

Ambassador Oil & Gas Ltd

ACN 152 595 429

Annual Report - 30 June 2014

Ambassador Oil & Gas Ltd
Corporate directory
30 June 2014

Directors	David Shaw (Non-Executive Chairman) Emmanuel Correia (Non-Executive Director) Giustino Guglielmo (Managing Director and Chief Executive Officer)
Company secretary	Emmanuel Correia
Registered office	Level 1, 23 Oxford St Oakleigh VIC 3166 Phone: 03 9021 6140 Fax: 03 9530 4117
Share register	Computershare Investor Services Pty Limited 452 Johnston Street Abbotsford VIC 3067 1300 850 505
Auditor	Deloitte Touche Tohmatsu 11 Waymouth Street Adelaide SA 5000
Solicitors	Johnson Winter & Slattery Level 9, 211 Victoria Square Adelaide SA 5000
Stock exchange listing	Ambassador Oil & Gas Ltd shares are listed on the Australian Securities Exchange (ASX code: AQO)
Website	www.ambassadorexp.com.au

Ambassador Oil & Gas Ltd

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30 June 2014

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Ambassador Oil & Gas Ltd
Letter from the Chairman
30 June 2014

Dear Fellow Shareholder,

Competing unconditional off-market takeover offers for your Company, one by Drillsearch Energy Limited (ASX: DLS) lodged in May and a second lodged by Magnum Hunter Resources Corporation (NYSE:MHR) in June completed what was a highly successful year for the Company.

At the date of this report the outcome of the takeover offers, each offering Ambassador shareholders a significant premium to the Ambassador share price prior to the announcement of the first Drillsearch takeover offer, remained unresolved.

The Ambassador Board has worked assiduously to increase market awareness and understanding of the value and prospectivity of our Cooper Basin acreage, with the result that two unconditional takeover offers have been received.

It is clear that the potential for the discovery and development of unconventional natural gas resources in the Cooper Basin is now widely recognised by the petroleum industry and Ambassador is proud to have played a significant role in helping to create that awareness.

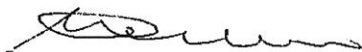
It is the nature of the industry that smaller companies often take on the lead role, and higher risk, involved in opening up new areas and developing new ideas for value creation.

The receipt of two takeover offers provides ample demonstration of the value that Ambassador Oil and Gas has created for shareholders.

Earlier in the year in review Ambassador completed a farm-out of a 52.5% working interest in its highly prospective PEL 570 exploration permit in the Cooper Basin (South Australia) to Outback Energy Hunter Pty Ltd, a wholly owned subsidiary of New Standard Energy Ltd (ASX:NSE) for \$42.5 million in direct exploration expenditure. The deal introduced the expertise of US shale industry pioneer, Magnum Hunter to the exploration of PEL 570.

On behalf of the board I wish to thank shareholders for their support during the year.

I also wish to thank the staff and fellow directors for their efforts on behalf of shareholders and the company.



David Shaw
Chairman

Ambassador Oil & Gas Ltd
Directors' report
30 June 2014

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Ambassador Oil & Gas Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2014.

Directors

The following persons were directors of Ambassador Oil & Gas Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr D Shaw (Non-Executive Chairman)
Mr G Guglielmo (Managing Director)
Mr E Correia (Non-executive Director)

Principal activities

The principal continuing activity of the Group is exploration for oil and gas. The company's focus during the current financial year has been in the Cooper basin in South Australia. The Group also purchased oil and gas mining leases in Colorado and Montana in the United States of America (USA).

As noted below in significant changes in the state of affairs, the consolidated entity is subject to two separate takeover bids. Should either bid result in a change of control in Ambassador, this may impact the principal activities of the entity.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

Financial

The loss for the consolidated entity after providing for income tax amounted to \$1,449,981 (30 June 2013: \$5,371,234).

Operations

The focus of the Company's efforts this year was to attract a farm-out partner to assist the Company in unlocking the economic potential of a large prospective resource in the PEL 570 Cooper basin permit.

In December 2013 Ambassador agreed to the farm-out of a 52.5% working interest in its PEL 570 exploration permit in the Cooper Basin (South Australia) to Outback Energy Hunter Pty Ltd, a wholly owned subsidiary of New Standard Energy Ltd (ASX:NSE) for \$42.5 million in direct exploration expenditure.

The deal introduced US shale industry pioneer, Magnum Hunter Resources Corporation (NYSE:MHR) (**Magnum Hunter**), to the search for the unconventional hydrocarbon resources of the Cooper Basin as technical adviser to the exploration of the unconventional targets in PEL 570.

In addition to the introduction of New Standard Energy and Magnum Hunter to the Cooper basin exploration effort Ambassador also broadened its oil exploration efforts by acquiring prospective oil exploration leases in emerging, oil prone, resource plays in the Rocky Mountain region of the USA.

Representing a low cost option in an emerging oil province Ambassador also exercised an option to acquire oil properties in south east Colorado acquiring 9,437 net acres. Ambassador is currently proceeding with title verification prior to completing the transaction.

Ambassador now holds leases in the Denver Julesburg basin in Lincoln county Colorado totalling over 2200 net acres. The land in Colorado is adjacent to properties that have hosted recent oil discoveries, increasing the prospectivity of the area. The land being acquired has no associated drilling commitments and represents a low cost entry into an exciting emerging oil resource play in the USA.

Early in the year Ambassador completed the sale of its Montana holdings receiving A\$1 million, realising a small cash profit.

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Corporate activity

Ambassador is currently the subject of two competing, unconditional, off-market takeover offers which are at significant premiums when compared to the Ambassador share price prior to the announcement of the offers.

The takeover offers are from Cooper basin mid-cap explorer and producer Drillsearch Energy Limited (ASX: DLS) (**Drillsearch**) and US listed unconventional explorer and producer, Magnum Hunter. Each company is seeking to secure ownership of Ambassadors' 47.5% carried interest in the highly prospective PEL 570, a permit independently assessed to contain significant volumes of natural gas which is believed to be low in CO₂ and high in hydrocarbon liquids.

Drillsearch Offer

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

On 16 June 2014, Drillsearch varied its offer by increasing its offer consideration from 1 Drillsearch share for every 5.4 Ambassador shares to include 5 cents cash for every Ambassador share. Drillsearch also immediately declared the offer unconditional and announced accelerated payment terms.

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

Unless extended, the Drillsearch offer is due to close at 7.00pm (Sydney time) on 27 August 2014.

Magnum Hunter Offer

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

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

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

Unless extended, the Magnum Hunter offer will remain open until 7.00pm (Sydney time) on 22 August 2014.

Significant changes in the state of affairs

On 10 December 2013 Ambassador entered into a farm out agreement with New Standard Energy Pty Ltd (New Standard). This agreement stipulates that New Standard is to earn a 52.5% interest in PEL 570 in exchange for contributing \$42.5 million in direct exploration expenditure in the tenement.

As at the date of this Director's Report, Ambassador Oil & Gas Limited (ASX: AQO) is the subject of two competing unconditional off-market takeover offers. The takeover offers are from leading Cooper Basin mid cap explorer and producer Drillsearch Energy Limited (ASX: DLS) and leading US listed unconventional explorer and producer Magnum Hunter Resources Corporation (NYSE: MHR). Both companies are looking to secure ownership of Ambassadors' 47.5% carried interest in the highly prospective PEL 570, a permit independently assessed to contain significant volumes of natural gas, low CO₂ and high in hydrocarbon liquids.

As at the date of this Director's Report:

- neither offer has resulted in a change of control of Ambassador; and
- both offers remain open.

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There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

Ambassador Oil and Gas Limited is the subject of two competing off-market takeover offers from Drillsearch Energy Limited (ASX: DLS) and Magnum Hunter Resources Corporation (NYSE: MHR). Both offers have been declared unconditional.

On 28 July the Takeovers Panel made a declaration of unacceptable circumstances in relation to the Drillsearch takeover bid in response to an application by Magnum Hunter.

The Panel found that Drillsearch was associated to the Ambassador directors and some of Ambassador's major shareholders. As a result, the Panel considered that Drillsearch had voting power of at least 19.55% of Ambassador prior to acquiring its 19.9% pre-bid stake, in breach of section 606 of the Corporations Act. The Panel also found that two of Ambassador's major shareholders and two of Ambassador's directors did not give effect to their intention statements issued to the ASX on 28 May 2014 by accepting the Drillsearch Offer four days after the offer opened, rather than the 14 days referenced in their intention statements.

