

28 May 2014

Recommended Takeover of Ambassador Oil and Gas by Drillsearch Energy

- Drillsearch announces its intention to make a conditional off-market takeover offer for Ambassador Oil and Gas.
- The Offer consideration will be 1 Drillsearch share for every 5.4 Ambassador shares.
- The Directors of Ambassador unanimously recommend that shareholders accept the Offer in the absence of a superior proposal.
- Drillsearch has acquired a relevant interest of 19.9% in Ambassador.
- Shareholders representing 17.6% of Ambassador have advised Ambassador that they intend to accept the Offer within 14 days from the opening of the Offer in the absence of a superior offer.
- The Offer implies a value of \$0.293 per Ambassador share based on the closing price of Drillsearch shares of \$1.58 on Tuesday, 27 May 2014, the last trading day prior to this announcement.
- The transaction will consolidate Drillsearch's dominant position in the Northern Cooper Wet Gas Fairway by combining Ambassador's 47.5% non-operated interest in PEL 570 with Drillsearch's 80% operated interest in PEL 101.

Drillsearch Energy Limited (ASX: DLS) (**Drillsearch**) and Ambassador Oil and Gas Limited (ASX: AQO) (**Ambassador**) today announced that they have entered into a Bid Implementation Agreement under which Drillsearch will make an off-market takeover offer (**Offer**), via its wholly owned subsidiary Drillsearch (Central) Pty Limited, for all of the ordinary shares in Ambassador that it does not already have a relevant interest in.

The Directors of Ambassador have unanimously resolved to recommend that shareholders accept the Offer, in the absence of a superior proposal.

The Offer will be subject to certain terms and conditions which are summarised in Schedule 1. The full conditions to the Offer will be set out in the **Bidder's Statement** which Drillsearch expects to dispatch to Ambassador shareholders within the next 2-3 weeks. Ambassador has given its consent to the early dispatch of the Bidder's Statement. Ambassador will issue a Target's Statement to Ambassador shareholders following dispatch of the Bidder's Statement.

Significant premium

Ambassador shareholders will be offered one Drillsearch share for every 5.4 Ambassador shares. The Offer implies a value of \$0.293 per Ambassador share based on the closing price of Drillsearch shares of \$1.58 on Tuesday 27 May, the trading day prior to this announcement.

The implied Offer price represents a substantial premium of:

- 50% to the closing price of Ambassador shares of \$0.195 on Friday 23 May 2014, the trading day prior to Ambassador entering into a trading halt pending announcement of the Offer;
- 51% to the 3 month historical volume weighted average price (**VWAP**) of Ambassador shares of \$0.193; and

- 56% to the 6 month VWAP of Ambassador shares of \$0.188; and
- 60% to the 9 month VWAP of Ambassador shares of \$0.183

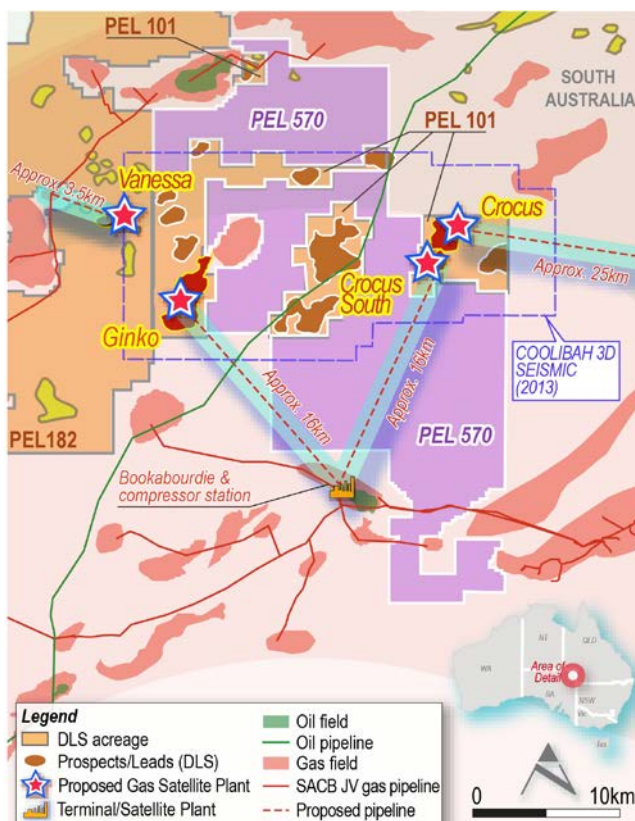
Ambassador currently has approximately 142.1 million shares outstanding. At the Offer ratio, Drillsearch plans to issue approximately 26.3 million shares in order to acquire 100% of Ambassador, equivalent to 6.1% of Drillsearch's issued share capital. Ambassador shareholders will own approximately 5.7% of Drillsearch if Drillsearch acquires 100% of Ambassador.

Consolidating Interests in Northern Cooper Wet Gas

The Boards of both Ambassador and Drillsearch believe that there is a compelling strategic rationale for the transaction, which consolidates Drillsearch's dominant position in the Northern Cooper Wet Gas area by combining Ambassador's 47.5% non-operated interest in PEL 570 with Drillsearch's 80% owned and operated interest in the adjacent PEL 101.

Drillsearch entered the northern area of the Cooper Basin in 2013 through its acquisition of Acer Energy Limited. Following completion of the takeover, Drillsearch acquired the 413km² Coolibah 3D seismic survey over PEL 101 and adjacent areas of PEL 570 and PEL 182. There are three existing wet gas discoveries in PEL 101, plus the Vanessa wet gas discovery located in permit PEL 182 immediately to the west.

The Coolibah 3D seismic survey was designed to high-grade the existing discoveries in advance of a comprehensive appraisal and development drilling program. The survey identified significant additional prospectivity in the area for liquids-rich conventional gas in combined structural and stratigraphic traps, and confirmed the presence of potentially prospective Toolachee Formation channels extending across PEL 101 and PEL 570. In FY2015, Drillsearch plans to commence a two-year appraisal and development campaign in PEL 101 to further de-risk the conventional prospectivity of the permit, which has the potential to generate significant value across the combined seismic area.



Location of PEL 101 and adjacent areas of PEL 570

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Drillsearch considers that the broader Northern Cooper Wet Gas project area is analogous to Drillsearch's Western Cooper Wet Gas project area and to the Greater Tindilpie complex in the southern Patchawarra Trough which is under development by the Santos-operated South Australian Cooper Basin Joint Venture. The Greater Tindilpie complex has generated significant gas reserves in the Patchawarra Trough and demonstrated substantial tight sands potential throughout the Permian section, the same zones being appraised by Drillsearch in PEL 101.

Fully Carried Work Program

In PEL 570 Ambassador is fully carried by New Standard Energy (New Standard) for a \$42.5 million exploration program. The program specifically targets the permit's unconventional resource potential in the tight sands and shale in the Permian section of the Patchawarra Trough. This program is to be operated by New Standard Energy, with technical support from experienced US unconventional E&P company Magnum Hunter Resources (NYSE: MHR) which has also taken a 17% interest in New Standard. The carry will give Drillsearch shareholders exposure to the unconventional potential of the liquids-rich, lower temperature, stress, and CO₂ play areas of the Patchawarra Trough for no capital outlay throughout the carry period.

By offering Drillsearch shares in exchange for Ambassador shares, Ambassador shareholders retain exposure to the upside potential of Ambassador's assets and also gain exposure to the following:

- A profitable mid-tier ASX oil and gas company focused on growing reserves, production and cash flow
- Record production anticipated to be at the higher end of a range of 3.0 to 3.3 million barrels in FY2014
- A balanced portfolio focused solely on the Cooper Basin that includes:
 - Exposure to a prolific Oil Business on the Western Flank
 - A Wet Gas Business pursuing commercialisation of a number of existing discoveries in the Western and Northern Cooper areas
 - An active Unconventional exploration program focused on ATP 940P in the Nappamerri Trough

Commenting on the Offer, Mr David Shaw, the Chairman of Ambassador, said:

"The Offer represents a compelling opportunity for all Ambassador shareholders to capture a premium for their shareholding, retain exposure to Ambassador's key asset, and to become part of a profitable mid-tier oil and gas producer. The Directors have unanimously resolved to recommend that shareholders accept the Offer, in the absence of a superior proposal."

Drillsearch Chairman Mr Jim McKerlie said:

"This transaction offers Drillsearch a significant opportunity to consolidate the company's dominant position in the wet gas fairway in the northern part of the Cooper Basin through combining an interest in PEL 570 with adjacent permit PEL 101. The Coolibah 3D seismic survey has substantially de-risked both permits and identified significant prospectivity in the area, both in terms of conventional wet gas and the unconventional exploration being pursued by the existing PEL 570 joint venture."

