

18 December 2014

Mosman Oil and Gas Limited

Corporate Update

Strategy, Acquisitions, Organic growth and Resource Update

The Directors of Mosman Oil and Gas Limited ("Mosman" or the "Company") (AIM: MSMN) the New Zealand ("NZ") and Australia focussed oil exploration and development company, announce a corporate update which includes the latest SRK Consulting (Australasia) Pty Ltd ("SRK") report which was signed today and summarises an increase in Resources and the first Contingent Resources on the Company's Petroleum Creek permit in New Zealand.

- **Strategy** - Mosman continues to pursue its strategy to build a sustainable mid-tier oil and gas business by both acquisition and organic growth. Mosman considers that this strategy is of increasing importance when current global economic factors are considered.

The Director's response to the global factors has been to identify further opportunities, assess production acquisitions, and conserve cash. The Board has moved quickly to identify several targets that provide strong synergies with our existing assets and expertise, and have taken appropriate decisive action. Mosman has also identified and established a relationship with an asset specific debt provider to potentially support the acquisition of these opportunities.

- **Acquisitions** - In addition to the successfully completed acquisition of both Trident and Oilco, Mosman has recently announced a takeover offer for MEO Australia Limited ("MEO").

MEO Australia Limited

Mosman's takeover offer is for the entire issued share capital of MEO, an Australian ASX listed company with both cash and petroleum assets, including production in NZ.

Mosman offered the MEO shareholders 1 AIM fully paid ordinary share in Mosman for every 20 ASX listed fully paid ordinary shares in MEO to acquire 100% of the share capital of MEO.

The offer will be fully set out in the takeover bid documents, anticipated to be despatched in February 2015. The offer would be classified as a reverse takeover under the AIM Rules and so would be subject to the approval of the Mosman shareholders, and would require the publication of an AIM admission document relating to the merged group.

The MEO directors have indicated that they intend to pursue the proposed alternate Neon Energy Limited ("Neon") Merger.

Neon advised the Australian Securities Exchange ("ASX") on 16 December 2014 that it has received a notice from Evoworld Corporation Pty Ltd ("Evoworld") purporting to call a general meeting of the Company on 14 January 2015. The notice proposes resolutions seeking:

- the appointment of Mr Timothy Kestell, Mr Peter Pynes and Mr Ross Williams as Directors of Neon; and
- the removal of Mr Alan Stein, Mr Ken Charsinsky and Mr John Lander as Directors of Neon.

The Board of Neon has advised it is carefully reviewing the notice to ensure that it complies with applicable laws and the company's constitution.

Neon also advises that it has received a writ of summons from Evoworld commencing proceedings for orders from the Supreme Court of Western Australia in relation to the validity of voting at the general meetings of the Company held on 12 November 2014.

Neon advised that it intends to defend the proceedings and will keep shareholders informed of all material developments.

Further on 18 December 2014 the Board of Neon advised the ASX that they planned to postpone the Evoworld called meeting; and significantly that it has received an unsolicited, indicative and non-binding approach from Evoworld that may lead to a superior proposal to the merger with MEO.

The Board of Neon advised it is currently investigating the approach. However, it remains incomplete and non-binding and there is no certainty that a formal offer will be made or that a binding transaction will result, either at all or on terms that the Board considers superior to the merger with MEO.

The Mosman Directors continue to believe that there is a strong possibility that the proposed merger between MEO and Neon will not occur, and that the Mosman takeover bid affords the MEO shareholders a viable alternative.

· **Organic Growth** - Mosman has continued to explore in its key permits in Australia and New Zealand and to successfully build on its investment in New Zealand. Key milestones are the two Oil Discoveries at Petroleum Creek, the award of additional permits, an upgrade in Prospective Resources and the first Contingent Resources reported by SRK.

- o All ten Mosman permits have proven oil systems and can be explored with analysis of existing data and by acquiring new data to further enhance the prospectivity and improve the chance of success, followed by low cost drilling;
- o Mosman was recently awarded three new permits in the 2014 New Zealand Block Offer: Taramakau, Murchison (West coast, South Island) and the East Coast permit (East coast, North Island). The new Permits will require further analysis to determine Prospective Resources on the multiple targets that were identified in the technical work undertaken for the 2014 Block Offer applications;
- o A report by SRK on the Petroleum Creek project has resulted in the first Contingent Reserves for Mosman as well as an increase in Prospective Resources (see below). SRK have also identified new prospects and leads which extend across the boundary from the Petroleum Creek project into the new Taramakau permit;
- o Mosman has received two separate expressions of interest to farm-in to the West Coast area. These are being considered as a cost effective way to rapidly progress exploration; and
- o Work continues in Australia: seismic data was recently acquired in EP 478; continuing geological and geophysical studies in VICP62, and our own ongoing exploration in EP 156 and EP 145 in the Northern Territory.

