



2 March 2017

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

**Condensed Consolidated Half Year Financial Report
for the 6 months ended 31 December 2016**

The Directors of Mosman Oil and Gas Limited (AIM: MSMN) the New Zealand ("NZ") and Australia focussed oil exploration and development company, today released the Company's Condensed Consolidated Half Year Financial Report for the 6 months ended 31 December 2016.

A copy of the report is also available to download from the Company's website:
www.mosmanoilandgas.com.

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

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for
The Half Year Ended 31 December 2016**
All amounts are in Australian Dollars

	Notes	Consolidated 31 December 2016 \$	Consolidated 31 December 2015 \$
Interest income		1,629	664
Other income		2,108	1,931
Administrative expenses		(95,624)	(167,600)
Corporate expenses	2	(497,858)	(693,285)
Exploration expenses incurred not capitalised		-	(28,823)
Employee benefits expense		(35,157)	(33,381)
Loss on foreign exchange		(77,671)	(135,915)
Depreciation expense		(7,092)	(7,785)
Finance expense		-	(432)
Costs associated with abandoned acquisitions	3	(138,733)	(1,161,446)
Impairment expense		-	(1,456,942)
Loss from ordinary activities before income tax expense		(848,398)	(3,683,014)
Income tax expense		-	-
Net loss for the period		(848,398)	(3,683,014)
Other comprehensive income		(7,824)	300,804
Total comprehensive income attributable to members of the entity		(856,222)	(3,382,210)
Basic and diluted earnings/(loss) per share		(0.41) cents	(2.14) cents

The accompanying notes form part of these financial statements.

**Condensed Consolidated Statement of Financial Position
As at 31 December 2016
All amounts are in Australian Dollars**

	Notes	Consolidated 31 December 2016 \$	Consolidated 30 June 2016 \$
Current Assets			
Cash and cash equivalents		2,254,540	3,758,556
Trade and other receivables	5	202,663	194,115
Available for sale financial assets	4	758,663	-
Other assets	6	24,464	446,095
Other financial assets		-	7
Total Current Assets		3,240,330	4,398,773
Non-Current Assets			
Property, plant & equipment		219,028	224,448
Capitalised oil and gas exploration expenditure	7	11,329,983	10,955,203
Total Non-Current Assets		11,549,011	11,179,651
Total Assets		14,789,341	15,578,424
Current Liabilities			
Trade and other payables	8	226,875	177,692
Provisions		14,154	11,846
Total Current Liabilities		241,029	189,538
Net Assets		14,548,312	15,388,886
Shareholders' Equity			
Contributed equity	9	24,335,869	25,235,869
Reserves		1,312,434	1,304,610
Accumulated losses		(11,099,991)	(11,151,593)
Total Shareholders' Equity		14,548,312	15,388,886

The accompanying notes form part of these financial statements.

**Condensed Consolidated Statement of Changes in Equity
for the Half Year Ended 31 December 2016
All amounts are in Australian Dollars**

	Accumulated Losses	Contributed Equity	Reserves	Total
	\$	\$	\$	\$
Balance at 1 July 2015	(6,256,828)	18,585,595	780,785	13,109,552
Comprehensive income				
Loss for the period	(3,683,014)	-	-	(3,683,014)
Other comprehensive income for the period	-	-	300,804	300,804
Total comprehensive loss for the period	(3,683,014)	-	300,804	(3,382,210)
Transactions with owners, in their capacity as owners, and other transfers:				
Shares issued to shareholders	-	7,242,293	-	7,242,293
Capital raising costs	-	(569,535)	-	(569,535)
Total transactions with owners and other transfers	-	6,672,758	-	6,672,758
Balance at 31 December 2015	(9,939,842)	25,258,353	1,081,589	16,400,100
Balance at 1 July 2016	(11,151,593)	25,235,869	1,304,610	15,388,886
Comprehensive income				
Loss for the period	(848,398)	-	-	(848,398)
Other comprehensive income for the period	-	-	7,824	7,824
Total comprehensive loss for the period	(848,398)	-	7,824	(840,574)
Transactions with owners, in their capacity as owners, and other transfers:				
Cancellation of shares on selective share buyback	900,000	(900,000)	-	-
Total transactions with owners and other transfers	900,000	(900,000)	-	-
Balance at 31 December 2016	(11,099,991)	24,335,869	1,312,434	14,548,312

