

15 September 2015

## **Mosman Oil and Gas Limited**

("Mosman" or the "Company")

### **STEP NZ\$4 Million Royalty Funding**

Mosman Oil and Gas Limited (AIM: MSMN) the New Zealand ("NZ") and Australia focussed oil exploration and development company, has today signed an agreement in respect of Mosman's proposed acquisition of up to a 70% interest in the South Taranaki Energy Project ("STEP") assets in New Zealand ("STEP Acquisition") by selling a 2% royalty to Canadian based Ridge Royalty Corp. ("Ridge") for NZ\$4 million (approximately £1.68 million) ("STEP Royalty").

The sale of the STEP Royalty for NZ\$4 million provides funding for 40% of Mosman's purchase of the recently announced STEP Acquisition. Mosman is also actively negotiating other funding alternatives to finance the balance of up to 70% of the STEP Acquisition. The remaining 30% of the STEP Acquisition is being acquired by WRDLS Pty Ltd.

The total consideration for the STEP Acquisition is NZ\$10 million (approximately £4.2 million) to be paid in two tranches following the 5% deposit which was paid by Mosman in early September. Mosman's acquisition costs, based on 70% ownership, would be NZ\$7 million (approximately £2.9 million), the first tranche being NZ\$4.9m (approximately £2.1m) and the second tranche being NZ\$2.1m (approximately £0.9m). As announced, Mosman intends to finance its share of the STEP Acquisition through a combination of existing cash, sale of a royalty on future production, debt, equity, and convertible securities.

#### **STEP Royalty Highlights**

- Ridge and Mosman have executed a binding agreement to record the terms and conditions of the STEP Royalty over the STEP assets. Mosman's wholly-owned subsidiary Petroleum Creek Limited ("PCL") will grant Ridge a 2% Gross Overriding Royalty on all production from the STEP assets accruing to PCL's 70% interest in the STEP assets.

- The STEP Royalty is conditional upon certain conditions precedent including:
  - Execution of a Definitive Agreement by 30 September 2015
  - Mosman satisfying the conditions precedent for the STEP Acquisition from Origin
  - Receipt of the required regulatory approvals from the NZ Government to grant the royalty
  - Such other conditions as are customary for a transaction such as this
  
- In addition to the STEP Royalty, Mosman has granted Ridge a right of first refusal for a two-year term to acquire similar royalties on Mosman's ten other current oil and gas projects in its Australia and New Zealand portfolio.

The STEP Royalty is in addition to the NZ Government ad valorem royalty of 5% of net sales revenues, and certain inherited royalty rights previously granted by Origin to Swift Energy New Zealand Limited ("Swift Energy") in 2007 when Origin acquired the STEP assets. The Swift Energy 10% royalties are not currently payable and they would only come in to effect once a production volume threshold is exceeded. This threshold volume is greater than the current 2P reserves and Mosman does not anticipate they will come in to effect in the near term, if at all. Swift Energy also has certain working interest buy back rights should the project meet certain milestones which have not yet been achieved, and these rights expire in November 2017. Based on current 2P reserve and 2C resource estimates\*, and Mosman's proposed operational activities, Mosman currently believes that Swift Energy's buyback rights will expire before the threshold volumes are reached.

*\*Represents data supplied by Origin that has been subject to due diligence by Mosman.*

**The Chairman of Mosman, John W Barr, said:** "We are delighted to have secured a large proportion of the funding for the STEP Acquisition, one which the Board sees great value in and believes will be transformational for Mosman. The sale of the STEP Royalty to Ridge is an effective funding mechanism as it delivers funding for our minimum target of 40% of the STEP Acquisition and does not involve any share dilution or debt. We continue to actively negotiate several other funding options to finance up to 70% of the STEP Acquisition. Mosman is also very pleased to have granted Ridge a right of first refusal to acquire similar royalties on Mosman's other projects as this presents a means of potentially funding those in future."

### **About Ridge Royalty Corp**

Ridge Royalty Corp is a Canadian corporation that is actively acquiring oil and gas royalties in the USA, Australia and NZ.

## Enquiries

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[www.mosmanoilandgas.com](http://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, (South Island 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.

### **Murchison Permit (South Island New Zealand)**

Granted in December 2014 Murchison has become a focus after completion of an independent prospective resource report. Exploration is planned for the second half of 2015.

### **Taramakau, and East Coast Permits (South Island New Zealand)**

These permits were granted in December 2014. Exploration is currently in the advanced planning stage.

### **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 into a geological model to allow identification and ranking of drilling targets. Within the Otway Basin there is commercial production both onshore and offshore.

**EP 478 Canning Basin, (Western Australia)**

Mosman, via a wholly owned subsidiary, has the right to farm into 17.5% of exploration permit EP478, which is held by Buru Energy, by funding 25% of the first well pursuant to a farm-in agreement.

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