

28 February 2018

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

Mosman Exercises Arkoma First Option

Mosman (AIM: MSMN) the oil exploration, development and production company is exercising an amended First Option Agreement ("Amended First Option") for the Arkoma Stacked Pay Project ("Arkoma" or the "Project") in Oklahoma, USA. The Amended First Option delivers significant advantages over the previous arrangement and comes after a lengthy series of negotiations with the vendor, Inland Operating Company Inc. ("Inland") and Mosman's strategic alliance partner Blackstone Oil and Gas Limited ("Blackstone").

Mosman is exercising the Amended First Option for Arkoma as it is an attractive oil acquisition with demonstrated production and medium term development, and fundamentally the Amended First Option meets Mosman's strategic objectives to acquire production with development upside.

Mosman has received a draft report from Moyes and Co ("Moyes") which has indicated that the project (gross 100%) includes the following:

- The Project has a range of up to 2.5 million boe of recoverable oil and gas, including:
 - o 346,000 boe 2P (Proved and Probable Reserves);
 - o 610,000 boe 2C (Contingent Resources); and
- a 2P Reserves NPV10 of US\$4.3 million as of 1 February 2018.

The immediate plan at Arkoma is the upgrade of production facilities including large volume Electric Submersible Pumps and associated infrastructure. Anticipated gross production rates with the upgraded production facilities are expected to be in the range 80 to 120 bopd.

Further Transaction details are set out below but key advantages of the Amended First Option include:

- The Amended First Option percentage has been increased from 20% to 30%;
- Reduced option exercise cost from US\$875,000 to US\$450,000;
- Immediate upgrade of production facilities;
- Inland has agreed to work with Mosman (and Blackstone) to explore and develop the adjacent area where Inland has rights to an existing 56 square mile 3D seismic survey with multiple exploration prospects.

Mosman has also executed an agreement with Blackstone ("Blackstone Agreement") to fund half of the cost of exercise of the Amended First Option and US\$ 425,000 production facilities upgrade in return for half (15%) of the additional 30% interest in

Arkoma. Blackstone will also contribute to the cost of Mosman's technical work in evaluating the asset to the amount of US\$50,000.

Mosman considers the exercise of the Amended First Option and Blackstone Agreement (together the "Transaction") to be a material step to building a strong joint venture with Inland as Operator, together with Mosman and Blackstone as partners.

Mosman's initial interest of 10% in Arkoma has been increased to 12% in compensation for the cash paid for recent test work. The Transaction further increases Mosman's interest in the Project to 27%.

The three partners in the Project have agreed an immediate plan that is expected to generate production and cash flow while, in the longer term, plans are being considered for the next stage of the Project's development. The immediate plan at Arkoma is the upgrade of production facilities including large volume Electric Submersible Pumps and associated infrastructure. The cost of approximately US\$425,000 will be equally shared by Mosman and Blackstone.

Anticipated gross production rates with the upgraded production facilities are expected to be in the range 80 to 120 bopd.

The next stage of development is currently considered to be infill wells and full field development. The plan is to achieve this in due course utilizing the Project's cashflow. Arkoma continues to fundamentally meet Mosman's strategic objective to identify opportunities which will provide operating cash flow and have development upside.

As previously announced, Mosman also holds a second option to acquire up to an aggregate 55% interest in Arkoma by 27 March 2018 (the "Second Option"). Further announcements in respect of the Second Option will be made as appropriate.

Importantly, Arkoma adds to Mosman's increasing US onshore production portfolio with Mosman already owning 100% of Welch Permian Basin project, and 50% of the Strawn projects in Texas.

John W Barr, Chairman, commented: "The Amended First Option at Arkoma further reinforces the delivery of our stated goal to be a production, development and exploration company. We are very pleased with this outcome and the continued progress on our current projects as we also continue to build and strengthen our partnerships."

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.

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 / Soltan Tagiev
+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

Appendix I

Glossary of Oil and Gas Terms

%	per cent
API	American Petroleum institute gravity is a measure of how heavy or light a petroleum liquid is compared to water: if its API gravity is greater than 10, it is lighter and floats on water, if less than 10, it is heavier than water and sinks
bbl	barrel
bopd	barrels of oil per day
boe	barrels of oil equivalent
m	metre
Md or md	millidarcy
MMbbl	million barrels of oil
OOIP	Oil originally in place

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