For personal use only



Proposed Acquisition of Ambassador Oil and Gas

30 May 2014

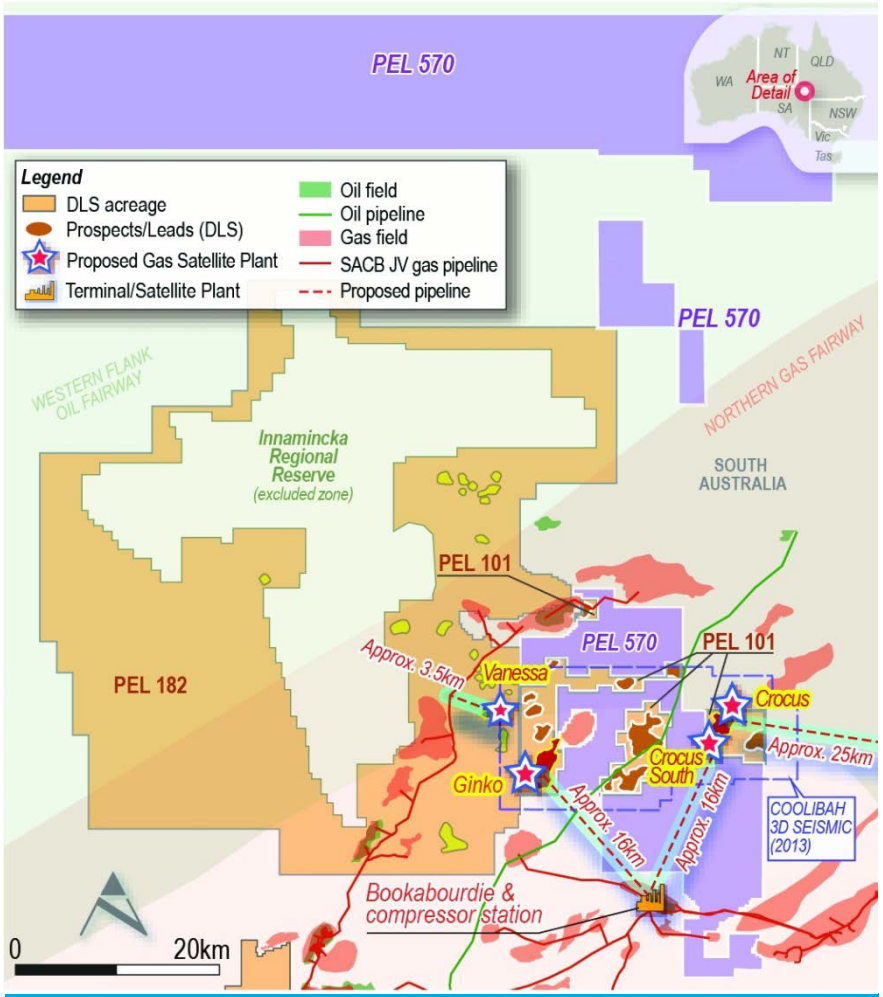
Consolidating our position in Northern Cooper Wet Gas

Drillsearch

Summary

For personal use only

- Compelling bolt-on acquisition that consolidates Drillsearch's position in Northern Cooper Wet Gas
- All-scrip recommended offer at a significant premium
- Relevant interest in 19.9% of Ambassador already acquired
- Shareholders representing 17.6% have indicated to Ambassador their intention to accept the offer within 14 days of the opening of the Offer Period
- Existing PEL 570 farm-in agreement provides free carry over $42.5 million unconventional exploration program



Northern Wet Gas Fairway showing Drillsearch's PEL 101 and Ambassador's 47.5%-owned PEL 570

Overview of the intended offer

For personal use only

Transaction overview

- Drillsearch announces its intention to make a conditional off-market takeover offer for Ambassador Oil and Gas Limited (ASX:AQO) (Ambassador)
- Offer consideration is 1 Drillsearch share for every 5.4 Ambassador shares
- Drillsearch has acquired a relevant interest of 19.9% in Ambassador