As a result of the declaration of unacceptable circumstances, the Panel made orders that: -

- Drillsearch lodge with ASIC, ASX and dispatch to Ambassador shareholders a supplementary bidder's statement in a form approved by the Panel (this was lodged on 1 August 2014).
- Drillsearch must ensure that its offer remains open for a period of not less than 21 days after the date on which its supplementary bidder's statement is sent to shareholders.
- Ambassador's two major shareholders and two of Ambassador's directors' acceptances of the Drillsearch's Offer are reversed and they must wait a further 14 days from the release of Drillsearch's supplementary bidder's statement before deciding whether to accept Drillsearch's Offer.
- The former Ambassador shareholders who sold their shares as part of the pre-bid stake, and all other shareholders who have accepted Drillsearch's offer, are given a 'withdrawal' right which is operative up until 14 days after the release of Drillsearch's supplementary bidder's statement.

The Drillsearch Offer is scheduled to close on 27 August 2014 (unless extended).

On 13 August 2014 Magnum Hunter announced that as at that date it had no intention to revise the terms of its offer (but reserved the right to do so) and that it would issue its first Supplementary Bidder's Statement to the Ambassador shareholders for their consideration. The Magnum Hunter offer is scheduled to close on 22 August 2014 (unless extended).

As at the date of this report both takeover bids remain open.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Ambassador has holdings of leases in the Denver Julesburg basin in Colorado, USA, with the objective of farming out drilling activity or on selling the leases. However these activities have been put on hold, depending the result of the current takeover offers for Ambassador that are currently in the market.

Environmental regulation

The group conducted exploration activities through Senex Energy Limited as operator of two farm in joint ventures in South Australia.

The Group's exploration operations were subject to environmental regulations under the various laws of South Australia and the Commonwealth. While its exploration activities had a low level of environmental impact, the Group through Senex Energy Limited adopted a best practice approach in satisfaction of the regulations of relevant government authorities.

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Information on directors

Name: Mr D Shaw
Title: Non-Executive Director
Experience and expertise: Mr Shaw joined the Board as a Non-Executive Chairman on 7 August 2011. He is a Melbourne University law graduate, and is currently a practising solicitor with his own firm Campbell & Shaw Lawyers. Mr Shaw is a director on a number of private company boards and advisory boards. He has a long history with the Australian Football League (AFL), having been the Essendon club President from 1992 to 1997 and is a former Commissioner of the AFL.
Other current directorships: American Patriot Oil & Gas Ltd (ASX:AOW)
Former directorships (last 3 years): None
Special responsibilities: None
Interests in shares: 1,000,000 fully paid ordinary shares

Name: Mr G Guglielmo
Title: Managing Director
Experience and expertise: Mr Guglielmo joined the Board as the Managing Director on 7 August 2011. He holds a degree in Mechanical Engineering, Mr Guglielmo was formerly Chief Executive Officer of Stuart Petroleum Limited and has 33 years' experience in the field of Petroleum and Production Engineering.
Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: None
Interests in shares: 10,100,001 fully paid ordinary shares

Name: Mr E Correia
Title: Non-Executive Director
Experience and expertise: Mr Correia joined the Board as a Non- Executive Director and Company Secretary on 7 August 2011. Mr Correia holds a degree in business and is a Chartered Accountant with has extensive experience in the corporate finance and equity capital markets. Mr Correia is a director of Rutila Resources Limited and Company Secretary of Bluglass Limited. Mr Correia is a director of Peloton Capital Pty Ltd but does not control Peloton Capital.
Other current directorships: Rutila Resources Limited (ASX: RTA, formerly Forge Resources Limited)
Former directorships (last 3 years): Exalt Resources Limited (ASX: ERD, resigned November 2012)
Special responsibilities: None
Interests in shares: Mr Correia indirectly holds 125,000 fully paid ordinary shares via entities controlled by him. Mr Correia is a non-controlling shareholder of Peloton Capital Pty Ltd which at year end owned 2,500,000 fully paid ordinary shares in Ambassador, 1,250,000 of which Mr Correia has a relevant interest.

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Emmanuel Correia is the Company Secretary.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2014, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
D Shaw	9	9
G Guglielmo	9	9
E Correia	9	9

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Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)

The remuneration report, which has been audited, outlines the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Principles used to determine the nature and amount of remuneration

The performance of the Group depends on the quality of its Directors and Other Key Management Personnel and therefore the Group must attract, motivate and retain appropriately qualified industry personnel. The Group embodies the following principles in its remuneration framework:

- provide competitive rewards to attract and retain high calibre directors and other key management personnel;
- link executive rewards to shareholder value (by both long and short term incentives);
- link reward with the strategic goals and performance of the company; and
- ensure total remuneration is competitive by market standards.

Remuneration philosophy

The full Board considers those matters that would usually be the responsibility of a Remuneration Committee. Items that are usually required to be discussed by a Remuneration Committee will be marked as separate agenda items at Board meetings when required. When the Board convenes as the Remuneration Committee it will operate under the Nomination and Remuneration Committee Charter. The Nomination and Remuneration Committee Charter provides for the Board to meet at least annually and otherwise as required. In the year ended 30 June 2014 the Board met once to consider matters of remuneration. In the prior year the Board met twice to consider matters of remuneration. The remuneration of the directors and the other key management were set by Board, prior to the Nomination and Remuneration Committee being established as part of listing the company on the ASX on 22 December 2011.

Under the Nomination and Remuneration Committee Charter, the Board (when convening as the Remuneration Committee) will review the Company's remuneration practices and policies and establish appropriate remuneration levels including incentive policies for Directors and senior executives.

The Board assesses the appropriateness of the nature and amount of remuneration of such persons on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from retention of high quality Directors and Other Key Management Personnel. External advice on remuneration matters is sought whenever the Board deems it necessary. No external advice on remuneration matters was sought during the year ended 30 June 2014.

Non-executive directors remuneration

The remuneration of Non-Executive Directors is set at a level which provides the company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is appropriate at this stage of the Company's development.

Mr David Shaw

On and from Ambassador's listing on the ASX in December 2011, Ambassador agreed to pay \$60,000 per annum (exclusive of statutory superannuation). During the year ended 30 June 2014 Mr Shaw was paid \$60,000 plus superannuation contributions of \$5,555. During the year ended 30 June 2013 Mr Shaw was paid \$60,000 plus superannuation contributions of \$5,400.

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Mr Emmanuel Correia

On and from Ambassador's listing on the ASX in December 2011, Ambassador agreed to pay \$84,000 per annum to his consultancy company for the provision of his services as a non-executive director and company secretary.

During the year ending 30 June 2014 an additional amount of \$50,000 was paid to Mr Correia's consultancy company for the provision of advisory services in relation to the PEL 570 farm-in agreement entered into with New Standard Energy Limited.

Mr Correia is also a director of Peloton Capital Pty Ltd. Ambassador had entered into the two agreements with Peloton Capital Pty Ltd.

Under the first of those agreements, Peloton Capital Pty Ltd agreed to provide certain capital raising and corporate advisory services to Ambassador. This engagement ended on 30 June 2013 and was not renewed. (See Note 27 to the financial statements - Transactions with Related Parties).

Under the second of those agreements, Ambassador engaged Peloton Capital Pty Ltd to provide advisory services in relation to the current off market takeover offers. (See Note 27 to the financial statements - Transactions with Related Parties).

In addition, Non-Executive Directors are entitled to be paid reasonable travelling, accommodation and other expenses incurred as a consequence of their attendance at meetings of Directors and otherwise in the execution of their duties as Directors.

Executive remuneration - Managing Director

The consolidated entity aims to reward executives with a level and mix of remuneration based on their position and responsibility, which has both fixed and variable components.

Mr Giustino Guglielmo

On and from Ambassador's listing on the ASX on 22 December 2011, the Managing Director was employed pursuant to an employment agreement which was amended on 1 January 2013. The key terms of the employment agreement are: -

- The fixed annual remuneration (including base salary and superannuation) payable to the Managing Director is \$300,000 plus compulsory superannuation contributions and which will be subject to an annual review;
- A short term incentive scheme will apply to the Managing Director under which he will be entitled to a short term incentive (STI) bonus of up to 50% of his fixed annual remuneration in the event that certain key performance indicators set by the Board are achieved (details are set out in the section headed 'Short Term Bonus');
- The Managing Director is also eligible to participate in any long term incentive plan established by Ambassador from time to time;
- Ambassador may terminate the Managing Director's employment immediately in the event of serious misconduct or neglect in the discharge by the Managing Director of his duties. Further, Ambassador may terminate the Managing Director's employment without cause at any time by giving 6 months' written notice to the Managing Director or by making a payment of 6 months' remuneration in lieu of notice;
- The Managing Director may terminate his employment by giving 6 months' written notice to Ambassador. In the event that the Managing Director's position becomes redundant would be entitled to payment of an amount equal to 12 months of the total fixed remuneration at that time.

