the ASX and not accept the Magnum Hunter Offer or the Drillsearch Offer.**

You can sell your Ambassador Shares on-market if you have not accepted the Magnum Hunter Offer or the Drillsearch Offer.

The latest price of Ambassador Shares may be obtained from the ASX website at [www.asx.com.au](http://www.asx.com.au) (ASX code: AQO).

Ambassador Shareholders who sell their Ambassador Shares on-market:

- (a) will lose the opportunity to receive any future benefits from being a shareholder in Ambassador;
  - (b) may incur a brokerage charge; and
  - (c) will lose the opportunity to participate in the benefits of any potential higher offer from Drillsearch Bidco, Magnum Hunter Bidco or under any other competing proposal, if such a higher offer or competing proposal eventuates.
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### Other relevant considerations 2:

#### **There is a risk that liquidity in Ambassador Shares may be reduced if Magnum Hunter Bidco or Drillsearch Bidco is unable to proceed to compulsory acquisition.**

Both Magnum Hunter and Drillsearch have declared their respective offers unconditional. There is a possibility that if Magnum Hunter Bidco or Drillsearch Bidco has not received sufficient acceptances to be able to proceed to compulsory acquisition, that Ambassador will remain a publicly traded company but with reduced liquidity for ongoing shareholders. Ordinarily, this scenario would arise if Magnum Hunter Bidco or Drillsearch Bidco (together with its other Associates) does not have, during or at the end of the offer period, a Relevant Interest in at least 90% (by number) of Ambassador Shares and have acquired at least 75% by number of the Ambassador Shares offered to be acquired. This decreased liquidity and no takeover

offer for Ambassador after the Magnum Hunter Offer and Drillsearch Offer has closed may adversely affect the Ambassador Share price.

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#### **Other relevant considerations 3:**

**You may consider there is the potential for a superior proposal to be made in relation to Ambassador in the foreseeable future.**

You may believe that there is a possibility that a superior proposal could emerge in the foreseeable future, either in the form of an increased offer from Magnum Hunter or Drillsearch, or another party.

If you accept the Magnum Hunter Offer or the Drillsearch Offer or sell your Ambassador Shares on-market, you will lose the opportunity to participate in the benefits of any potential higher offer from Magnum Hunter Bidco, Drillsearch Bidco or under any other competing proposal, if such a higher offer or competing proposal eventuates.

However, if you accept or have already accepted the Magnum Hunter Offer, and Magnum Hunter Bidco subsequently increases the consideration offered under the Magnum Hunter Offer, you will also receive the increased price for your Ambassador Shares.

This will also apply if you accept the Drillsearch Offer, and Drillsearch Bidco subsequently increase the consideration offered under the Drillsearch Offer.

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#### **Other Relevant Considerations 4:**

**The Ambassador Share price is likely to fall, at least in the short term, if you do not accept the Magnum Hunter Offer or the Drillsearch Offer and the respective Offer Periods have closed, in the absence of a superior proposal.**

There are many factors that affect the Ambassador Share price. However, the Ambassador Directors consider that in the absence of the Magnum Hunter Offer or the Drillsearch Offer or an alternative proposal, or speculation regarding an alternative proposal, the Ambassador Share price may fall below current levels, at least in the short term.

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### 3 Recent developments – Takeovers Panel applications

The following table summarises the key events in relation to the Takeovers Panel applications in relation to the affairs of Ambassador regarding the Drillsearch Offer and the Magnum Hunter Offer.

<b>18 June 2014</b>	<p>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.</p> <p>As at the date immediately prior to this Target's Statement, this Takeovers Panel proceeding remains on foot.</p>
<b>20 June 2014</b>	<p>Magnum Hunter lodged the Magnum Hunter Bidder's Statement with ASIC and the ASX and served a copy on Ambassador.</p>
<b>20 June 2014</b>	<p>In response to Magnum Hunter's application on 18 June 2014, the Takeovers Panel made interim orders to the effect that Drillsearch must not take any further steps to process any acceptances received in relation to the Drillsearch Offer and not to appoint a director to the Ambassador Board pursuant to clause 7.3 of the Bid Implementation Agreement.</p> <p>These interim orders have effect until the earliest of:</p> <ul style="list-style-type: none"><li>• further order of the Takeovers Panel;</li><li>• the determination of the proceedings before the Takeovers Panel; and</li><li>• 2 months from the date of the interim order.</li></ul>
<b>22 June 2014</b>	<p>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.</p> <p>As at the date immediately prior to this Target's Statement, this Takeovers Panel proceeding remains on foot.</p>
<b>23 June 2014</b>	<p>In response to Drillsearch's application on 22 June 2014, the Takeovers Panel made interim orders to the effect that Magnum Hunter Bidco must not take any further steps to process any acceptances received in relation to the Magnum Hunter Offer.</p> <p>These interim orders have effect until the earliest of:</p> <ul style="list-style-type: none"><li>• further order of the Takeovers Panel;</li><li>• the determination of the proceedings before the Takeovers Panel; and</li><li>• 2 months from the date of the interim order.</li></ul>
<b>23 June 2014</b>	<p>As part of Magnum Hunter's application, the Takeovers Panel accepted written undertakings by three Ambassador Shareholders (two of whom are Ambassador Directors, Mr Giustino Guglielmo and Mr David Shaw) to not dispose of the Drillsearch Shares they were issued as part of their acceptance of the Drillsearch Offer, until the Takeovers Panel orders otherwise or the determination of the Takeovers Panel proceedings.</p>

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](http://www.asx.com.au) (ASX Code: AQO).

As a result of the interim orders made by the Takeovers Panel on 20 and 23 June 2014 (referred to above), accepting Ambassador Shareholders will not receive the Drillsearch Offer Consideration or the Magnum Hunter Offer Consideration whilst the respective interim orders remain in effect.

As at the date immediately prior to this Target's Statement, these Takeovers Panel proceedings remain on foot.

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## **4 How to accept the Magnum Hunter Offer**

### **4.1 How to accept**

If you decide to accept the Magnum Hunter Offer, your acceptance must be received before the close of the Magnum Hunter Offer Period (currently scheduled to be 7:00pm (Sydney time) on 23 July 2014, unless extended in accordance with the Corporations Act).

Please refer to Section 15.4 of the Magnum Hunter Bidder's Statement for further information on how to accept the Magnum Hunter Offer.

You can only accept the Magnum Hunter Offer during the Magnum Hunter Offer Period for all of your Ambassador Shares. You will be taken to have accepted the Magnum Hunter Offer for all your Ambassador Shares plus any additional Ambassador Shares held by you at the date your acceptance is processed (despite any difference between that number and the number of Ambassador Shares specified when you accept the Magnum Hunter Offer).

You should read this Target's Statement and the Magnum Hunter Bidder's Statement, the Drillsearch Bidder's Statement, the Supplementary Drillsearch Bidder's Statement and Ambassador's Target's Statement in response to the Drillsearch Offer in their entirety before making a decision on whether to accept the Magnum Hunter Offer, the Drillsearch Offer, or none at all.

Depending on the nature of your holding, you may accept the Drillsearch Offer in the following ways:

### **4.2 Issuer Sponsored Holdings**

**If you hold your Ambassador Shares in an Issuer Sponsored Holding (Securityholder Reference Number beginning with 'I'):**

Complete and sign the Acceptance Form (included with the Magnum Hunter Bidder's Statement) in accordance with the instructions on it and return the Acceptance Form together with all other documents required by the instructions so that they are received before the end of the Magnum Hunter Offer Period.

### **4.3 CHESS Holdings**

**If you hold your Ambassador Shares in a CHESS Holding (Holder Identification Number beginning with 'X') and you are not a Participant:**

Either:

- **instruct** your controlling participant (usually your broker) to accept the Magnum Hunter Offer on your behalf before the end of the Magnum Hunter Offer Period; or
- **complete and sign** the Acceptance Form (included with the Magnum Hunter Bidder's Statement) in accordance with the instructions on it to authorise Magnum Hunter Bidco to instruct your controlling participant on your behalf to initiate acceptance of the Magnum Hunter Offer in accordance with rule 14.14 of the ASX Settlement Operating Rules in respect of your Ambassador Shares. For return of the Acceptance Form to be an effective acceptance of the Magnum Hunter Offer, you must ensure it is received by Magnum Hunter Bidco in time to give instructions to your controlling participant, and for your controlling participant to carry out those instructions, before the end of the Magnum Hunter Offer Period.

If you are a Participant, you must yourself initiate acceptance under rule 14.14 of the ASX Settlement Operating Rules so as to be effective before the end of the Magnum Hunter Offer Period.



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## 5 Frequently asked questions

This Section 5 answers questions that may be commonly asked about the Magnum Hunter Offer. A number of other questions may also be answered by the summary of the Magnum Hunter Offer, which is contained in Sections 0 and 7 of this Target's Statement.

This Section 5 is not intended to address all relevant issues for Ambassador Shareholders. It should be read together with all other parts of this Target's Statement, and the Magnum Hunter Bidder's Statement.

For further information, please refer to the answers to the frequently asked questions in Section 3 of the Magnum Hunter Bidder's Statement.

Question	Answer	Further information
1. What is the Magnum Hunter Offer?	<p>Magnum Hunter Bidco, a wholly owned subsidiary of Magnum Hunter, is offering to acquire all of your Ambassador Shares by way of an off-market takeover offer.</p> <p>The Magnum Hunter Offer is 1 share of Magnum Hunter common stock for every 23.6 Ambassador Shares, on the terms and conditions contained in Section 15 of the Magnum Hunter Bidder's Statement.</p>	<p>Section 7</p> <p>Section 15 of the Magnum Hunter Bidder's Statement</p>
2. What do the Ambassador Directors recommend I do?	<p>The Ambassador Directors unanimously recommend that:</p> <p>Ambassador Shareholders should <b>ACCEPT THE MAGNUM HUNTER OFFER</b> if you:</p> <ul style="list-style-type: none"><li>wish to receive the higher implied premium for your Ambassador Shares; or</li><li>prefer to have an investment in a larger New York Stock Exchange listed entity with extensive experience in the unconventional oil and gas industry and large interests in shale resource basins in the United States in respect of which Magnum Hunter intends to invest significant capital in exploration and development activities; <b>AND</b></li><li>are prepared to accept the risk profile of being a Magnum Hunter shareholder or the risks and uncertainties of participating in the Magnum Hunter Sale Facility.</li></ul> <p>However, Ambassador Shareholders should <b>ACCEPT THE DRILLSEARCH OFFER</b> if one or more of the following applies:</p> <ul style="list-style-type: none"><li>You wish to retain and increase your exposure to the Cooper Basin with an investment in Drillsearch, consistent with your initial investment in Ambassador and the risk profile of holding Drillsearch Shares is acceptable to you.</li><li>You prefer to receive a combination of cash and shares in an Australian ASX listed entity, instead of common stock in an entity which is</li></ul>	<p>Section 2</p>

Question	Answer	Further information
	<p>listed on the New York Stock Exchange.</p> <ul style="list-style-type: none"> <li>You intend to liquidate your investment in the short term and wish to have a greater degree of control and certainty in relation to the subsequent sale of the consideration received for your Ambassador Shares.</li> <li>The risk profile of holding Magnum Hunter common stock or participating in the Magnum Hunter Sale Facility in order to liquidate your investment may be unacceptable for your investment circumstances.</li> <li>You wish to have the benefit of scrip-for-scrip capital gains tax rollover relief (in which acceptance of the Drillsearch Offer has a greater likelihood of receiving such relief than if you accept the Magnum Hunter Offer).</li> </ul> <p>The Ambassador Directors' recommendation and reasons are set out in Section 2 of this Target's Statement.</p>	
<b>3. What is the Drillsearch Offer?</b>	<p>On 12 June 2014, Drillsearch lodged the Drillsearch Bidder's Statement with ASIC, as supplemented by the Supplementary Drillsearch Bidder's Statement lodged with ASIC on 16 June 2014 which sets out the terms of the Drillsearch Offer.</p> <p>Ambassador released its Target's Statement in response to the Drillsearch Offer on 1 July 2014.</p> <p>Ambassador Shareholders should have received a copy of these documents. These documents are also available from Ambassador's website at <a href="http://www.ambassadorsexp.com.au">www.ambassadorsexp.com.au</a> and on the ASX's website at <a href="http://www.asx.com.au">www.asx.com.au</a> (ASX Code: AQO).</p> <p>By way of summary, under the Drillsearch Offer, Drillsearch Bidco is offering to acquire all of your Ambassador Shares by way of an off-market takeover offer for 1 Drillsearch Share for every 5.4 Ambassador Shares you own plus 5 cents cash for every Ambassador Share. Drillsearch also declared the Drillsearch Offer unconditional.</p> <p>The Ambassador Directors' recommendation and reasons on whether to accept the Magnum Hunter Offer, the Drillsearch Offer, or none at all, are set out in Section 2 of this Target's Statement.</p> <p>Ambassador Shareholders should refer to the Target's Statement in response to the Drillsearch Offer.</p> <p>Ambassador Shareholders should refer to the Drillsearch Bidder's Statement, as supplemented by the Supplementary Drillsearch Bidder's Statement for further information regarding the Drillsearch Offer.</p>	<p>Section 2</p> <p>Ambassador Target's Statement in response to the Drillsearch Offer</p> <p>Drillsearch Bidder's Statement</p> <p>Supplementary Drillsearch Bidder's Statement</p>
<b>4. What are the Takeovers Panel proceedings in relation to Ambassador?</b>	<p>Please refer to Section 3 of this Target's Statement "Recent developments – Takeovers Panel" for further information.</p>	<p>Section 3</p>

