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Mosman Oil and Gas Limited
27 February 2017

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

Corporate Update and Increase in GEM shareholding

Mosman Oil and Gas Limited (AIM: MSMN) the oil exploration and development company, announces an update in respect to its current operations.

Australia

Amadeus Basin Permits

Mosman owns and operates two granted permits (EP 145 & 156) and one application (EPA 155).

The fieldwork programme at EP145 was recently completed and the report is being finalised.

There is significant activity in the region, where work has begun on procurement for the Northern Gas Pipeline to connect the Northern Territory pipelines to the East Coast gas markets. This is scheduled to carry gas in 2018 with the linking of Tennant Creek and Mount Isa.

It is also noted that in the Amadeus Basin a number of matters have been announced by other companies including:

- Central Petroleum Limited (CTP), which in November received an unsolicited, indicative and non-binding proposal from Macquarie Group Ltd (Macquarie);
- Santos Limited recently sold its interest in the Mereenie Oil and Gas Field (including the Alice Springs Pipeline) to a Macquarie subsidiary for AUD52 million, and
- A significant seismic survey is currently underway in the southern Amadeus, funded by Santos as a multi-million dollar farm-in to CTP exploration acreage.

Mosman's permits are strategically located and EP 145 is adjacent to the Mereenie project, and Mosman has been closely monitoring events.

The Pacoota Sandstone beds that form the reservoir at nearby Mereenie oil and gas field, and the Stairway Sandstone that is the reservoir at the Palm Valley gas field are visible at surface in the eastern part of EP145, along with the Horn Valley formation that is recognised as an excellent source rock. These formations can be mapped at surface and potential traps identified from data including existing seismic and wells drilled in the permit. Seismic data acquired after drilling indicates one of the wells drilled in the permit was drilled off-structure and the West Walker structure is a

potential drilling target.

In EP 156, the planned and approved airborne survey is still awaiting a suitable aircraft and a weather window. The summer season brings hot air turbulence and this year there has also been significant rainfall in the area which is unusual at this time.

New Zealand

Murchison

In 2016 Mosman received approval from NZPAM to modify the work program whereby LiDAR replaced a licence condition to acquire magnetic and gravity data. The approval process and weather conditions resulted in some delay however the LiDAR survey was completed, analysed, and the results have been subject to an internal and two external reviews.

LiDAR has advanced the geological understanding of the permit. It has indicated that the preferred well location may be the testing of a large anticline in the Te Wariki area in the North West of the permit. As a result 10 km of seismic acquisition will now be acquired in the Te Wariki area to further delineate the structure and optimise the well location. The alternative location in Blackwater Valley, near existing wells with evidence of hydrocarbons, is still a possible well location which will be reviewed once the Te Wariki results are received.

The seismic acquisition is anticipated in Q2 2017 (subject to contractor availability) and processing of the seismic data will follow. The anticipated cost for acquisition and interpretation is not expected to exceed AUD500,000.

Mosman is now also preparing to actively seek farm-in investment to fund the drilling.

Petroleum Creek

The lower oil price and flow test results indicate the wells are not commercial. The wells are monitored and if circumstances do not change then the wells may be plugged and abandoned so that the permit can be relinquished.

Taramakau

As a result of a strategic review (and as previously noted), the Company has resolved to relinquish the Taramakau permit and focus resources on the remaining permits in New Zealand and Australia.

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.

New Projects

Mosman continues to seek and evaluate oil and gas business development opportunities, and a select number of potential opportunities remain under review.

As part of this process, John W Barr, the Chairman attended a resource focused conference in Vancouver with some 6,000 delegates. Whilst there he also met with

current, past and potential new shareholders; as well as a number of investment groups and parties offering farm-in opportunities.

The Company's Technical Director is currently in North America reviewing specific projects.

The Board will provide further details if and when matters progress to contract stage. It is not possible to be more definitive at this time due to deal uncertainties and confidentiality requirements.

Investments

Gem International Resources Inc. (TSX.V GI) (Gem)

Mosman owns eight million shares and eight million two year 15 cent (CAD) options acquired at a price of 5 (CAD) cents. GEM is currently trading at 9.5 (CAD) cents.

Gem is focussed on a diamond project in Angola, and has recently announced:

- The completion of a private placement raising CAD\$900,000 (18 million shares at 5 cents Canadian with an attached non-transferable 15 cent Canadian two year option).
- That it intends to carry out a further private placement raising \$3,000,000.
- An extension of the existing Angolan option, wherein the potential kimberlite assets are now included with the current alluvial assets.
- An extension of the timetable in respect to the second raising and the Angolan option.

While in Vancouver the Chairman met with several large GEM shareholders and also senior management to discuss in detail that company's operations and potential. Mosman is pleased with the extended option and the future plans, especially as kimberlites have been identified that require exploration.

As a result Mosman decided to increase its shareholding by subscribing to an additional 1.6 million shares (and 1.6 million attached non-transferable 15 cent Canadian two year options) at a cost of \$80,000 (CAD) as part of the latest CAD\$900,000 placing.

Mosman's total shareholding (9.6 million) will represent approximately 16.5% of GEM's undiluted expanded share capital.

GEM reported an audited net loss of CAD\$504,870 for the year ended 30 September 2015 and net assets of CAD\$13,762 as at 30 September 2015.

GEM's website can be found at: <http://gemdiamondmining.com>

Hemisphere Energy Corporation (TSX.V HME) (Hemisphere)

Mosman owns two million shares in Hemisphere, acquired at a price of 19 (CAD) cents a share. HME is currently trading at 30.0 (CAD) cents.

Hemisphere is a well-managed existing established oil producer with assets in south east Alberta, Canada that has recently announced highlights from its independent reserves evaluation as at 31 December 2016; including:

- A 36% increase in Proved plus Probable reserve value to \$65.9 million and replaces 427% of 2016 production.
- In 2016, Hemisphere's estimated average corporate production rate was 526 boe/d (86% oil).

While in Vancouver the Chairman, also met with the President and Chief Executive Officer of HME to discuss in detail that company's operations and potential. Mosman is pleased with this investment.

Hemisphere's website can be found at: www.hemisphereenergy.ca

Enquiries:

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

This information is provided by RNS
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