Unanimous Board recommendation

- The Directors of Ambassador unanimously recommend that Shareholders accept the Offer in the absence of a superior proposal

Share price premium

- The implied value of the Offer is $0.293 per Ambassador share based on the closing price of Drillsearch shares of $1.58 on Tuesday 27 May 2014.
- The implied Offer Price represents a premium of:
  - 50% to the closing price of Ambassador shares of $0.195 on Friday 23 May 2014, being the trading day prior to Ambassador entering a trading halt
  - 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

Shareholder intention

- 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 Period, in the absence of a superior proposal

Why Ambassador shareholders should accept the offer

- Compelling scrip offer that provides a significant premium
- Ambassador Directors have recommended acceptance in the absence of a superior proposal
- Drillsearch has entered into binding acquisition agreements under which it will become Ambassador's largest shareholder with 19.9%
- By accepting the offer of Drillsearch shares, Ambassador shareholders will;
  - Retain exposure to the potential upside of PEL 570
  - Gain exposure to a profitable ASX 200 oil and gas company focused on growing reserves, production and cash flow and with:
    - A substantial Oil business on the Western Flank
    - A Wet Gas business seeking to commercialise existing discoveries in the Northern and Western areas of the Cooper Basin
    - An active Unconventional exploration program in ATP 940P of the Nappamerri Trough



For personal use only

Corporate Strategy: Drillsearch Overview

For personal use only

OIL – NEAR-TERM ENGINE AND CASH FLOW GENERATOR



- Australia's third-largest onshore oil producer with multiple development and exploration opportunities to increase production
- Maintain at least 6,000-7,000 bopd net production from existing discoveries
- Grow reserves and production from continuing exploration success

WET GAS – MEDIUM-TERM DRIVER



- Commercialise multiple existing discoveries to meet demand
- Focus on development of 4-5 production satellites with combined net raw gas production of 50-70 mmscf/d

UNCONVENTIONAL – UPSIDE OPPORTUNITY



- Proving up commercially viable gas from two recognised plays
- Successfully progress to development of production pilot by late 2017

Wet Gas: Major Market Opportunity

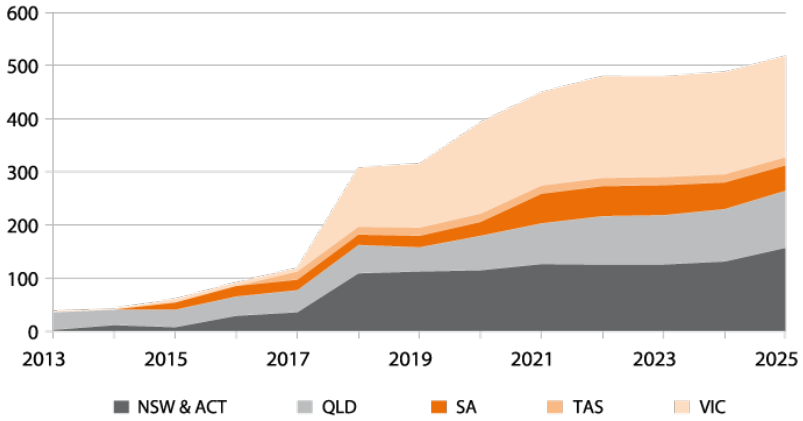
For personal use only

Eastern Australian gas demand is expected to almost triple by 2025, driven largely by new LNG export projects.[1]

Ideally placed to become a meaningful supplier to East Coast gas markets:

- Only current Cooper Basin gas supplier outside of the dominant SACBJV
- Partnerships and long-term sales arrangements with BG Group and Santos
- More than 17 existing wet gas discoveries in the development pipeline
- Plans for a series of production satellites based on existing discoveries and of similar size to Middleton-Brownlow
- Targeting 50-70 mmscf/d net raw gas sales over the next 2-3 years

