

13 February 2018

Mosman Oil and Gas Limited
("Mosman" or the "Company")

USA Update
Production Established and Poised for Growth

Mosman Oil and Gas Limited (AIM: MSMN) the oil exploration, development and production company, announces continued progress in respect to its USA assets, which are all generating increasing cash flow due to production improvements, lower costs and higher oil prices.

Welch Permian Basin Project (Texas): 100% Working Interest and Operator

The property was acquired for both production income and development potential. Oil sales (gross) for the four month period from October to January were 3,558 barrels, delivering positive cash flow.

The first phase of workovers has established production of up to 40 bopd which is periodically reduced by operational matters such as the temporary shut-in for a few days in January to avoid damage in freezing weather conditions, and typical minor matters such as pump or rod repairs.

The immediate development potential is the drilling of horizontal wells that are expected to increase both Reserves and production. The benefit of horizontal wells has been demonstrated by nearby horizontal wells which have achieved good results with initial rates in excess of 60 bopd. As a result, Mosman has commissioned a pre-feasibility study to further define the project for an investment decision later in 2018.

Mosman has commissioned Moyes & Co. to produce a Reserves Report for the existing vertical wells and for the possible addition of three horizontal production wells.

Arkoma Stacked Pay Project (Oklahoma): 12% Working Interest with options to increase to 55%

Mosman commissioned and received an independent geophysical report to analyse the 3D seismic data and to generate maps of the key reservoir horizons, which generally confirm the vendor's mapping. Moyes & Co. has received the independent report and mapping that will provide the foundation for Moyes & Co.'s assessment of Reserves and Resources.

Last week in Dallas the Directors met with Moyes & Co., representatives of the Arkoma vendors and Mosman's strategic partner, Blackstone Oil and Gas. Discussions included the positive oil and gas production rates from the recently recompleted Union Valley zone, production optimisation planning and initial field development.

Mosman has now achieved oil and gas production from four of the stacked pay zones at this location; the Wilcox, Viola, Union Valley and Cromwell. The Caney and Woodford shale potential, which is being drilled to the south in Hughes County, is a large resource that will be tested in due course. The initial oil and gas production rates from the Union Valley zone indicate that it alone may be sufficient for economic field development at Arkoma.

On production optimisation of existing wells in this stacked pay zone project, the Operator has proposed the installation of high volume downhole electric submersible pumps ("ESPs") in two wells to produce simultaneously from several zones. It is common to use ESPs to produce large volumes of water to increase oil production from the Wilcox zone. The Operator proposes to produce the Wilcox together with the Viola, Woodford and Union Valley oil and gas production zones. The field already has a water disposal well to manage the volume of water as well as tanks to store the oil.



The Arkoma Project has the potential to add significant additional production, Reserves and Resources. Mosman will make the investment decision if it is satisfied with the Moyes & Co. Report and the investment meets the Mosman commercial criteria.

Strawn (Texas): 50% Working Interest and Operator

At Strawn, workovers established initial flow rates up to 30 bopd (gross) however, these flow rates were not sustained.

Oil sales from October to January were 1,199 barrels (gross; 50% due to Mosman), delivering positive cash flow.

No further workovers are planned in the short term and staff and other costs have been streamlined to maximise cash generation.

Strategy

Mosman's strategic objective continues to be that of identifying opportunities which will provide operating cash flow and have further development upside, in conjunction with adding value to the Company's existing exploration permits.

Other Potential Acquisitions

Mosman is frequently presented with potential acquisition opportunities. Only a small number are moved from initial discussions to review and negotiations, and then appropriate documentation. Mosman identified two potentially attractive acquisition opportunities in the recent visit to Dallas and Houston and will update the market in relation to any potential acquisitions as appropriate.

John W Barr, Chairman, said: "We have achieved cash flow and acquired a platform for growth. Encouragingly, 2018 has started positively with increasing cash flow. The strategy of acquiring oil production assets when oil prices were low is proving to be sound given recent increases in both oil production and the oil price."

Competent Person's Statement

The information contained in this announcement has been reviewed and approved by Andy Carroll, Technical Director for Mosman, who has over 35 years of relevant experience in the oil industry. Mr. Carroll is a member of the Society of Petroleum Engineers.

Market Abuse Regulation (MAR) Disclosure

Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement.

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Updates on the Company's activities are regularly posted on its website www.mosmanoilandgas.com.