Directors' unanimous recommendation

The Directors of Ambassador have unanimously resolved to recommend that shareholders accept the Offer, in the absence of a superior proposal.

Support of major shareholders

The terms of the Offer are supported by a number of Ambassador's major shareholders.

Drillsearch has entered into acquisition agreements with several Ambassador shareholders under which it has agreed to acquire a total of 19.9% of Ambassador at an offer price of 1 Drillsearch share for every 5.4 Ambassador shares (i.e. the same consideration as under the Offer).

In addition, Mrs Fotoula Hatziladas and Eye Investment Fund Ltd, who collectively hold 17.6% of Ambassador, have advised Ambassador that they intend to accept the Offer within 14 days from the opening of the Offer in the absence of a superior offer.

Bid Implementation Agreement

Drillsearch and Ambassador have entered into a Bid Implementation Agreement which is appended to this Announcement at Schedule 2.

The Bid Implementation Agreement includes customary deal protections including no shop and no talk provisions, break fee provisions and various other provisions relating to the Offer.

Indicative timetable

The Bidder's Statement is expected to be lodged with ASIC, Ambassador and released to the ASX around the middle of June and dispatched to Ambassador shareholders shortly thereafter. Ambassador has given its consent under section 633(1) of the Corporations Act to the early dispatch of the Bidder's Statement by Drillsearch.

A Target's Statement is expected to be released and dispatched to Ambassador shareholders at the end of June or early July.

Advisors

Drillsearch's legal advisor is Ashurst.

--Ends--

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About Drillsearch:

Drillsearch Energy Limited (ASX: DLS) is one of the leading mid-tier oil and gas companies listed on the ASX. The company has undergone rapid growth over the past five years to become Australia's third-largest onshore oil producer, and one of the largest acreage holders in the prolific Cooper Basin. Drillsearch has assets that span the exploration, development and production continuum within Oil, Wet Gas and Unconventional. Its operations are highly profitable, and its work programs are fully funded from internal cash flow through FY2016. Drillsearch has successfully formed a number of key strategic alliances with leading players in the Australian and international exploration and production industry, including QGC, Santos Limited and Beach Energy Limited.

About Ambassador:

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

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PEL 570, in the Cooper basin in South Australia, has independently identified potential gas in place of up to 20 trillion cubic feet contained in unconventional rock and coal seams. The permit is situated in the northern end of the gas prone Patchawarra trough which is characterised by low-CO₂ levels and higher liquids content, particularly in the northern regions of the basin. It covers 2400 km², is close to infrastructure and remains a key target for unconventional gas exploitation. The Cooper basin is linked to the east coast gas market by an existing gas pipeline network providing Cooper basin gas with direct access to Queensland Liquefied Natural Gas projects near Gladstone currently under construction and the wider Australian East coast market.

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

**SCHEDULE 1
OFFER TERMS AND CONDITIONS**

Definitions:

Ambassador means Ambassador Oil and Gas Limited.

Ambassador Board means the board of directors of Ambassador.

Ambassador Group means Ambassador and each of its subsidiaries (as defined under the Corporations Act).

Ambassador Shares means a fully paid ordinary share in Ambassador.

Announcement Date means 28 May 2014, being the date of announcement of the Offer.

ASX means ASX Limited or the securities exchange operated by it (as applicable).

Bid Implementation Agreement means the agreement between Drillsearch and Ambassador dated 28 May 2014 documenting Drillsearch's proposal to make the Takeover Bid.

Corporations Act means the *Corporations Act 2001* (Cth).

Drillsearch means Drillsearch Energy Limited.

Drillsearch Group means Drillsearch and each of its subsidiaries (as defined under the Corporations Act).

Encumbrance means:

- (a) a security interest;
- (b) an easement, restrictive covenant, caveat or similar restriction over property;
- (c) any other interest or arrangement of any kind that in substance secures the payment of money or the performance of an obligation, or that gives a creditor priority over unsecured creditors in relation to any property (including a right to set off or withhold payment of a deposit or other money);
- (d) a right of any person to purchase, occupy or use an asset (including under an option, agreement to purchase, licence, lease or hire purchase);
- (e) any other thing that prevents, restricts or delays the exercise of a right over property, the use of property or the registration of an interest in or dealing with property; or
- (f) an agreement to create anything referred to above or to allow any of them to exist.

Farm-out Agreement means the farm-out agreement between Ambassador and New Standard in relation to PEL 570, announced on the ASX by Ambassador on 10 December 2013.

New Standard means New Standard Energy Ltd.

Offers means the Offer and each of the other offers made in the same terms for Ambassador Shares and includes a reference to those offers as varied in accordance with the Corporations Act.

Offer Period means the period commencing on [●] and ending at [●] pm (Sydney time) on [●].

Public Authority means any government or any governmental, semi-governmental, administrative, statutory or judicial entity, authority or agency, whether in Australia or elsewhere, including the ACCC (but excluding the Takeovers Panel, ASIC and any court that hears or determines proceedings

under section 657G or proceedings commenced by a person specified in section 659B(1) of the Corporations Act in relation to the Takeover Bid). It also includes any self-regulatory organisation established under statute or any stock exchange.

Takeover Bid means the takeover bid constituted by the Offers.

Conditions:

(a) **Minimum acceptance condition**

Before the end of the Offer Period, Drillsearch has a relevant interest in more than 50.1% (by number) of the Ambassador Shares on issue at that time.

(b) **No prescribed occurrences**

None of the following events happens during the period beginning on the Announcement Date and ending at the end of the Offer Period:

- (i) Ambassador converts all or any of its shares into a larger or smaller number of shares;
- (ii) Ambassador or a subsidiary of Ambassador resolves to reduce its share capital in any way;
- (iii) Ambassador or a subsidiary of Ambassador:
 - (A) enters into a buy-back agreement; or
 - (B) resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (iv) Ambassador or a subsidiary of Ambassador issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (v) Ambassador or a subsidiary of Ambassador issues, or agrees to issue, convertible notes;
- (vi) Ambassador or a subsidiary of Ambassador disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (vii) Ambassador or a subsidiary of Ambassador grants, or agrees to grant, a security interest in the whole, or a substantial part, of its business or property;
- (viii) Ambassador or a subsidiary of Ambassador resolves to be wound up;
- (ix) a liquidator or provisional liquidator of Ambassador or of a subsidiary of Ambassador is appointed;
- (x) a court makes an order for the winding up of Ambassador or of a subsidiary of Ambassador;
- (xi) an administrator of Ambassador, or of a subsidiary of Ambassador, is appointed under section 436A, 436B or 436C of the Corporations Act;
- (xii) Ambassador or a subsidiary of Ambassador executes a deed of company arrangement; or
- (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a

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substantial part, of the property of Ambassador or of a subsidiary of Ambassador.

(c) **No material adverse change to Ambassador**

During the period beginning on the Announcement Date and ending at the end of the Offer Period, no event or series of related events occurs which has or is likely to have a material adverse effect on the assets and liabilities, financial position and performance, profitability or prospects of the Ambassador Group taken as a whole, including:

- (i) any event or series of related events which has or is likely to have the effect of diminishing the consolidated net assets of the Ambassador Group as set out in its consolidated balance sheet of Ambassador at 31 December 2013 by at least \$500,000; or
- (ii) termination or frustration of the Farm-out Agreement,

but does not include:

- (iii) any matter, event, circumstance or change disclosed in writing by Ambassador or its advisers to Drillsearch or its advisers prior to the Announcement Date;
- (iv) any matter, event, circumstance or change directly resulting from any actions taken (or omitted to be taken) following a written request from Drillsearch or with Drillsearch's consent;
- (v) any matter, event or circumstance arising from changes in economic or business conditions which impact on Ambassador and its competitors in a similar manner; or
- (vi) any change occurring directly or indirectly as a result of any matter, event or circumstance required by the Bid Implementation Agreement or the transactions contemplated by that agreement.

(a) **No regulatory action**

During the period beginning on the Announcement Date and ending at the end of the Offer Period:

- (i) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority;
- (ii) no action or investigation is instituted, or threatened by any Public Authority with respect to Ambassador or any subsidiary of Ambassador; or
- (iii) no application is made to any Public Authority (other than an application by any company within the Drillsearch Group, an application under section 657G of the Corporations Act or an application commenced by a person specified in section 659B(1) of the Corporations Act in relation to the Takeover Bid),

in consequence of, or in conjunction with, the Takeover Bid, which restrains, prohibits or impedes or threatens to restrain, prohibit or impede, or may otherwise materially adversely impact upon, the making of the Takeover Bid or the completion of any transaction contemplated by this Bidder's Statement or seeks to require the divestiture by Drillsearch of any Ambassador Shares, or the divestiture of any assets by a company within the Ambassador Group or by any company within the Drillsearch Group.