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The combination of these comprises the executive's total remuneration.

Other Key Management Personnel Remuneration

Mr Andrew Ikin, resigned 4 March 2014

On and from listing on the ASX on 22 December 2011, the Chief Financial Officer became an employee pursuant to an employment agreement under which:

- the Chief Financial Officer was paid on an hours worked basis at the rate of \$140.00 per hour plus compulsory superannuation contributions;
- the Chief Financial Officer was also be eligible to participate in any short or long term incentive plan established by Ambassador from time to time.
- The Chief Financial Officer may terminate his employment by giving one months' written notice to Ambassador. Mr Ikin resigned on 4 March 2014.

The criteria for the payment of a short term incentive bonus set by the Board were not met and no bonus was awarded for the year ended 30 June 2013. A new short term incentive scheme has been established for the year ended 30 June 2014 (as set out below under "Short Term Bonus"), and no long term incentive scheme has been established.

The Chief Financial Officers contract was varied as of 18 December 2012, to extend the termination notice period from 1 to 3 months and also provision of a 3 month redundancy in the event that his position becoming redundant calculated on the highest monthly remuneration paid in the prior 12 months.

Short Term Incentive Bonus

The Company establish a short term incentive scheme for the Managing Director and the Chief Financial Officer for the year ending 30 June 2014 based on an entitled to a bonus of up to 50% of their respective annual remuneration in the event that the key performance indicators listed below are met:

	Key Performance Indicator	%
1	To farmout PEL 570 to a party who is acknowledged to be in the top quartile of technical expertise (and who stands the best chance of unlocking the way to commercialize unconventional gas in the Patchawarra trough) and on a basis consistent with or equal to other deals within the Cooper basin for unconventional gas	25
2	Establishing operations in the USA to undertake the acquisition of acreage in emerging unconventional basins and to acquire a minimum of 10,000 acres	10
3	The growth in the total shareholder return of the Company (TSR) over the 18 month period commencing 1 January 2013 being 20% or greater.	15
	Total	50

For the year ended 30 June 2014 the criteria for the payment of a short term incentive bonus set by the Board were met and the bonus was fully paid.

Voting and comments made at the company's 21 November 2013 Annual General Meeting ('AGM')

At the 21 November 2013 AGM, 99.9% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2013. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of the key management personnel of the consolidated entity are set out in the following tables.

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The key management personnel of the consolidated entity consisted of the following directors of Ambassador Oil & Gas Ltd:

- Mr D Shaw (Non-Executive Director)
- Mr G Guglielmo (Managing Director)
- Mr E Correia (Non-Executive Director and Company Secretary)

And the following person:

- Mr A Ikin (Chief Financial Officer)

	Cash salary and fees	Bonus	Short-term benefits Movement in annual leave provision	Post employment benefits Super- annuation	Total
	\$	\$	\$	\$	\$
2014					
<i>Non-Executive Directors:</i>					
D Shaw	60,000	-	-	5,555	65,555
E Correia	134,000	-	-	-	134,000
<i>Executive Directors:</i>					
G Guglielmo	300,000	150,000	9,901	41,630	501,531
<i>Other Key Management Personnel:</i>					
A Ikin*	43,000	12,700	-	7,230	62,930
	<u>537,000</u>	<u>162,700</u>	<u>9,901</u>	<u>54,415</u>	<u>764,016</u>

* A Ikin resigned in March 2014.

	Cash salary and fees	Bonus	Short-term benefits Movement in annual leave provision	Post- employment benefits Super- annuation	Total
	\$	\$	\$	\$	\$
2013					
<i>Non-Executive Directors:</i>					
D Shaw	60,000	-	-	5,400	65,400
E Correia	84,000	-	-	-	84,000
<i>Executive Directors:</i>					
G Guglielmo	270,000	-	5,999	24,300	300,299
<i>Other Key Management Personnel:</i>					
A Ikin	42,770	-	-	3,851	46,621
	<u>456,770</u>	<u>-</u>	<u>5,999</u>	<u>33,551</u>	<u>496,320</u>

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The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2014	2013	2014	2013	2014	2013
<i>Non-Executive Directors:</i>						
Mr D Shaw	100%	100%	-%	-%	-%	-%
Mr E Correia	100%	100%	-%	-%	-%	-%
<i>Executive Directors:</i>						
Mr G Guglielmo	70%	100%	30%	-%	-%	-%
<i>Other Key Management Personnel:</i>						
Mr A Ikin	80%	100%	20%	-%	-%	-%

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2014.

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2014.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2014.

Relationship between the Remuneration Policy and Company Performance

The Company was listed on the ASX on 22 December 2011.

The earnings of the consolidated entity for the three years to 30 June 2014 are summarised below:

	2014	2013	2012
	\$	\$	\$
Revenue	267,896	279,540	401,925
Net profit/(loss) before tax	(1,449,981)	(5,371,234)	(2,021,665)
Net profit/(loss) after tax	(1,449,981)	(5,371,234)	(2,093,712)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2014	2013	2012
Share price at financial year start (\$)	0.14	0.14	0.20
Share price at financial year end (\$)	0.38	0.14	0.14
Basic earnings per share (cents per share)	(1.02)	(3.78)	(2.20)
Diluted earnings per share (cents per share)	(1.02)	(3.78)	(2.20)

No dividends have been declared since incorporation and the Directors do not recommend the payment of a dividend in respect of the year ended 30 June 2014.

There is no link between the company's performance and the setting of remuneration, other than as discussed above, in relation to growth in total shareholder return as part of short term incentive for Key Management Personnel.

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Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
D Shaw***	1,000,000	-	-	(1,000,000)	-
G Guglielmo***	10,100,001	-	-	(10,000,000)	100,001
E Correia**	10,125,000	-	-	(7,500,000)	2,625,000
A Ikin*	750,000	-	-	(750,000)	-
	<u>21,975,001</u>	<u>-</u>	<u>-</u>	<u>(19,250,000)</u>	<u>2,725,001</u>

* Mr A Ikin resigned in March 2014

** 2,500,000 shares held at the end of the year are held by Peloton Capital Pty Ltd, a company in which Mr E Correia has a non-controlling interest in (of which Mr Correia has a relevant interest in 1,250,000) and 125,000 shares are held by entities controlled by Mr Correia.

*** Messrs Shaw and Guglielmo disposed of their respective holdings pursuant to the Drillsearch Energy Limited takeover offer prior to year end. As outlined in Note 30 to the financial statements, on 28 July 2014 the Takeovers Panel made a declaration of unacceptable circumstances in relation to the Drillsearch takeover bid, and consequently released further orders that amongst other matters required certain shareholders' acceptances of the Drillsearch's offer be reversed. Accordingly as at the date of this report the shareholdings of Messrs Shaw and Guglielmo have been reinstated to 1,000,000 and 10,100,001 respectively.

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
D Shaw	333,334	-	-	(333,334)	-
G Guglielmo	3,366,667	-	-	(3,366,667)	-
E Correia	3,333,334	-	-	(3,333,334)	-
A Ikin	166,667	-	-	(166,667)	-
	<u>7,200,002</u>	<u>-</u>	<u>-</u>	<u>(7,200,002)</u>	<u>-</u>

This concludes the remuneration report, which has been audited.

Shares under option

There were no unissued ordinary shares of Ambassador Oil & Gas Ltd under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of Ambassador Oil & Gas Ltd issued on the exercise of options during the year ended 30 June 2014 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Ambassador Oil & Gas Ltd
Directors' report
30 June 2014

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and Executives in their capacity as officers of the entities of the Group, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or anyone else or to cause detriment to an entity in the group.

The Company is a party to Deeds of Indemnity in favour of each Director referred to in this report who held office during the year, as well as senior executives and statutory officers. The indemnities operate to the full extent permitted by law and are not subject to a monetary limit. Ambassador Oil and Gas limited is not aware of any liability having arisen, and no claim has been made, during or since the financial year under the Deeds of Indemnity.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 24 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 24 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former audit partners of Deloitte Touche Tohmatsu

There are no officers of the company who are former audit partners of Deloitte Touche Tohmatsu.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



20 August 2014

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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The Board of Directors
Ambassador Oil and Gas Limited
Level 1, 23 Oxford Street
Oakleigh VIC 3166

20 August 2014

Dear Board Members

Ambassador Oil and Gas Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Ambassador Oil and Gas Limited.