Uncontracted Eastern Australian Gas Demand by State (PJ)



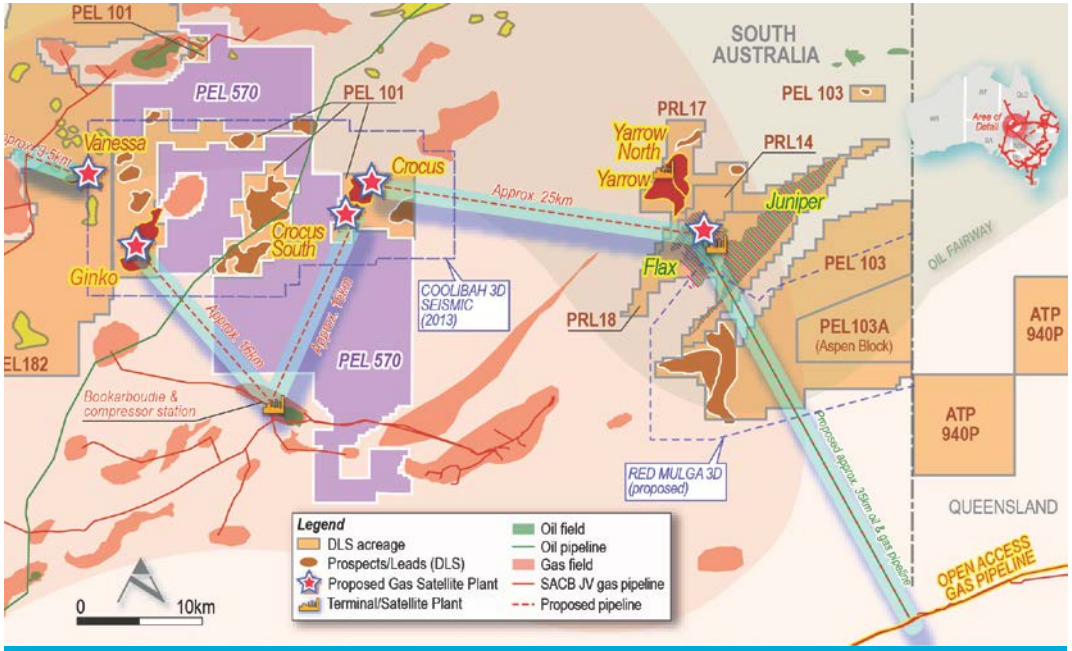
Source: Core Energy Group; 2013

[1] Source: Core Energy Group, 2013

Northern Cooper Wet Gas: Active Work Program in FY2015

For personal use only

- Significant investment in 3D seismic
- Seven discoveries over five permits
- Patchawarra Trough – source for liquids-rich fields such as Tirrawarra and Fly Lake
- Close to pipeline networks
- Active work program planned for FY2015:
  - Flax workover targets restart around mid-year
  - Juniper and Banyan appraisal wells
  - Five-well program beginning in PEL 101
  - Development options being considered for Vanessa discovery in PEL 182