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(b) **Conduct of business**

None of the following events happens (each, a **Prohibited Transaction**) during the period beginning on the Announcement Date and ending at the end of the Offer Period:

- (i) a company within the Ambassador Group:
 - (A) acquires or disposes of;
 - (B) agrees to acquire or dispose of; or
 - (C) offers, proposes, announces a bid or tenders for,
any business, asset, interest in a joint venture, entity or undertaking, the value of which exceeds \$500,000;
- (ii) a company within the Ambassador Group creates any Encumbrance over the whole or a substantial part of its business or property (other than a lien which arises by operation of law or legislation securing an obligation not yet due and consistent with past practice);
- (iii) any person is appointed to the Ambassador Board, other than those nominated by Drillsearch in accordance with the terms of the Bid Implementation Agreement;
- (iv) a company within the Ambassador Group:
 - (A) increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors or employees; or
 - (B) accelerates the rights of any of its directors or employees to compensation or benefits of any kind,
other than as a result of contracted arrangements that are consistent with past practice and in effect as at 1 May 2014;
- (v) a company within the Ambassador Group pays any of its directors or employees a termination or retention payment (otherwise than as required by an existing contract which, as at 1 May 2014, is in place and has been disclosed to Drillsearch);
- (vi) a company within the Ambassador Group:
 - (A) enters into any contract or commitment involving revenue or expenditure by the Ambassador Group of more than \$500,000 over the term of the contract or commitment;
 - (B) terminates or amends in a material manner any contract material to the conduct of the Ambassador Group's business or which involves revenue or expenditure of more than \$500,000 over the term of the contract;
 - (C) waives any material third party default; or
 - (D) accepts as a settlement or compromise of a material matter (relating to an amount in excess of \$500,000) less than the full compensation due to the Ambassador Group;
- (vii) a company within the Ambassador Group undertakes or agrees to undertake

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capital expenditure in excess of \$500,000 in aggregate;

- (viii) a company within the Ambassador Group enters into or resolves to enter into a transaction with any related party of Ambassador as defined in section 228 of the Corporations Act; or
- (ix) a company within the Ambassador Group borrows or agrees to borrow any money, but a Prohibited Transaction does not include:
 - (x) any occurrence disclosed in writing by Ambassador or its advisers to Drillsearch or its advisers prior to the Announcement Date;
 - (xi) any matter required to be done or brought about by Ambassador under the Bid Implementation Agreement or which is contemplated by that agreement; or
 - (xii) any other matter, the undertaking of which Drillsearch has approved in writing.

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**SCHEDULE 2
BID IMPLEMENTATION AGREEMENT**

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Bid Implementation Agreement

Drillsearch Energy Limited

ABN 73 006 474 844

and

Ambassador Oil and Gas Limited

ABN 28 152 595 429

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BETWEEN:

- (1) Drillsearch Energy Limited ABN 73 006 474 844 (Drillsearch); and
- (2) Ambassador Oil and Gas Limited ABN 28 152 595 429 (Ambassador).

RECITALS

- (A) Drillsearch (or its nominee) proposes to make the Bid and the Ambassador Board proposes to recommend the Bid in the absence of a superior proposal.
- (B) The parties have entered into this document to agree on certain matters in relation to the conduct of the Bid.

THE PARTIES AGREE AS FOLLOWS:

1. INTERPRETATION

1.1 Definitions

The following definitions apply in this document.

Agreed Announcement means the announcement to be made by each of Drillsearch and Ambassador in the form set out in Schedule 1.

Agreed Bid Terms means the terms set out in Schedule 2.

Ambassador Board means the board of directors of Ambassador.

Ambassador Directors means each director of Ambassador.

Ambassador Share means an ordinary share in the capital of Ambassador.

Announcement Date means the date of release of the Agreed Announcement.

ASIC means the Australian Securities and Investments Commission

Bid means an off-market takeover bid by Drillsearch for all Ambassador Shares under Chapter 6 of the Corporations Act.

Bidder Material Change occurs if the volume weighted average price of Drillsearch fully paid ordinary shares traded on ASX over a period of three consecutive trading days is less than 75% of the Peer Group Weighted Average Price over the same period.

Bidder's Statement means the bidder's statement to be prepared by Drillsearch in connection with the Bid in accordance with Chapter 6 of the Corporations Act.

Business Day means a day (other than Saturday, Sunday or public holiday) on which banks are open for general banking business in Sydney, New South Wales.

Claim means, in relation to a person, any claim, allegation, cause of action, proceeding, liability, suit or demand made against the person concerned however it arises and whether it is present or future, fixed or unascertained, actual or contingent.

Compensating Amount has the meaning given to it in clause 3.3.

Competing Proposal means any proposal, transaction, arrangement or offer (whether from a person with whom Ambassador has previously been in discussions or not) that

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would, if completed substantially in accordance with its terms, result in any person or persons other than Drillsearch:

- (a) acquiring:
 - (i) directly or indirectly, an interest in all or a substantial part of the assets of Ambassador; or
 - (ii) a relevant interest in more than 20% of the voting shares of Ambassador or otherwise acquire control of Ambassador within the meaning of section 50AA of the Corporations Act; or
- (b) otherwise acquiring or merging with Ambassador whether by way of takeover offer, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy back, sale or purchase of assets, joint venture, reverse takeover, dual listed company structure or other synthetic merger or any other transaction or arrangement.

Conditions mean the conditions set out in section 2 of Schedule 2.

Corporations Act means the Corporations Act 2001 (Cth) as modified by any relevant exemption or declaration by ASIC.

Exclusivity Period means the period beginning on the date of this document and ending on the earlier of:

- (a) the end of the Offer Period; and
- (b) termination of this document.

Law means all statutes, regulations, statutory rules, orders, and terms and conditions of any grant of approval, permission, authority or license of any Public Authority.

Listing Rules means the listing rules of ASX.

New Drillsearch Share means a fully paid ordinary share in Drillsearch to be issued as consideration under the Offer.

Offer means each offer to acquire Ambassador Shares to be made by Drillsearch to Ambassador shareholders in connection with the Bid.

Offer Period means the period during which Offers are open for acceptance.

Peer Group Weighted Average Price means the volume weighted average share price of the Peer Group Companies weighted according to market capitalisation.

Peer Group Companies means Senex Energy Limited (ACN 008 942 827), Beach Energy Limited (ACN 007 617 969), Cooper Energy Limited (ACN 096 170 295) and Strike Energy Limited (ACN 078 012 745).

Proposal means the proposal to make the Bid.

Public Authority means any federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, administrative, statutory or judicial entity, arbitral body, commission, board, bureau or authority or agency.

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Representative of a person means an employee, agent, officer, director, adviser or financier of the person and, in the case of advisers and financiers, includes employees, officers and agents of the adviser or financier (as applicable).

Superior Proposal means a bona fide, Competing Proposal received by Ambassador after the date of this deed which the Ambassador Board determines, acting both in good faith and reasonably:

- (a) is reasonably capable of being valued and completed, taking into account all aspects of the Competing Proposal and the person or persons making it; and
- (b) would, if substantially completed in accordance with its terms, be more favourable to Ambassador shareholders than the Proposal, taking to account all aspects of the Competing Proposal.

Target's Statement means the target's statement to be issued by Ambassador under Chapter 6 of the Corporations Act in response to the Bid.

Unacceptable Circumstances has the meaning given in section 657A of the Corporations Act.

1.2 Rules for interpreting this document

Headings are for convenience only, and do not affect interpretation. The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply.

- (a) Words and phrases which are defined by the Corporations Act have the same meaning in this document. If a special meaning is given for the purposes of Chapter 6 or 6A or a provision of Chapter 6 or 6A of the Corporations Act the word or phrase has that meaning.
- (b) A reference to:
 - (i) a legislative provision or legislation (including subordinate legislation) is to that provision or legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
 - (ii) a document (including this document) or agreement, or a provision of a document (including this document) or agreement, is to that document, agreement or provision as amended, supplemented, replaced or novated;
 - (iii) a party to this document or to any other document or agreement includes a successor in title, permitted substitute or a permitted assign of that party;
 - (iv) a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person;
 - (v) currency or \$ is to Australian currency; and
 - (vi) anything (including a right, obligation or concept) includes each part of it.
- (c) A singular word includes the plural, and vice versa.
- (d) A word which suggests one gender includes the other genders.
- (e) If a word or phrase is defined, any other grammatical form of that word or phrase has a corresponding meaning.

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- (f) If an example is given of anything (including a right, obligation or concept), such as by saying it includes something else, the example does not limit the scope of that thing.
- (g) The expression **this document** includes the agreement recorded in this document.
- (h) The words **subsidiary** and **related bodies corporate** have the same meaning as in the Corporations Act.

2. THE BID

2.1 Making the Bid and announcement

- (a) Drillsearch agrees to make the Bid.
- (b) Drillsearch and Ambassador agree to make the Agreed Announcement to ASX immediately following execution of this document.