Question	Answer	Further information
<p>5. <b>What do the Ambassador Directors intend to do with their Ambassador Shares?</b></p>	<p>On 16 June 2014, two of the three Ambassador Directors, Mr David Shaw and Mr Giustino Guglielmo, having independently assessed the merits of the Drillsearch Offer, accepted the Drillsearch Offer in respect of the 9,000,000 Ambassador Shares that they own or control, representing approximately 6.34% of the issued Ambassador Shares.</p> <p>Mr Shaw and Mr Guglielmo accepted the Drillsearch Offer in respect of those Ambassador Shares before Magnum Hunter announced its revised takeover offer for Ambassador, which was announced on 17 June 2014.</p> <p>Mr Giustino Guglielmo also has an interest in 100,000 Ambassador Shares held jointly in his capacity as a trustee of the Nicola Guglielmo Family Trust, and 1 Ambassador Share held directly by Mr Guglielmo. As at the date of this Target's Statement, Mr Guglielmo remains undecided on whether he intends to accept the Drillsearch Offer, the Magnum Hunter Offer, or neither of them or sell on market in respect to these Ambassador Shares, representing, approximately 0.07% of the issued Ambassador Shares.</p> <p>Mr Emmanuel Correia, Non-Executive Director and Company Secretary of Ambassador, as at the date of this Target's Statement, remains undecided on whether he intends to accept the Drillsearch Offer, the Magnum Hunter Offer, or neither of them or sell on market . Mr Correia owns or controls 1,375,000 Ambassador Shares, representing approximately 0.96% of the issued Ambassador Shares.</p>	<p>Section 2.2</p>
<p>6. <b>What choices do I have as an Ambassador Shareholder?</b></p>	<p>As an Ambassador Shareholder, you have the following choices with respect to your Ambassador Shares:</p> <ul style="list-style-type: none"> <li>• accept the Magnum Hunter Offer for all your Ambassador Shares;</li> <li>• accept the Drillsearch Offer for all your Ambassador Shares;</li> <li>• sell your Ambassador Shares on-market (subject to any restrictions in doing so); or</li> <li>• do nothing (which in effect, rejects the Magnum Hunter Offer and the Drillsearch Offer).</li> </ul> <p>There are implications in relation to each of the above choices. A summary of these implications is set out in Section 6 of this Target's Statement.</p>	<p>Section 6</p>

Question	Answer	Further information
<b>7. Are there any risks in accepting the Magnum Hunter Offer?</b>	<p>If you accept the Magnum Hunter Offer, you will be issued with Magnum Hunter common stock, unless you elect to participate in the Magnum Hunter Sale Facility. There are a number of risks associated with an investment in Magnum Hunter common stock and the Magnum Hunter Offer itself.</p> <p>Those risks are set out in Section 6 of the Magnum Hunter Bidder's Statement.</p> <p>Please also see Section 9.2 of this Target's Statement for further information.</p>	<p>Section 9.2</p> <p>Section 6 of the Magnum Hunter Bidder's Statement</p>
<b>8. How do I accept the Magnum Hunter Offer?</b>	<p>To accept the Magnum Hunter Offer, refer to Section 15.4 of the Magnum Hunter Bidder's Statement, as well as the instructions on the acceptance form enclosed with the Magnum Hunter Bidder's Statement.</p> <p>If you wish to accept the Magnum Hunter Offer, you should ensure that you correctly accept the Magnum Hunter Offer before the end of the Magnum Hunter Offer Period.</p> <p>Please see also Section 4 of this Target's Statement for further information about how to accept the Magnum Hunter Offer.</p>	<p>Section 4</p> <p>Section 15.4 of the Magnum Hunter Bidder's Statement</p>
<b>9. What if I am a Foreign Shareholder?</b>	<p>If your address on the Ambassador's register of members is outside of Australia and its external territories or the United States, you may be an Ineligible Foreign Shareholder.</p> <p>If you are an Ineligible Foreign Shareholder, you will not be entitled to receive Magnum Hunter common stock if you accept the Magnum Hunter Offer.</p> <p>Instead, your Magnum Hunter common stock to which you would otherwise be entitled to will be sold under the Magnum Hunter Sale Facility and the proceeds of that sale will be remitted to you in cash. However, in the Ambassador Directors' opinion, it is likely that the Magnum Hunter Sale Facility will result in you receiving cash that is a material discount to the implied value of the Magnum Hunter Offer.</p> <p>Please see Section 7.13 of this Target's Statement and Section 15.8 of the Magnum Hunter Bidder's Statement for further information regarding Ineligible Foreign Shareholders.</p> <p>Please also see Section 7.5 of this Target's Statement and Section 15.9 of the Magnum Hunter Bidder's Statement for further information regarding the Magnum Hunter Sale Facility.</p>	<p>Sections 7.5 and 7.13</p> <p>Sections 15.8 and 15.9 of the Magnum Hunter Bidder's Statement</p>
<b>10. How do I reject the Magnum Hunter Offer?</b>	<p>To reject the Magnum Hunter Offer, you should take no action.</p>	
<b>11. When does the Magnum Hunter Offer open?</b>	<p>The Magnum Hunter Offer opened on 20 June 2014.</p>	

Question	Answer	Further information
12. <b>When does the Magnum Hunter Offer close?</b>	The Magnum Hunter Offer is currently scheduled to close at 7:00pm (Sydney time) on 23 July 2014, unless extended or withdrawn in accordance with the Corporations Act.	
13. <b>Can Magnum Hunter Bidco extend the Magnum Hunter Offer Period?</b>	Yes, the Magnum Hunter Offer can be extended by Magnum Hunter Bidco at any time prior to the end of the Magnum Hunter Offer Period, or otherwise in accordance with the Corporations Act. You will receive written notice of any extension, as required by the Corporations Act.	Section 7.7 Section 15.3 of the Drillsearch Bidder's Statement
14. <b>Who is Magnum Hunter?</b>	<p>Magnum Hunter is a United States based, publicly traded independent oil and gas company engaged in the exploration for and the exploitation, acquisition, development and production of crude oil, natural gas liquids resources in the United States.</p> <p>It is presently active in what it believes to be three of the most prolific unconventional shale resource plays in the United States, specifically:</p> <ul style="list-style-type: none"> <li>the Marcellus Shale in West Virginia and Ohio;</li> <li>the Utica Shale in southeastern Ohio and western West Virginia; and</li> <li>the Williston Basin/Bakken Shale in North Dakota.</li> </ul> <p>Magnum Hunter is also engaged in midstream and oilfield services operations, primarily in West Virginia and Ohio.</p> <p>Additional information regarding Magnum Hunter can be found on its website, <a href="http://www.magnumhunterresources.com">www.magnumhunterresources.com</a>.</p>	Sections 7, 8 and 9 of the Magnum Hunter Bidder's Statement
15. <b>What is the difference between Magnum Hunter Bidco and Magnum Hunter?</b>	<p>The Magnum Hunter Offer is being made by Magnum Hunter Bidco.</p> <p>Magnum Hunter Bidco is a wholly owned subsidiary of Magnum Hunter.</p>	
16. <b>What is Magnum Hunter Bidco's shareholding in Ambassador?</b>	As at 4 July 2014, being the last practical trading day prior to the date of this Target's Statement, Magnum Hunter Bidco is not a shareholder in Ambassador.	
17. <b>What are the conditions to the Magnum Hunter Offer?</b>	<p>The Magnum Hunter Offer has been declared unconditional.</p> <p>This means the Magnum Hunter Offer will proceed and will not be subject to any conditions. This means that if you accept the Magnum Hunter Offer, Magnum Hunter Bidco will acquire your Ambassador Shares and you will receive the Magnum Hunter Offer Consideration.</p> <p>Please see Section 7.8 of this Target's Statement for further information.</p>	Section 7.8

Question	Answer	Further information
<b>18. What is the Magnum Hunter Bidder's Statement?</b>	<p>The Magnum Hunter Bidder's Statement is the document prepared by Magnum Hunter Bidco which sets out the terms of the Magnum Hunter Offer, as required by the Corporations Act. Magnum Hunter lodged the Magnum Hunter Bidder's Statement with ASIC on 20 June 2014.</p> <p>All Ambassador Shareholders should have recently received a copy of the Magnum Hunter Bidder's Statement in the post.</p> <p>A copy can also be obtained from Ambassador's website at <a href="http://www.ambassadorexp.com.au">www.ambassadorexp.com.au</a> and the ASX's website at <a href="http://www.asx.com.au">www.asx.com.au</a> (ASX Code: AQO).</p>	
<b>19. What is this Target's Statement?</b>	<p>This Target's Statement is the formal response by the Ambassador Directors to the Magnum Hunter Offer, as required by the Corporations Act. This document has been prepared by Ambassador and contains important information to help you decide whether to accept the Magnum Hunter Offer.</p>	
<b>20. What happens if I do nothing?</b>	<p>If you do nothing in relation to the Magnum Hunter Offer, you will remain an Ambassador Shareholder, subject to the comments below.</p> <p>Magnum Hunter Bidco has stated in Section 11.3(1) of the Magnum Hunter Bidder's Statement that it intends to compulsorily acquire all remaining Ambassador Shares if Magnum Hunter Bidco (with its Associates) have a Relevant Interest in at least 90% (by number) of Ambassador Shares and have acquired at least 75% by number of the Ambassador Shares offered to be acquired during or at the end of the Magnum Hunter Offer Period. Please see Section 7.15 of this Target's Statement for more details.</p> <p>Even if Magnum Hunter Bidco does not proceed to compulsory acquisition, it may still acquire a significant Ambassador shareholding as a result of the Magnum Hunter Offer. You should consider the implications of remaining a minority shareholder in these circumstances, as set out in Section 7.17 of this Target's Statement.</p>	<p>Sections 3, 7.15 and 7.17</p> <p>Section 11.3 of the Magnum Hunter Bidder's Statement</p>
<b>21. What happens if there is a competing proposal from a third party?</b>	<p>If there is a competing proposal from a third party or a revised offer from Drillsearch, the Ambassador Directors will reconsider their recommendation of the Magnum Hunter Offer and advise Ambassador Shareholders accordingly.</p> <p>If you have already accepted the Magnum Hunter Offer at that time, you will not be able to withdraw your acceptance. Accordingly, you should be aware that if you accept the Magnum Hunter Offer, you may be unable to accept a competing proposal if one arises.</p>	

Question	Answer	Further information
22. <b>What is the Bid Implementation Agreement?</b>	The Bid Implementation Agreement was entered into between Ambassador and Drillsearch on 28 May 2014. Amongst other things, it contains the terms and conditions on which Drillsearch Bidco will proceed with the Drillsearch Offer. The Bid Implementation Agreement was attached to Drillsearch's announcement to the ASX on 28 May 2014.	
23. <b>Can Magnum Hunter Bidco increase the consideration offered under the Magnum Hunter Offer?</b>	Yes. If you accept the Magnum Hunter Offer, you will receive the increased consideration for your Ambassador Shares if the Magnum Hunter Offer is subsequently increased.	Section 7.12
24. <b>When do I receive the Magnum Hunter common stock if I accept the Magnum Hunter Offer?</b>	<p>If you accept the Magnum Hunter Offer, the Magnum Hunter common stock will be issued to you on or before the earlier of one month after the date of your acceptance or 21 days after the end of the Magnum Hunter Offer Period.</p> <p>However, on 20 and 23 June 2014, the Takeovers Panel announced that it had made interim orders with the effect that Drillsearch Bidco and Magnum Hunter Bidco 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:</p> <ul style="list-style-type: none"> <li>• further order of the Takeovers Panel;</li> <li>• the determination of the proceedings before the Takeovers Panel; and</li> <li>• 2 months from the date of the interim order.</li> </ul> <p>Accordingly, accepting Ambassador Shareholders will not receive the Magnum Hunter Offer Consideration whilst the respective interim orders remain in effect. Please see Section 3 regarding further information about the Takeovers Panel applications.</p> <p>Please see Section 7.11 of this Target's Statement for further details.</p>	Sections 3 and 7.11
25. <b>Can I sell on the ASX the Magnum Hunter common stock I receive from accepting the Magnum Hunter Offer?</b>	No. Magnum Hunter common stock are listed on the New York Stock and Exchange and cannot be sold on the ASX.	