Northern Wet Gas Fairway – PELs 101, 103, 103A, 182 and 570

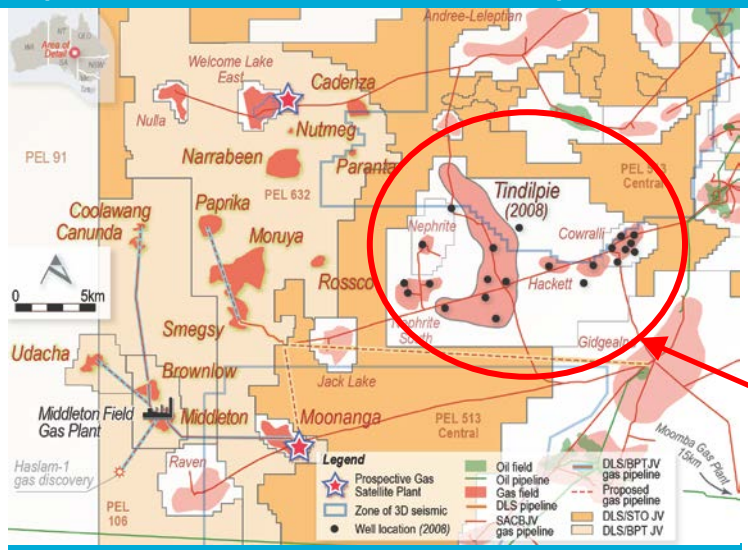
Transaction Rationale

For personal use only

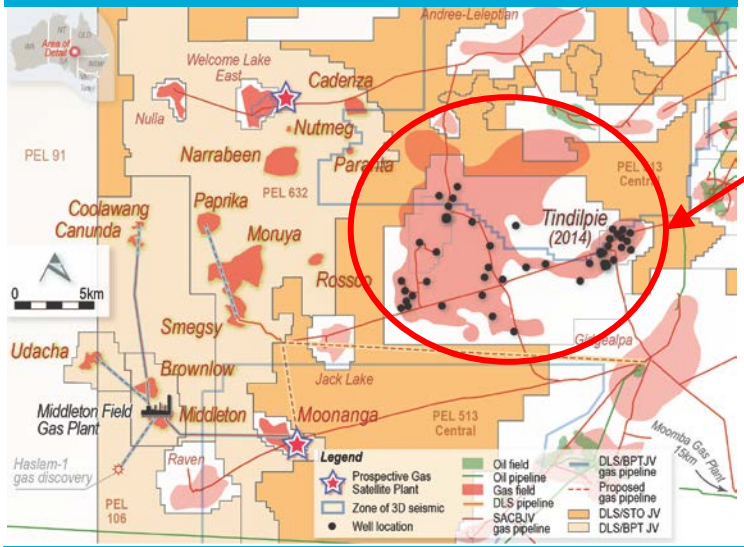
- PEL 101 and 570 structural stratigraphic play potential seen as analogous to SACBJV's Greater Tindilpie complex in southern Patchawarra Trough
- Consolidates Ambassador's 47.5% interest in PEL 570 with Drillsearch's 80% operated interest in adjacent PEL 101
- Coolibah 3D seismic survey has identified prospectivity for liquids-rich gas across both permits
- Three existing discoveries in PEL 101
- Exploration, appraisal and development drilling commencing in FY2015 to further de-risk the conventional prospectivity of the area, and generate significant value across all permits