These accompanying notes form part of these financial statements

**Condensed Consolidated Statement of Cash Flows
for the Half Year Ended 31 December 2016
All amounts are in Australian Dollars**

	Consolidated 31 December 2016 \$	Consolidated 31 December 2015 \$
Cash flows from operating activities		
Interest received & other income	3,485	2,595
Payments to suppliers and employees	(663,232)	(1,152,439)
Interest paid	-	(432)
Net cash used in operating activities	(659,747)	(1,150,276)
Cash flows from investing activities		
Payments for property, plant & equipment	-	(16,958)
Proceeds from/(payments) for exploration and evaluation	(311,025)	11,230
Payments for AFS financial assets	(394,511)	-
Costs associated with abandoned acquisitions	(138,732)	(1,251,446)
Deposits associated with abandoned	-	(468,735)
Bonds refunded	-	46,096
Net cash used in investing activities	(844,268)	(1,679,813)
Cash flows from financing activities		
Proceeds from shares issued	-	7,242,293
Payments for costs of capital	-	(569,535)
Net cash provided by financial activities	-	6,672,758
Net (decrease) / increase in cash and cash equivalents	(1,504,015)	3,842,669
Cash and cash equivalents at the beginning of the financial period	3,758,555	1,117,855
Cash and cash equivalents at the end of the financial period	2,254,540	4,960,524

The accompanying notes from part of these financial statements

**Condensed Notes to the Financial Statements
for the Half-Year Ended 31 December 2016
All amounts are Australian Dollars**

1. Summary of Significant Accounting Policies

Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2016 annual financial report for the financial year ended 30 June 2016, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new or revised accounting standards and interpretations

The Group has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year. The Group has not early adopted any accounting standards or interpretations.

The adoption of all new and revised standards and interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior half-years.

Exploration and Evaluation Costs

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

**Condensed Notes to the Financial Statements
for the Half-Year Ended 31 December 2016
All amounts are Australian Dollars**

1. Summary of Significant Accounting Policies (Continued)

Impairment of Exploration and Evaluation Assets

The ultimate recoupment of the value of exploration and evaluation assets, is dependent on the successful development and commercial exploitation, or alternatively, sale, of the exploration and evaluation assets.

Impairment tests are carried out when there are indicators of impairment in order to identify whether the asset carrying values exceed their recoverable amounts. There is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of judgement and estimation include:

- Recent exploration and evaluation results and resource estimates;
- Environmental issues that may impact on the underlying tenements;
- Fundamental economic factors that have an impact on the operations and carrying values of assets and liabilities.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance.

Financial assets

Classification

The group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period. See note 7 for details about each type of financial asset.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

1. Summary of Significant Accounting Policies (Continued)

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

**Condensed Notes to the Financial Statements
for the Half-Year Ended 31 December 2016
All amounts are Australian Dollars**

	Consolidated 31 December 2016 \$	Consolidated 31 December 2015 \$
2. Corporate Costs		
Accounting, Company Secretary and Audit fees	71,362	157,051
Director fees	60,000	60,000
Consulting fees	332,864	391,661
Travel fees	-	15,074
Legal fees	33,632	69,499
	497,858	693,285

	Consolidated 31 December 2016 \$	Consolidated 31 December 2015 \$
3. Costs associated with abandoned acquisitions		
Opening Balance	-	-
Costs Incurred	138,733	1,405,370
Reimbursement from Joint Participation Agreement*	-	(243,924)
	138,733	1,161,446

*Reimbursement of costs relate to the contributions received from High Peak Royalties Limited (ASX:HPR) under the Joint Participation Agreement.