Question	Answer	Further information
<b>26. What are the Australian and United States tax implications of accepting the Magnum Hunter Offer?</b>	<p>A general outline of the Australian and United States tax implications of accepting the Magnum Hunter Offer is set out in Section 14 of the Magnum Hunter Bidder's Statement. That general outline has been prepared by Magnum Hunter Bidco.</p> <p>Magnum Hunter common stock is listed on the New York Stock Exchange. Section 14.2 of the Magnum Hunter Bidder's Statement provides a general outline of the United States tax implications of owning and disposing of Magnum Hunter common stock and participating in the Magnum Hunter Sale Facility.</p> <p>As the outline is a general outline only, you are advised to seek your own specific professional advice as to the taxation implications applicable to your circumstances.</p> <p>Ambassador Shareholders are also urged to consult your tax or legal adviser in relation to the application of United States tax implications relevant to your circumstances.</p>	<p>Section 14 of the Magnum Hunter Bidder's Statement</p>
<b>27. Will I need to pay any stamp duty if I accept the Magnum Hunter Offer?</b>	<p>You will not pay any stamp duty on the transfer of your Ambassador Shares to Magnum Hunter Bidco.</p>	<p>Section 15.3 of the Magnum Hunter Bidder's Statement</p>
<b>28. Will I need to pay brokerage if I accept the Magnum Hunter Offer?</b>	<p>If your Ambassador Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to Magnum Hunter Bidco, you will not incur any brokerage connected with you accepting the Magnum Hunter Offer.</p> <p>If your Ambassador Shares are in a CHESS Holding or you hold your Ambassador Shares through a bank, custodian or other nominee, you should ask your controlling participant (usually, your broker or the bank, custodian or other nominee) whether it will charge any transaction fees or service charges connected with you accepting the Magnum Hunter Offer.</p>	<p>Section 15.3 of the Magnum Hunter Bidder's Statement</p>
<b>29. Can I accept for part of my Ambassador shareholding?</b>	<p>No. You cannot accept the Magnum Hunter Offer for part of your Ambassador shareholding. You may only accept the Magnum Hunter Offer for all of the Ambassador Shares held by you.</p>	



Question	Answer	Further information
<b>30. Can I be forced to sell my Ambassador Shares?</b>	<p>You cannot be forced to sell your Ambassador Shares unless Magnum Hunter Bidco is legally entitled to proceed to compulsory acquisition of Ambassador Shares. This requires Magnum Hunter Bidco (with its Associates) to have a Relevant Interest in at least 90% (by number) of all Ambassador Shares and have acquired at least 75% by number of the Ambassador Shares offered to be acquired through acceptances under the Magnum Hunter Offer or otherwise, during or at the end of the Magnum Hunter Offer Period.</p> <p>If Magnum Hunter Bidco does compulsorily acquire the outstanding Ambassador Shares, you will receive the same consideration for your Ambassador Shares that you would have received under the Magnum Hunter Offer but it will take longer for you to receive the consideration from Magnum Hunter Bidco.</p> <p>If Magnum Hunter Bidco does not exercise a right to compulsorily acquire the outstanding Ambassador Shares within one month of the end of the Magnum Hunter Offer Period, it may do so at a later date if it (together with its Related Bodies Corporate) acquires full beneficial interest in at least 90% (by number) of Ambassador Shares. In that event, Magnum Hunter Bidco will need to pay “fair value” for the Ambassador Shares (as assessed by an expert).</p> <p>See Section 7.16 of this Target’s Statement for further information about compulsory acquisition.</p>	<p>Section 7.15</p>
<b>31. If I accept the Magnum Hunter Offer, can I withdraw my acceptance?</b>	<p>The Magnum Hunter Offer has been declared unconditional. Accordingly, if you accept the Magnum Hunter Offer you will not be able to withdraw your acceptance.</p>	
<b>32. Can I sell my Ambassador Shares on the ASX?</b>	<p>During the Magnum Hunter Offer Period you may sell your Ambassador Shares on the ASX for cash (less any brokerage that may be payable), unless you have already accepted the Magnum Hunter Offer.</p> <p>Before selling your Ambassador Shares on market, you should carefully consider the implications of this course of action, including the implications referred to in Section 6.4 of this Target’s Statement.</p>	<p>Section 6.4</p>
<b>33. Who do I contact if I have further questions about the Magnum Hunter Offer?</b>	<p>If you have any further questions in relation to the Magnum Hunter Offer, please call Ambassador on +61 3 9021 6140.</p>	

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## **6 Your choices as an Ambassador Shareholder**

As an Ambassador Shareholder, you have four choices currently available to you:

### **6.1 Accept the Magnum Hunter Offer**

You may wish to accept the Magnum Hunter Offer.

Details on how to accept the Magnum Hunter Offer are contained in Section 15.4 of the Magnum Hunter Bidder's Statement and Section 4 of this Target's Statement.

The Ambassador Directors encourage you to carefully read and consider this Target's Statement, the Magnum Hunter Bidder's Statement, the Drillsearch Bidder's Statement, the Supplementary Drillsearch Bidder's Statement and Ambassador's Target's Statement in response to the Drillsearch Offer in their entirety before deciding whether or not to accept the Magnum Hunter Offer.

If you accept the Magnum Hunter Offer, a binding contract of sale will immediately exist between you and Magnum Hunter Bidco and you will give up your right to sell your shares on-market or accept any other competing proposal for Ambassador. Please refer to Section 7.9 for further details.

The taxation consequences of accepting the Magnum Hunter Offer depend on a number of factors and will vary according to your particular circumstances. A general outline of the taxation implications, including United States taxation considerations, of accepting the Magnum Hunter Offer is set out in Section 14 of the Magnum Hunter Bidder's Statement. That general outline has been prepared by Magnum Hunter. As the outline is a general outline only, you are advised to seek your own specific professional advice as to the taxation implications applicable to your circumstances.

### **6.2 Accept the Drillsearch Offer**

You may wish to accept the Drillsearch Offer.

Details of how to accept the Drillsearch Offer are contained in Sections 2 and 11.7 of the Drillsearch Bidder's Statement and Section 4 of this Target's Statement.

The Ambassador Directors encourage you to carefully read and consider this Target's Statement, the Drillsearch Bidder's Statement, the Supplementary Drillsearch Bidder's Statement, Ambassador's Target's Statement in response to the Drillsearch Offer and the Magnum Hunter Bidder's Statement in their entirety before deciding whether or not to accept the Drillsearch Offer.

If you accept the Drillsearch Offer, a binding contract of sale will immediately exist between you and Drillsearch Bidco and you will give up your right to sell your shares on-market or accept any other competing proposal for Ambassador. Please refer to Section 7.9 for further details.

The taxation consequences of accepting the Drillsearch Offer depend on a number of factors and will vary according to your particular circumstances. A general outline of the Australian taxation implications of accepting the Drillsearch Offer is set out in Section 9 of the Drillsearch Bidder's Statement and Section 5 of the Supplementary Drillsearch Bidder's Statement. That general outline has been prepared by Drillsearch. As the outline is a general outline only, you are advised to seek your own specific professional advice as to the taxation implications applicable to your circumstances.

### **6.3 Reject the Magnum Hunter Offer or the Drillsearch Offer**

If you do not wish to accept the Drillsearch Offer or the Magnum Hunter, you do not need to take any action.

### **6.4 Sell your Ambassador Shares on-market**

You can sell your Ambassador Shares on-market if you have not accepted the Magnum Hunter Offer or the Drillsearch Offer.

The latest price of Ambassador Shares may be obtained from the ASX website at [www.asx.com.au](http://www.asx.com.au) (ASX code: AQO).

Ambassador Shareholders who sell their Ambassador Shares on-market:

- (a) will lose the opportunity to receive any future benefits from being a shareholder in Ambassador;
- (b) may incur a brokerage charge; and
- (c) will lose the opportunity to participate in the benefits of any potential higher offer from Magnum Hunter Bidco, Drillsearch Bidco or under any other competing proposal, if such a higher offer or competing proposal eventuates.

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## **7 Information regarding the Magnum Hunter Offer**

### **7.1 Overview**

This Section 7 contains the Ambassador Directors' commentary on the terms and conditions of the Magnum Hunter Offer.

The full terms and conditions of the Magnum Hunter Offer are set out in Section 15 of the Magnum Hunter Bidder's Statement.

### **7.2 Magnum Hunter and Magnum Hunter Bidco**

The Magnum Hunter Offer is being made by Magnum Hunter Bidco. Magnum Hunter Bidco is a wholly owned subsidiary of Magnum Hunter.

As 4 July 2014, being the last practical trading day prior to the date of this Target's Statement, Magnum Hunter Bidco is not a shareholder in Ambassador.

Further details regarding Magnum Hunter and Magnum Hunter Bidco are contained in Sections 7, 8 and 9 of the Magnum Hunter Bidder's Statement.

### **7.3 The Magnum Hunter Offer**

Magnum Hunter Bidco is offering to acquire all Ambassador Shares from Ambassador Shareholders.

You may only accept the Magnum Hunter Offer in respect of **all** of your Ambassador Shares.

The Magnum Hunter Offer has been declared unconditional.

### **7.4 Magnum Hunter Offer Consideration**

Magnum Hunter Bidco is offering 1 share of Magnum Hunter common stock for every 23.6 Ambassador Shares.

If you accept the Magnum Hunter Offer, the Magnum Hunter common stock will be issued to you on or before the earlier of one month after the date of your acceptance or 21 days after the end of the Magnum Hunter Offer Period.

However, on 20 and 23 June 2014, the Takeovers Panel announced that it had made interim orders with the effect that Drillsearch Bidco and Magnum Hunter Bidco 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.

Accordingly, accepting Ambassador Shareholders will not receive the Magnum Hunter Offer Consideration whilst the respective interim orders remain in effect. Please see Section 3 regarding further information about the Takeovers Panel applications.

If you become entitled to a fraction of a share of Magnum Hunter common stock under the Magnum Hunter Offer, the number of Magnum Hunter common stock you

are entitled to will be rounded up or down to the nearest whole number, with fractions of less than half disregarded.

## **7.5 Magnum Hunter Sale Facility**

If you do not wish to receive Magnum Hunter common stock, you may elect to participate in the Magnum Hunter Sale Facility, as described in Section 15.9 of the Magnum Hunter Bidder's Statement. The election to participate in the Magnum Hunter Sale Facility must be made at the time of acceptance of the Magnum Hunter Offer. Under this facility:

- Magnum Hunter will arrange for the Sale Facility Agent to be issued with the Magnum Hunter common stock to which you would otherwise be entitled to receive under the Magnum Hunter Offer;
- the Sale Facility Agent will use its best endeavours to sell the Magnum Hunter common stock and can only sell them outside of the United States to non-United States persons; and
- remit the cash proceeds after the sale of all the Magnum Hunter common stock less stamp duty and other sale costs and expenses.

For the reasons outlined below, the Ambassador Directors consider it is likely that Ambassador Shareholders would receive a material discount to the implied value of the Magnum Hunter Offer if they elect to participate in the Magnum Hunter Sale Facility:

- The Sale Facility Agent can only sell the Magnum Hunter common stock outside of the United States and only to non-United States persons.
- The Magnum Hunter common stock sold by the Sale Facility Agent will be "restricted securities" under United States securities law<sup>13</sup> and any purchaser of those securities will be subject to restrictions on transfer, including a restriction on any sales in the United States or for the benefit of US persons for a period of 6 months.
- The Sale Facility Agent will only be issued with your Magnum Hunter common stock for sale under the Magnum Hunter Sale Facility on or before the earlier of one month after the date of your acceptance or 21 days after the end of the Magnum Hunter Offer period.
- The Sale Facility Agent will only remit the cash proceeds to Ambassador Shareholders after **all** Magnum Hunter common stock it has been issued has been sold by the Sale Facility Agent.
- There is no guarantee as to when the Sale Facility Agent will be able to sell your Magnum Hunter common stock, if at all, and therefore no guarantee as to when you will receive the cash proceeds of those sales.
- The proceeds you would receive under the Magnum Hunter Sale Facility would be less any stamp duty and other sale expenses. The Magnum Hunter Bidder's Statement has not specified what the stamp duty, costs and expenses would be, or how those costs would be calculated.
- The Magnum Hunter Sale Facility is not underwritten, and therefore no guarantee that the Sale Facility Agent will be able to sell your Magnum Hunter common stock at the same price as the implied value of the Magnum Hunter Offer.