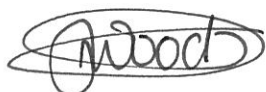
As lead audit partner for the audit of the financial statements of Ambassador Oil and Gas Limited for the financial year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



P J Woods
Partner
Chartered Accountants

Ambassador Oil & Gas Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2014

	Note	Consolidated	
		2014	2013
		\$	\$
Revenue	5	267,896	279,540
Other income	6	27,025	-
Expenses			
Director's fees		(199,555)	(149,400)
Salary cost		(565,931)	(346,920)
Travel and accommodation		(81,504)	(101,378)
Insurance costs		(16,284)	(16,859)
Legal costs		(305,766)	(77,228)
Corporate advisory costs		(107,500)	(89,694)
Exploration costs expensed	7	(61,549)	(4,489,929)
Other expenses		(406,813)	(379,366)
Loss before income tax expense		(1,449,981)	(5,371,234)
Income tax expense	8	-	-
Loss for the year		(1,449,981)	(5,371,234)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(1,449,981)	(5,371,234)
		Cents	Cents
Basic earnings per share	32	(1.02)	(3.78)
Diluted earnings per share	32	(1.02)	(3.78)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Ambassador Oil & Gas Ltd
Statement of financial position
As at 30 June 2014

	Note	Consolidated	
		2014	2013
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	9	5,534,368	6,605,503
Trade and other receivables	10	228,333	2,369
Other financial assets	11	-	357,756
Total current assets		<u>5,762,701</u>	<u>6,965,628</u>
Non-current assets			
Property, plant and equipment	12	247,906	-
Exploration and evaluation	13	691,388	443,388
Other assets	14	1,040,013	1,314,547
Other financial assets	15	60,000	136,013
Total non-current assets		<u>2,039,307</u>	<u>1,893,948</u>
Total assets		<u>7,802,008</u>	<u>8,859,576</u>
Liabilities			
Current liabilities			
Trade and other payables	16	562,989	180,478
Employee benefits	17	27,785	17,883
Provisions	18	162,000	162,000
Total current liabilities		<u>752,774</u>	<u>360,361</u>
Total liabilities		<u>752,774</u>	<u>360,361</u>
Net assets		<u>7,049,234</u>	<u>8,499,215</u>
Equity			
Issued capital	19	15,971,470	15,971,470
Reserves	20	76,390	76,390
Accumulated losses		<u>(8,998,626)</u>	<u>(7,548,645)</u>
Total equity		<u>7,049,234</u>	<u>8,499,215</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Ambassador Oil & Gas Ltd
Statement of changes in equity
For the year ended 30 June 2014

Consolidated	Issued capital \$	Options reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2012	15,971,470	76,390	(2,177,411)	13,870,449
Loss after income tax expense for the year	-	-	(5,371,234)	(5,371,234)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(5,371,234)	(5,371,234)
Balance at 30 June 2013	<u>15,971,470</u>	<u>76,390</u>	<u>(7,548,645)</u>	<u>8,499,215</u>
Consolidated	Issued capital \$	Options reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2013	15,971,470	76,390	(7,548,645)	8,499,215
Loss after income tax expense for the year	-	-	(1,449,981)	(1,449,981)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(1,449,981)	(1,449,981)
Balance at 30 June 2014	<u>15,971,470</u>	<u>76,390</u>	<u>(8,998,626)</u>	<u>7,049,234</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Ambassador Oil & Gas Ltd
Statement of cash flows
For the year ended 30 June 2014

		Consolidated	
	Note	2014	2013
		\$	\$
Cash flows from operating activities			
Payments to suppliers (inclusive of GST)		(1,391,775)	(1,136,748)
Net cash used in operating activities	31	(1,391,775)	(1,136,748)
Cash flows from investing activities			
Payments for property, plant and equipment	12	(250,000)	-
Payments for exploration activities		(15,000)	(5,457,676)
Payments for oil and gas leases		-	(1,314,547)
Payment on refundable deposit on oil and gas leases		(682,256)	(357,756)
Payment of bond for oil and gas leases and term deposit as security for bank guarantee and credit card		-	(136,013)
Interest received		267,896	279,540
Proceeds from sale of oil and gas lease		1,000,000	-
Net cash from/(used in) investing activities		320,640	(6,986,452)
Cash flows from financing activities			
Net cash from financing activities		-	-
Net decrease in cash and cash equivalents		(1,071,135)	(8,123,200)
Cash and cash equivalents at the beginning of the financial year		6,605,503	14,728,703
Cash and cash equivalents at the end of the financial year	9	<u>5,534,368</u>	<u>6,605,503</u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Ambassador Oil & Gas Ltd
Notes to the financial statements
30 June 2014

Note 1. General information

The financial statements cover Ambassador Oil & Gas Ltd as a consolidated entity consisting of Ambassador Oil & Gas Ltd and its subsidiaries. The financial statements are presented in Australian dollars, which is Ambassador Oil & Gas Ltd's functional and presentation currency.

Ambassador Oil & Gas Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 1, 23 Oxford St
Oakleigh VIC 3166

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 20 August 2014. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 10 Consolidated Financial Statements

The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. Application of AASB 10 did not result in any change in the constitution of the consolidated entity.

AASB 11 Joint Arrangements

The consolidated entity has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for its share of the assets, liabilities, revenues and expenses separately under the appropriate classifications. Application of AASB 11 did not result in a change of accounting treatment of the consolidated entity's interests in joint arrangements.

AASB 12 Disclosure of Interests in Other Entities

The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

Note 2. Significant accounting policies (continued)

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

The consolidated entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 28.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Ambassador Oil & Gas Ltd ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Ambassador Oil & Gas Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Note 2. Significant accounting policies (continued)

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest

Interest revenue is recognised as interest accrues using the effective interest method.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

The company and its wholly owned Australian entities are in a tax consolidated group and are therefore taxed as a single entity. The head entity within the tax consolidated group is Ambassador Oil & Gas Limited. The tax consolidation group was established as of 7 October 2011.

Nature of tax funding arrangement

Entities within the tax-consolidated group have entered into a tax funding arrangement with the head entity. Under the terms of the tax funding arrangement Ambassador Oil and Gas Limited and its wholly owned Australian resident entities have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the consolidated group.

Ambassador Oil & Gas Ltd
Notes to the financial statements
30 June 2014

Note 2. Significant accounting policies (continued)

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	5 years
Computer equipment	3 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leases

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Note 2. Significant accounting policies (continued)

Joint Arrangements

Interests in joint arrangements are reported in accordance with the type of arrangement that is in place. Interests in joint operations are reported by including the consolidated entity's share of net assets and net result for each period. Interests in joint ventures are reported by including the entity's share in each class of asset, liability, revenue and expense in accordance with the relevant accounting standards for each class.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Ambassador Oil & Gas Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 2. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments and its consequential amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 January 2014 may increase the disclosures by the consolidated entity.

Annual Improvements to IFRSs 2010-2012 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 January 2015 will not have a material impact on the consolidated entity.

Ambassador Oil & Gas Ltd
Notes to the financial statements
30 June 2014

Note 2. Significant accounting policies (continued)

Annual Improvements to IFRSs 2011-2013 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments from 1 January 2015 will not have a material impact on the consolidated entity.

IFRS 15 Revenue from contracts and customers

IFRS 15 was issued in May 2014 and is effective from 1 January 2017. This standard replaces IAS 18 and IAS 111, and provides a five step approach in recognising revenue, in particular including the identification of performance hurdles in contracts and allowing revenue to be recognised only on satisfaction of the performance hurdle. The consolidated entity will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Impairment of non-financial assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This requires management to make a number of key estimates and assumptions about future events and circumstances in determining the fair value of assets.

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

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Note 4. Operating segments

Identification of reportable operating segments

The Group has a number of exploration licenses in Australia and exploration leases in the United States of America which are managed on a portfolio basis. The decision to allocate resources to individual projects in the portfolio is based on available cash reserves and project economics which include technical data, royalties and taxes, and the expectations of future energy prices. Accordingly, the Group effectively operates as one segment, being exploration and evaluation. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Group.

The Group operates in two geographical locations namely, Australia and United States of America, and the value of non-current assets in these segments as 30 June 2014 is \$770,247 and \$1,273,013 respectively (2013: \$503,388 and \$1,390,388).