	Consolidated 31 December 2016 \$	Consolidated 30 June 2016 \$
4. Available-for-sale assets		
Shares held in Gem International Resources Inc.	410,088	-
Shares held in Hemisphere Energy Corporation	348,575	-
	758,663	-

	Consolidated 31 December 2016 \$	Consolidated 30 June 2016 \$
5. Trade and other receivables		
Deposits	150,955	150,533
GST receivable	51,708	43,419
Other deposits	-	163
	202,663	194,115

	Consolidated 31 December 2015 \$	Consolidated 30 June 2015 \$
6. Other assets		
Prepayments	24,464	22,546
Share applications	-	423,549
	24,464	446,095

**Condensed Notes to the Financial Statements
for the Half-Year Ended 31 December 2016
All amounts are Australian Dollars**

	Consolidated 31 December 2016	Consolidated 30 June 2016
7. Capitalised mineral exploration expenditure	\$	\$
Costs brought forward	10,955,203	11,733,041
Exploration costs incurred during the year	310,842	1,480,667
Exploration expenditure impaired	-	(1,456,942)
Exploration expenditure written off	-	(1,293,295)
FX movement	63,938	491,732
Carrying value at the end of the period	11,329,983	10,955,203

	Consolidated 31 December 2016	Consolidated 30 June 2016
8. Trade and other payables	\$	\$
Trade creditors	161,820	66,448
Other creditors and accruals	65,055	111,244
	226,875	177,692

	Consolidated 31 December 2016	Consolidated 30 June 2016
9. Contributed Equity	\$	\$
Ordinary Shares		
Total shares at 31 Dec 16 206,591,008 (30 June 2016: 215,591,008) ordinary shares fully paid	24,335,869	25,235,869

	Value of shares \$	No. of shares
a) Shares movements during the half-year		
Balance at 30 June 2016	25,235,869	215,591,008
Cancellation of shares on selective share buyback*	(900,000)	(9,000,000)
Balance at 31 December 2016	24,335,869	206,591,008

*Note that the selective share buyback was for a nominal value of \$1 only. The accounting adjustment required of \$900,000 was to reverse the fair value of consideration recognised on acquisition of Petroleum Portfolio Pty Ltd which was subsequently reversed as a result of the shareholders' approval of the selective share buy back on 2 August 2016. Following the above transaction, the share capital was reduced by 9,000,000 shares and was cancelled pursuant to section 257H of the *Corporation's Act 2001 Cth*.

**Condensed Notes to the Financial Statements
for the Half-Year Ended 31 December 2016
All amounts are Australian Dollars**

	Consolidated 31 December 2016 No. of Options	Consolidated 30 June 2016 No. of Options
9. Contributed Equity (Continued)		
Options		
During the period no options were issued:	7,859,372	7,859,372

Of the 7,859,372 options on issue as at 31 December 2016, the following are held by directors of the Company:

J W Barr	2,500,000
A Carroll	2,000,000
J Young	1,500,000

Option details

Number of options	Exercise date	Exercise price (\$)
3,800,000	28 November 2017	0.58
3,200,000	13 January 2019	0.15
859,372	20 March 2019	0.08 Great British pence
7,859,372		

10 Segment Information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board to make decisions about resources to be allocated to the segments and assess their performance.

Operating segments are identified by the board based on the Oil and Gas projects in Australia, and New Zealand. Discrete financial information about each project is reported to the board on a regular basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the economic characteristics, the nature of the activities and the regulatory environment in which those segments operate.

The Group has two reportable segments based on the geographical areas of the mineral resource and exploration activities in Australia and New Zealand. Unallocated results, assets and liabilities represent corporate amounts that are not core to the reportable segments.

**Condensed Notes to the Financial Statements
for the Half-Year Ended 31 December 2016
All amounts are Australian Dollars**

10 Segment Information (Continued)

(i) Segment performance

	New Zealand \$	Australia \$	Total \$
Half-Year Ended 31 December 2016			
Revenue			
Interest revenue	-	1,629	1,629
Other income	2,108	-	2,108
Segment revenue	2,108	1,629	3,737
Segment Result			
- Corporate costs	(23,850)	(474,008)	(497,858)
- Administrative costs	(25,211)	(47,700)	(72,911)
- Foreign exchange gain/(loss)	-	(77,671)	(77,671)
Segment net profit/(loss) before tax	(46,953)	(597,750)	(644,703)