2.2 Drillsearch may use subsidiary

Drillsearch may satisfy its obligations under clause 2.1(a) by causing a wholly owned subsidiary to do the things referred to in clause 2.1(a). If Drillsearch does that references to:

- (a) the Bid are references to the takeover bid by the subsidiary; and
- (b) Drillsearch making the Bid are references to Drillsearch causing the subsidiary to make the Bid.

2.3 Ambassador recommendation

Ambassador represents and warrants to Drillsearch that:

- (a) the Ambassador Directors unanimously recommend that Ambassador Shareholders accept the Offer in respect of all their Ambassador Shares, in the absence of a Superior Proposal;
- (b) each Ambassador Director will not withdraw, revise, revoke or make any public announcement inconsistent with the recommendation described in clause 2.3(a) unless:
- (i) a Superior Proposal emerges (that was not procured or obtained by Ambassador through a breach of clause 5 of this document); and
 - (ii) the matching right procedure in clause 5.8 has been fully complied with by Ambassador; and
 - (iii) Ambassador's external lawyers have given a written opinion to the effect that the Ambassador Directors' fiduciary or statutory duties require them to take the action which is proposed to be taken under this paragraph; and
- (c) each Ambassador Director has confirmed to Ambassador in writing each of the matters set out in paragraphs (a) to (b) inclusive.

2.4 Consideration

- (a) The consideration offered by Drillsearch to each Ambassador Shareholder under the Bid will be the New Drillsearch Shares specified in section 1 of Schedule 2.

- (b) Subject to clause 2.4(c), if an Ambassador Shareholder would otherwise become entitled to a fraction of a New Drillsearch Share, that fractional entitlement will be rounded up to the nearest whole number of New Drillsearch Shares.
- (c) If Drillsearch reasonably believes that any parcel of Ambassador Shares has been created or manipulated to take advantage of clause 2.4(b), then any fractional entitlement to a New Drillsearch Share for that parcel (or those parcels) will be rounded down.

2.5 Offer Period

Subject to any extensions by Drillsearch which are permitted, or arise automatically, under the Corporations Act, the Offer Period will be at least one month.

3. COMPENSATING AMOUNT

3.1 Ambassador acknowledgement

- (a) Ambassador acknowledges that, if Drillsearch enters into this document and the Bid does not succeed, Drillsearch will have incurred significant costs and losses, including significant opportunity costs.
- (b) Ambassador acknowledges and agrees that the costs and losses actually incurred by Drillsearch under this clause 3 will be of such nature that they cannot accurately be ascertained, but that the Compensating Amount is a genuine and reasonable pre-estimate of the costs and losses that would actually be suffered by Drillsearch in such circumstances and has been calculated to reimburse Drillsearch for such costs and losses.
- (c) Ambassador represents and warrants that:
- (i) it has received legal advice on this document and the operation of this clause 3; and
 - (ii) it considers this clause 3 to be fair and reasonable and that it is appropriate to agree to the terms in this clause 3 in order to secure the significant benefits to it (and Ambassador Shareholders) resulting from the Bid.

3.2 Undertaking

Subject to clause 3.3, Ambassador undertakes to pay the Compensating Amount to Drillsearch if:

- (a) a Competing Proposal is announced or made during the Offer Period and is completed at any time prior to six months after the end of the Offer Period and, as a result, a person other than Drillsearch or related body corporate of Drillsearch:
- (i) acquires a legal, beneficial or economic interest in, or control of, 30% or more of Ambassador Shares; or
 - (ii) agrees to acquire (whether or not that agreement is conditional), the whole or a substantial or significant part of Ambassador's assets, business or property;
- (b) Ambassador accepts or enters into or offers to accept or enter into, any agreement arrangement or understanding regarding a Competing Proposal before the end of the Offer Period;
- (c) any Ambassador Director:

- (i) does not recommend the Bid;
- (ii) withdraws or adversely modifies an earlier recommendation;
- (iii) approves or recommends or makes an announcement in support of a Competing Proposal; or
- (iv) announces an intention to do any of these acts;
- (d) Ambassador or any Ambassador Director does (or omits to do) anything (whether or not it may be permitted by the terms of this document) which results in any of the Conditions being breached and Drillsearch does not declare the Bid free of the breached Condition. Drillsearch is under no obligation to declare the Bid free of the breached Condition; or
- (e) Ambassador breaches clause 5 (Exclusivity) in whatsoever material respect; or
- (f) Drillsearch validly terminates this document under clause 10.1.

3.3 No payment

The Compensating Amount is not payable under clause 3 if:

- (a) Drillsearch accepts a Superior Proposal in respect of the Ambassador Shares it owns; or
- (b) Drillsearch acquires a relevant interest in more than 50% of Ambassador Shares and the Offer becomes or is declared unconditional.

3.4 Compensating Amount

The Compensating Amount is \$200,000 plus the amount of any GST payable.

3.5 Demand for payment

Any demand by Drillsearch for payment of the Compensating Amount must be in writing and Ambassador must pay the Compensating Amount to Drillsearch within 5 Business Days of receipt of the demand.

3.6 Compliance with law

- (a) **Unlawful Amount** means all or any part of the payment required to be made under clause 3.2 that is found by the Takeovers Panel or a Court to be unlawful, involve a breach of director's duties or to constitute Unacceptable Circumstances.
- (b) If the Takeovers Panel or a Court finds an Unlawful Amount and the period for lodging an application for review or a notice of appeal of that decision has expired without such application or notice having been lodged or if an application for review or a notice of appeal has been lodged with the Takeovers Panel or a Court within the prescribed period and the relevant review Panel or Court finds an Unlawful Amount then:
- (i) the undertaking under clause 3.2 does not apply to the extent of the Unlawful Amount; and
- (ii) Drillsearch must refund any Unlawful Amount paid to it under this document.

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3.7 Repayment

If, after the Compensating Amount is paid by Ambassador under this clause 3, clause 3.3 applies such that the Compensating Amount was not actually payable, Drillsearch must promptly repay to Ambassador the Compensating Amount.

3.8 Exclusive remedy

Unless a Competing Proposal completes, payment by Ambassador of the Compensating Amount due under this clause 3 will be Drillsearch's sole and exclusive remedy against Ambassador for any loss, cost, damage or expense suffered or incurred by Drillsearch in connection with the act or event giving rise to the obligation to pay the Compensating Amount.

4. FACILITATING THE BID

4.1 Reasonable access

To facilitate the Bid, Ambassador will use its reasonable endeavours to provide Drillsearch with reasonable access to:

- (a) the books and records of Ambassador; and
- (b) Ambassador's senior management, external auditors and accountants and other advisers.

4.2 Bidder's Statement and Target's statement

- (a) Drillsearch must prepare the Bidder's Statement in compliance with the Corporations Act and consistently with the Agreed Public Announcement and lodge a copy with ASIC by no later than 15 Business Days after the date of this document unless extended by a further 5 Business Days at Drillsearch's election.
- (b) Ambassador must prepare the Target's Statement in compliance with the Corporations Act and consistently with the Agreed Public Announcement.
- (c) Ambassador agrees to give Drillsearch a reasonable opportunity to review an advanced draft of the Target's Statement in respect of the Bid, and will consult in good faith with Drillsearch with respect to any comments Drillsearch (including its external legal and financial advisers) may have on that Target's Statement.
- (d) Drillsearch agrees to give Ambassador a reasonable opportunity to review an advanced draft of the Bidder's Statement in respect of the Bid, and will consult in good faith with Ambassador with respect to any comments Ambassador (including its external legal and financial advisers) may have on that Bidder's Statement.
- (e) Ambassador must ensure that the Target's Statement prominently displays the recommendation of the Ambassador Director's referred to in clause 2.3(a) (including, without limitation, on the cover of the Target's Statement).

4.3 Notice of false warranty or breach

Each party must promptly advise the other party of any change or event which causes (or, so far as can reasonably be foreseen, would cause):

- (a) a representation or warranty given by the party in this document to be false or misleading; or
- (b) a material breach of this document by the party.

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4.4 Early dispatch of offers

For the purposes of item 6 in section 633(1) of the Corporations Act, Ambassador hereby agrees that offers under the Bid may be sent to holders of Ambassador Shares on the day on which the Bidder's Statement for the Bid is sent to Ambassador or within 28 days after that day.

4.5 Promoting the Bid

In the absence of a Superior Proposal, Ambassador agrees:

- (a) not to make any public statement that could suggest that the Bid is not unanimously recommended by the Ambassador Directors; and
- (b) to the extent reasonably requested to do so by Drillsearch during the Offer Period, support the Bid and participate in efforts reasonably required by Drillsearch to promote the merits of the Bid by using reasonable efforts to meet with key Ambassador Shareholders, analysts, management and other parties mutually agreed with Drillsearch (to the extent reasonably) in relation to the Bid,

but only to the extent that the Ambassador Board considers it may do so without breaching their legal or fiduciary duties.

