25 August 2015

# Mosman Oil and Gas Limited

("Mosman" or the "Company")

## Proposed acquisition of NZ producing oil and gas assets from Origin Energy Ltd

Further to recent announcements on a potential acquisition, Mosman Oil and Gas Limited (AIM: MSMN) the New Zealand ("NZ") and Australia focussed oil exploration and development company, today provides further information on the proposed acquisition being the proposed acquisition of NZ producing oil and gas assets which include the Rimu, Kauri and Manutahi fields from Origin Energy Limited ("Origin") (the "Project" or the STEP Project").

It is proposed that the Project will be acquired for a total consideration of NZ$10 million (approximately £4.2 million). Subject to funding Mosman is currently expected to own a 40% interest in the Project. Mosman expects to partner with a privately owned independent oil company, which will acquire the balance of the project interest.

The proposed acquisition remains subject to the Company entering into acquisition documentation and Mosman will provide further updates in due course.

**Proposed Acquisition Highlights**

- Proposed Acquisition of onshore NZ oil and gas assets.
- The Project is expected to be operated under a joint operating agreement ("JOA") and Mosman is expected to be the operator. The assets being acquired include the Rimu Production Station and two petroleum mining permits. The Project is expected to be renamed the South Taranaki Energy Project ("STEP").
- Total expected consideration of NZ$10 million (approximately £4.2 million) to be paid in two tranches, the first tranche of NZ$7 million is expected to be payable upon completion of the acquisition and the second tranche of NZ$3 million is expected to be due six months following completion. A 5% deposit will be paid by Mosman upon execution of the relevant SPA. Mosman's total contribution towards the consideration for its currently expected 40% interest in the acquisition is expected to be NZ$4 million (approximately £1.68 million), the first tranche being NZ$2.8m (approximately £1.2m) and the second tranche being NZ$1.2m (approximately £0.5m). Mosman's first tranche of consideration will be reduced by the deposit of NZ$0.5M (approximately £0.2m), which is expected to be paid by Mosman.
- The Project assets include fully operational and established oil and gas processing facilities, equipment, permits, excellent infrastructure, assignment of key employee contracts and the assignment of relevant commercial contracts including oil and gas sales contracts. The facilities were the subject to a major refurbishment in 2014 and since restart in October 2014 have been producing an average 603 boepd. *
- Origin is divesting the assets following a strategic review that the assets will be a better fit with a smaller Operator
- STEP currently produces oil, condensate, gas, LPG and electricity, which deliver several revenue streams with payments being received in both US$ and NZ$. The Project also includes:
    - 2P reserves of 1.9 Bcf gas and 1.4 MMbbl oil*
    - 2C resources of 13.7 Bcf gas and 4.1 MMbbl oil*
    - Prospective resources upwards of 179Bcf and 166MMbls*
- Historically the Project has produced over 10 Bcf (10.9 PJ) gas and 1.58 MMbbl oil*
- Current production of 603 boepd *(average production from October 2014 to July 2015) generates revenue of approximately NZ$8m per annum at current oil price and exchange rates.
- Mosman has identified 12 low-cost projects that are expected to initially significantly increase production at an estimated cost of NZ$ 2.6 million.
- Mosman intends to finance the proposed acquisition through a combination of existing cash, sale of royalty on future production, and debt. In addition, equity may be raised for the acquisition or for working capital and to accelerate development of the Project.
- The proposed acquisition, when agreed is expected to be conditional upon a number of conditions precedent including; Mosman providing reasonable assurance of its financial capability to pay the total

consideration due for the Project assets on or before completion and the granting of certain approvals from the NZ Government before settlement.

**Represents numbers supplied by the vendor that have been subject to due diligence by Mosman. Prepared to be consistent with the Society of Petroleum Engineers definitions as set out in Appendix 2*

The Board of Mosman is well aware of the current oil price; volatility of oil price; and general equity market conditions. The STEP Project is being pursued for the following reasons.

- The oil price has made quality assets available at a good price. This is possibly the best time to acquire reserves and production, both of which are attributes of the proposed acquisition
- The proposed acquisition is in NZ$, which has seen an overall fall against the Pound and the US$ recently.
- The oil sale price from production from the STEP is linked to Brent oil pricing, whilst the recent reduction in Brent oil prices is large in US$; it is moderated in NZ$ terms by the weaker NZ$.
- This project currently produces more gas than oil; and gas is sold in the domestic market priced in NZ$, offsetting NZ$ operating costs.
- The proposed acquisition, following execution of the relevant documentation, will not be completed for some months, and should the oil price experience further volatility then the following effects/conditions apply:
    - if the oil price increases, then revenues will be higher and focus will be on increasing oil production
    - if the oil price falls below, and remains below, US$40/bbl for a period of 15 consecutive business days at any time between the date of execution of the agreement and the settlement, there is expected to be a requirement for parties to meet and discuss such an event.
- In any event, following the initial 12 low cost projects, there is further potential in the short to medium term for production to be increased at low cost from existing wells funded from operational cash flow.
- Larger production growth projects in future can be considered and funded from cash flow as/when oil prices increase.