Reconciliation of segment result to net loss before tax

Amounts not included in segment result but reviewed by the Board

- Projects abandoned	(2,126)	(136,607)	(138,733)
Unallocated items			
- Employee benefits			(35,158)
- Occupancy			(22,712)
- Finance			(7,092)
Net Loss before tax from continuing operations			(848,398)

	New Zealand \$	Australia \$	Total \$
Half-Year Ended 31 December 2015			
Revenue			
Interest revenue	-	664	664
Other income	1,931	-	1,931
Segment revenue	1,931	664	2,595
Segment Result			
- Corporate costs	(21,139)	(672,146)	(693,285)
- Administrative costs	(44,560)	(123,039)	(167,599)
- Depreciation	(2,184)	(5,601)	(7,785)
- Exploration expenses	-	(28,823)	(28,823)
- Foreign exchange gain/(loss)	-	(135,915)	(135,915)
Segment net profit/(loss) before tax	(65,952)	(964,860)	(1,030,812)

10 Segment Information (Continued)

Reconciliation of segment result to net loss before tax
Amounts not included in segment result but reviewed by the Board

- Exploration expenditure written off	-	(1,456,942)	(1,456,942)
- Projects abandoned	(855,594)	(305,852)	(1,161,446)
Unallocated items			
- Employee benefits			(33,381)
- Finance			(433)
Net loss before tax from continuing operations			<u>(3,683,014)</u>

(ii) Segment assets

As at 31 December 2016

Segment assets as at 1 July 2016	7,332,986	3,622,217	10,955,203
Segment asset increases for the year			
- Capitalised Exploration and evaluation	(14,580)	325,422	310,842
- FX movement Exploration and evaluation	63,938	-	63,938
	<u>7,382,344</u>	<u>3,947,639</u>	<u>11,329,983</u>

Reconciliation of segment assets to total assets:

Other assets	415,207	3,044,151	3,459,358
Total assets from continuing operations	<u>7,797,551</u>	<u>6,991,790</u>	<u>14,789,341</u>

(iii) Segment liabilities

As at 31 December 2016

Segment liabilities as at 1 July 2016	9,155	180,383	189,538
Segment liability increases/(decreases) for the year	(6,096)	57,587	51,491
	<u>3,059</u>	<u>237,970</u>	<u>241,029</u>

Reconciliation of segment liabilities to total liabilities:

Other liabilities	-	-	-
Total liabilities from continuing operations	<u>3,059</u>	<u>237,970</u>	<u>241,029</u>

11 Expenditure Commitments

(a) Exploration

The Company has certain obligations to perform minimum exploration work on Oil and Gas tenements held. These obligations may vary over time, depending on the Company's exploration programs and priorities. At 31 December 2016, total exploration expenditure commitments for the next 12 months are as follows:

**Condensed Notes to the Financial Statements
for the Half-Year Ended 31 December 2016
All amounts are Australian Dollars**

11 Expenditure Commitments (Continued)

Entity	Tenement	Consolidated 31 December 2016 \$	Consolidated 30 June 2016 \$
Petroleum Creek Limited	PEP 38526	24,045	572,028
Trident Energy Limited	EP 145	200,000	121,500
Oilco Pty Ltd	EPA 155	-	10,000
Oilco Pty Ltd	EP 156	-	155,000
Mosman Oil and Gas (NZ) Ltd	PEP 57067	312,590	-
Mosman Oil and Gas (NZ) Ltd	PEP 57068	201,981	1,239,394
Mosman Oil and Gas (NZ) Ltd	PEP 57058	48,091	-
		786,707	2,097,922

These obligations are subject to variations by farm-out arrangements, sale of the relevant tenements or seeking expenditure exemption for previous year's expenditure. The Company has the option to elect to not carry out the minimum work program commitments pertaining to a specific permit, in which case the Company will relinquish its interest in the relevant permit.

(b) Capital Commitments

The Company had no capital commitments at 31 December 2016 (2015 - \$Nil).

12 Subsequent Events

Material transactions arising since 31 December 2016 which will significantly affect the operations of the Company, the results of those operations, or the state affairs of the Company in subsequent financial periods are as follows:

13 Dividends

No dividends have been paid or proposed during the half year ended 31 December 2016.