4.6 Conditions

- (a) Without limitation to clause 3, each of the parties must, to the extent within its power to do so, use its reasonable endeavours to ensure that the Conditions are satisfied as soon as reasonably practicable after the date of this document and that no Conditions are breached.
- (b) Ambassador agrees not to do (or omit to do) anything which will, or is likely to, result in any of the Conditions being breached.
- (c) Ambassador must promptly provide Drillsearch with all information and assistance reasonably requested by it in connection with the satisfaction of any Condition (including by making supporting submissions in connection with the Bid to any Public Authority).
- (d) Nothing in this clause 4 prevents Ambassador or the Ambassador Board from taking, or failing to take, action where to do otherwise would, in the reasonable opinion of the Ambassador Board, constitute a breach of the fiduciary or statutory duties of the directors of Ambassador. The reasonable opinion of the Ambassador Board must be based on specific legal, and any other appropriate, advice.
- (e) To avoid any doubt, in this document, a reference to a Condition being breached includes a reference to a Condition not being, or not being capable of being, satisfied.
- (f) If any event occurs or becomes apparent to a party which would cause any of the Conditions to be breached, that party must, to the extent it is actually aware of such information, immediately notify the other party in writing of the event.

4.7 No independent expert

The parties agree that an independent expert's report for the Target's Statement is not required by section 640 of the Corporations Act. The parties acknowledge and agree that Ambassador will not commission the preparation of an independent expert's report for the Target's Statement.

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5. EXCLUSIVITY

5.1 Cease existing discussions

- (a) Ambassador represents and warrants to Drillsearch that immediately following the execution of this document it will:
 - (i) unconditionally cease and terminate any discussions or negotiations with all third parties relating to any Competing Proposal that have been conducted prior to the date of this document; and
 - (ii) immediately require all persons (other than Drillsearch) to whom it has provided non-public information between the period commencing on 1 March 2014 and the date of this document in connection with a Competing Proposal to immediately return to it and delete from retrieval systems and databases any information about Ambassador provided to it in connection with such Competing Proposal (which request Ambassador is entitled to make, and the third party is obliged to comply with, under the terms of binding confidentiality arrangements entered into with those parties) and undertake at Drillsearch's cost any further actions in relation to retrieval or deletion of such information as reasonably requested by Drillsearch.
- (b) Ambassador must, by no later than 2 Business Days after this document is executed, notify Drillsearch in writing that the notifications required by this clause 5.1 have been given.

5.2 No Shop

- (a) During the Exclusivity Period, Ambassador must not and must ensure that its Representatives do not directly or indirectly solicit, initiate, invite or encourage any inquiries, proposals, discussions or negotiations, or communicate any intention to do any of these things, regarding any Competing Proposal.
- (b) Nothing in paragraph (a) prevents Ambassador from continuing to make normal presentations to, and respond to enquiries from brokers, portfolio investors, analysts, shareholders and media in the ordinary course in relation to the Bid or its business generally provided those communications do not concern or relate to a Competing Proposal.

5.3 No talk

Subject to clause 5.6, during the Exclusivity Period, Ambassador must not and must ensure that its Representatives do not directly or indirectly participate in any discussions or negotiations with any person regarding, or that could reasonably be expected to lead to, a Competing Proposal, even if:

- (a) those discussions or negotiations were not directly or indirectly encouraged, solicited, invited or initiated by Ambassador; or
- (b) that person has publicly announced a Competing Proposal.

For the avoidance of doubt, this clause 5.3 does not apply to the normal provision of information to a Public Authority, auditors, advisers and financiers in the ordinary course of business or making presentations to brokers, portfolio investors and analysts in the ordinary course of business.

5.4 No due diligence

- (a) Subject to clause 5.6, during the Exclusivity Period, Ambassador must not and must ensure that its Representatives do not, make available to any other person or permit any other person to receive non-public information relating to Ambassador, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal (**Diligence Information**).
- (b) Where, in reliance on clause 5.6, Ambassador or any of its Representatives proposes to provide any Diligence Information to any third party in connection with or for the purposes of a current or future Competing Proposal, it must, to the extent that Drillsearch has not previously been provided with the information, provide Drillsearch with a complete copy of that information at the same time as it is provided to the third party.

5.5 Ambassador to notify Drillsearch

- (a) During the Exclusivity Period, Ambassador must immediately notify Drillsearch in writing if it proposes, in circumstances permitted by clause 5.6, to take any action of a kind that is set out in clause 5.3 or 5.4.
- (b) During the Exclusivity Period, Ambassador must promptly notify Drillsearch in writing if in circumstances permitted by clause 5.6:
 - (i) Ambassador enters into discussions or negotiations with a party that has proposed (or may reasonably be expected to propose) a Competing Proposal; or
 - (ii) Ambassador makes available to any person, or permits any person to receive, any Diligence Information.
- (c) A notice given under this clause 5.5 must be accompanied by all material details of the relevant event, including:
 - (i) the identity of the person or persons making the approach or request or on whose behalf any such action was taken (**Rival Bidder**);
 - (ii) the terms and conditions of any Competing Proposal (to the extent known); and
 - (iii) the circumstances in which any discussions or negotiations are held with a Rival Bidder or information is provided to the Rival Bidder.

5.6 Fiduciary exception

The restrictions in clauses 5.3 and 5.4 and the notification obligations in clause 5.5(b) do not apply to the extent that they restrict Ambassador or the Ambassador Board from taking or refusing to take any action with respect to a bona fide Competing Proposal (which was not encouraged, solicited, invited or initiated by Ambassador or one of its Representatives in contravention of clause 5.2) provided that in the opinion of each Ambassador Director, reasonably formed in good faith and for a proper purpose:

- (a) the Competing Proposal is bona fide and is made in writing by or on behalf of a person that the Ambassador Board considers is of reputable commercial standing;
- (b) the Competing Proposal if substantially completed in accordance with its terms, would, or would reasonably be expected to lead to, a transaction which is more

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favourable to Ambassador Shareholders than the Bid, after taking into account all aspects of the Competing Proposal; and

- (c) taking or failing to take the action with respect to the Competing Proposal would, or would be likely to, involve a breach of the fiduciary or statutory duties of the directors of Ambassador, where the opinion of the Ambassador Board must be based on a written opinion from Ambassador's legal advisors to the effect that the Ambassador Directors' fiduciary or statutory duties require them to take or not take the action proposed under this clause 5.6.

5.7 Provision of information

- (a) Without limiting Ambassador's obligations under clauses 5.5, if any Ambassador Director proposes to (whether or not subject to conditions) change his or her recommendation of the Offer so that he or she can recommend a Competing Proposal (**Rival Transaction**), Ambassador must give Drillsearch written notice (**Relevant Notice**) of such proposed change of recommendation.
- (b) A Relevant Notice must include:
 - (i) all the material terms and conditions (including price) of the Rival Transaction;
 - (ii) a copy of any material confidential information concerning the Ambassador Group provided to any person associated with the Rival Transaction which has not previously been provided to Drillsearch; and
 - (iii) details of the basis on which the Ambassador Director intends to change his or her recommendation.

5.8 Matching Right

- (a) Drillsearch will have the right, but not the obligation, at any time during the period of five Business Days following receipt of a Relevant Notice (**Matching Right Period**) to amend the terms of the Offer (including, but not limited to, increasing the amount of consideration offered under the Bid or proposing any other form of transaction (each a **Counter Proposal**)), and if it does so then the Ambassador Directors must review the Counter Proposal in good faith. If a majority of the Ambassador Directors determine that the Counter Proposal would be as favourable to Ambassador Shareholders as the Rival Transaction (each an **Ambassador Recommending Director**), then Ambassador and Drillsearch must use their best endeavours to, as soon as practicable, enter into the necessary documentation to give effect to the revised Offer and Ambassador must ensure that each of the Ambassador Recommending Directors recommends the Counter Proposal to Ambassador Shareholders and does not recommend the Rival Transaction.
- (b) During the Matching Right Period:
 - (i) no Ambassador Director is permitted to change his or her recommendation of the Offer or to make any public statement to the effect that he or she may do so at some further point in time; and
 - (ii) Ambassador must not enter into any agreement, arrangement or understanding in respect of the Rival Transaction.
- (c) For the purposes of this clause 5.8, each successive material modification to a Rival Transaction will constitute a new Rival Transaction in respect of which Ambassador must comply with its obligations under this clause 5.8.