Note 5. Revenue

	Consolidated	
	2014	2013
	\$	\$
Interest	267,896	279,540

Note 6. Other income

	Consolidated	
	2014	2013
	\$	\$
Net gain on disposal of oil and gas leases	27,025	-

Note 7. Exploration costs expensed

Exploration costs expensed for the year ended 30 June 2013 relate primarily to exploration and evaluation expenditure associated with the drilling of the Shocking and Kruger wells. Both wells were plugged and abandoned during the year ended 30 June 2013 and the capitalised exploration and evaluation expenditure written off.

During the year end 30 June 2014 additional costs that were incurred in relation to the Shocking and Kruger wells have been written off.

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Note 8. Income tax expense (continued)

Note 8. Income tax expense

	Consolidated	
	2014	2013
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(1,449,981)	(5,371,234)
Tax at the statutory tax rate of 30%	(434,994)	(1,611,370)
Non-Deductible items	48,502	-
Current year tax losses not recognised	481,840	1,634,307
Prior year temporary differences not recognised now recognised	(95,349)	(22,937)
Income tax expense	-	-

Recognised tax assets and liabilities

	Consolidated	
	2014	2013
	\$	\$
Trade and other receivables	(10,826)	-
Exploration	(137,516)	(133,016)
Trade and other payables	11,270	5,400
Provisions	8,336	5,365
Formation Costs	60	120
IPO Costs	33,514	50,271
Share Issue Costs	135,712	203,568
Loyalty option issue costs	8,384	12,575
Temporary differences not recognised	48,934	144,283
	(48,934)	(144,283)
Net deferred tax assets/liabilities	-	-

Unrecognised deferred tax assets

	Consolidated	
	2014	2013
	\$	\$
Temporary differences	48,934	144,283
Tax losses	3,033,048	2,551,208
	3,081,982	2,695,491

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Tax Consolidation

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Note 8. Income tax expense (continued)

Relevance of tax consolidation to the consolidated entity

The company and its wholly owned Australian entities are in a tax consolidated group and are therefore taxed as a single entity. The head entity within the tax consolidated group is Ambassador Oil & Gas Limited. The tax consolidation group was established as of 7 October 2011.

Nature of tax funding arrangement

Entities within the tax-consolidated group have entered into a tax funding arrangement with the head entity. Under the terms of the tax funding arrangement Ambassador Oil and Gas Limited and its wholly owned Australian resident entities have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the consolidated group.

Note 9. Current assets - cash and cash equivalents

	Consolidated	
	2014	2013
	\$	\$
Cash at bank	1,163,155	1,441,590
Cash on deposit	4,371,213	5,163,913
	<u>5,534,368</u>	<u>6,605,503</u>

Note 10. Current assets - trade and other receivables

	Consolidated	
	2014	2013
	\$	\$
Other receivables	184,584	2,369
Interest receivable	36,086	-
BAS receivable	7,663	-
	<u>228,333</u>	<u>2,369</u>

Note 11. Current assets - Other financial assets

	Consolidated	
	2014	2013
	\$	\$
Refundable deposit for option to acquire oil and gas exploration leases	-	357,756
	<u>-</u>	<u>357,756</u>

During the current year the consolidated entity proceeded with the acquisition and the deposit was transferred to other assets (see note 14)

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Note 12. Non-current assets - property, plant and equipment

	Consolidated	
	2014	2013
	\$	\$
Leasehold improvements - at cost	214,464	-
Less: Accumulated depreciation	(1,644)	-
	<u>212,820</u>	<u>-</u>
Computer equipment - at cost	35,536	-
Less: Accumulated depreciation	(450)	-
	<u>35,086</u>	<u>-</u>
	<u><u>247,906</u></u>	<u><u>-</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements	Computer equipment	Total
	\$	\$	\$
Balance at 1 July 2012	-	-	-
Balance at 30 June 2013	-	-	-
Additions	214,464	35,536	250,000
Depreciation expense	(1,644)	(450)	(2,094)
Balance at 30 June 2014	<u>212,820</u>	<u>35,086</u>	<u>247,906</u>

Note 13. Non-current assets - exploration and evaluation

	Consolidated	
	2014	2013
	\$	\$
Exploration and evaluation	<u>691,388</u>	<u>443,388</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Total
	\$
Balance at 1 July 2012	492,148
Expenditure during the year	4,279,169
Site restoration	162,000
Write off of assets	(4,489,929)
Balance at 30 June 2013	443,388
Expenditure during the year	76,549
Transfer from other assets (note 14)	233,000
Write off assets	(61,549)
Balance at 30 June 2014	<u><u>691,388</u></u>

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Note 13. Non-current assets - exploration and evaluation (continued)

Expenditure written off relates primarily to exploration and evaluation expenditure associated with the drilling of the Shocking well and Kruger wells which were both plugged and abandoned during the year ended 30 June 2013.

The recoverability of the carrying value of the exploration and evaluation assets is dependent on successful development and commercial exploitation or, alternatively, sale of the respective area of interest.

Note 14. Non-current assets - other assets

	Consolidated	
	2014	2013
	\$	\$
Acquisition of acreage	<u>1,040,013</u>	<u>1,314,547</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	\$
Balance at 1 July 2012	-
Acquisition of acreage	<u>1,314,547</u>
Balance at 30 June 2013	1,314,547
Acquisition of acreage	682,257
Transfer from other financial assets (note 11)	357,756
Disposal of acreage	(1,081,547)
Transfer to exploration and evaluation assets (note 13)	<u>(233,000)</u>
Balance at 30 June 2014	<u>1,040,013</u>

Other assets represents exploration leases in the Denver Julesburg basin in Colorado, United States, where the rights to tenure attached to these leases have not been transferred to Ambassador Oil & Gas Inc. (a wholly owned subsidiary of the Company). Once this has occurred, the related expenditure will be transferred to Exploration and Evaluation Expenditure.

Under the terms of the lease 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. As at the date of this report the vendor has not indicated whether the leases will be purchased back. In the event that they are purchased back the book value of \$1,040,013 will be recovered.

Note 15. Non-current assets - Other financial assets

	Consolidated	
	2014	2013
	\$	\$
Security bonds for oil and gas exploration lease	-	76,013
Term deposit as security for bank guarantee and credit card	<u>60,000</u>	<u>60,000</u>
	<u>60,000</u>	<u>136,013</u>

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Note 16. Current liabilities - trade and other payables

	Consolidated	
	2014	2013
	\$	\$
Other payables	<u>562,989</u>	<u>180,478</u>

Refer to note 22 for further information on financial instruments.

Note 17. Current liabilities - employee benefits

	Consolidated	
	2014	2013
	\$	\$
Annual leave	<u>27,785</u>	<u>17,883</u>

Note 18. Current liabilities - provisions

	Consolidated	
	2014	2013
	\$	\$
Provision for restoration	<u>162,000</u>	<u>162,000</u>

Restoration

The provisions for restoration are for the Shocking and Kruger well sites and has been capitalised as part of exploration and evaluation expenditures (Note 13).

Note 19. Equity - issued capital

	Consolidated			
	2014	2013	2014	2013
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>142,058,491</u>	<u>142,058,491</u>	<u>15,971,470</u>	<u>15,971,470</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

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Note 20. Equity - reserves

	Consolidated	
	2014	2013
	\$	\$
Loyalty options reserve	76,390	76,390

Loyalty Options

On 27 April 2012 the company issued 47,353,098 loyalty options to existing shareholders. The issue was for a fully underwritten, pro rata, non-renounceable entitlement on the basis of one option for every three shares held at the record date, at an issue price of \$0.003 per option, and raised \$142,059. These options expired unexercised on 31 October 2013.

There was no movement in reserves in the current or prior year.

Note 21. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 22. Financial instruments

Financial risk management objectives

The management of risk is integral with the Group's business systems. The Group periodically reviews its risk profile and the actions management can take to mitigate perceived risks. The group takes insurance cover either directly or through its Joint Venture arrangements to assist its management of risk.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders.

The capital structure of the Group consists of cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses.

Due to the nature of the Group's activities (exploration) the Directors believe that the most advantageous way to fund activities is through equity and strategic joint venture arrangements.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. The risk is currently managed on a transaction by transaction basis whilst the consolidated entity continues to see to acquire operations in USA.

