

27 August 2014

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

Acquisition of OilCo Pty Ltd

Mosman Oil & Gas Limited (AIM: MSMN), the Australia and New Zealand focussed oil exploration and development company, advises that it has entered into an agreement to acquire the entire issued share capital of OilCo Pty Ltd ("OilCo"), a wholly owned subsidiary of High Peak Royalties Limited ("HPR") (formally Torrens Energy Limited).

Highlights

- OilCo is the holder of one exploration permit (EP156), on which a number of prospective leads have been outlined by SRK, and one exploration permit application EP(A)155 in the Amadeus Basin in Australia;
- EP156 and EP(A)155 are complimentary with Trident Energy Limited's ("Trident") permit, EP145. The Company is currently in the process of acquiring Trident. Mosman's holdings in the Amadeus will cover a total of 5,458 sq. kms following the successful acquisition of Trident;
- Mosman will assume and fund the 2014 Minimum Work Requirement for EP156 which includes a gamma ray survey, gamma ray logging, and outcrop mapping and sampling. This Minimum Work Requirement must be completed before 6 November 2014, and previously had an estimated expenditure of A\$425,000;
- Mosman will also reimburse HPR A\$10,000 for the guarantee previously lodged with the Minister for Mines and Energy in respect of EP156, in compliance with section 79 of the Petroleum Act; and
- HPR has been granted a 2% gross overriding royalty on all recovered petroleum from both EP156 and EP(A)155.

The Amadeus Basin is considered one of the most prospective onshore areas in the Northern Territory of Australia for both conventional and unconventional oil and gas, and hosts the producing Mereenie, Palm Valley and Surprise fields.

John W Barr, Executive Chairman of Mosman commented: "With Mosman's strategy to develop oil and gas assets in Australia and New Zealand, this opportunity and commercial terms fit well within our stated growth strategy. The OilCo assets in the Amadeus Basin provide a natural complement to Mosman's Australian exploration assets and are located in a prospective region that is experiencing a surge in exploration and development activity."

For the eleven months ending 31 May 2014 OilCo had an unaudited net asset value of A\$730,000 and a total comprehensive loss for the period of A\$5,445.

Overview of OilCo Assets

EP156 Eastern Amadeus

Located in the Northern Territory of Australia, EP156 covers an area of 4,262 sq. km and is granted for a term of five years. EP156 currently has no defined Prospects although there are several leads and an area of unconventional hydrocarbon potential. The licence is in its second year and contains

three synclines comprising largely of Cambrian-Ordovician age rocks. Ordovician age reservoirs are responsible for the commercial production within the Amadeus Basin. A report by independent consultants SRK Consulting (Australasia) Pty Ltd (“SRK”) states that, ‘EP156 likely contains significant and strategically located unconventional hydrocarbon potential, associated with the Palaeozoic shales plus additional hydrocarbon potential exists in the form of conventional anticlinal closures in the Neoproterozoic rocks observed from surface outcrop mapping.’

Significant gas fields that are located south west of EP156 are:

- The Dingo Gas field, discovered in 1981 is 65kms SE of EP156, and has currently 30.1 PJ reserve (e.g. 5.1MMBOE), production license was granted recently and a new 50km pipeline is being built; and
- Central Petroleum Limited has gas discoveries that flowed-to-surface at Ooraminna and is 35kms SE EP156. It also displayed a Helium credit in excess of 4%. Rodinga was also an oil show, and was in the vicinity of the EP156.

A number of prospective leads have been outlined by SRK on EP156:

- Conventional anticlines: two anticlines identified in the east of the tenement;
- Salt deformation structures are part of the frontal Arltunga Nappe Complex. This zone comprises deformed Bitter Spring Formation (Gillen Salt Member) overlying Heavitree Quartzite;
- Shale gas plays: Giles Creek Dolomite and Chandler Formation, Shannon Formation, Pertatataka, Aralka, Areyonga and Bitter Springs Formations; and
- Aralka/Pioneer Unconventional Play (currently identified in EP156).