Cost Control

The Directors believe shareholder funds should be applied to adding value and to minimise overheads. Mosman consistently monitors its overhead costs, and has developed a cost effective business plan for controlling all current permits with a dedicated core team and consultants employed only as required. The Directors have decided to defer the appointment of a CEO and CFO, and to outsource its CFO and accounting functions. The Company Secretarial position will remain outsourced as it has been for some time.

Summary SRK Report

Mosman has today received the signed final report from SRK which contains the revised prospects and leads inventory, and the updated estimates of resources for the Petroleum Creek Project. The report updates the project based on the Cross Roads-1, Crestal-1 and Crestal-2

well drilling results, reprocessed and recently acquired seismic data, and other available information.

SRK stated in the report:

"The drilling of Cross Roads-1 and Crestal-1 has demonstrated oil in the 8 Mile Formation and the Cobden Limestone. More importantly, Cross Roads-1, northwest of the main crest has de-risked charge in the greater Kotuku structure and indicates some surrounding prospects and leads occur on migration paths."

The report also identifies new prospects and leads which extend across the boundary from the Petroleum Creek project into the new Taramakau permit, details of which are not yet included in the resource inventory in the report.

The Directors believe the report from SRK confirms the significant progress made in the months since Admission on the Petroleum Creek permit.

In reporting the summary figures, Mosman follows the latest definitions and guidelines of the 2007 Petroleum Resources Management System (SPE, 2007).

Prospective Resources

	Unrisked OIIP mmstb				Unrisked Recoverable Oil mmstb			
	P90	P50	Mean	P10	P90	P50	Mean	P10
New	32.0	114.5	334.2	466.7	4.7	16.1	27.3	61.5
Old	30.0	98.9	217.9	396.1	4.8	15.6	26.6	59.2

Source: SRK

Contingent Resources

Contingent Resources for Cross Roads-1 and Crestal-1 are shown below. Contingent Resources are by definition, discovered hydrocarbons. This is a significant step forward in a short time since admission in March 2014.

Crestal-1

	OIIP Estimate (barrels)				Contingent Oil Resource Estimate (barrels)			
	P90	P50	Mean	P10	P90	P50	Mean	P10
Lower 8Mile	10,552	67,069	190,482	426,309	1,572	9,485	22,480	57,215
Cobden	6,421	32,387	72,017	163,365	1,305	6,272	12,236	30,147
Total	16,973	99,456	262,499	589,674	2,877	15,757	34,716	87,362

Source: SRK

Cross Roads-1

	OIIP Estimate (barrels)				Contingent Oil Resource Estimate (barrels)			
	P90	P50	Mean	P10	P90	P50	Mean	P10
Lower 8Mile	5,672	41,071	135,822	297,376	850	5,808	15,459	39,713
Cobden	3,068	15,362	33,910	76,914	623	2,975	5,770	14,197
Total	8,740	56,433	169,732	374,290	1,473	8,783	21,230	53,910

Source: SRK

The Report will now be reviewed in greater detail by Mosman's in house technical team. Additional data from the ongoing extended well tests will be also considered as well as the results of the core analysis that are not yet to hand, but are expected within 30 to 45 days. All of this data will then be utilised to determine the specific locations for the 2015 exploration, which is expected to include further seismic, and a multi-well drilling programme.

The early result of core analysis will provide valuable information on the depositional environment of the Cobden Limestone, and may assist in identification of "sweet spots" for potential stimulation and enhanced production.

The hydrocarbon estimates provided in the report conform to the definitions and guidelines of the 2007 Petroleum Resources Management System (SPE, 2007). Details of the categorisation can be found at the following link:

<http://mosmanoilandgas.com/sites/mosmanoilandgas.com/files/files/Prospective-Resources-Report-Appendix-A.pdf>

Resource Report in line with Strategy for Petroleum Creek

In line with the Company's strategy, the initial drilling programme and the accumulated seismic has provided essential data to extend the understanding of the geology. The 2015 planned drilling of the larger prospects away from the crest of the Kotuku Dome will represent the meaningful commercial test of the permit. In the meantime, the drilling results, core analysis and on-going flow tests are providing detailed information to understand the reservoir characteristics in the permit.