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

As of 30 June 2014, cash at bank was \$1,163,155 (2013: \$1,441,590) and cash on term deposit for 3 months was \$4,371,213 (2013:\$5,233,913). The cash at bank earn approx 2.5% and funds on term deposit earn 3.6 %. The extent of funds are placed on term deposit is a function of known expenditure commitments and possible contingencies. Funds with joint venture operator do not earn interest.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net profit would increase/decrease by \$27,672 (2013: increase/decrease by \$36,377). This is mainly attributable to interest rates on bank deposits.

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

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Note 22. Financial instruments (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from activities.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2014	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-%	562,989	-	-	-	562,989
Total non-derivatives		562,989	-	-	-	562,989
Consolidated - 2013	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-%	180,478	-	-	-	180,478
Total non-derivatives		180,478	-	-	-	180,478

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 23. Key management personnel disclosures

Directors

The following persons were directors of Ambassador Oil & Gas Ltd during the financial year:

D Shaw (Non-Executive Director)
G Guglielmo (Managing Director)
E Correia (Non-Executive Director and Company Secretary)

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Note 23. Key management personnel disclosures (continued)

Other key management personnel

The following person also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

A Ikin (Chief Financial Officer), resigned March 2014

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2014	2013
	\$	\$
Short-term employee benefits	709,601	462,769
Post-employment benefits	54,415	33,551
	<u>764,016</u>	<u>496,320</u>

Note 24. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the company:

	Consolidated	
	2014	2013
	\$	\$
<i>Audit services - Deloitte Touche Tohmatsu</i>		
Audit or review of the financial statements	<u>33,812</u>	<u>31,047</u>
<i>Other services - Deloitte Touche Tohmatsu</i>		
Taxation advice	13,754	-
Preparation of the tax return	<u>3,675</u>	<u>8,250</u>
	<u>51,241</u>	<u>39,297</u>

Note 25. Contingent liabilities

Corporate advisory agreement with ADC

By an agreement dated 27 March 2013, Ambassador engaged Australian Development Consortium Residential & Commercial Developers Pty Ltd (ADC), in which Mr Kleo Hatziladas has an 85% interest, 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.

Mr Kleo Hatziladas is a major shareholder of Ambassador Oil and Gas Limited.

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Note 26. Commitments

	Consolidated	
	2014	2013
	\$	\$
<i>Total exploration expenditure commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Not later than one year	-	800,000
Later than one year but not later than five years	50,000,000	48,750,000
Later than five years	-	1,250,000
	<u>50,000,000</u>	<u>50,800,000</u>

The table above reflects the anticipated costs associated with the work program and changes to timing of the work (as set out below). As result of the farm-out agreement (noted below) New Standard Energy is responsible to spent \$42.5 million over a five year period to earn a 52.5% interest to the petroleum exploration licence.

These obligations will vary from time to time, subject to statutory approval. The terms of current and future joint ventures, the grant or relinquishment of licenses and changes to licence areas at renewal or expiry, will alter the expenditure commitments of the Ambassador Group.

In February 2013, Ambassador varied the exploration work program over its Cooper Basin exploration licence area PEL 570. The revised program required Ambassador to conduct a 500 km2 3D seismic survey in PEL 570 in the first year of the five year exploration licence followed by two exploration wells in Year 2 and a further well in Year 3. Additional geological and geophysical studies was to be conducted in the final two years of the permit. Ambassador requested and was granted a suspension of the licence from 1 February 2013 to 31 January 2014 to allow for preparation of the 3D survey over the licence.

On 10 December 2013 Ambassador announced it had agreed to the farm-out of a 52.5% working interest in its PEL 570 exploration permit in the Cooper Basin (South Australia) to Outback Energy Hunter, a wholly owned subsidiary of New Standard Energy Ltd (ASX:NSE) for \$42.5 million in direct exploration expenditure.

On 30 July 2014 New Standard Energy announced that it was successful in its application to the South Australian State regulator, the Department of State Development, to have the work program in relation to PEL 570 further amended as follows:

- 1) suspension of all work commitments in its five year work program at PEL 570 for six months (due to the fact that Ambassador is the subject of two competing takeover offers); and
- 2) deferral of the requirement to undertake a seismic program from year One to Year Two of the work program, which moves the target completion date for the seismic survey back 18 months from September 2014 to March 2016. As part of the suspension granted by the regulator, the permit now expires on 7 March 2019.

Ambassador also has oil and mineral leases in Colorado, USA. These leases do not require work commitments of any type to maintain them in good standing.

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Note 26. Commitments (continued)

Service Agreements

Ambassador has a service agreement with Australian Development Consortium Residential and Commercial Developers Pty Ltd, to provide Ambassador with the use of certain resources required to enable Ambassador to administer its business activities (including office equipment, computer hardware and software) and, in addition, has agreed to provide certain administrative, clerical, book keeping and consultancy services to Ambassador. The initial agreement had a term of one year and a monthly service fee of \$15,000. The Agreement now operates on a month to month basis with either party having the right to terminate the agreement upon the provision of 30 days' written notice to the other party.

Ambassador had entered into an agreement with Peloton Capital Pty Ltd. to provide certain corporate advisory services and the agreement expired on 31 July 2013. The commitment under this contract as at 30 June 2013 was \$7,500.

In May 2014, Ambassador engaged Peloton Capital Pty Ltd (Peloton Capital) whereby Peloton Capital provided various corporate advisory services in relation to the change of control transactions relating to Ambassador (see note 27 for further details). 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. As at 30 June 2014, \$100,000 was accrued as being payable under this agreement.

Operating Lease

Ambassador Oil and Gas Limited has entered into a lease agreement for office accommodation which commenced in April 2014 with a company in which Mr Kleo Hatziladas is a Director. Mr Kleo Hatziladas is a major shareholder of Ambassador Oil and Gas Limited. The key details of the lease are as follows:

Lease Term:	5 years
Annual rental:	\$100,000 per annum

The Directors believe the term of the lease was established on commercial terms. Ambassador Oil and Gas Limited has negotiated the right to withdraw from the lease by giving one months' notice to Mr Hatziladas

Guarantee and indemnity commitments

The Group has provided restricted cash deposits of \$60,000 as security for an unconditional irrevocable bank guarantee of \$50,000 provided by Ambassador Exploration Pty Ltd to the Minister for Mineral Resource Development in South Australia as part of the licence conditions of PEL 570 as well as \$10,000 as security for a travel credit card held by the Managing Director.

As at 30 June 2013, the group had provided an insurance bond of \$76,013 required as part of the qualification process to bid for leases in Montana, United States. During the year this bond was released as a condition of the sale by the Company of the Montana acreage.

Employment contracts

The Group has entered into an employment contract with the Managing Director (Mr G Guglielmo) and had an employment contract with the Chief Financial Officer (Mr A Ikin) until his resignation on 4 March 2014. Should the Managing Director's agreement be terminated, a contingency exists for twelve months salary. As at 30 June 2014 the Group had a contingent liability in relation to the Managing Director's agreement of \$300,000 (2013 \$348,851).

Note 27. Related party transactions

Parent entity

Ambassador Oil & Gas Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 29.

Key management personnel

Disclosures relating to key management personnel are set out in note 23 and the remuneration report in the directors' report.

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Note 27. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2014	2013
	\$	\$
Payment for other expenses:		
Corporate advisory services from Peloton Capital Pty Ltd	107,500	111,500
Office and administration services provided by Australian Development Consortium Residential and Commercial Developers Pty Ltd	180,000	180,000

Ambassador entered into an agreement with Peloton Capital Pty Ltd. to provide corporate advisory services to Ambassador for a 12 month period ending 31 March 2013 for a fee of \$10,000 per month. In March 2013 this agreement was extended until 31 July 2013 at a reduced rate of \$7,500 per month. This agreement was not renewed subsequent to 31 July 2013.

Payments to Peloton under this agreement during the year ended 30 June 2014 amounted to \$7,500 (2013 \$111,500).

In May 2014, Ambassador has engaged Peloton Capital Pty Ltd (Peloton Capital) whereby Peloton Capital provided 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 Drillsearch Offer and Magnum Hunter Offer;
- matters relating to structuring, valuation and pricing parameters of the Drillsearch Offer and Magnum Hunter Offer;
- preparation of relevant documentation to facilitate the Drillsearch Offer and the Magnum Hunter Offer.

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. As at 30 June 2014, \$100,000 was accrued as being payable under this agreement.