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<sup>13</sup> Unless registered under the *United States Securities Act of 1933* or an exemption from registration is available.

For the reasons above, the Ambassador Directors consider that:

- the significant restrictions on resale of the Magnum Hunter common stock, particularly since it can only be offered to non-United States persons and any purchaser would be subject to a 6 month resale restriction;
- the undisclosed stamp duty, sale costs and expenses;
- exposure to foreign currency movement;
- the fact that no guarantee can be provided as to when your Magnum Hunter common stock would be sold, if at all; and
- the uncertain timing as to when Ambassador Shareholders would receive the cash proceeds,

would likely have a material and adverse impact on the price at which the Sale Facility Agent could sell the Magnum Hunter common stock. Accordingly, the Ambassador Directors consider it is likely that Ambassador Shareholders would receive a material discount to the implied value of the Magnum Hunter Offer if they elect to participate in the Magnum Hunter Sale Facility.

Ambassador Shareholders should refer to “**Reason 4 to accept the Drillsearch Offer**” in Section 2.4 of this Target’s Statement for further information regarding the Magnum Hunter Sale Facility.

In addition, Section 14.2(5) of the Magnum Hunter Bidder’s Statement (pages 87 to 88) states that payment of dividends or proceeds from the disposal of Magnum Hunter common stock may be subject to additional reporting requirements and “backup withholding” at the rate of 28%, unless an Ambassador Shareholder establishes an exemption, for example, by properly certifying your non-United States status on an United States Internal Revenue Service (IRS) Form W-8BEN. Ambassador Shareholders are strongly advised to consult your legal or tax adviser in relation to the implications of “backup withholding” by participating in the Magnum Hunter Sale Facility.

## **7.6 When will you receive the cash proceeds if you participate in the Magnum Hunter Sale Facility?**

Under the Magnum Hunter Sale Facility:

- the Sale Facility Agent will only be issued with your Magnum Hunter common stock for sale on or before the earlier of one month after the date of your acceptance or 21 days after the end of the Magnum Hunter Offer period;
- the Sale Facility Agent will sell the Magnum Hunter common stock on a best endeavours basis;
- the Sale Facility Agent can only sell the Magnum Hunter common stock outside of the United States and only to non-United States persons;
- the Sale Facility Agent will only remit the cash proceeds to Ambassador Shareholders after **all** Magnum Hunter common stock it has been issued has been sold by the Sale Facility Agent; and
- Section 15.9(6) of the Magnum Hunter Bidder’s Statement specifically states that there can be no guarantee as to the time when the Sale Facility Agent will be able to sell your Magnum Hunter common stock, if at all, and therefore there can be no guarantee when you will receive your cash proceeds.

For the reasons above, the Ambassador Directors are unable to provide an indication as to when Ambassador Shareholders would receive the cash proceeds if they elect to participate in the Magnum Hunter Sale Facility.

Ambassador Shareholders who wish to liquidate their investment (particularly in the short term) and wish to have greater certainty as to price and timing should consider:

- “**Reason 4 to accept the Drillsearch Offer**” in Section 2.4 of this Target’s Statement; or
- selling your Ambassador Shares on the ASX (please see Section 6.4 of this Target’s Statement for further information).

However, on 20 and 23 June 2014, the Takeovers Panel announced that it had made interim orders with the effect that Drillsearch Bidco and Magnum Hunter Bidco 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.

Accordingly, accepting Ambassador Shareholders will not receive the Drillsearch Offer Consideration or the Magnum Hunter Offer Consideration whilst the respective interim orders remain in effect. Please see Section 3 regarding further information about the Takeovers Panel applications.

## **7.7 Offer Period**

The Magnum Hunter Offer is currently scheduled to close at 7:00pm (Sydney time) on 23 July 2014, unless extended or withdrawn in accordance with the Corporations Act.

Magnum Hunter Bidco may extend the Magnum Hunter Offer Period at any time before the end of the Magnum Hunter Offer Period (but the Magnum Hunter Offer Period must not in any event exceed 12 months).

In addition, there would be an automatic extension of the Magnum Hunter Offer Period if, within the last 7 days of the Magnum Hunter Offer Period:

- Magnum Hunter Bidco improves the consideration offered under the Magnum Hunter Offer;
- the consideration offered under the Magnum Hunter Offer is taken to be increased under section 651A(2) of the Corporations Act because Magnum Hunter Bidco purchases Ambassador Shares outside the takeover bid constituted by the Magnum Hunter Offers for a cash price; or
- Magnum Hunter Bidco’s voting power in Ambassador increases to more than 50%,

in which case the Magnum Hunter Offer Period would be automatically extended so that it would end 14 days after the relevant event occurs.

Please see Section 15.3 of the Magnum Hunter Bidder’s Statement for further information.

## **7.8 The Magnum Hunter Offer is unconditional**

The Magnum Hunter Offer is unconditional. This means the Magnum Hunter Offer will proceed and will not be subject to any conditions.

However, on 20 and 23 June 2014, the Takeovers Panel announced that it had made interim orders with the effect that Drillsearch Bidco and Magnum Hunter Bidco 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.

Accordingly, accepting Ambassador Shareholders will not receive the Magnum Hunter Offer Consideration or the Drillsearch Offer Consideration whilst the respective interim orders remain in effect. Please see Section 3 regarding further information about the Takeovers Panel applications.

## **7.9 Effect of acceptance**

The Magnum Hunter Offer has been declared unconditional. Accordingly, if you accept the Magnum Hunter Offer, you will give up your right to sell your Ambassador Shares on-market or accept any competing proposal for Ambassador.

You should ensure that, if you do wish to accept the Magnum Hunter Offer, you allow sufficient time for your acceptance to be processed before the end of the Magnum Hunter Offer Period. Please refer to Section 15.4 of the Magnum Hunter Bidder's Statement and Section 4 of this Target's Statement for further information.

Other consequences of accepting the Magnum Hunter Offer are set out in Section 15.4(5) of the Magnum Hunter Bidder's Statement. You are encouraged to read those Sections in full. In particular, you should note that by accepting the Magnum Hunter Offer you will, among other things:

- be deemed to give Magnum Hunter Bidco certain representations and warranties regarding your title to your Ambassador Shares;
- irrevocably appoint Magnum Hunter Bidco and its directors and nominees, severally, as your agent and attorney to exercise, in the interests of Magnum Hunter Bidco, your rights in relation to your Ambassador Shares (including voting rights); and
- agree not to attend or vote in person at any general meeting of Ambassador.

## **7.10 Your inability to withdraw your acceptance**

The Magnum Hunter Offer has been declared unconditional. Accordingly, if you accept the Magnum Hunter Offer or the Drillsearch Offer, you will not be able to withdraw your acceptance.

## **7.11 When will you receive your Magnum Hunter common stock if you accept the Magnum Hunter Offer?**

If you accept the Magnum Hunter Offer, the Magnum Hunter common stock will be issued to you on or before the earlier of one month after the date of your acceptance or 21 days after the end of the Magnum Hunter Offer Period.

However, on 20 and 23 June 2014, the Takeovers Panel announced that it had made interim orders with the effect that Drillsearch Bidco and Magnum Hunter Bidco 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.

Accordingly, accepting Ambassador Shareholders will not receive the Drillsearch Offer Consideration or the Magnum Hunter Offer Consideration whilst the respective



interim orders remain in effect. Please see Section 3 regarding further information about the Takeovers Panel applications.

Please also see Section 15.5 of the Magnum Hunter Bidder's Statement.

#### **7.12 Effect of an improvement in the Magnum Hunter Offer Consideration**

As required by the Corporations Act, if Magnum Hunter Bidco improves the consideration offered under the Magnum Hunter Offer, all Ambassador Shareholders who accept the Magnum Hunter Offer, whether or not they have accepted the Magnum Hunter Offer before or after the improvement in consideration, will be entitled to the benefit of that improved consideration.

#### **7.13 Foreign Shareholders**

If your address in Ambassador's register of members is in a jurisdiction other than Australia, its external territories or the United States and the law of that jurisdiction makes it, in the reasonable opinion of Magnum Hunter Bidco, unlawful or too onerous for Magnum Hunter Bidco to make the Magnum Hunter Offer to you and to procure that Magnum Hunter Bidco issue you with Magnum Hunter common stock, then you will be taken to be an **Ineligible Foreign Shareholder**.

If you are an **Ineligible Foreign Shareholder**, you will not be entitled to receive Magnum Hunter common stock as consideration for you Ambassador Shares.

Instead, your Magnum Hunter common stock to which you would otherwise be entitled to will be issued to the Sale Facility Agent and sold under the Magnum Hunter Sale Facility. In effect, you will be deemed to have elected to participate in the Magnum Hunter Sale Facility.

Please see Section 7.5 of this Target's Statement for further information regarding the Magnum Hunter Sale Facility. Also see:

- Section 15.8 of the Magnum Hunter Bidder's Statement for further information regarding Ineligible Foreign Shareholders; and
- Section 15.9 of the Magnum Hunter Bidder's Statement for further information regarding the Magnum Hunter Sale Facility.

#### **7.14 Taxation implications of the Magnum Hunter Offer**

The taxation consequences of accepting the Magnum Hunter Offer depend on a number of factors and will vary depending on your particular circumstances. A general outline of the Australian and United States taxation considerations of accepting the Magnum Hunter Offer are set out in Section 14 of the Magnum Hunter Bidder's Statement. That general outline has been prepared by Magnum Hunter.

You should carefully read and consider the taxation consequences of accepting the Magnum Hunter Offer. The outline provided in the Magnum Hunter Bidder's Statement is of a general nature only and you should seek your own professional advice as to the taxation implications applicable to your circumstances.

If you accept the Magnum Hunter Offer, you will hold shares in Magnum Hunter common stock, being a United States entity. Ambassador Shareholders are urged to consult your tax or legal adviser in relation to the application of United States tax implications relevant to your circumstances.

You should also refer to "**Reason 6 to accept the Drillsearch Offer**" in Section 2.4 on page 22 regarding the availability of scrip-for-scrip capital gains tax rollover relief.

In addition, Section 14.2(5) of the Magnum Hunter Bidder's Statement (pages 87 to 88) states that payment of dividends or proceeds from the disposal of Magnum Hunter common stock may be subject to additional reporting requirements and "backup withholding" at the rate of 28%, unless an Ambassador Shareholder establishes an exemption, for example, by properly certifying your non-United States status on an United States Internal Revenue Service (**IRS**) Form W-8BEN. Ambassador Shareholders are strongly advised to consult your legal or tax adviser in relation to the implications of "backup withholding" by participating in the Magnum Hunter Sale Facility.

#### **7.15 Magnum Hunter Bidco's intentions with respect to the Magnum Hunter Offer and Ambassador**

Magnum Hunter Bidco has indicated its intentions in relation to the Magnum Hunter Offer and the business of Ambassador generally in Section 11 of the Magnum Hunter Bidder's Statement, including:

- intentions upon acquiring 90% or more of Ambassador Shares;
- intentions for Ambassador as a wholly owned subsidiary of the Magnum Hunter Group;
- intentions for Ambassador upon acquiring more than 50.1% but less than 90% of Ambassador Shares; and
- other intentions with respect to the business of Ambassador generally.

However, Magnum Hunter Bidco has not provided any information regarding its intentions for Ambassador if it acquires less than 50.1% of Ambassador Shares. This may be material because the Magnum Hunter Offer is unconditional, and Drillsearch currently has a Relevant Interest in approximately 52.97% of the voting shares in Ambassador.<sup>14</sup>

While Section 11 of the Magnum Hunter Bidder's Statement sets out Magnum Hunter Bidco's intentions for Ambassador in certain circumstances, those intentions are expressed to be subject to final decisions in light of the material information available to it and the circumstances at the relevant time, and will vary as new information becomes available or circumstances change.