It is important at this stage that the extended flow tests on Cross Roads-1 and Crestal-1 continue; however, they have not produced commercial quantities of oil. The forward plan is to perforate and complete the Cross Roads-1 Cobden Limestone zone, which has not yet been tested, and to further test individual zones at Crestal-1. Crestal-2 remains suspended pending further review of information, including core analysis.

The accumulated seismic data has revealed new exploration prospects and targets, including Miocene sands which are similar to the Niagara-1 oil discovery nearby and deeper Island Sandstone as penetrated in Mawhera-1 well. These prospects range from shallow to 2800m in depth. The depth is relevant as both temperature and pressure increase with depth, increasing both the reservoir drive to expel fluids, and the mobility of the oil which makes it easier to produce. Both Cross roads-1 and Crestal-1 results further extended the presence of oil migration and oil charge in the area.

Australian Exploration

Mosman has continued to explore in its key permits in Australia.

Seismic data was recently acquired in EP 478 by the Operator, Buru Energy; with Buru continuing geological and geophysical studies. In Vic P62 Loyz continues geological and geophysical studies, and there is ongoing exploration in EP 156 and EP 145 in the Northern Territory.

The Company is particularly pleased with the results of the EP 156 program, which has revealed the presence of more trap types, target reservoirs and potential source intervals than was were anticipated prior to the permit's acquisition. This will delineate the best location for an upcoming seismic program, with a view to fast tracking a prospects and leads inventory.

The Mosman technical team are currently working on a review and prioritisation of exploration objectives for 2015.

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.

John W Barr, Executive Chairman of Mosman commented:

"After a year of hard work, the Directors are very pleased with the progress in such a relatively short period since admitting to trading on AIM in March this year, particularly as we progress both organic growth and acquisitions to achieve our strategy of becoming a mid-tier player. The SRK report confirms an expected upgrade. More importantly in our strategy is the work carried out to date, including the exploration drilling programme on the shallower depths and the accumulated seismic and drilling cores. As a result, we now have a more detailed appraisal of the geology ahead of the 2015 exploration which will be aiming at the more probable commercial targets in New Zealand.

We continue to plan efficiently across each permit and certainly as the oil price continues to influence capital spending deliberations across the world, we remain in a very strong position to continue to build our asset base with our efficient cost base, strong management team and strong resources."

Enquiries:

Mosman Oil & Gas Limited

John W Barr, Executive Chairman
Andy Carroll, Technical Director
jwbarr@mosmanoilandgas.com
acarroll@mosmanoilandgas.com

Gable Communications Limited

John Bick
+44 (0) 20 7193 7463
mosman@gablecommunications.com

SI Capital Limited

Nick Emerson/Andy Thacker
+44 (0) 1483 413500

ZAI Corporate Finance Limited

Tom Price/John Simpson
+44 (0) 20 7060 2220

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 a total of ten permits or accepted permit applications in New Zealand and Australia.

Petroleum Creek Project, New Zealand

Mosman owns 100% of permit PEP 38526, the Petroleum Creek Project, which is a 143 sq. km low cost onshore exploration project located near Greymouth on the South Island in the southern extension of the proven Taranaki oil system.

Taramakau, Murchison and East Coast Permits (New Zealand)

These permits were granted to Mosman on 9 December 2014 as part of the 2014 Block Offer, a sixteen-fold increase in the exploration area in NZ from 143 sq km to 2,317 sq km.

Officer Basin Project, Australia (Application)

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.

Amadeus Basin Projects, Australia

Mosman owns 100% of two granted permits and one application in the Amadeus Basin in Central Australia which total of 5,458 sq. km. 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.

Otway Basin Project, Australia

Mosman owns 30% of VIC/P62 in the Otway Basin. The permit was recently renewed and is in relatively shallow water. The 70% permit holder funded a 3D seismic survey in 2013. The results of the 3D seismic survey are now being integrated in to a geological model to allow identification and ranking of drilling targets. Within the Otway Basin there is commercial production both onshore and offshore.