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

Ambassador has entered into a service agreement with Australian Development Consortium Residential and Commercial Developers Pty Ltd, in which Mr Kleo Hatziladas has an 85% interest. Australian Development Consortium Residential and Commercial Developers Pty Ltd has agreed to provide Ambassador with the use of certain resources required to enable Ambassador to administer its business activities (including office equipment, computer hardware and software) and, in addition, has agreed to provide certain bookkeeping and consultancy services to Ambassador for a monthly fee of \$15,000. Mr Kleo Hatziladas is a major shareholder of Ambassador Oil and Gas Limited.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2014	2013
	\$	\$
Current payables:		
Accrued payables to Peloton Capital Pty Ltd	100,000	-

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

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Note 28. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2014	2013
	\$	\$
Loss after income tax	(1,449,981)	(5,339,369)
Total comprehensive income	(1,449,981)	(5,339,369)

Statement of financial position

	Parent	
	2014	2013
	\$	\$
Total current assets	5,733,016	6,921,217
Total assets	8,047,519	8,571,128
Total current liabilities	998,285	71,913
Total liabilities	998,285	71,913
Net Assets	7,049,234	8,499,215
Equity		
Issued capital	15,971,470	15,971,470
Loyalty options reserve	76,390	76,390
Accumulated losses	(8,998,626)	(7,548,645)
Total equity	7,049,234	8,499,215

Commitments and Contingencies

The only commitments and contingencies described in note 25,26 that relate to the parent are:

- Corporate advisory agreement with ADC
- Service agreements
- Operating lease
- Employment contracts

Ambassador Oil & Gas Ltd
Notes to the financial statements
30 June 2014

Note 29. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2014 %	2013 %
Ambassador Exploration Pty Ltd	Australia	100.00%	100.00%
Ambassador (US) Oil and Gas Inc	United States	100.00%	100.00%

Note 30. Events after the reporting period

Ambassador Oil and Gas Limited is the subject of two competing off-market takeover offers from Drillsearch Energy Limited (ASX: DLS) and Magnum Hunter Resources Corporation (NYSE: MHR). Both offers have been declared unconditional.

On 28 July the Takeovers Panel made a declaration of unacceptable circumstances in relation to the Drillsearch takeover bid in response to an application by Magnum Hunter.

The Panel found that Drillsearch was associated to the Ambassador directors and some of Ambassador's major shareholders. As a result, the Panel considered that Drillsearch had voting power of at least 19.55% of Ambassador prior to acquiring its 19.9% pre-bid stake, in breach of section 606 of the Corporations Act. The Panel also found that two of Ambassador's major shareholders and two of Ambassador's directors did not give effect to their intention statements issued to the ASX on 28 May 2014 by accepting the Drillsearch Offer four days after the offer opened, rather than the 14 days referenced in their intention statements.

As a result of the declaration of unacceptable circumstances, the Panel made orders that: -

- Drillsearch lodge with ASIC, ASX and dispatch to Ambassador shareholders a supplementary bidder's statement in a form approved by the Panel (this was lodged on 1 August 2014).
- Drillsearch must ensure that its offer remains open for a period of not less than 21 days after the date on which its supplementary bidder's statement is sent to shareholders.
- Ambassador's two major shareholders and two of Ambassador's directors' acceptances of the Drillsearch's Offer are reversed and they must wait a further 14 days from the release of Drillsearch's supplementary bidder's statement before deciding whether to accept Drillsearch's Offer.
- The former Ambassador shareholders who sold their shares as part of the pre-bid stake, and all other shareholders who have accepted Drillsearch's offer, are given a 'withdrawal' right which is operative up until 14 days after the release of Drillsearch's supplementary bidder's statement.

The Drillsearch Offer is scheduled to close on 27 August 2014 (unless extended).

On 13 August 2014 Magnum Hunter announced that as at that date it had no intention to revise the terms of its offer (but reserved the right to do so) and that it would issue its first Supplementary Bidder's Statement to the Ambassador shareholders for their consideration. The Magnum Hunter offer is scheduled to close on 22 August 2014 (unless extended).

As at the date of this report both takeover bids remain open.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Ambassador Oil & Gas Ltd
Notes to the financial statements
30 June 2014

Note 31. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2014	2013
	\$	\$
Loss after income tax expense for the year	(1,449,981)	(5,371,234)
Adjustments for:		
Depreciation and amortisation	2,094	-
Interest revenue	(267,896)	(279,540)
Exploration written off	61,549	4,489,929
Gain on disposal of exploration asset	(27,025)	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(41,380)	(2,369)
Increase in trade and other payables	320,963	20,467
Increase in employee benefits	9,901	5,999
Net cash used in operating activities	<u>(1,391,775)</u>	<u>(1,136,748)</u>

Note 32. Earnings per share

	Consolidated	
	2014	2013
	\$	\$
Loss after income tax attributable to the owners of Ambassador Oil & Gas Ltd	<u>(1,449,981)</u>	<u>(5,371,234)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	142,058,491	142,058,491
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>142,058,491</u>	<u>142,058,491</u>
	Cents	Cents
Basic earnings per share	(1.02)	(3.78)
Diluted earnings per share	(1.02)	(3.78)

Ambassador Oil & Gas Ltd
Directors' declaration
30 June 2014

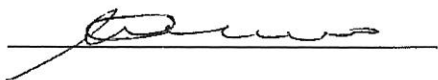
In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to be 'D. Smith', is written over a horizontal line.

20 August 2014

Independent Auditor's Report to the Members of Ambassador Oil and Gas Limited

Report on the Financial Report

We have audited the accompanying financial report of Ambassador Oil and Gas Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 16 to 42.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Ambassador Oil and Gas Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Ambassador Oil and Gas Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report


We have audited the Remuneration Report included in pages 8 to 13 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Ambassador Oil and Gas Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



P J Woods
Partner
Chartered Accountants
Adelaide, 20 August 2014

Ambassador Oil & Gas Ltd
Corporate Governance Statement

Ambassador Oil & Gas Limited ("the Company" or "Ambassador") has adopted a comprehensive system of control and accountability as the basis for the administration of corporate governance.

The Board is responsible to Shareholders for the overall management of the Company's business and affairs. The Directors' overriding objective is to increase Shareholder value within an appropriate framework which protects the rights and interests of Shareholders and ensures the Company is properly managed.

The Company's corporate governance principles and policies are structured with reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd edition) with 2010 Amendments ("Principles and Recommendations"), which are as follows:

Recommendation 1	Lay solid foundations for management and oversight;
Recommendation 2	Structure the Board to add value;
Recommendation 3	Promote ethical and responsible decision making;
Recommendation 4	Safeguard integrity in financial reporting;
Recommendation 5	Make timely and balanced disclosure;
Recommendation 6	Respect the rights of shareholders;
Recommendation 7	Recognise and manage risk; and
Recommendation 8	Remunerate fairly and responsibly.

There is no prescriptive, legislative approach but instead, ASX listed companies are required to explain why they choose to depart from the Principles and Recommendations. In accordance with recommendations of the ASX, information published on the Company's web site includes charters of Board and its subcommittees, codes of conduct and other policies and procedures relating to the Board and its responsibilities. The following policies and procedures have been implemented and are available in full on the Company website at in accordance with the following principles:

- Board Charter (principle 1.3) ;
- Nomination and Remuneration Committee Charter (principle 2.6 and principle 8.3);
- Code of Conduct(principle 3.1) ;
- Share Trading Policy principle 3.2) ; and
- Diversity Policy (principle 3.3);
- Nomination and Remuneration Committee Charter (principle 2.6 and principle 8.3) ;
- Continuous Disclosure Policy and Communications Strategy (principle 6.2) ;
- Audit and Risk Management Committee Charter (principle 4.4) ;

As indicated in the scorecard set out at the end of this section, the company has not adopted all of the recommendations of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. These recommendations and the reason for the non- adoption are detailed below:

Recommendation 2.1: A majority of the Board should be Independent Directors

Notification of Departure:

1 of 3 Directors is classified as independent.

Explanation for Departure.

The Company presently has three Directors consisting of two Non-Executive Directors and one Managing Director. Only Mr David Shaw, a Non-Executive Director and Chairman of the Company is considered to be independent. Mr Emmanuel Correia is a director of Peloton Capital, the Lead Manager to the Company's initial public offering and a current advisor to the Company. Mr Guglielmo is the Managing Director of the Company and a substantial shareholder of the Company.

Mr Shaw is independent as he is a non-executive Director who is not a member of management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of his judgment.. In addition, whilst Mr Correia may not technically be classified as an independent Director under the Principles and Recommendations as a result of his directorship of Peloton Capital, the Board is comfortable that this position does not impede his independent approach to his Ambassador directorship.

To assist Directors with independent judgement, it is the Board's policy that the Directors may seek independent professional advice at the Company's expense, subject to prior consultation with the Chair of the Board.