#### **7.16 Compulsory acquisition**

Magnum Hunter Bidco has stated in Section 11.3(a) of the Magnum Hunter Bidder's Statement that it intends to compulsorily acquire all remaining Ambassador Shares if Magnum Hunter Bidco (with its Associates) have a Relevant Interest in at least 90% (by number) of Ambassador Shares and have acquired at least 75% by number of the Ambassador Shares offered to be acquired during or at the end of the Magnum Hunter Offer Period. As 4 July 2014, being the last practical trading day prior to the date of this Target's Statement, Magnum Hunter Bidco is not a shareholder in Ambassador.

If compulsory acquisition occurs, Ambassador will become wholly owned by the Magnum Hunter Group.

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<sup>14</sup> As at 4 July 2014, being the last practical trading day prior to the date of this Target's Statement. Based on Drillsearch's ASIC Form 604 Notice of change of interests of substantial holder dated 30 June 2014. On 18 June 2014, Magnum Hunter submitted an application to the Takeovers Panel seeking a declaration of unacceptable circumstances in relation to the affairs of Ambassador. Magnum Hunter has sought orders to the effect that Drillsearch must divest of its 19.9% pre-bid shareholding in Ambassador and allow any Ambassador Shareholder who has already accepted the Drillsearch Offer the right to withdraw that acceptance. The Takeovers Panel may grant such orders with the effect that Drillsearch's shareholding in Ambassador would be less than stated above.

**(a) Compulsory acquisition following the takeover bid**

Magnum Hunter Bidco will be entitled, under Part 6A.1 of the Corporations Act, to compulsorily acquire any Ambassador Shares in respect of which it has not received an acceptance under the Magnum Hunter Offer if, during or at the end of the Magnum Hunter Offer Period, Magnum Hunter Bidco (together with its Associates) has a Relevant Interest in at least 90% (by number) of Ambassador Shares and have acquired at least 75% by number of the Ambassador Shares offered to be acquired. Compulsory acquisition must occur on the same terms as the Magnum Hunter Offer, including as to the amount of consideration to be paid per Ambassador Share.

If this threshold is met, Magnum Hunter Bidco will have up to one month after the end of the Magnum Hunter Offer Period within which to give compulsory acquisition notices to all Ambassador Shareholders who have not accepted the Magnum Hunter Offer. However, it may choose to commence compulsory acquisition sooner if the threshold is satisfied at an earlier date. Ambassador Shareholders have certain statutory rights to challenge the compulsory acquisition. However, a successful challenge will require the relevant holder to establish to the satisfaction of a court that the consideration offered does not represent “fair value” for their Ambassador Shares.

If compulsory acquisition occurs, Ambassador Shareholders who have their Ambassador Shares compulsorily acquired should be aware that they are not likely to receive payment until at least one month after the compulsory acquisition notice is issued to them by Magnum Hunter Bidco.

If Magnum Hunter Bidco (with its Associates) has a Relevant Interest in at least 90% (by number) of Ambassador Shares at the end of the Magnum Hunter Offer Period, Magnum Hunter Bidco must offer to buy out the remaining Ambassador Shareholders on the same terms as the Magnum Hunter Offer, even if, contrary to its stated intention, Magnum Hunter Bidco does not seek to compulsorily acquire all remaining Ambassador Shares. If you do not accept the Magnum Hunter Offer and Magnum Hunter Bidco is required to offer to buy out your remaining Ambassador Shareholders, Magnum Hunter Bidco will send you a notice informing you of your right to be bought out. You may accept that offer within one month of Magnum Hunter Bidco giving you the notice by notifying Magnum Hunter Bidco in writing that you wish to have your Ambassador Shares bought out.

**(b) Later compulsory acquisition**

Even if Magnum Hunter Bidco does not satisfy the compulsory acquisition threshold by the end of the Magnum Hunter Offer Period, it is possible that Magnum Hunter Bidco may, at some time after the end of the Magnum Hunter Offer Period, become entitled to rely on the general compulsory acquisition provisions of Part 6A.2 of the Corporations Act.

Under these provisions, Magnum Hunter Bidco will become entitled to compulsorily acquire any outstanding Ambassador Shares if Magnum Hunter Bidco (together with its Related Bodies Corporate) acquires full beneficial interest in at least 90% (by number) of Ambassador Shares.

In that event, compulsory acquisition will occur if (among other things):

- Magnum Hunter Bidco lodges a compulsory acquisition notice with ASIC within six months of satisfying the general compulsory acquisition threshold;
- Magnum Hunter Bidco proposes a cash sum for the Ambassador Shares to be compulsorily acquired; and

- Magnum Hunter Bidco obtains the report of an expert stating whether, in the expert's opinion, the terms proposed in the compulsory acquisition notice give a "fair value" for the Ambassador Shares to be compulsorily acquired.

In addition, Magnum Hunter Bidco will need to obtain the approval of a court for the compulsory acquisition in the event that Ambassador Shareholders holding at least 10% of those remaining Ambassador Shares object to the acquisition.

#### **7.17 Minority ownership consequences**

The Magnum Hunter Offer has been declared unconditional. As at 4 July 2014, being the last practical trading day immediately prior to this Target's Statement, Magnum Hunter Bidco (with its Associates) is not a shareholder in Ambassador.

If Magnum Hunter Bidco acquires more than 50.1% but less than 90% of the Ambassador Shares then the Magnum Hunter Group will acquire a majority shareholding in Ambassador. In that situation Ambassador Shareholders who do not accept the Magnum Hunter Offer will become minority shareholders in Ambassador. This has a number of possible implications, including:

- the Magnum Hunter Group will be in a position to cast the majority of votes at a general meeting of Ambassador. This will enable it to control the composition of the Board and senior management, determine Ambassador's dividend policy and control the strategic direction of the businesses of Ambassador and its subsidiaries;
- the Ambassador Share price may fall immediately following the end of the Magnum Hunter Offer Period and it is unlikely that the Ambassador Share price will contain any takeover premium;
- the liquidity of Ambassador Shares may be lower than at present;
- if the number of Ambassador Shareholders is less than that required by the ASX Listing Rules to maintain an ASX listing, then Magnum Hunter may seek to have Ambassador removed from the official list of the ASX. If this occurs, Ambassador Shares will not be able to be bought or sold on the ASX;
- if the Magnum Hunter Group acquires 75% or more of the Ambassador Shares it will be able to ensure that the passing of a special resolution of Ambassador at general meetings. This will enable the Magnum Hunter Group to, among other things, change Ambassador's constitution; and
- transactions between the Magnum Hunter Group and Ambassador will not fall within the exceptions for closely held or wholly owned subsidiaries under the related party provisions of Chapter 2E of the Corporations Act and ASX Listing Rule 10.1.

#### **7.18 Withdrawal of the Magnum Hunter Offer by Magnum Hunter Bidco**

In accordance with Section 652B of the Corporations Act, the Magnum Hunter Offer may be withdrawn with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

If Magnum Hunter Bidco withdraws the Magnum Hunter Offer, Ambassador Shareholders will no longer be able to accept the Magnum Hunter Offer.

#### **7.19 Governing law**

The Magnum Hunter Offer and any contract resulting from acceptance of it are governed by the law in force in New South Wales, Australia.

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## **8 Information regarding Ambassador**

### **8.1 Background**

This Section 8 contains information in relation to Ambassador. Additional information about Ambassador is included in Section 10 of this Target's Statement.

Further information regarding Ambassador is also available in Ambassador's Annual Report for the financial year to 30 June 2013, its financial statements for the half-year to 31 December 2013 and its quarterly reports and cash flow statements, which are available on the ASX website at [www.asx.com.au](http://www.asx.com.au) (ASX code: AQO).

### **8.2 Overview of Ambassador**

Ambassador is an unconventional oil and gas exploration company, with assets in the United States and the Cooper Basin, Australia's premier onshore oil and gas basin.

PEL 570, in the South Australian portion of the Cooper Basin, has been independently assessed with estimates of potential gas in place of up to 20 trillion cubic feet contained in unconventional rock and coal seams have been recognised.

The PEL 570 permit is situated in the northern end of the gas prone Patchawarra trough which is characterised by low-CO<sub>2</sub> levels and higher liquids content, particularly in the northern regions of the basin. It covers approximately 2400 km<sup>2</sup>, is close to infrastructure and remains a key target for unconventional gas exploitation.

In December 2013, Ambassador entered into an agreement to farm-out a 52.5% working interest in PEL 570 exploration to Outback Energy Hunter Pty Ltd, a wholly owned subsidiary of New Standard Energy Limited (ASX Code: NSE) for \$42.5 million in direct exploration expenditure. Magnum Hunter is currently the largest shareholder of New Standard Energy Limited, with approximately 17% of the issued shares in New Standard Energy.

As part of the farm-out deal, Magnum Hunter became involved with PEL 570 bringing with it expertise in the United States shale industry in the exploration for the high liquids content/low CO<sub>2</sub> gas targets anticipated to exist in the permit.

The Cooper Basin is linked to the Australian 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 and the wider Australian East coast gas market.

In the United States, Ambassador has acquired prospective oil and gas exploration leases in emerging, oil prone, resource plays in Colorado. Ambassador holds leases in the Denver Julesburg basin in Colorado totaling over 3,000 net acres. In March 2014 Ambassador exercised an option to acquire a further 9,350 net acres in Colorado. Finalisation of the acquisition is subject to title verification which is expected to be completed in the short term. Furthermore, the agreement under which Ambassador acquired these exploration leases affords the vendor of those leases with the right to purchase them back in the event that a transaction announced prior to 30 June 2014 results in another party acquiring more than 50% of Ambassador's share capital. Ambassador considers the land the subject to the buy-back right to be a non-core asset and immaterial to the activities of Ambassador. Please refer to Section 8.4(b) of this Target's Statement for further details.

### 8.3 Ambassador Directors

Details of your Ambassador Directors are detailed below:

<b>David Shaw</b> Non-Executive Chairman	<p>David Shaw is a Melbourne University law graduate, and is currently a practising solicitor with his own firm Campbell &amp; Shaw Lawyers. David is a director on a number of private companies and advisory boards.</p> <p>David has a strong and long history with the Australian Football League. David was the Essendon Club President from 1992-1997. In addition, David was the former Commissioner of the AFL.</p>
<b>Giustino (Tino) Guglielmo</b> Managing Director	<p>Holding a degree in Mechanical Engineering, Tino was a former Chief Executive Officer of Stuart Petroleum Ltd and has more than 30 years' experience in the field of Petroleum and Production Engineering. He is currently a principal of Petroleum Advisers, a specialist petroleum industry advisory service in South Australia and is accomplished in all facets of general and financial management.</p> <p>He has proven experience and a successful track record in project management and technological planning. He has an intimate knowledge of exploration, production and the commercial environment in the Cooper Basin having worked in that environment the majority of his career.</p>
<b>Emmanuel Correia</b> Non-Executive Director	<p>Emmanuel Correia is a Chartered Accountant and has extensive experience in the corporate finance and equity capital markets. Emmanuel has had over 20 years public accounting and corporate finance experience both in Australia, North America and the United Kingdom. He has held various senior positions with Deloitte and other accounting firms and boutique corporate finance houses.</p> <p>Emmanuel provides corporate advice to a diverse client base both in Australia and in overseas markets. Emmanuel has previously held a number of public company directorships and his key areas of expertise include initial public offerings and secondary capital raisings, corporate strategy and structuring and merger and acquisitions.</p> <p>Emmanuel is also a director of Rutila Resources Ltd and Company Secretary of Bluglass Limited.</p>

### 8.4 Material changes in financial position of Ambassador and other developments

#### (a) Half year results and quarterly reporting

On 5 March 2014, Ambassador released its results for the six month period ended 31 December 2013. A copy of Ambassador's results announcement and half year financial statements are available on the ASX's website at [www.asx.com.au](http://www.asx.com.au) (ASX code: AQO).

On 28 April 2014, Ambassador released its Appendix 5B and Quarterly report for the quarter ended 31 March 2014. A copy of this appendix is available on the ASX's website at [www.asx.com.au](http://www.asx.com.au) (ASX code: AQO).

**(b) Other material matters**

Corporate advisory agreement with ADC

By an agreement dated 27 March 2013, Ambassador engaged Australian Development Consortium Residential & Commercial Developers Pty Ltd (ACN 137 394 515) (**ADC**) as a corporate adviser to assist Ambassador with (among other things) investigating a potential change of control transaction in respect of Ambassador.