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6. CONDUCT OF BUSINESS

6.1 Conduct of Ambassador's business

- (a) From the date of this document until the earlier of the end of the Offer Period and the date when this document is terminated, Ambassador must, and must cause each of its related bodies corporate to, conduct their respective businesses only in, and not take any action except in, the ordinary course and consistent with past practice or as contemplated by this document or otherwise agreed by Drillsearch (such agreement not to be unreasonably withheld or delayed).
- (b) Without limiting paragraph (a), Ambassador must use reasonable endeavours to ensure that it and each of its related bodies corporate:
- (i) maintain their businesses and assets consistent with past practice; and
 - (ii) preserve their relationships with suppliers, licensors, licensees, partners, Public Authorities and others with whom they have business dealings.
- (c) Without limiting paragraph (a), Ambassador must not and must ensure that each of its related bodies corporate do not without the prior written consent of Drillsearch (such consent not to be unreasonably withheld or delayed):
- (i) dispose or agree to dispose of any securities, business, asset, interest in a joint venture, entity or undertaking, the value of which exceeds \$500,000, to any person other than another related body corporate of Ambassador;
 - (ii) acquire or agree to acquire any securities, business, asset, interest in a joint venture, entity or undertaking from any person other than another related body corporate of Ambassador, excluding capital expenditure which does not exceed \$500,000;
 - (iii) without limiting clause 6.1(c)(iv), enter into, amend or agree to enter into or amend, any contract, commitment or other arrangement where:
 - (A) the term of the contract, commitment or arrangement is greater than 6 months; or
 - (B) the contract, commitment or arrangement involves Ambassador incurring expenditure in excess of \$500,000 per annum;
 - (iv) either:
 - (A) enter into a new employment contract with an existing or potential employee of Ambassador or any of its related bodies corporate other than to replace staff or fill any vacant positions where the total annual remuneration and other benefits of the employee under the employment contract is less than \$250,000 per annum; or
 - (B) materially amend an employment contract with an existing employee of Ambassador or any of its related bodies corporate;
 - (v) settle any legal proceedings, claim, investigation, arbitration or other like proceedings;
 - (vi) commence any litigation, arbitration or other legal proceedings;
 - (vii) borrow or agree to borrow any money (except for temporary borrowing from its financiers in the ordinary course of business) or amend or agree to

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amend any contract, commitment or other arrangement in connection with Ambassador's existing facility or borrowing arrangements with its financiers;

- (viii) terminate or assign, dispose of, encumber or otherwise deal with any rights under, any contract, commitment or other arrangement, or give its consent to any other party or parties to assign, dispose of, encumber or otherwise deal with their respective rights under any contract, commitment or other arrangement where:
 - (A) the term of the contract, commitment or arrangement is greater than 6 months; or
 - (B) the contract, commitment or arrangement involves Ambassador incurring expenditure in excess of \$500,000 per annum;
- (ix) amend any arrangement with its financial advisers in respect of the transactions contemplated by this document; or
- (x) authorise, commit or agree to do any of the matters set out above.

6.2 Drillsearch to be kept informed

From the date of this document until the earlier of the end of the Offer Period and the date when this document is terminated:

- (a) Ambassador must keep Drillsearch fully informed of:
 - (i) the conduct and progress of any litigation or Claims affecting Ambassador or any of its subsidiaries or their respective businesses, including litigation or Claims that are threatened or pending (**Litigation Matters**);
 - (ii) any notice or communication including from any Public Authority that in any material manner affects Ambassador or any of its subsidiaries or their respective businesses;
 - (iii) any Claim being made against Ambassador, or Ambassador or any of the Ambassador Directors become aware of any event, matter or circumstance, which is or may reasonably be likely to give rise to a Claim,

and Ambassador must promptly provide to Drillsearch all information and details that are available to Ambassador about any of the above matters that may be reasonably requested by Drillsearch;

- (b) Ambassador must consult with and take into account the views and comments of Drillsearch in relation to the conduct of the Litigation Matters or any Claim; and
- (c) Ambassador must consult with Drillsearch and take into account the views and comments of Drillsearch in relation to any communications by Ambassador or any of its Subsidiaries with any Public Authorities that materially affects Ambassador's business.

7. TAKEOVER OFFER

7.1 Variation

Drillsearch may:

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- (a) vary the Agreed Bid Terms in any manner permitted by the Corporations Act so long as the varied terms are not materially less favourable than the Agreed Bid Terms; and
 - (b) adjust the Bid consideration by the amount of any dividends or distributions paid to Ambassador Shareholders after the Announcement Date.

7.2 Waiver of conditions and extension

Subject to the Corporations Act, Drillsearch may declare the Bid to be free from any Condition or extend the Bid at any time.

7.3 Appointment of directors

Ambassador represents and warrants to Drillsearch that each Ambassador Director has confirmed to it that he or she will, and Ambassador must procure that the Ambassador Board will:

- (a) as soon as practicable after Drillsearch acquires a relevant interest in more than:
 - (i) 35% of Ambassador Shares and the Offer becomes or is declared unconditional, cause the appointment of two persons nominated by Drillsearch to the Ambassador Board; and
 - (ii) 50% of Ambassador Shares and the Offer becomes or is declared unconditional, cause the appointment of any person nominated by Drillsearch to the Ambassador Board and any relevant retirements from the Ambassador Board notified by the Bidder, necessary to give the Bidder a majority of directors on the Ambassador Board; and
- (b) as soon as practicable after Drillsearch acquires a relevant interest in:
 - (i) 35% or more of Ambassador Shares and the Offer becomes or is declared unconditional, ensure that there are no more than three non-Drillsearch nominees on the Ambassador Board;
 - (ii) 50% or more of Ambassador Shares and the Offer becomes or is declared unconditional, ensure that there are no more than one non-Drillsearch nominee on the Ambassador Board by procuring the resignation of David Shaw and Emmanuel Correia from the Ambassador Board; and
 - (iii) 75% or more of Ambassador Shares and the Offer becomes or is declared unconditional, ensure that there are no non-Drillsearch nominees on the Ambassador Board;

provided that a proper board is constituted at all times.

8. PUBLIC ANNOUNCEMENTS

- (a) Subject to clause 8(b), each party must use its best endeavours to consult with the other party prior to making any public announcements or communications to shareholders in connection with the Bid (other than the Agreed Announcement).
- (b) Where a party is required to make an announcement by applicable Law or Listing Rules or make any disclosure relating to the Bid (including any supplementary Bidder's Statement or Target's Statement) it may do so only after it has:
 - (i) given the other party as much notice as is reasonably practicable; and

- (ii) consulted with the other party as to the content of that announcement or disclosure.

9. WARRANTIES

9.1 Ambassador warranties

- (a) Ambassador represents and warrants to Drillsearch that each of the warranties set out in clause 9.1(b) is true and correct:
 - (i) as at the date of this document; and
 - (ii) in the case of all warranties except for the warranties in clauses 9.1(b)(x) and 9.1(b)(xi), on each day from the date of this document until the end of the Offer Period.
- (b) Ambassador represents and warrants that:
 - (i) it and each of its subsidiaries is a company limited by shares under the Corporations Act;
 - (ii) it has the power and authority to enter into this document and perform and observe all its terms;
 - (iii) this document constitutes its legal, valid and binding agreement enforceable against it in accordance with its terms;
 - (iv) neither it nor any of its subsidiaries is bound by any contract which may restrict its right or ability to enter into or perform the agreement contained in this document which is material in the context of Ambassador and its related bodies corporate taken as a whole;
 - (v) no resolutions have been passed and no other step has been taken or legal proceedings commenced or threatened against it or any of its subsidiaries for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets and no regulatory action has been taken which would prevent, inhibit or otherwise have a material adverse effect on its ability to fulfil its obligations under this document;
 - (vi) there are no breaches or failures to comply with Ambassador's (or any of Ambassador's subsidiaries) existing facilities or borrowing arrangements with its financiers that have not been duly waived;
 - (vii) Ambassador has complied with Listing Rule 3.1 in relation to continuous disclosure and has to date and will continue to comply with Division 4 of Part 6.5 and Chapter 6B of the Corporations Act;
 - (viii) Ambassador is not aware of any act, omission, event or fact that would result in one or more of the conditions set out in Schedule 2 being triggered, except as disclosed by Ambassador to Drillsearch in the letter it has delivered to Drillsearch on the date of this document;
 - (ix) no regulatory action of any nature has been taken as at the date of this document which would prevent, inhibit or otherwise have a material adverse effect on Ambassador's ability to fulfil its obligations under this document;
 - (x) as at the date of this document, Ambassador has the securities on issue set out in Schedule 3 and has no other issued securities; and

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- (xi) neither Ambassador nor any of its subsidiaries has issued, granted or agreed to issue or grant any other shares or securities convertible into shares, other than the securities referred to in Schedule 3.