Ambassador Oil & Gas Ltd
Corporate Governance Statement

The Board considers that the current composition is adequate and includes an appropriate mix of skills and expertise having regard to Ambassador's current size, operations and complexity.

Recommendation 2.4: The Board should establish a nomination committee.

Notification of Departure:

The Company has not established a separate Nomination Committee.

Explanation for Departure:

The full Board considers those matters that would usually be the responsibility of a nomination committee. Given the size of the Board and the Company's current operations, the Board considers that no efficiencies or other benefits would be gained by establishing a separate committee.

Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it will operate under the Nomination Committee Charter. The Nomination Committee Charter provides for the Board to meet at least annually and otherwise as required.

The full Board carries out the role of the Nomination Committee. To assist the Board to fulfil its function as the Nomination Committee, it has adopted a Nomination and Remuneration Committee Charter, which is publicly available on the Company's website under the section marked Corporate Governance.

In determining candidates for the Board, the full Board in its capacity as the Nomination Committee follows a prescribed procedure which is publicly available on the Company's website at www.ambasadorexp.com.au under the section marked Corporate Governance.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Under the Company's Constitution, if there are 3 or more Directors then one third of the Directors (excluding the Managing Director) must retire at every annual general meeting. Retiring directors are eligible for re-election. Re-appointment of Directors is not automatic.

Recommendation 4.1: The Board should establish an Audit Committee.

Notification of Departure:

The Company has not established a separate Audit Committee.

Explanation for Departure:

Ambassador has not established a separate audit committee. The full Board considers those matters that would ordinarily be the responsibility of an audit committee.

Having regard to the size of the Board and Ambassador's current operations, the Board considers that no efficiencies or other benefits would be gained by establishing a separate audit committee.

Items that are usually be considered by an audit committee are marked as separate agenda items at Board meetings and the Board will separately convene as the audit committee to consider those items. When the Board convenes as the audit committee it will operate under Ambassador's Audit and Risk Management Charter. Ambassador's Audit and Risk Management Charter requires the audit committee to meet at least annually and otherwise as required.

Recommendation 8.1: The Board should establish a Remuneration Committee.

Ambassador Oil & Gas Ltd
Corporate Governance Statement

Notification of Departure:

The Company has not established a separate Remuneration Committee.

Explanation for Departure:

The full Board considers those matters that would usually be the responsibility of a remuneration committee.

Given the size of the Board and the Company's current operations, the Board considers that no efficiencies or other benefits would be gained by establishing a separate remuneration committee. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Remuneration Committee it will operate under the Nomination and Remuneration Committee Charter. The Nomination and Remuneration Committee Charter provides for the Board to meet at least annually and otherwise as required.

Under the Nomination and Remuneration Committee Charter, the role of the Board (when convening as the Remuneration Committee) is to review the Company's remuneration practices and policies and establish appropriate remuneration levels including incentive policies for Directors and senior executives.

	CORPORATE GOVERNANCE SCORECARD	
Principle 1	Lay solid foundations for Management and oversight	
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	✓
1.2	Companies should disclose the process for evaluating the performance of senior executives.	✓
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	✓
Principle 2	Structure to the Board to add value	
2.1	A majority of the Board should be Independent Directors	x
2.2	The chair should be an independent director	✓
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	✓
2.4	The Board should establish a nomination committee.	x
2.5	Companies should disclose the process for evaluating the performance of the board and its committees and individual directors	✓
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	✓
Principle 3	Promote ethical and responsible decision-making	
3.1	The Board should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> • The practices necessary to maintain confidence in the Company's integrity • The practices necessary to take into account their legal obligations and the reasonable expectations of their shareholders • The responsibilities and accountabilities of individuals for reporting and investigating reports of unethical practices 	✓
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	✓
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards them	✓
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organization, women in senior executive positions and	✓

Ambassador Oil & Gas Ltd
Corporate Governance Statement

	women on the Board	
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3. (*see note below)	✓
Principle 4	Safeguard integrity in financial reporting	
4.1	The Board should establish an Audit Committee	x
4.2	<i>The Audit Committee should be structured so that it :</i> <ul style="list-style-type: none"> • <i>consists of only Non-Executive Directors</i> • <i>, consist of a majority of Independent Directors,</i> • <i>is chaired by an independent chair, who is not chair of the Board, and</i> • <i>has at least three members.</i> 	x
4.3	The Audit Committee should have a formal charter.	✓
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	✓
Principle 5	Make timely and balanced disclosure	
5.1	Companies should establish the written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclosure of those policies or a summary of those policies.	✓
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	✓
Principle 6	Respect the rights of shareholders	✓
6.1	Companies should design a communications policy for effective communications with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	✓
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	✓
Principle 7	Recognise and manage risk	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of these policies	✓
7.2	The Board should require management to design and implement the risk management and internal control systems to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its business risks.	✓
7.3	The Board should disclose whether it has received assurance from the Managing Director and CFO (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	✓
Principle 8	Remunerate fairly and responsibly	
8.1	The Board should establish a Remuneration Committee.	x
8.2	The Remuneration Committee should be structured so that it consists of a majority of independent directors, is chaired by an independent chair and has at least three members.	x
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	✓

Ambassador Oil & Gas Ltd
Corporate Governance Statement

*** 3.5 Diversity reporting note**

The Company recognises that a diverse and talented workforce is a competitive advantage and that the Company's success is the result of the quality and skills of its people. The Board is committed to workplace diversity, with a particular focus on supporting the representation of women at a senior level of the Company and on the Board. The Company believes that it has attracted appropriately skilled people to perform the required key functions and will continue to adopt the policy of recruiting the best people available.

Due to the Company's current size and level of activity there has not been sufficient opportunity with which to measure the Company's commitment to its diversity policy.

The Company currently has one full time male employee who has in excess of twenty five years of industry experience.

As at 30 June 2014, the percentage of its work force was represented by females was zero and female representation on the Company's board of directors was also zero.

Ambassador Oil & Gas Ltd
Shareholder information
30 June 2014

The shareholder information set out below was applicable as at 1 August 2014.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	60
1,001 to 5,000	31
5,001 to 10,000	33
10,001 to 100,000	108
100,001 and over	57
	<hr/> 289
Holding less than a marketable parcel	<hr/> 60

Equity security holders

	Ordinary shares Number held	% of total shares issued
Drillsearch (Central) Pty Limited	23,734,238	16.71
Mrs Fotoula Hatziladas <Fay Hatziladas Family A/C>	16,550,000	11.65
Vbs Exchange Pty Limited	13,298,246	9.36
Drillsearch (Central) Pty Limited	12,577,739	8.85
Morgan Stanley Australia Securities (Nominee) Pty Limited <No 1 Account>	9,241,256	6.51
HSBC Custody Nominees (Australia) Limited-GSCO ECA	8,500,000	5.98
Miller Anderson Pty Ltd	8,000,000	5.63
Citicorp Nominees Pty Limited	4,750,180	3.34
J P Morgan Nominees Australia Limited	4,134,380	2.91
Buttonwood Nominees Pty Ltd	3,797,225	2.67
Abn Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	3,328,956	2.34
UBS Wealth Management Australia Nominees Pty Ltd	3,200,000	2.25
Nist Enterprises Pty Ltd	2,250,000	1.58
Woodross Nominees Pty Ltd	1,938,499	1.36
Neweconomy Com Au Nominees Pty Limited <900 Account>	1,806,083	1.27
National Nominees Limited	1,804,908	1.27
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	1,313,380	0.92
Peloton Capital Pty Ltd	1,250,000	0.88
789 Asset Management Pty Ltd <Tax Effective Fund A/C>	1,212,585	0.85
Phoenix Jdk Pty Ltd	1,175,000	0.83
	<hr/> 123,862,675	<hr/> 87.19

Unquoted equity securities

There are no unquoted equity securities.

Ambassador Oil & Gas Ltd
Shareholder information
30 June 2014

Substantial holders

Drillsearch (Central) Pty Limited	23,734,238	16.71
Mrs Fotoula Hatziladas <Fay Hatziladas Family A/C>	16,550,000	11.65
Vbs Exchange Pty Limited	13,298,246	9.36
Drillsearch (Central) Pty Limited	12,577,739	8.85
Morgan Stanley Australia Securities (Nominee) Pty Limited <No 1 Account>	9,241,256	6.51
HSBC Custody Nominees (Australia) Limited-GSCO ECA	8,500,000	5.98
Miller Anderson Pty Ltd	8,000,000	5.63

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.