Consolidating our position in Northern Cooper Wet Gas

Maps indicate increase in extent of the complex since 2008



Western Wet Gas Fairway – Tindilpie 2008

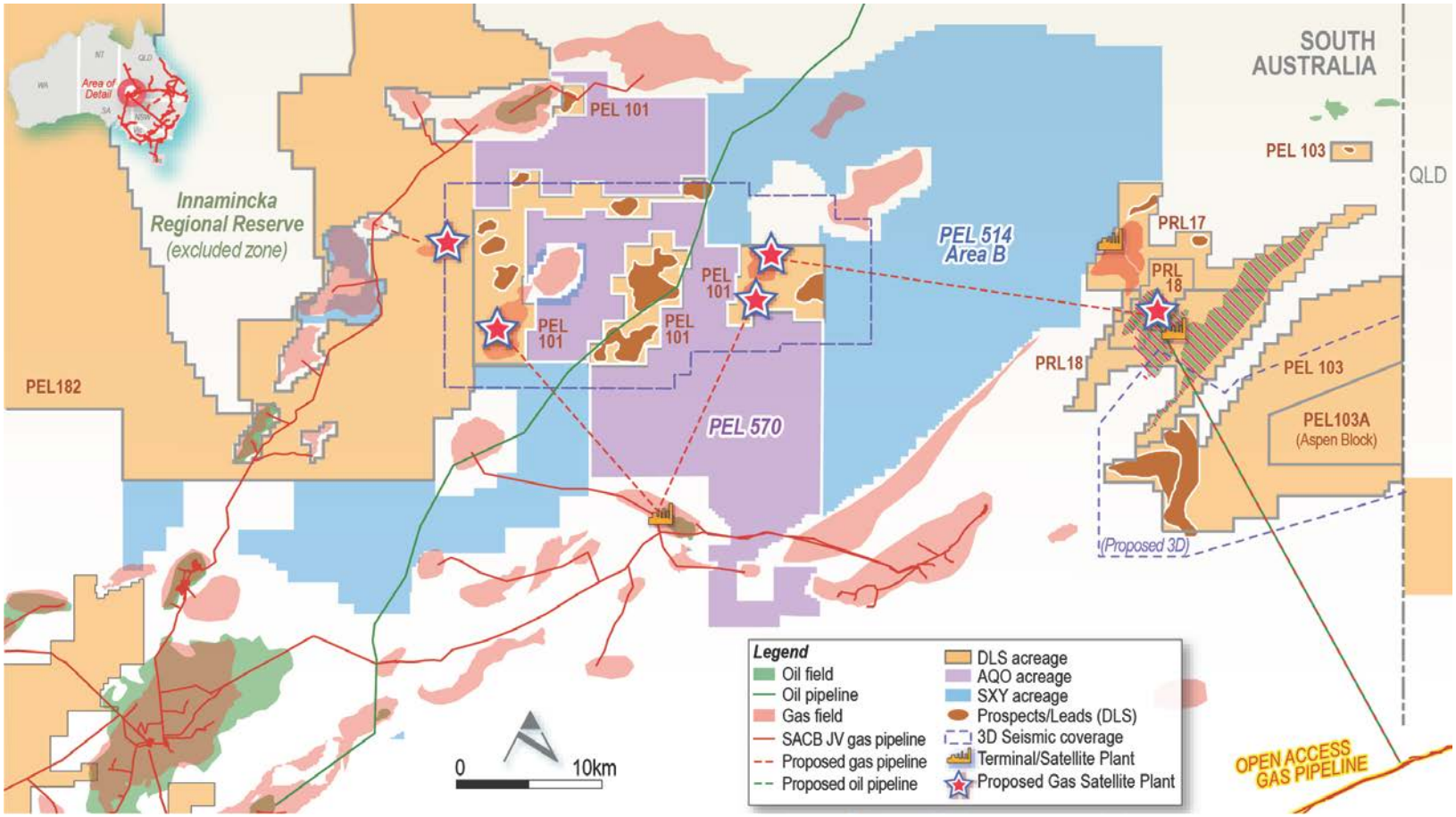


Western Wet Gas Fairway – Tindilpie Present (2014)

