

5 December 2017

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

USA Operations Update

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

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 were acquired in 2017.

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

Mosman commenced well workovers and a production optimisation process in late October. Seven wells have now been worked over to replace worn downhole equipment and re-establish production. This work has seen a significant short-term increase in production, however failure of some well rods and flowlines that require repairs have reduced production. Future work will be measured to find an optimal level of the cost of further investment and repairs compared to additional oil revenue, and this will establish the commercially optimal level of production.

This month it is planned to replace well rods and a flowline that is in need of repair.

Oil sales for November 2017 were 689 barrels (gross) (October 843 barrels gross).

Mosman has commenced a pre-feasibility study to determine the economics of drilling horizontal wells. This study should be complete in the first quarter of 2018.

Strawn (Texas): 50% Working Interest and Operator

A second stage of workovers has been completed, as well as routine repairs. Production, however, has not stabilised at a desired level and the owners are considering options for the asset including possible further investment or alternatively a strategy of reducing costs to focus on cash generation.

Oil sales in November 2017 were 345 barrels (gross) of which 50% is attributable to Mosman. (October 513 barrels gross).

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

As previously announced two Directors met Moyes & Co. and representatives of the

Arkoma vendors last month, as well as conducting other activities including meetings with banks to discuss potential debt facilities. Those banking discussions remain ongoing.

As a result of meeting with Moyes and the vendors; Mosman agreed to fund USD 125,000 of additional testing operations and the vendors agreed to extend the First Option date to February 2018 so that Reserve estimates can include the additional information. Full details of this have been previously announced.

The USD 125,000 has been paid and the additional test work has now commenced.

The Arkoma Project has the potential to add both additional production and Reserves and Resources, however Mosman will only exercise the option if it is fully satisfied with the test work, the Moyes Reserve Report and that the investment meets the Mosman commercial criteria.

Other Potential Acquisitions

Mosman is frequently presented with other potential acquisitions. Only a small number are moved from initial discussions to review and negotiations, and then appropriate documentation. Mosman will update the market in relation to any potential acquisitions as appropriate.

Other Comments

Oil is sold direct from storage tanks on site to the local oil marketing company. The revenue is based on volume of oil collected from the tanks and the price, which is the monthly average West Texas Intermediate price (WTI) less a small per barrel charge which covers transport costs and administration of royalties.

Sales volumes have been reported as they are an independent measure of oil produced and directly related to revenues and accounts. This avoids potential errors in reporting production which can be periodically adjusted for water content, limitations of measuring levels in tanks and occasional access issues during wet weather.

In addition to sales, at the end of each month there is inventory, being oil produced and held in tanks ready for collection. At the end of November total inventory was estimated to be in excess of 1,400 barrels.

Similar to many other Companies, Mosman does not intend to report on operations on a monthly basis. Mosman has been providing more regular updates to date due to the early stage of development of its US operations. While a fuller report is planned to coincide with the release of the six monthly financials which are expected in February 2018, Mosman does not expect to provide further monthly sales updates unless otherwise required to under its regulatory obligations.

John W Barr, Chairman, said: "We are pleased to achieve progress on our stated goals in 2017. The strategy of acquiring oil production when oil prices were low appears to be sound with the recent increase in oil price. Rejuvenating the two older oil fields continues to be work in progress, and we are continuing to gather information and adjusting plans accordingly.

"The strategy of taking an option at Arkoma remains sound. The multi-reservoir resource and production rates required time to be determined and the value is linked to those matters and the change in oil price."

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

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

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