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Mosman Oil and Gas Limited
07 November 2017

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

General Operations Update

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

Strategy

Mosman's strategic objective continues to be that of identifying opportunities which will provide operating cash flow and have further development upside, in conjunction with adding value to the Company's existing exploration permits.

Interests in three onshore US producing projects have been acquired in 2017, demonstrating that the Company is moving forward effectively in achieving its objectives of building a significant production operation. The projects now have positive cash flow after Lease Operating Expense (LOE), and the cash flow is expected to increase after current workovers are completed.

As part of optimising its growth strategy, the Board is cognisant it has to prioritise capital expenditure, manage operating costs and continue to review growth plans to achieve positive outcomes for shareholders.

This update is intended as a general update ahead of the decision on the First Option to acquire an additional 20% of the Arkoma project in mid-November as previously announced on 3 October 2017.

USA

Mosman now has interests in three producing projects, two in Texas and one in Oklahoma. Each project is being run with a small number of local contractors including Mosman's senior consultant who is based in Dallas. The Company's Technical Director is in frequent contact with relevant parties and will continue to attend site visits on a regular basis and monitors activities closely.

Given the focus on costs and cash flow; it is not currently intended to open an office or employ administration staff at the three projects.

Strawn (Texas): 50% Working Interest and Operator

The Company continues to be pleased with activities and progress at this project.

At Strawn, the initial workover program was completed. Unsurprisingly in restoring a mature field, there has been some minor repairs and maintenance required, and this has resulted in some short term reduction in oil production.

A second stage of workovers has commenced, focused on bailing sand from wells. We are particularly pleased by the results of the current work which is providing significant increase in oil production on the wells bailed so far.

Oil sales in October 2017 were 513 barrels (gross) of which 50% is attributable to Mosman.

Welch Permian Basin Project (Texas): 100% Working Interest and Operator

At Welch, Mosman has completed this acquisition and its US operating subsidiary is now the Operator. A local full time "pumper" has been engaged with operations management overview being undertaken from an existing consultant based in Dallas. All relevant technical data on the project has now been obtained from the vendor.

Mosman has started workovers and the production optimisation process, which is already making good progress.

Sales for October 2017 were 843 barrels (gross).

One of the previous owners of the Welch property had developed plans for three horizontal wells based on adjacent acreage analogues that could add potentially significant additional daily production to this project. Following an initial high-level review, the Company also expects that horizontal wells are likely to provide significant potential production upside. The Board has now resolved to commission a pre-feasibility study to quantify the merits of implementing horizontal wells.

Arkoma Stacked Pay Project (Oklahoma): 10% Working Interest with options over a further 45%

At Arkoma, Mosman's immediate focus remains the technical work required to estimate the Reserves and Resources in order for it to make the next investment decision in mid November.

On-site, the Operator continues to bring wells online and flow test various zones. Mosman is in frequent contact with the Operator including discussing and agreeing which zones to test. Encouragingly, during this testing phase, the project's multiple zone stacked pay production concept has been confirmed.

Production rates are variable between zones and the optimal production plan will likely include co-mingling of production from more than one zone in order to maximise production rates. The effect of Electrical Submersible Pumps (ESP) is also being evaluated on some wells.

Mosman will incorporate all this information into its investment decision, together with the results of the independent expert Reserves Report that is currently being compiled by Moyes & Co.

Mosman currently owns 10% of the project and holds two options over a total further 45% of the project, the First Option for 20% exercisable in mid November 2017 for US\$1 million and a Second Option over 25% exercisable in March 2018 for US\$425,000. Mosman's strategic alliance partner Blackstone Oil and Gas Limited has an option over 45% of the Project.

Two Directors will travel to Dallas this week to meet Moyes & Co. representatives and the Arkoma vendors to discuss the First Option to acquire an additional 20% of the

Arkoma project, as well as meetings with banks to discuss potential debt facilities for existing and future production acquisitions.

AUSTRALIA

Amadeus Basin Permits

Mosman owns and operates two granted permits (EP 145 & 156) and one application (EPA 155) and highlights the following:

- The Northern Gas Pipeline ("NGP") has commenced construction and, from 2018, will provide access for Northern Territory gas to markets in Eastern Australia;
- In EP145, technical work continues, aimed at finalising the work programme for 2018. Application has been made to extend the permit timeline;
- In EP 156, technical work continues, involving integrating the 8,116 km airborne survey into the geological model. Application has been to extend the permit timeline; and
- In EPA 155, the next step is to obtain native title approval, with a site visit scheduled for mid-2018.

NEW ZEALAND

Murchison

Mosman has been advised previously by NZPAM that the Change of Condition application made in December 2016 had been declined. Mosman's application was to defer the work program to allow a measured pace of exploration based on work to date. However, the length of time taken to get a decision on this and a prior application left Mosman in a position whereby the Company had to make a decision to acquire seismic and drill two wells prior to April 2018, or surrender the permit.

Since the application for the licence in 2014, the decision by NZPAM should be seen in the light of the significant drop in the oil price, with the result investor appetite for expenditure on long term frontier exploration has changed significantly. Whilst the exploration potential remains untested, the commercial position of a discovery in the South Island of NZ remains challenging, as there are significant capital and operating costs of transporting any oil or gas to market. Furthermore, there are currently no NZ approved drilling rigs on the South Island of NZ.

Given the short lead time associated with the work commitments and significant cost obligations imposed between now and April 2018, the Board has had to make a difficult decision based on the best interests of shareholders and has, regretfully, decided to surrender the permit.

Petroleum Creek

Planning continues for the three wells drilled to be plugged and abandoned.

The freehold property at Petroleum Creek has now been listed for sale, and that sale is expected to cover the abandonment costs.

New Business Opportunities

Other potential production acquisitions remain under review.

Mosman is carefully looking to balance the risk, reward, human resources and funding requirements in respect of all opportunities currently under review in order to optimise shareholder value.

It is not possible to provide further information due to deal uncertainties and confidentiality requirements. The Board will provide further details in due course at the appropriate time.

Investments

Mosman owns some 9.6 million shares in the TSX-V listed Gem International Resources Inc. (GEM; TSX-V: GI)

Mosman is disappointed with the performance of GEM and its Board. Mosman has now issued a requisition of meeting to remove all current Directors and replace them with nominees of Mosman.

Corporate Matters

At the Board meeting held on 6 November several key decisions were made that impact on the 30 June 2017 Financial Statements including;

1. In accordance with the Company's accounting policies, all accrued exploration expenditure for both the Murchison and Greymouth projects that was previously capitalised on the Balance Sheet, has now been expensed. This will result in a once off charge to the Profit and Loss Account; and
2. The freehold land and buildings at Greymouth have been put up for sale. The Board anticipates they will be sold in the next few months

The Financial Statements are now expected to be published later this month.

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.

Market Abuse Regulation (MAR) Disclosure

Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement.

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

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Operations Update

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