Under this agreement, if ADC has introduced a party to Ambassador and a change of control transaction with that party is completed in respect of Ambassador, or if ADC is involved in the negotiations and facilitation of that process, ADC is entitled to a success fee being the lesser of:

- 2.5% of the value of Ambassador calculated by the total number of ordinary shares outstanding (immediately before the change of control transaction is accepted) multiplied by the price per share for the purposes of the change of control transaction; and
- \$1 million.

ADC was responsible for the introduction of Magnum Hunter to Ambassador and, where requested, ADC has assisted with the negotiations and facilitation of the Magnum Hunter Offer. Accordingly, ADC would be entitled to its success fee in accordance with its engagement with Ambassador.

Colorado land vendor buy-back right

As outlined above, Ambassador holds leases in the Denver Julesburg basin in Colorado totaling over 3,000 net acres and in March 2014 Ambassador exercised an option to acquire a further 9,350 net acres in Colorado.

Under the terms of that land acquisition agreement, the vendor of those leases has the right to purchase them back in the event that a transaction announced prior to 30 June 2014 results in another party acquiring more than 50% of Ambassador's share capital. The vendor of that land has a right to buy it back by giving notice to that effect within 30 days of the change of control occurring.

The funds spent in acquiring the Colorado land acreage totalled approximately \$1.2 million and at its current value is considered a non-core asset and immaterial to the activities of Ambassador. If Ambassador was not subject to a change in control transaction, it was Ambassador's intention to seek to expand its United States acreage position to a more meaningful position in line with its objective of introducing diversification into its asset base.

Except as disclosed above, there have been no material changes to the financial position of Ambassador since 31 December 2013.

**8.5 Issued Ambassador Shares**

As at the date of this Target's Statement, Ambassador had 142,058,491 fully paid ordinary shares on issue.

Ambassador does not anticipate that it will be required to issue any Ambassador Shares before 23 July 2014, being the last day of the Magnum Hunter Offer Period as currently scheduled. (The Magnum Hunter Offer Period may be extended or withdrawn in the circumstances described in Section 15.3 of the Magnum Hunter Bidder's Statement).

## 8.6 Ambassador substantial shareholders

The Ambassador Shareholders with substantial holdings (within the meaning of the Corporations Act) as at close of trading on 4 July 2014, being the last practicable trading day prior to the date of this Target's Statement are as follows:

Name	Number of Ambassador Shares	Relevant Interest in Ambassador Shares
Drillsearch Bidco	75,252,501	52.97% <sup>15</sup>
VBS Exchange Pty Ltd	13,298,246	9.36%
Morgan Stanley Australia Securities (Nominee) Pty Ltd	9,027,588	6.35%

Ambassador has relied on substantial holder notices provided to it up to the date of this Target's Statement, which are available on the ASX website, and information provided by its share registry, to compile the above table.

## 8.7 Material litigation

As at the date of this Target's Statement, your Ambassador Directors are not aware and do not believe Ambassador is involved in any ongoing litigation which is material in the context of Ambassador and its subsidiaries taken as whole.

## 8.8 Risk factors affecting Ambassador's business

The risk factors in this Section 8.8 are existing risks relating to Ambassador's business and the industry in which it operates. Some of these risks will continue to be relevant to Ambassador Shareholders who do not accept the Magnum Hunter Offer and retain their current investment in Ambassador. The risks will also continue to be relevant to all Ambassador Shareholders if the Magnum Hunter Offer does not proceed (for example, because Magnum Hunter withdraws the Magnum Hunter Offer in accordance with the Corporations Act).

Section 6 of the Magnum Hunter Bidder's Statement describes some of the key risk factors affecting Magnum Hunter, which would be relevant to Ambassador Shareholders who accept the Magnum Hunter Offer and become shareholders in Magnum Hunter. Please also see Section 9.2 of this Target's Statement regarding a discussion on some of those key risks affecting Magnum Hunter.

This Section describes key, but not all, risks associated with an investment in Ambassador. This Section does not take into account the investment objectives, financial situation, taxation position or particular needs of Ambassador Shareholders and is not exhaustive and is relevant to Ambassador Shareholders as at the date of this Target's Statement. Prior to deciding whether to accept the Magnum Hunter Offer, Ambassador Shareholders should carefully consider the risk factors discussed

<sup>15</sup> On 18 June 2014, Magnum Hunter submitted an application to the Takeovers Panel seeking a declaration of unacceptable circumstances in relation to the affairs of Ambassador. Magnum Hunter has sought orders to the effect that Drillsearch must divest of its 19.9% pre-bid shareholding in Ambassador and allow any Ambassador Shareholder who has already accepted the Drillsearch Offer the right to withdraw that acceptance. The Takeovers Panel may grant such orders with the effect that Drillsearch's shareholding in Ambassador would be less than stated above.



in this Section 8.8, as well as other information contained in this Target's Statement and the Magnum Hunter Bidder's Statement and, if in doubt, seek independent professional advice.

In addition, if you do not accept the Magnum Hunter Offer during the Magnum Hunter Offer Period, you may end up being a minority shareholder in Ambassador. This Section should be read in conjunction with Section 7.17 of this Target's Statement, which describes some of the risks associated with being a minority shareholder in Ambassador (in circumstances where Magnum Hunter Bidco does not become entitled to compulsorily acquire all remaining Ambassador Shares).

**(a) General risk factors**

As with any entity with listed securities on the ASX, the future prospects, operating and financial performance of Ambassador and the value of Ambassador Shares are affected by a variety of general business cycles, economic and political factors in Australia and overseas, including economic growth, inflation, interest rates, employment levels, changes in government policies or regulatory regimes, changes in accounting or financial reporting standards, and changes in taxation laws (or their interpretation) or regulations in the markets in which Ambassador operates. Deterioration of the general economic conditions, adverse foreign exchange rate movements, the Australian and overseas stock markets, natural disasters and catastrophic events may also affect Ambassador's operating and financial position.

**(b) Specific risk factors**

Specific risk factors for Ambassador include, but are not limited to, the following:

**(i) Oil and gas price fluctuations**

The price for oil and gas will depend upon available markets at acceptable prices and transmission and distribution costs. Any substantial decline in the prices of oil or gas or an increase in transmission or distribution costs could have a material adverse affect on Ambassador and the value of Ambassador Shares.

**(ii) Reliance on successful exploration**

The future profitability of Ambassador and the value of Ambassador Shares directly relates to the results of exploration. There are inherent risks in exploration activities. No assurances can be given that funds spent on exploration will result in discoveries that will eventually be viable.

**(iii) Drilling**

Drilling activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of rigs and/or other equipment. Drilling may result in wells that, while encountering oil and gas, may not achieve economically viable results.

**(iv) Operating**

Industry operating risks include fire, explosions, blow outs, pipe failures, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids,

gas leaks, ruptures or discharge of toxic gases. The occurrence of any of these risks could result in legal proceedings being instituted against Ambassador and substantial losses to Ambassador due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, clean up responsibilities, regulatory investigation and penalties or suspension of operations.

**(v) *Environmental risks***

Oil and gas exploration, development and production can be potentially environmentally hazardous, giving rise to substantial costs for environmental rehabilitation, damage control and losses.

**(vi) *Commercialisation***

If Ambassador recovers commercial quantities of oil or gas, there is no guarantee that Ambassador will be able to successfully transport the oil or gas to commercially viable markets or sell the oil or gas to customers to achieve a commercial return.

**(vii) *Insurance***

Insurance of all risks associated with oil and gas exploration and production is not always available and, where available, the cost can be high. Ambassador will not be insured against all possible losses, whether because of the unavailability of cover or because the premiums may be excessive relative to the benefits that would accrue.

**(viii) *Native title and Aboriginal cultural heritage***

The existence of native title, registered native title claims and sacred Aboriginal sites or objects on land the subject of Ambassador's tenements is a potential risk and may result in increased legal and administrative costs, or a complete or partial prohibition on petroleum activities, which have a material adverse affect on Ambassador's profitability.

**(ix) *Regulatory risk***

Ambassador will require government regulatory approvals for its operations and must comply with those approvals and other applicable laws, regulations and policies. This may from time to time affect timing and scope of work to be undertaken. Furthermore, changes to taxation rates or regimes designed to address climate change and greenhouse gas emissions, may have a material adverse affect on Ambassador's profitability.

**(x) *Reserves***

Resource estimates are based on knowledge, experience and industry practice. Estimates are a necessary practice, and though valid when originally calculated, may change significantly and cease to be accurate when new information becomes available through additional fieldwork or analysis. Resource estimates are by their nature imprecise and to an extent depend on interpretation, which may result in inaccuracies.

**(xi) *Litigation***

Ambassador may be the subject of complaints or litigation by customers, suppliers, government agencies or other third parties. Such matters may have an adverse affect on Ambassador's reputation, divert its financial and management resources from more beneficial uses, or have a material adverse affect on Ambassador's future financial performance or position.

**(xii) *Future funding***

Substantial capital expenditure is required for oil and gas exploration. Ambassador may be unable to meet future capital requirements once current cash reserves are fully expended. In that event, Ambassador may be required to raise future additional capital. There are no guarantees that Ambassador will be able to raise additional capital on acceptable terms or at all. In the event such funds are not forthcoming Ambassador may seek to divest all or part of its interests or reduce its commitments.

**8.9 Continuous disclosure**

Ambassador is a disclosing entity (as that term is defined in the Corporations Act) and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules.

Copies of the documents filed with ASX by Ambassador may be obtained from the ASX's website at [www.asx.com.au](http://www.asx.com.au) (ASX code: AQO).

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## 9 Information regarding Magnum Hunter and Magnum Hunter Bidco

### 9.1 Overview of Magnum Hunter

The information in this Section concerning Magnum Hunter and Magnum Hunter Bidco has been prepared by Ambassador using publicly available information (from the Magnum Hunter Bidder's Statement) and has not been independently verified. Accordingly Ambassador does not make any representation or warranty, express or implied, as to the accuracy or completeness of this information, other than as required by the Corporations Act. The information on Magnum Hunter and Magnum Hunter Bidco in this Section should not be considered comprehensive.

In addition, the following sections of the Magnum Hunter Bidder's Statement contain further background information on Magnum Hunter and Magnum Hunter Bidco:

- Section 6 (Risk factors);
- Section 7 (Magnum Hunter and Outback Shale Hunter);
- Section 8 (Magnum Hunter's Projects and Interests); and
- Section 9 (Magnum Hunter Financial Information).

Ambassador Shareholders are encouraged to read these sections carefully, as well as the remaining sections of the Magnum Hunter Bidder's Statement and this Target's Statement.

### 9.2 Risks associated with an investment in Magnum Hunter

Ambassador Shareholders who accept the Magnum Hunter Offer and do not elect to participate in the Magnum Hunter Sale Facility, will become shareholders in Magnum Hunter.

Section 6 of the Magnum Hunter Bidder's Statement describes some of the key risk factors affecting Magnum Hunter, which would be relevant to Ambassador Shareholders who accept the Magnum Hunter Offer and become shareholders in Magnum Hunter.

Based on the Ambassador Directors' review of the Magnum Hunter Bidder's Statement and their own independent analysis, they have identified the following material risks which, in their view, Ambassador Shareholders should be aware of, including:

- **(History of significant losses)** Magnum Hunter has a history of losses and cannot assure investors that it will be profitable in the foreseeable future, with accumulated deficit of US\$586.4 million since it entered the oil and gas business in April 2005 through to 31 December 2013.<sup>16</sup>
- **(Significant debt levels)** Magnum Hunter has significant debt levels. As at 31 March 2014, Magnum Hunter's total outstanding indebtedness was approximately US\$869.9 million. Magnum Hunter states that it depends upon borrowings under its credit facilities, cash generated from operations, proceeds from sales of non-core assets, and the availability of equity and debt financing to fund its operations and planned capital expenditure. This significant level of indebtedness and reliance on borrowings could adversely

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<sup>16</sup> Section 6 "Risk factors" of the Magnum Hunter Bidder's Statement, page 25.

affect Magnum Hunter's financial condition and ability to operate its business.<sup>17</sup>

- **(Pending SEC investigations)** Magnum Hunter is currently subject to pending United States Securities and Exchange Commission (SEC) investigation. As stated in Section 6 "Risk factors" of the Magnum Hunter Bidder's Statement (page 25), *"on 26 April 2013, Magnum Hunter was advised by the staff of the SEC Enforcement Division that the SEC had commenced an inquiry into matters disclosed in certain of Magnum Hunter's SEC filings and press releases, as well as the sufficiency of Magnum Hunter's internal controls and its decisions to change auditors from Hein & Associates LLP to PricewaterhouseCoopers LLP, and from PricewaterhouseCoopers LLP to BDO USA, LLP, among other matters."*

Magnum Hunter has not provided any details relating to the circumstances as to why Hein & Associates LLP and PricewaterhouseCoopers LLP were removed as its auditors in the Magnum Hunter Bidder's Statement.