Appendix 1

Glossary of oil and gas terms

%	per cent
bbl	barrel
BBTU	billions of British Thermal Units
BBTU/d	billions of British Thermal Units per day
Bcf	billion standard cubic feet of gas
bcpd	barrels of condensate per day
bfpd	barrels of fluid per day
boe	barrels of oil equivalent
boepd	barrels of oil equivalent per day
bopd	barrels of oil per day
bwpd	barrels of water per day
Capex	capital expenditure
E&A	Exploration and Appraisal
EIA	Environmental Impact Assessment
EPC	Engineering, Procurement and Construction
FOA	Farm Out Agreement
FPSO	Floating Production Storage and Offloading vessel
FSO	Floating Storage and Offloading vessel
FTP	First Tranche Petroleum
G&A	General and Administrative
GBP	British Pound, the lawful currency of the United Kingdom
GSA	Gas Sales Agreement
ISPC	Incremental Production Sharing Agreement
JOA	Joint Operating Agreement
JOB	Joint Operating Body
km	kilometre
LLCR	Loan Life Cover Ratio
m	metre
Mbcpd	thousand barrels of condensate per day
mD	millidarcy
MDT	Modular Formation Dynamics Tester
Mbfpd	thousand barrels of fluid per day
Mboepd	thousand barrels of oil equivalent per day
Mbopd	thousand barrels of oil per day
Mbwpd	thousand barrels of water per day
MMbbl	million barrels of oil
Mmboe	million barrels of oil equivalent
MMBTU	millions of British thermal units
MMscf	million standard cubic feet of gas
MMscfd	million standard cubic feet of gas per day
MOL	an amount of a chemical substance that contains as many elementary entities (e.g. atoms, molecules) as there are atoms in 12 grams of pure carbon-12 (approx. 6×10^{23} elementary entities of the substance)
MW	megawatt
NGLs	Natural Gas Liquids
NZP&M	New Zealand Petroleum & Minerals, the New Zealand Government body charged with managing New Zealand's oil, gas, mineral and coal resources, refer to website www.nzpam.govt.nz .
Opex	operating expenditure
Permeability	measure of the ease with which a fluid flows through a rock. The units are millidarcies or darcies
PLCR	Project Life Cover Ratio
POD	Plan of Development
Porosity	measure of how much of a rock is open space. This space can be between grains or within cracks or cavities of the rock. Measured in %.
PSC	Production Sharing Contract
STOIP	Stock Tank Oil Initially In Place

Tcf	trillion standard cubic feet of gas
US\$	United States Dollar, the lawful currency of the United States of America
WHP	Wellhead Platform
WI	Working Interest

Appendix 2

Definition of Prospective Resources, P₉₀, P₁₀, P₅₀, P_{mean}

While there may be a significant risk that sub-commercial or undiscovered accumulations will not achieve commercial production, it is useful to consider the range of potentially recoverable volumes independently of such a risk.

Prospective Resources are those quantities of petroleum which are estimated to be potentially recoverable from undiscovered accumulations. These estimates are derived from volumetric estimates for the reservoir size, estimates of the reservoir characteristics (porosity, permeability, oil saturation). The basis of these estimates would be available geological and geophysical data, and the data from any existing wells in the given area.

Any estimation of resource quantities for an accumulation is subject to both technical and commercial uncertainties and consequently there will be a range of estimates which in general will be substantially greater for undiscovered accumulations than for discovered accumulations. In all cases, however, the actual range will be dependent on the amount and quality of data (both technical and commercial) which is available for that accumulation. As more data become available for a specific accumulation (for example wells and reservoir performance data) the range of uncertainty would be reduced.

Probabilistic methods are normally used to quantify the uncertainty in these estimated quantities and the results of the analysis are typically presented by stating resource quantities at the following levels of confidence:

- § **P₉₀ resource** reflects a volume estimate that, assuming the accumulation is developed, there is a 90% probability that the quantities actually recovered will equal or exceed the estimate. This is therefore a low estimate of resource.
- § **P₅₀ resource** reflects a volume estimate that, assuming the accumulation is developed, there is a 50% probability that the quantities actually recovered will equal or exceed the estimate. This is therefore a median estimate of resource.
- § **P₁₀ resource** reflects a volume estimate that, assuming the accumulation is developed, there is a 10% probability that the quantities actually recovered will equal or exceed the estimate. This is therefore a high estimate of resource.

§ P_{mean} is the mean of the probability distribution for the resource estimates. This is often not the same as P_{50} as the distribution can be skewed by high resource numbers with relatively low probabilities.

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Company Announcement - General
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