9.2 Drillsearch warranties

- (a) Drillsearch represents and warrants to Ambassador that each of the warranties set out in clause 9.2(b) is true and correct:
 - (i) as at the date of this document; and
 - (ii) in the case of all warranties except for the warranty in clauses 9.2(b)(vi), from the date of this document until the end of the Offer Period.
- (b) Drillsearch represents and warrants to Ambassador that:
 - (i) it is a company limited by shares under the Corporations Act;
 - (ii) it has the power and authority to enter into this document and perform and observe all its terms;
 - (iii) this document constitutes its legal, valid and binding agreement enforceable against it in accordance with its terms;
 - (iv) it is not bound by any contract which may restrict its right or ability to enter into or perform the agreement contained in this document which is material in the context of Drillsearch and its related bodies corporate taken as a whole;
 - (v) no resolutions have been passed and no other step has been taken or legal proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets and no regulatory action has been taken which would prevent, inhibit or otherwise have a material adverse effect on its ability to fulfil its obligations under this document;
 - (vi) no regulatory action of any nature has been taken as at the date of this document which would prevent, inhibit or otherwise have a material adverse effect on Drillsearch's ability to fulfil its obligations under this document;
 - (vii) the New Drillsearch Shares to be issued as consideration under the Offer will be duly authorised and validly issued, fully paid, free of all encumbrances and will rank equally with all other Drillsearch shares then on issue;
 - (viii) Drillsearch has complied with Listing Rule 3.1 in relation to continuous disclosure and has to date and will continue to comply with Division 4 of Part 6.5 and Chapter 6B of the Corporations Act;
 - (ix) as at the date of this document, Drillsearch has the securities on issue set out in Schedule 4 and has no other issued securities; and
 - (x) Drillsearch has not has issued, granted or agreed to issue or grant any other shares or securities convertible into shares, other than the securities referred to in Schedule 4.

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9.3 Limitations of liability

A party (**First Party**) is not liable in respect of a Claim in relation to any of its representations and warranties under this document if the fact, matter, circumstance or act giving rise to the claim was:

- (a) required to be done by the First Party under this document;
- (b) approved by the other party in writing prior to the fact, matter, circumstance or act occurring; or
- (c) disclosed in writing by the First Party or its advisers to the other party or its advisers prior to the date of this document.

10. TERMINATION

10.1 Termination for material breach

A party (the **Terminating Party**) may terminate this document at any time by notice to the other party if:

- (a) the other party is in breach of any clause of this document, which breach is material in the context of the Bid;
- (b) the Terminating Party has given notice to the other party setting out full details of the material breach and stating an intention to terminate this document; and
- (c) the material breach has continued to exist for 5 Business Days from the time such notice was given.

10.2 Other termination rights

- (a) Drillsearch may terminate this document at any time by notice to Ambassador if:
 - (i) a Competing Proposal is made or publicly announced for Ambassador by a third party;
 - (ii) any member of the Ambassador Board does not recommend the Bid be accepted by Ambassador Shareholders or, having recommended the Bid, changes his or her recommendation in relation to the Bid; or
 - (iii) a person other than Drillsearch or one of its related bodies corporate obtains voting power in Ambassador of 30% or more, or a person that has voting power in Ambassador of 30% or more increases their voting power by more than 30%, and that person is not a funds manager, bare trustee or custodian (other than a bare trustee or custodian that is acting for or on behalf of a trade or strategic investor).
- (b) Ambassador may terminate this document at any time by notice to Drillsearch if:
 - (i) Drillsearch fails to lodge the Bidder's Statement with ASIC or dispatch offers under the Bid to Ambassador Shareholders in accordance with the Corporations Act;
 - (ii) Ambassador recommends a Competing Proposal without being in breach of this document; or
 - (iii) a Bidder Adverse Change occurs.

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- (c) Either party may terminate this document at any time by notice in writing to the other party if Drillsearch withdraws the Offer for any reason or the Offer lapses for any reason, including non-satisfaction of a Condition.
- (d) This document automatically terminates on the date on which the Offer Period ends.

10.3 Effect of termination

In the event of termination of this document by either Drillsearch or Ambassador pursuant to clause 10, the document will have no further effect, other than in respect of any liability for antecedent breach of this document and provided that this clause 10 and clauses 1 (Interpretation), 3 (Compensating Amount), 11 (Notices) and 13 (General) survive termination.

11. NOTICES

- (a) A notice, consent or other communication under this document is only effective if it is in writing, signed and either left at the addressee's address or sent to the addressee by mail or fax. If it is sent by mail, it is taken to have been received 3 working days after it is posted. If it is sent by fax, it is taken to have been received when the addressee actually receives it in full and in legible form.
- (b) A person's address and fax number are those set out below, or as the person notifies the sender:

Drillsearch

Address: Level 16, 55 Clarence Street, Sydney NSW 2000
Fax number: +61 2 9249 9630
Attention: Brad Lingo

Ambassador

Address: Suite 11, Level 1, 23 Oxford Street, Oakleigh VIC 3166
Fax number: +61 2 9530 4117
Attention: Managing Director

12. AMENDMENT AND ASSIGNMENT

12.1 Amendment

This document can only be amended or replaced by another document executed by the parties.

12.2 Assignment

A party may only assign, declare a trust over or otherwise deal with its rights under this document with the written consent of the other party.

13. GENERAL

13.1 Governing law

- (a) This document is governed by the law of New South Wales.
- (b) Each party submits to the jurisdiction of the courts of New South Wales, and any court that may hear appeals from any of those courts, for any proceedings in connection with this document.

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13.2 Waiver of rights

A right may only be waived in writing, signed by the party giving the waiver; and

- (a) no other conduct of a party (including a failure to exercise, or delay in exercising, the right) operates as a waiver of the right or otherwise prevents the exercise of the right;
- (b) a waiver of a right on one or more occasions does not operate as a waiver of that right if it arises again; and
- (c) the exercise of a right does not prevent any further exercise of that right or of any other right.

13.3 Liability for expenses

Each party must pay its own expenses incurred in negotiating, executing, stamping and registering this document.

13.4 Operation of this document

- (a) This document contains the entire agreement between the parties about its subject matter. Any previous understanding, agreement, representation or warranty relating to that subject matter is replaced by this document and has no further effect.
- (b) Any provision of this document which is unenforceable or partly unenforceable is, where possible, to be severed to the extent necessary to make this document enforceable, unless this would materially change the intended effect of this document.

13.5 GST on claims

- (a) Words defined in A New Tax System (Goods and Services Tax) Act 1999 (Cth) have the same meaning in this clause.
- (b) If Ambassador pays Drillsearch the Compensating Amount under this document and that gives rise to a liability for GST, Ambassador must pay and indemnify Drillsearch on demand against the amount of that GST.
- (c) If a party provides a payment for or any satisfaction of a claim or a right to claim under or in connection with this document (for example, for a breach of any warranty or under an indemnity) that gives rise to a liability for GST, the provider must pay, and indemnify the recipient on demand against, the amount of that GST.
- (d) If a party has a claim under or in connection with this document for a cost on which that party must pay an amount for GST, the claim is for the cost plus the amount for GST (except any amount for GST for which that party is entitled to an input tax credit).

13.6 Counterparts

This document may be executed in counterparts.

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SCHEDULE 1

Agreed Announcement

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SCHEDULE 2

Agreed bid terms

1. OFFER PRICE

Drillsearch offers to each Ambassador Shareholder 1 Drillsearch Share per 5.4 Ambassador Shares.

2. CONDITIONS

The Offer and any contract resulting from its acceptance, is subject to the Conditions set out below:

Definitions:

Ambassador means Ambassador Oil and Gas Limited.

Ambassador Board means the board of directors of Ambassador.

Ambassador Group means Ambassador and each of its subsidiaries (as defined under the Corporations Act).

Ambassador Shares means a fully paid ordinary share in Ambassador.

Announcement Date means 28 May 2014, being the date of announcement of the Offer.

ASX means ASX Limited or the securities exchange operated by it (as applicable).

Bid Implementation Agreement means the agreement between Drillsearch and Ambassador dated 28 May 2014 documenting Drillsearch's proposal to make the Takeover Bid.

Corporations Act means the Corporations Act 2001 (Cth).

Drillsearch means Drillsearch Energy Limited.

Drillsearch Group means Drillsearch and each of its subsidiaries (as defined under the Corporations Act).

Encumbrance means:

- (a) a security interest;
- (b) an easement, restrictive covenant, caveat or similar restriction over property;
- (c) any other interest or arrangement of any kind that in substance secures the payment of money or the performance of an obligation, or that gives a creditor priority over unsecured creditors in relation to any property (including a right to set off or withhold payment of a deposit or other money);
- (d) a right of any person to purchase, occupy or use an asset (including under an option, agreement to purchase, licence, lease or hire purchase);
- (e) any other thing that prevents, restricts or delays the exercise of a right over property, the use of property or the registration of an interest in or dealing with property; or
- (f) an agreement to create anything referred to above or to allow any of them to exist.