Magnum Hunter may incur significant professional fees and other costs in responding to the SEC investigation, and if enforcement action is determined, Magnum Hunter could be required to pay substantial civil penalties and fines. Magnum Hunter has failed to disclose the scope, timing and quantum of the penalties, fines or sanctions which may be imposed by the SEC. The SEC could also impose other sanctions against Magnum Hunter or its current and/or former directors and officers. Any of these events could have a material adverse effect on the business of Magnum Hunter, its financial condition, results of operations or cash flows.<sup>18</sup>

The Ambassador Directors consider the pending SEC investigation material and may raise questions surrounding the adequacy of Magnum Hunter's regulatory disclosure requirements, internal and financial controls and general business operations.

- **(Subject to class actions and other litigation)** The Magnum Hunter Bidder's Statement disclosed details of material litigation which Magnum Hunter is currently the subject of as at the date of the Magnum Hunter Bidder's Statement. On 23 June 2014,<sup>19</sup> Magnum Hunter was successful in dismissing five of the separate securities class action and shareholder derivative lawsuits filed in four different judicial courts without any monies paid to any plaintiffs or their respective legal counsel. Magnum Hunter states that the plaintiffs in the consolidated securities class action lawsuit can appeal the decision to the United States Court of Appeals for the Second Circuit. Magnum Hunter states that it is currently working to obtain dismissal of the last remaining shareholder derivative lawsuit. The material litigation related to several shareholder class action complaints and putative shareholder derivative complaints, some of which relate to the SEC investigation referred to above.

In relation to the remaining shareholder derivative lawsuit, Magnum Hunter has failed to provide details on the timing for the case to be heard, Magnum Hunter's position on the claim or the scope, timing or quantum of the claim. These details may be highly material for Ambassador Shareholders.

Magnum Hunter also notes that it has received demand letters from several shareholders seeking books and records relating to the allegations in relation to the material litigation which Magnum Hunter is currently the subject of. It is

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<sup>17</sup> Section 6 "Risk factors" of the Magnum Hunter Bidder's Statement, page 25.

<sup>18</sup> Section 6 "Risk factors" of the Magnum Hunter Bidder's Statement, pages 27 to 28.

<sup>19</sup> Magnum Hunter's press release dated 24 June 2014 *"Magnum Hunter Resources Announces Dismissal of Consolidated Securities Class Action Lawsuit in the United States District Court for the Southern District of New York."*

possible that additional similar legal proceedings may be filed against Magnum Hunter and that similar shareholder demands could be made. Further details of these material litigation disclosed by Magnum Hunter are set out in Section 16.3 “Material Litigation” of the Magnum Hunter Bidder’s Statement (pages 99 to 101).

- **(Weaknesses in Magnum Hunter’s internal controls)**<sup>20</sup> Magnum Hunter identified 14 material weaknesses in its internal controls as at 31 December 2012. During 2013, Magnum Hunter undertook significant remediation efforts to reduce the number of material weaknesses in its internal controls to three, and is continuing to remediate these remaining material weaknesses. The three remaining material weaknesses are:
  - Magnum Hunter did not maintain effective controls over the intra-period allocation of income taxes;
  - Magnum Hunter did not maintain effective controls over timely preparation and review of accounting reconciliations; and
  - as a result of the aggregation of deficiencies, Magnum Hunter determined that it did not maintain effective controls over property accounting with respect to the accuracy and completeness of property records and related information.

Ambassador Shareholders are encouraged to carefully read Section 6 “Risk factors” of the Magnum Hunter Bidder’s Statement. You should consider if the risk profile of an investment in Magnum Hunter is suitable to your own investment circumstances.

### 9.3 Magnum Hunter financial information

Section 9 of the Magnum Hunter Bidder’s Statement contains the consolidated balance sheet of Magnum Hunter as at 31 December 2013 and the consolidated statements of operations of Magnum Hunter for the two years ended 31 December 2012 and 2013.

Ambassador notes that these financial statements are prepared based on United States “Generally Accepted Accounting Principles” (**GAAP**) and have not been converted to Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board or International Financial Reporting Standards (**IFRS**). Accordingly, if you accept the Magnum Hunter Offer and become a shareholder in Magnum Hunter, there may be difficulties in monitoring the financial performance of Magnum Hunter, as regulatory financial information would be presented on a United States GAAP basis, which may be unfamiliar to most Australian resident investors.

The full year financial statements for Magnum Hunter for the year ended 31 December 2013, which includes the notes to the financial statements, can be found in Magnum Hunter’s most recent annual financial report as filed with the United States Securities and Exchange Commission at [www.sec.gov.au](http://www.sec.gov.au). These statements for the year ended 31 December 2013 were audited in accordance with United States GAAP and contained an unqualified audit opinion.

### 9.4 Magnum Hunter Bidco

Magnum Hunter Bidco is the entity making the Magnum Hunter Offer. Magnum Hunter Bidco is a wholly owned subsidiary of Magnum Hunter. Further information regarding Magnum Hunter Bidco are set out in Section 7 of the Magnum Hunter Bidder’s statement.

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<sup>20</sup> Section 6 “Risk factors” of the Magnum Hunter Bidder’s Statement, page 34.

## **9.5 Information regarding Magnum Hunter common stock**

Ambassador Shareholders who accept the Magnum Hunter Offer will receive 1 share of Magnum Hunter common stock for every 23.6 Ambassador Shares.

Magnum Hunter has provided some additional information regarding Magnum Hunter common stock in Section 13 of the Magnum Hunter Bidder's Statement.

However, the Ambassador Directors note that the laws and regulations governing an investment in a United States entity listed on the NYSE will likely be materially different to an investment in an Australian listed ASX entity.

The holding and trading of Magnum Hunter common stock may be subject to additional administrative requirements, exposure to foreign exchange risk, subject to unfamiliar US securities law, a different regulatory regime and potentially a different and unfamiliar US tax system. There may also be difficulties in monitoring the financial performance of Magnum Hunter, as regulatory financial information would be presented on a United States GAAP basis, which may be unfamiliar to most Australian resident investors.

Magnum Hunter has provided a comparison of relevant companies and securities laws and listing rules applying to Magnum Hunter in the United States and Australia, in Annexure B of the Magnum Hunter Bidder's Statement. This comparison has been prepared by Magnum Hunter and should not be taken as a general guide only.

Ambassador Shareholders are strongly advised to consult your legal, financial, taxation or other professional adviser if you are considering an investment in Magnum Hunter, particularly in relation to United States laws and regulations.

## **9.6 Magnum Hunter common stock may be "restricted securities"**

As stated in Annexure A of the Magnum Hunter Bidder's Statement (pages 117 to 118), Ambassador Shareholders who accept the Magnum Hunter Offer may be issued with Magnum Hunter common stock that are "restricted securities" for the purposes of the *United States Securities Act of 1936*. If the Magnum Hunter common stocks are "restricted securities", restrictions on resale may apply.<sup>21</sup>

Any resale of "restricted securities" would be subject to a six-month holding period running from the date the restricted securities of Magnum Hunter common stock are acquired and certain other conditions. If you accept the Magnum Hunter Offer and elect to receive Magnum Hunter Stock and they are restricted securities, your ability to trade those securities, and the price at which you may sell them at, may be adversely affected.

Stated in Annexure A of the Magnum Hunter Bidder's Statement, Magnum Hunter expects that most, if not all, of the shares in Magnum Hunter common stock issued pursuant to the Magnum Hunter Offer would not be restricted securities. However, Magnum Hunter advises, and so too do your Ambassador Directors, that you consult your legal advisers if you have any questions about whether shares in Magnum Hunter common stock would be restricted securities if you were to accept the Magnum Hunter Offer, and, if so, obtain advice on applicable resale restrictions.

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<sup>21</sup> Unless registered under the *United States Securities Act of 1933* or an exemption from registration is available.

## **10 Other important information**

### **10.1 Ambassador Directors' interests in Ambassador Shares**

As at the date of this Target's Statement, the Ambassador Directors have the following interests in Ambassador Shares:

<b>Name</b>	<b>Number of Ambassador Shares in which an interest is held</b>
<b>David Shaw</b>	NIL
<b>Giustino Guglielmo</b>	100,001 <sup>1</sup>
<b>Emmanuel Correia</b>	1,375,000

**Note 1:** 100,000 Ambassador Shares are held jointly by Mr Giustino Guglielmo in his capacity as a trustee of the Nicola Guglielmo Family Trust, and 1 Ambassador Share is held directly by Mr Guglielmo.

The effect of the Magnum Hunter Offer on the interests in Ambassador Shares held by the Ambassador Directors will be no different from the effect on the like interests of other Ambassador Shareholders.

### **10.2 Ambassador Directors' dealings in Ambassador Shares**

In the four month period ending on the date immediately before the date of this Target's Statement, the following Ambassador Directors acquired or disposed of a Relevant Interest in Ambassador Shares as described below:

- Giustino Guglielmo disposed of 2,000,000 Ambassador Shares on 28 May 2014 pursuant to a share purchase deed of the same date to Drillsearch for 1 Drillsearch Share for every 5.4 Ambassador Shares; and
- Peloton Capital Pty Ltd, a company which Emmanuel Correia is a director and non-controlling shareholder, disposed of 1,500,000 Ambassador Shares on 28 May 2014 pursuant to a share purchase deed of the same date to Drillsearch for 1 Drillsearch Share for every 5.4 Ambassador Shares.

In relation to the disposals of the Ambassador Shares by Mr Guglielmo and Peloton Capital Pty Ltd referred to above, the Drillsearch Shares were issued to Mr Guglielmo and Peloton Capital Pty Ltd on 11 June 2014. The market price of a Drillsearch Share, based on the volume weighted average market price of Drillsearch Shares in the ordinary course of trading on ASX during 10 and 11 June 2014, was \$1.51, the implied value of each Ambassador Share was \$0.280 (please see Section 5.7 of the Drillsearch Bidder's Statement).

In addition, on 16 June 2014, Mr David Shaw and Mr Giustino Guglielmo, having independently assessed the merits of the Drillsearch Offer, accepted the Drillsearch Offer in respect of the Ambassador Shares that they owned or controlled.

By accepting the Drillsearch Offer, Mr Shaw disposed of 1,000,000 Ambassador Shares he owned or controlled (and received 1 Drillsearch Share for every 5.4 Ambassador Shares plus 5 cents cash for every Ambassador Share).

By accepting the Drillsearch Offer, Mr Guglielmo disposed of 8,000,000 Ambassador Shares he owned or controlled (and received 1 Drillsearch Share for every 5.4 Ambassador Shares plus 5 cents cash for every Ambassador Share).



Mr Shaw and Mr Guglielmo accepted the Drillsearch Offer in respect of those Ambassador Shares before Magnum Hunter announced its revised takeover offer for Ambassador, which was announced on 17 June 2014.

### **10.3 Ambassador Directors' interests in Magnum Hunter Shares**

As at the date of this Target's Statement, no Ambassador Directors have an interest in Magnum Hunter or Magnum Hunter Bidco.

### **10.4 Ambassador Directors' dealings in Magnum Hunter common stock or Magnum Hunter Bidco shares**

No Ambassador Director acquired or disposed of a Relevant Interest in any securities in Magnum Hunter, Magnum Hunter Bidco or a member of the Magnum Hunter Group in the four month period ending on the date immediately before the date of this Target's Statement.

### **10.5 Benefits and agreements**

#### **(a) Benefits in connection with retirement from office**

As a result of the Magnum Hunter Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of Ambassador or Related Body Corporate of Ambassador.

#### **(b) Agreements connected with or conditional on the Magnum Hunter Offer**

Ambassador has an existing corporate advisory engagement with Peloton Capital Pty Ltd (ACN 149 540 018) (**Peloton Capital**) whereby Peloton Capital is to provide various corporate advisory services in relation to the change of control transactions relating to Ambassador, including without limitation:

- advisory, preparation, negotiation and management of the key terms of the Magnum Hunter Offer and the Drillsearch Offer;
- matters relating to structuring, valuation and pricing parameters of the Magnum Hunter Offer and the Drillsearch Offer; and
- preparation of relevant documents to facilitate the Magnum Hunter Offer and the Drillsearch Offer.

