

14 February 2020

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

**Refocussed Corporate Strategy**

Mosman Oil and Gas Limited (AIM: MSMN) the oil exploration, development and production company, is pleased to provide an update in respect to its Refocussed Corporate Strategy.

**Operational Focus**

The Board has been considering the Company's corporate strategy and priorities, particularly given the proof of concept and considerable success from the Stanley Project in Texas, USA.

The decision has been taken to focus on Stanley and other similar projects in East Texas (including Challenger and Champion) and to continue with the exploration in EP 145 in Australia. As a result, the Company expects that its Welch and Arkoma projects will be sold in an orderly process.

**Project Ranking**

The Stanley Project in Texas has demonstrated the accuracy of 3D seismic modelling, the flow capacity of multiple Yegua sands and ability of these production wells to provide a more rapid return of investment. This makes the Stanley Project the highest ranking production project.

Near term planned work includes:

- Periodic work-overs and recompletions at Stanley to increase production and cash-flow from existing wells;
- Regular additional drilling starting with Stanley-4 in February and Stanley-5 expected to be drilled in Q2 2020;
- Preparation for Falcon and Galaxie drilling which is anticipated in H2 2020;
- Acquisition of additional working interests and leases.

Mosman's Strategic Alliance partner, Baja Oil & Gas LLC ("Baja") continues work to identify additional locations where the successful 3D Seismic approach can be repeated, and further commercial success obtained. It is anticipated that further lease acquisitions will be made and wells will be re-entered or drilled in 2020 on those leases.

As previously advised, work on Falcon-1 is subject to approval of the leaseholder to use the existing well bore. Once that agreement is finalised, operations to evaluate the existing well bore can commence. Alternatively, a new drilling location can be prepared. In either case, drilling is anticipated in 2020 (subject to finalising a farm out arrangement and other matters).

Whilst other projects such as Welch and Arkoma have production and upside potential, they cannot compete with the outstanding commercial opportunities emerging from successful application of Baja's model in East Texas.

## **Production**

Production continues at each of the three Stanley wells. Production at each well is from one of many potential production zones contained within each well and each of these zones has different production rates. Typically, these zones are produced sequentially by depth starting at the deepest zone, and once that zone is depleted, the well is recompleted at the next deepest zone. The current producing zone is therefore not necessarily the zone with the highest production rate, therefore given the multiple zones and favourable economics, consideration is being given to drilling additional wells to accelerate production.

Stanley 3 has been producing steadily at circa 170 bopd since coming on production in September 2019. Stanley-1 and Stanley-2 have had variable rates due to periodic workovers intended to improve production. For example, recently Stanley-1 was gravel packed and artificial lift installed, however this reduced the flow rate and the Operator is undertaking additional work to improve production rates.

Further development wells will be drilled to increase production.

Stanley-4 remains on track to commence drilling in late February 2020. Once complete, the operational focus will move onto planning and drilling the next well, Stanley-5.

Until their disposal, Welch and Arkoma continue to add to production and produce with flow rates subject to periodic operational maintenance.

## **Exploration**

In Australia, exploration of EP 145 continues. Work is underway to obtain required approvals from various authorities.

Mosman is in regular contact with potential joint venture partners and this matter is expected to accelerate upon completion of the Chinese New Year celebrations and resolution of the coronavirus issues in China.

## **Financing**

In order to capture the growth opportunity, the Board has established a funding plan.

The funding plan includes an equity placing (details of which are expected to be announced shortly) sale of the Welch and Arkoma assets; Falcon-1, Galaxie-1 and EP145 farmout and recovery of prior expenditure on this; and the sale of the other non-core assets.

The Company also announces that it is appointing Monecor (London) Ltd trading as ETX Capital ("ETX Capital") as joint broker with immediate effect.

## **Other Matters**

Blackstone Oil and Gas LLC ('Blackstone') was previously Mosman's strategic partner and a co-investor in Mosman's Strawn and Arkoma projects. That arrangement has now ceased.

Blackstone became indebted to Mosman for certain amounts due in respect of those projects. Payment has not been forthcoming despite various commitments made by Blackstone and, as noted in the Company's annual accounts for the year to 30 June 2019, Mosman commenced legal action against Blackstone to recover amounts due under a promissory note. Mosman has now successfully obtained a Court judgement of c USD 171,000. The next step is for Blackstone's assets to be auctioned off with Mosman receiving the proceeds of the asset sales. The amount received will be dependent on the auction proceeds. Mosman will evaluate its alternatives for recovery of the balance of funds due from Blackstone (c USD 146,000 in addition to the promissory note).

The Annual General meeting of GEM International Resources (a NEX listed Canadian Company) was held in Toronto last Friday and all resolutions were passed by shareholders. Mosman continues to hold circa 1.76 million shares in GEM (valued at circa CAD140k). GEM is now funded by a recent recapitalisation and actively seeking to secure a new project to move forward. The intention is for Mosman to sell its GEM shares in due course.

**John W Barr, Chairman, said:** *"The great success at Stanley has enabled us to clearly define our focus as we build our production and development projects. We are now identifying further opportunities with a more streamlined focus and are implementing a funding plan in order to progress. We are pleased to have reached this stage in our growth plan and look forward to delivering accelerated growth in production in 2020."*

#### **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](http://www.mosmanoilandgas.com)

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Company Announcement - General

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