Farm-out Agreement means the farm-out agreement between Ambassador and New Standard in relation to PEL 570, announced on the ASX by Ambassador on 10 December 2013.

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New Standard means New Standard Energy Ltd.

Offers means the Offer and each of the other offers made in the same terms for Ambassador Shares and includes a reference to those offers as varied in accordance with the Corporations Act.

Offer Period means the period commencing on [•] and ending at [•] pm (Sydney time) on [•].

Public Authority means any government or any governmental, semi-governmental, administrative, statutory or judicial entity, authority or agency, whether in Australia or elsewhere, including the ACCC (but excluding the Takeovers Panel, ASIC and any court that hears or determines proceedings under section 657G or proceedings commenced by a person specified in section 659B(1) of the Corporations Act in relation to the Takeover Bid). It also includes any self-regulatory organisation established under statute or any stock exchange.

Takeover Bid means the takeover bid constituted by the Offers.

Conditions:

(a) **Minimum acceptance condition**

Before the end of the Offer Period, Drillsearch has a relevant interest in more than 50.1% (by number) of the Ambassador Shares on issue at that time.

(b) **No prescribed occurrences**

None of the following events happens during the period beginning on the Announcement Date and ending at the end of the Offer Period:

- (i) Ambassador converts all or any of its shares into a larger or smaller number of shares;
- (ii) Ambassador or a subsidiary of Ambassador resolves to reduce its share capital in any way;
- (iii) Ambassador or a subsidiary of Ambassador:
 - (A) enters into a buy-back agreement; or
 - (B) resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (iv) Ambassador or a subsidiary of Ambassador issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (v) Ambassador or a subsidiary of Ambassador issues, or agrees to issue, convertible notes;
- (vi) Ambassador or a subsidiary of Ambassador disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (vii) Ambassador or a subsidiary of Ambassador grants, or agrees to grant, a security interest in the whole, or a substantial part, of its business or property;
- (viii) Ambassador or a subsidiary of Ambassador resolves to be wound up;
- (ix) a liquidator or provisional liquidator of Ambassador or of a subsidiary of Ambassador is appointed;

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- (x) a court makes an order for the winding up of Ambassador or of a subsidiary of Ambassador;
- (xi) an administrator of Ambassador, or of a subsidiary of Ambassador, is appointed under section 436A, 436B or 436C of the Corporations Act;
- (xii) Ambassador or a subsidiary of Ambassador executes a deed of company arrangement; or
- (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Ambassador or of a subsidiary of Ambassador.

(c) **No material adverse change to Ambassador**

During the period beginning on the Announcement Date and ending at the end of the Offer Period, no event or series of related events occurs which has or is likely to have a material adverse effect on the assets and liabilities, financial position and performance, profitability or prospects of the Ambassador Group taken as a whole, including:

- (i) any event or series of related events which has or is likely to have the effect of diminishing the consolidated net assets of the Ambassador Group as set out in its consolidated balance sheet of Ambassador at 31 December 2013 by at least \$500,000; or

- (ii) termination or frustration of the Farm-out Agreement,

but does not include:

- (iii) any matter, event, circumstance or change disclosed in writing by Ambassador or its advisers to Drillsearch or its advisers prior to the Announcement Date;
- (iv) any matter, event, circumstance or change directly resulting from any actions taken (or omitted to be taken) following a written request from Drillsearch or with Drillsearch's consent;
- (v) any matter, event or circumstance arising from changes in economic or business conditions which impact on Ambassador and its competitors in a similar manner; or
- (vi) any change occurring directly or indirectly as a result of any matter, event or circumstance required by the Bid Implementation Agreement or the transactions contemplated by that agreement.

(a) **No regulatory action**

During the period beginning on the Announcement Date and ending at the end of the Offer Period:

- (i) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority;
- (ii) no action or investigation is instituted, or threatened by any Public Authority with respect to Ambassador or any subsidiary of Ambassador; or
- (iii) no application is made to any Public Authority (other than an application by any company within the Drillsearch Group, an application under section

657G of the Corporations Act or an application commenced by a person specified in section 659B(1) of the Corporations Act in relation to the Takeover Bid),

in consequence of, or in conjunction with, the Takeover Bid, which restrains, prohibits or impedes or threatens to restrain, prohibit or impede, or may otherwise materially adversely impact upon, the making of the Takeover Bid or the completion of any transaction contemplated by this Bidder's Statement or seeks to require the divestiture by Drillsearch of any Ambassador Shares, or the divestiture of any assets by a company within the Ambassador Group or by any company within the Drillsearch Group.

(b) **Conduct of business**

None of the following events happens (each, a **Prohibited Transaction**) during the period beginning on the Announcement Date and ending at the end of the Offer Period:

- (i) a company within the Ambassador Group:
 - (A) acquires or disposes of;
 - (B) agrees to acquire or dispose of; or
 - (C) offers, proposes, announces a bid or tenders for,
any business, asset, interest in a joint venture, entity or undertaking, the value of which exceeds \$500,000;
- (ii) a company within the Ambassador Group creates any Encumbrance over the whole or a substantial part of its business or property (other than a lien which arises by operation of law or legislation securing an obligation not yet due and consistent with past practice);
- (iii) any person is appointed to the Ambassador Board, other than those nominated by Drillsearch in accordance with the terms of the Bid Implementation Agreement;
- (iv) a company within the Ambassador Group:
 - (A) increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors or employees; or
 - (B) accelerates the rights of any of its directors or employees to compensation or benefits of any kind,
other than as a result of contracted arrangements that are consistent with past practice and in effect as at 1 May 2014;
- (v) a company within the Ambassador Group pays any of its directors or employees a termination or retention payment (otherwise than as required by an existing contract which, as at 1 May 2014, is in place and has been disclosed to Drillsearch);
- (vi) a company within the Ambassador Group:
 - (A) enters into any contract or commitment involving revenue or expenditure by the Ambassador Group of more than \$500,000 over the term of the contract or commitment;

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- (B) terminates or amends in a material manner any contract material to the conduct of the Ambassador Group's business or which involves revenue or expenditure of more than \$500,000 over the term of the contract;
 - (C) waives any material third party default; or
 - (D) accepts as a settlement or compromise of a material matter (relating to an amount in excess of \$500,000) less than the full compensation due to the Ambassador Group;
- (vii) a company within the Ambassador Group undertakes or agrees to undertake capital expenditure in excess of \$500,000 in aggregate;
 - (viii) a company within the Ambassador Group enters into or resolves to enter into a transaction with any related party of Ambassador as defined in section 228 of the Corporations Act; or
 - (ix) a company within the Ambassador Group borrows or agrees to borrow any money,

but a Prohibited Transaction does not include:

- (x) any occurrence disclosed in writing by Ambassador or its advisers to Drillsearch or its advisers prior to the Announcement Date;
- (xi) any matter required to be done or brought about by Ambassador under the Bid Implementation Agreement or which is contemplated by that agreement; or
- (xii) any other matter, the undertaking of which Drillsearch has approved in writing.

SCHEDULE 3

Ambassador Securities

Ambassador Shares

Ambassador has 142,058,491 fully paid ordinary shares on issue.

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SCHEDULE 4

Drillsearch Securities

Drillsearch Shares

Drillsearch has 432,965,895 fully paid ordinary shares on issue.

Drillsearch Options

Drillsearch has the following options on issue:

Number of Drillsearch Options	Expiry date	Exercise price
1,000,000	30 September 2014	\$0.60
1,000,000	15 March 2015	\$0.853
1,199,597	20 June 2018	\$0.596
1,521,156	25 July 2018	\$0.596
3,185,586	23 November 2018	\$0.596

Drillsearch Performance Rights

Number of Performance Rights	Description
950,775	Performance rights under the 2012 grant with a performance period ending on 30 June 2015.
653,100	Performance rights under the 2013 grant with a performance period ending on 30 June 2014.
1,614,204	Performance rights under the 2013 grant with a performance period ending on 30 June 2016.

Drillsearch Convertible Bonds

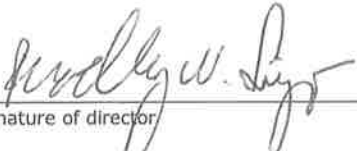
Drillsearch has 1,250 convertible bonds on issue.

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EXECUTED as an agreement.

Each person who executes this document on behalf of a party under a power of attorney declares that he or she is not aware of any fact or circumstance that might affect his or her authority to do so under that power of attorney.

EXECUTED by **DRILLSEARCH ENERGY LIMITED:**



Signature of director
Bradley W Lingo

Name



Signature of director/secretary
Jean Moore

Name

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**EXECUTED by AMBASSADOR OIL AND
GAS LIMITED:**



Signature of director

GIUSTINO GUGLIELMO

Name



Signature of director/secretary

Emmanuel Correia.

Name

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