Mr Emmanuel Correia, Non-Executive Director of Ambassador, is a director and non-controlling shareholder of Peloton Capital.

Peloton Capital has estimated the advisory fees in relation to its engagement with Ambassador would be in the range of \$200,000 to \$300,000 (exclusive of Goods and Services Tax).

#### **(c) Benefits from the Magnum Hunter Offer**

No Ambassador director has agreed to receive, or is entitled to receive, any benefit from Magnum Hunter, Magnum Hunter Bidco or a member of the Magnum Hunter Group which is conditional on, or is related to, the Magnum Hunter Offer, other than in their capacity as a holder of Ambassador Shares.

**(d) Interests of Directors in contracts with Magnum Hunter or Magnum Hunter Bidco**

Except as described in this Section 10 of this Target's Statement, none of the Ambassador Directors have any interest in any contract entered into by Magnum Hunter or Magnum Hunter Bidco or a member of the Magnum Hunter Group.

**10.6 Consent**

**(a) Consent to be named**

Johnson Winter & Slattery, as Australian legal adviser to Ambassador, has given and has not, before the date of this Target's Statement, withdrawn its consent to be named in this Target's Statement in the form and context in which it is named.

**(b) Disclaimers**

Johnson Winter & Slattery:

- has not authorised or caused the issue of this Target's Statement;
- does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than as specified in this Section 10.6(a); and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement except in respect of those statements to which it has consented as specified in this Section 10.6(a).

**10.7 Consents not required under ASIC Class Orders**

This Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or given to ASX. Pursuant to ASIC Class Order 13/521, the consent of persons to whom such statements are attributed is not required for the inclusion of these statements in this Target's Statement. The relevant documents are:

- the Drillsearch Bidder's Statement;
- the Supplementary Drillsearch Bidder's Statement;
- the Magnum Hunter Bidder's Statement;
- the following Takeovers Panel related media releases announced on the ASX:
  - "TOV: AQO Panel Receives Application" dated 19 June 2014;
  - "TOV: AQO Panel Makes Interim Orders" dated 20 June 2014;
  - "TOV: Ambassador Oil and Gas Limited – Undertaking" dated 23 June 2014;
  - "Ambassador Oil and Gas Limited 02 Application/ Interim Order" dated 23 June 2014;
- the following ASX announcements made by Drillsearch:
  - "Recommended Takeover of Ambassador Oil and Gas by Drillsearch Energy" dated 28 May 2014;
  - "Drillsearch announces increased offer for Ambassador Oil" dated 16 June 2014;
- the following ASX announcements made by Magnum Hunter:

- “Intention to make a takeover bid by Magnum Hunter” dated 10 June 2014;
- “Magnum Hunter Increases Ambassador Offer Consideration” dated 17 June 2014.

Any Ambassador Shareholder who would like to receive a copy of any of those documents may obtain a copy from the ASX’s website [www.asx.com.au](http://www.asx.com.au) (ASX Code: AQO).

As permitted by ASIC Class Order 13/523, this Target’s Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or a published book, journal or comparable publication.

Pursuant to ASIC Class Order 13/523, the consent of such persons to whom statements or documents are attributed is not required for the inclusion of those statements in this Target’s Statement.

## **10.8 No other material information**

This Target’s Statement is required to include all the information that Ambassador Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Magnum Hunter, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target’s Statement; and
- only if the information is known to any Ambassador Director.

The Ambassador Directors are of the opinion that the information Ambassador Shareholders and their professional advisers would be reasonably required to make an informed assessment whether to accept the Magnum Hunter Offer is the information contained in:

- the Magnum Hunter Bidder’s Statement (to the extent that the information is not inconsistent with or superseded by information in this Target’s Statement);
- the Drillsearch Bidder’s Statement, the Supplementary Drillsearch Bidder’s Statement (to the extent that the information is not inconsistent with or superseded by information in this Target’s Statement);
- Ambassador’s Target’s Statement in response to the Drillsearch Offer;
- Ambassador’s releases to the ASX, and in the documents lodged by Ambassador with ASIC before the date of this Target’s Statement; and
- the information contained in this Target’s Statement.

The Ambassador Directors have assumed, for the purposes of preparing this Target’s Statement, that the information in the Magnum Hunter Bidder’s Statement, Drillsearch Bidder’s Statement and the Supplementary Drillsearch Bidder’s Statement is accurate (unless they have expressly indicated otherwise in this Target’s Statement). However, the Ambassador Directors do not take any responsibility for the contents of the Magnum Hunter Bidder’s Statement, the Drillsearch Bidder’s Statement and the Supplementary Drillsearch Bidder’s Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target’s Statement, the Ambassador Directors have had regard to:

- the nature of the Ambassador Shares;

- the nature of the Magnum Hunter Offer;
- the matters that Ambassador Shareholders may reasonably be expected to know in relation to Magnum Hunter, Magnum Hunter Bidco and the Magnum Hunter Offer;
- the nature of the Drillsearch Offer;
- the matters that Ambassador Shareholders may reasonably be expected to know in relation to Ambassador, Drillsearch, Drillsearch Bidco and the Drillsearch Offer;
- the fact that certain matters may reasonably be expected to be known to Ambassador Shareholders' professional advisers; and
- the time available to Ambassador to prepare this Target's Statement.

## 11 Definitions and interpretation

### 11.1 Definitions

<b>\$, A\$ or AUD\$</b>	Australian dollar.
<b>Acceptance Form</b>	the form with that title that accompanies the Magnum Hunter Bidder's Statement.
<b>AEST</b>	Australian Eastern Standard Time.
<b>Ambassador</b>	Ambassador Oil & Gas Limited (ACN 152 595 429).
<b>Ambassador Board</b>	the Board of Ambassador.
<b>Ambassador Directors</b>	as at the date of this Target's Statement: David Shaw, Giustino Guglielmo and Emmanuel Correia.
<b>Ambassador Group</b>	Ambassador and its Related Bodies Corporate.
<b>Ambassador Register</b>	the register of members of Ambassador.
<b>Ambassador Share</b>	a fully paid ordinary share in the capital of Ambassador.
<b>Ambassador Shareholder</b>	a person who is recorded in the Ambassador Register as a holder of Ambassador Shares.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>Associate</b>	has the meaning given in the Corporations Act.
<b>ASX</b>	as the context requires, ASX Limited (ABN 98 008 624 691) or the securities market conducted by ASX Limited.
<b>ASX Listing Rules</b>	the official listing rules of the ASX.
<b>ASX Settlement Operating Rules</b>	the operating rules of ASX Settlement.
<b>Bid Implementation Agreement</b>	the Bid Implementation Agreement between Ambassador and Drillsearch dated 28 May 2014 and released to the ASX on that date.
<b>Business Day</b>	has the meaning given in the ASX Listing Rules.
<b>CHESS</b>	Clearing House Electronic Subregister System which provides for electronic security transfers in Australia.
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth).
<b>Drillsearch</b>	Drillsearch Energy Limited (ACN 006 474 644).
<b>Drillsearch Bidco</b>	Drillsearch (Central) Pty Limited (ACN 160 522 056).
<b>Drillsearch Bidder's Statement</b>	the Bidder's Statement of Drillsearch Bidco dated 12 June 2014.
<b>Drillsearch Board</b>	the board of directors of Drillsearch.
<b>Drillsearch Group</b>	Drillsearch and its Related Bodies Corporate.

<b>Drillsearch Offer</b>	the offer by Drillsearch Bidco to each Ambassador Shareholder to acquire all of their Ambassador Shares on the terms and conditions set out in the Drillsearch Bidder's Statement as supplemented by the Magnum Hunter Supplementary Bidder's Statement, and includes a reference to that offer as varied in accordance with the Corporations Act.
<b>Drillsearch Offer Consideration</b>	as at the date of this Target's Statement, the consideration offered by Drillsearch Bidco under the Drillsearch Offer comprising 1 Drillsearch Share for every 5.4 Ambassador Shares plus 5 cents cash for every Ambassador Share.
<b>Drillsearch Offer Period</b>	the period during which the Drillsearch Offer will remain open for acceptance in accordance with Section 11.6 of the Drillsearch Bidder's Statement.
<b>Drillsearch Search</b>	a fully paid ordinary share in Drillsearch.
<b>First Drillsearch Offer</b>	the offer by Drillsearch Bidco to each Ambassador Shareholder to acquire all of their Ambassador Shares on the terms and conditions set out in the Drillsearch Bidder's Statement dated 12 June 2014.
<b>GAAP</b>	Generally Accepted Accounting Principles.
<b>Ineligible Foreign Shareholder</b>	has the meaning given to that term in Section 7.13 of this Target's Statement.
<b>Issuer Sponsored Shareholding</b>	a holding of Ambassador Shares on Ambassador's issuer sponsored subregister.
<b>Magnum Hunter</b>	Magnum Hunter Resources Corporation, an entity listed on the NYSE.
<b>Magnum Hunter Bidco</b>	Outback Shale Hunter Pty Ltd (ACN 169 963 820), a wholly owned subsidiary of Magnum Hunter.
<b>Magnum Hunter Group</b>	Magnum Hunter and its Related Bodies Corporate.
<b>Magnum Hunter Offer</b>	the offer by Magnum Hunter Bidco to each Ambassador Shareholder to acquire all Ambassador Shares on the terms and conditions set out in the Magnum Hunter Bidder's Statement, and includes a reference to that offer as varied in accordance with the Corporations Act.
<b>Magnum Hunter Offer Consideration</b>	as at the date of this Target's Statement, the consideration offered by Magnum Hunter under the Magnum Hunter Offer, comprising 1 share of Magnum Hunter common stock for every 23.6 Ambassador Shares.
<b>Magnum Hunter Offer Period</b>	the period during which the Magnum Hunter Offer will remain open for acceptance in accordance with Section 15.3 of the Magnum Hunter Bidder's Statement.
<b>Magnum Hunter Sale Facility</b>	the sale facility under the Magnum Hunter Offer by which accepting Ambassador Shareholders may elect to participate in, whereby the Magnum Hunter common stock to which an Ambassador Shareholder would otherwise be entitled will be issued to the Sale Facility Agent and sold on their behalf, with the proceeds of that sale remitted to the accepting Ambassador Shareholder, as more fully described in Section 15.9 of the Magnum Hunter Bidder's Statement.

<b>NYSE</b>	New York Stock Exchange.
<b>Participant</b>	an entity admitted to participate in CHESS under rules 4.3.1 and 4.4.1 of the ASX Settlement Operating Rules.
<b>PEL</b>	Petroleum Exploration Licence.
<b>PEL 570</b>	Petroleum Exploration Licence 570.
<b>Related Body Corporate</b>	has the meaning given in the Corporations Act.
<b>Relevant Interest</b>	has the meaning given in the Corporations Act.
<b>Sale Facility Agent</b>	the sale facility agent under the Magnum Hunter Sale Facility, being Citigroup Global Markets Australia Pty Ltd.
<b>Section</b>	means a section of this Target's Statement.
<b>Supplementary Drillsearch Bidder's Statement</b>	the Supplementary Bidder's Statement of Drillsearch Bidco dated 16 June 2014.
<b>Target's Statement</b>	this document (including the attachments), being the statement of Ambassador under Part 6.5 Division 3 of the Corporations Act.
<b>USD\$</b>	United States dollar.

## 11.2 Interpretation

Unless the context otherwise requires:

- (a) headings used in this Target's Statement are inserted for convenience and do not affect the interpretation of this Target's Statement;
- (b) words or phrases defined in the Corporations Act have the same meaning in this Target's Statement;
- (c) a reference to a section is a reference to a section of this Target's Statement;
- (d) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (e) the singular includes the plural and vice versa;
- (f) the word "person" includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any government agency; and
- (g) a reference to time is a reference to time in Sydney, Australia.

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## 12 Authorisation of Target's Statement

This Target's Statement has been approved by a resolution passed by the directors of Ambassador Oil & Gas Limited (ACN 152 595 429).

Signed for and on behalf of Ambassador Oil & Gas Limited:



**David Shaw**  
Non-Executive Chairman  
Ambassador Oil & Gas Limited



## Corporate directory

### Company

Ambassador Oil & Gas Limited  
ACN 152 595 429

### Legal Adviser

Johnson Winter & Slattery  
Level 9, 211 Victoria Square  
ADELAIDE SA 5000

### Registered Office

Level 1, 23 Oxford Street  
OAKLEIGH VIC 3166

### Company Secretary

Emmanuel Correia