EP(A)155 Mount Winter

Located 135 km from EP156, within the prime Horn Valley Siltstone fairway between the Mereenie and Surprise Oil Fields, EP(A)155 covers 378 sq. km and contains the historical wells Mount Winter 1 and 1A that reported oil shows¹. Seismic and well data comprise limited 2D seismic lines and two wells, one with oil shows. These oil shows were recorded within two formations:

- The first trap with oil shows was in the Stairway Sandstone. The Stairway is the production layer (reservoir) at Surprise 1REH1. These tight conventional formations with good porosity but low permeability can flow-to-surface with new technology, and in particular multi-staged stimulation and horizontal drilling; and
- A second trap was discovered in the Bitter Springs Formation determined to be of the Johnny Creek Beds petroleum bearing unit. Oil shows here again were not flowed to surface as the technology to do so did not exist. There are also deeper formations which were not tested such as the Pacoota and deeper plays.

EP(A)155 is an exploration permit application; as such it is subject to successful land access negotiation with the Traditional Owners prior to the grant of the permit.

Note

¹ Munson, Northern Territory Geological Survey, Report 22, 2014. Mount Winter-1 drilled in 1982.



EP(A) 155 is located close to the Surprise Oil field operated by Central Petroleum (ASX: CTP). Santos operates the Mereenie field, which has produced over 16 million barrels of oil and condensate and over 240 billion cubic feet of gas since 1984. Santos has operated the field since 1993.

In April Central Petroleum announced a gas discovery in the Southern Amadeus basin at their Mt Kitty prospect. Initial flow rates were announced to be up to 530,000cf/day from a gas shows over 108m. The Mount Kitty prospect is part of the Santos A\$150,000,000 farm out of Central Petroleum's Amadeus basin exploration ground, including a block adjacent to EP(A)155.

Agreement

Mosman and HPR have entered into an agreement with respect to the acquisition of the entire issued share capital of OilCo.

Key Commercial Terms

The agreement negotiated by Mosman and HPR includes the grant of a 2% gross overriding royalty on all Recovered Petroleum from EP156 and EP(A)155 (if granted) ("Overriding Royalty") to HPR. The Overriding Royalty will be calculated on the gross value or gross quantity of Recovered Petroleum from the Permit Area without deduction of any costs or government imposts.

Mosman must reimburse HPR A\$10,000 for the guarantee lodged with the Minister for Mines and Energy in respect of EP156, in compliance with section 79 of the Petroleum Act and also complete Minimum Work Requirement in respect of EP156 for the 2014 year.

Subsequently Mosman will comply with further terms which include:

1. Maintaining the permits in good standing and in full force and effect in accordance with the prevailing Australian petroleum legislation;
2. Using best endeavours to obtain the grant of an Exploration Permit for EP(A)155;
3. Updating HPR on the relevant activities being carried out in the exploration areas;
4. Agreeing to the assigning of the Overriding Royalty to any proposed transferee of HPR's interest in any of the exploration areas;

Related Party Transaction Disclosure

Andy Carroll, a director of Mosman, is a director and a 4.7% shareholder of HPR and the transaction is classified as a related party transaction for the purpose of the AIM Rules. The directors of Mosman, other than Andy Carroll, having consulted with ZAI Corporate Finance Limited as nominated adviser to the Company, consider that the terms of the transaction are fair and reasonable insofar as its shareholders are concerned.

Enquiries

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

About Mosman

Mosman (AIM: MSMN) is an Australia and New Zealand focused oil exploration and development company with a strategy to build a sustainable mid-tier oil and gas business by acquisition and organic growth.

Currently, Mosman has two assets: the Petroleum Creek Project, a onshore project in New Zealand and the Officer Basin Project in Western Australia.

Petroleum Creek Project, New Zealand

The Petroleum Creek Project is a 143.6 sq. km low cost onshore exploration project located near Greymouth on the South Island in the southern extension of the proven Taranaki oil system. The project has a Mean Unrisked Recoverable Prospective Resource of 26.6 million barrels. In the first month of drilling, oil was discovered at Cross Roads-1 well which declared an Oil Discovery in June 2014 and Crestal-1 was declared an Oil Discovery in July 2014. In H2 2014, the focus is on appraisal of existing discoveries and additional exploration with both seismic and a multi-well drilling programme.

Officer Basin Project, Australia

Mosman has a 25% investment in the Officer Basin Project, a 22,527 sq. km large land holding with significant exploration potential, which lies in one of the more explored parts of the Basin with road access. The project area is in the Western Australian part of the Officer Basin and offers both conventional and unconventional potential with hydrocarbon shows reported and all elements of a petroleum system are present.