Growth of structural stratigraphic field complex

Transaction Rationale

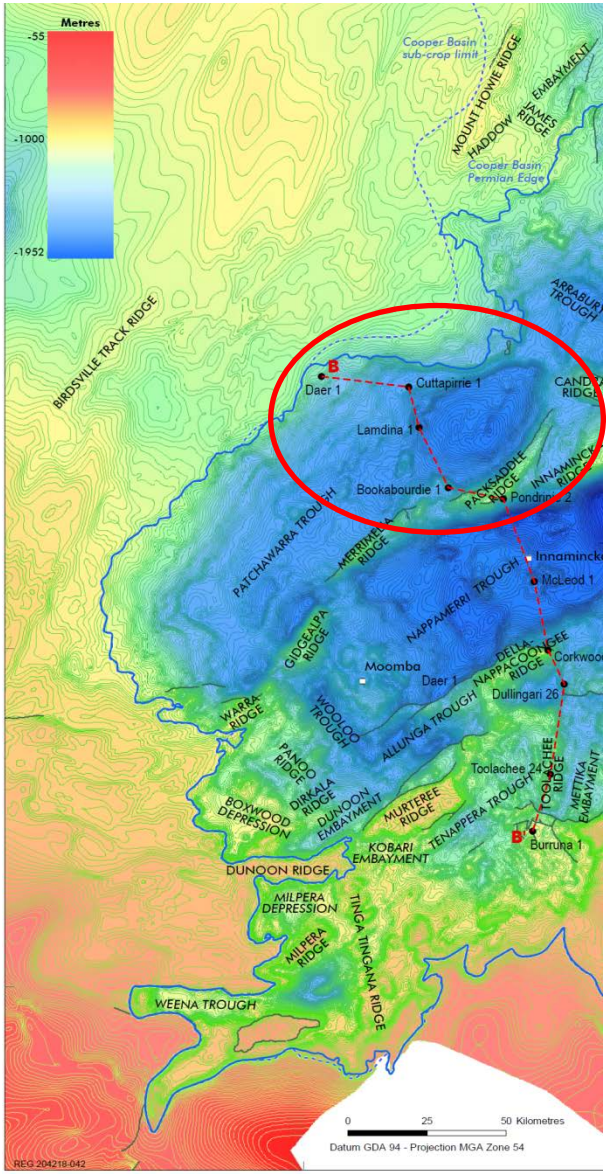
For personal use only



- Map shows the location of PELs 570 and 101 in relation to Origin's farm-in deal with Senex over Area B of PEL 514.

Transaction Rationale

For personal use only



Cooper Basin Structural Elements on Top Warburton

- Full carry on a $42.5 million work program in PEL 570 targeting unconventional resource potential
- Program to be operated by New Standard Energy, with technical support from experienced US unconventional E&P company Magnum Hunter Resources (NYSE: MHR)
- Exposure to liquids-rich, lower stress, temperature and CO_2 play areas of the Patchawarra Trough unconventional potential with no additional capex requirements in the short term
- Offers regional diversification for Drillsearch's Unconventional Business currently focused on ATP 940P in the Nappamerri Trough

Unconventional exploration complements program in ATP 940P

Source: Roadmap for Unconventional Gas Projects in South Australia, December 2012, DMITRE

Summary

For personal use only

- Continues Drillsearch's consolidation of the Cooper Basin – Great Artesian, Acer Energy successfully acquired
- Provides Ambassador shareholders with a significant premium and exposure to a profitable ASX 200 oil and gas company
- Consolidation of position in Northern Cooper Wet Gas and diversification into the Patchawarra Trough Unconventional
- Active work program in PEL 101 to add significant value to surrounding permits, including PEL 570
- Already acquired relevant interest of 19.9% of Ambassador, which will make Drillsearch Ambassador's largest shareholder
- Shareholders representing a further 17.6% have indicated to Ambassador that they intend to accept the Offer in the absence of a superior proposal

In line with our clear strategy to build Australia's leading independent oil and gas company

Disclaimer and important notice

For personal use only

- This presentation contains forward looking statements that are subject to risk factors associated with the Oil and gas business. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions, political risks, project delay and advancement, approvals and cost estimates.
- All references to dollars, cents or $ in this presentation are to AUD, unless otherwise stated.
- References to “Drillsearch” may be references to Drillsearch Energy Limited or its applicable subsidiaries.

For personal use only



HEAD OFFICE
LEVEL 16
55 CLARENCE STREET
SYDNEY NSW 2000
PH: +61 2 9249 9600
FX: + 61 2 9249 9630
E: ADMIN@DRILLSEARCH.COM.AU
W: WWW.DRILLSEARCH.COM.AU

Please contact for further information

DUDLEY WHITE
GM – CORPORATE COMMUNICATIONS

Drillsearch