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Mosman Oil and Gas Limited
01 February 2016

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

Corporate Update - STEP Acquisition and Murchison

Mosman Oil and Gas Limited (AIM: MSMN) the New Zealand and Australia focussed oil exploration and development company, announces an update on the proposed acquisition of the South Taranaki Energy Project ("STEP") in New Zealand from Origin Energy Limited ("Origin") (the "STEP Acquisition") and on operations at Murchison.

In relation to the STEP Acquisition, the Board has determined that while STEP remains a good asset with long term development potential, the STEP Acquisition no longer meets Mosman's investment criteria at current oil and gas prices and the Sale and Purchase Agreement has been cancelled. Origin has agreed to repay the deposit of NZD500,000 which will be transferred back to Mosman shortly. The joint venture arrangement with High Peak Royalties Limited will be terminated; and the Ridge Royalty Limited royalty agreement will not proceed.

John W Barr, Executive Chairman of Mosman commented: *"After months of work by the Board, staff and consultants on STEP, it is extremely disappointing that the state of the global economy and specifically the oil price has led to this outcome. Mosman intends to minimise expenditure to preserve cash and asset values, with the immediate priority now being to focus on our other projects and continue to evaluate new opportunities."*

The Company announced on 5 January 2016 the issue by Mosman of a Review Notice in accordance with the terms of the sale and purchase agreement for the STEP Acquisition ("SPA"). The Review Notice was triggered as a result of the fall in the Brent oil price moving below USD 40 per barrel on 10 December 2015.

Mosman notes that the oil price remains depressed and volatile and there is a diverse range of opinions as to the short-term and medium-term oil price predictions from market commentators. In addition, global equity markets remain impacted by ongoing uncertainties. These circumstances are materially different to those in place when the SPA was signed and announced on 3 September 2015.

The results of negotiations with Origin did not lead to a change of purchase price nor conditions. Additionally, Mosman has not yet received the government approvals that are necessary pre-conditions to be able to complete the STEP Acquisition. Certain issues have been raised by NZPAM including the capability to guarantee the decommissioning liability that would occur at the completion of production operations.

Operationally, Mosman awaits NZPAM approval to commence the previously announced LIDAR survey proposed for the Murchison permit. Pending results of the survey and other factors, the work program and timing of drilling at Murchison is now under review. A similar review process is being conducted for all exploration assets.

Mosman remains in a sound financial position with in excess of AUD 5 million in current assets and a portfolio of exploration projects but, given the current oil and gas price, the Board has decided to take immediate action and review all budgets and work programmes with the objective of minimising short-term expenditure whilst preserving cash and asset values. The Board has also reviewed all staff and consultants' arrangements and has modified these where appropriate, including that of the Executive Directors, Mr Barr and Mr Carroll. A proposed COO appointment that was disclosed in the Corporate Update announcement on 20 November 2015 has also been deferred. Further, given the uncertainty of how long oil prices may remain depressed, it behoves the Board to continue to monitor its current business strategy and make effective changes when necessary to preserve and create shareholder value while also investigating suitable opportunities.

Enquiries

Mosman Oil & Gas Limited

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

NOMAD and Broker

SP Angel Corporate Finance LLP
Stuart Gledhill / Richard Hail
+44 (0) 20 3470 0470

Gable Communications Limited

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

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. Current exploration projects include the following permits which are 100% owned;

Petroleum Creek Project, New Zealand

The project is a 143 sq. km project located near Greymouth on the South Island in the southern extension of the proven Taranaki oil system.

Taramakau Permits, New Zealand

The permit (990 sq. km onshore) surrounds the Petroleum Creek Project and shares similar geological characteristics and shares similar prospective play types.

Murchison Permit, New Zealand

The permit (517 sq. km onshore) located approximately 100 kilometres north of Petroleum Creek has a 13 TCF contingent resource identified.

East Coast Permit, New Zealand

The permit (667 sq. km onshore) was granted in 2014 as part of the 2014 Block Offer. In 2016 exploration will continue with reconnaissance and desktop work.

Amadeus Basin Projects, Australia

Mosman owns two granted permits and one application 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, Australia

Mosman is in the process of withdrawing from the VicP62 licence joint venture.

This information is provided by RNS
The company news service from the London Stock Exchange

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Company Announcement - General

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