**The Chairman of Mosman, John W Barr, said:** *"The proposed STEP Project is expected to be a transformational deal for Mosman as it is expected, upon agreement of the relevant documentation and completion, to deliver immediate production, reserves, facilities and cash flow. Numerous opportunities to increase production in the short term post completion have been identified and there is also significant upside production growth in the further development of the producing Manutahi oil field that has an identified oil originally in place figure of 30 million bbls.**

*"We look forward to providing a further update in the near term when the documentation for the proposed acquisition has been agreed."*

**Historical Financial Information**

The STEP Project forms part of Origin's NZ operations which in turn are part of Origin's overall oil and gas operations. In addition, Origin applies a distribution of overheads to its various operations. Accordingly it has not been possible to isolate the STEP operations as a discrete financial reporting centre independent of the current corporate structure.

Mosman has prepared a ground up cash flow financial model taking into account current production; future production potential; oil and gas prices, exchange rates; fixed and variable costs; and operation development requirements such as the identified 12 low-cost projects that could potentially significantly increase production with an estimated cost of NZ$ 2.6 million following completion of the proposed acquisition.

The Mosman cash flow model is dependent on many variables including the matters referred to above. It will also be influenced by the final finance arrangements which include existing cash, sale of royalty on future production, and debt.

Given the planned reduction in current corporate overheads, and the anticipated operational success of the short term identified 12 low-cost upgrades referred to in this announcement, Mosman expects that the Project will be largely self-funding, apart from the NZ$2.6 million of investment referred to above.

**Joint Operating Agreement**

Mosman expects to enter into a joint operating agreement with its partner on the STEP Project.

The JOA is expected to provide for the establishment of a joint operating committee ("JOC"), to provide for the overall supervision and direction of joint operations on the Project. Mosman and its partner will each appoint a representative to the JOC. All decisions, approvals and other actions of the JOC will require the representatives of both Mosman and its partner to vote in favour.

Mosman is expected to act as operator of the Project and will do so in accordance with the directions of the JOC.

**Management and Operational Continuity Plan in Place**

Upon agreement of the proposed acquisition, Mosman is expected to be appointed the operator of the JOA and as part of that process it expects to retain key operational staff.

Mosman's transition plans for the proposed acquisition provide it and stakeholders with the operational guidelines to manage the transition safely and efficiently and also addresses the following:

- Short term (three months) to full (six months) transition planning;
- Company resources and structure requirements;
- Scheduling and financial estimates;
- NZ regulatory health safety and environmental compliance;
- Plant integrity, PECPR requirements;
- Seamless production and revenue streams;
- Efficient transfer of all information.

**Initial Production and Operational Upgrades**

Having completed detailed due diligence, Mosman's technical team has identified areas that would have the potential to significantly increase production levels within a reasonable time period.

As proposed operator, Mosman has prioritised and verified a list of opportunities that are expected to increase production, following completion of the acquisition, quickly and at modest cost, some of which are as simple as changing level sensors to avoid false alarms.

Initial potential production upside projects include:

- Restoring production to shut-in wells (workovers);
- Minor clean-up operations such as coiled tubing;
- Improving Manutahi D plant uptime by connecting additional (existing) tanks to increase retention time for solids settling, reducing the frequency of production shut down.

In the medium term, Mosman, as operator, would increase production via:

- Well projects targeting increased production at medium cost such as re-completions, water flood and facility de-bottlenecking.
- Larger investment projects, such as development drilling campaigns.

**Subsequent Production Growth Opportunities**

The oil in the Manutahi field is in a good quality reservoir at modest depth of 1,100m. The initial development wells were vertical wells. One of these has been a steady producer for more than ten years. Subsequent wells were completed with gravel packs, which was not successful as they became packed off with fine solids.

In a thermal water flood pilot containing one central oil producer and two water injector wells, Origin has also demonstrated that horizontal wells are effective producers flowing at several hundred of barrels of oil per day. This is a process known as Cold Heavy Oil Production with Sand ("CHOPS") which allows for the both the viscosity of the 17 degree API oil and brings the fine solids to surface with the produced oil. Origin also demonstrated the benefits of re-injection of the hot produced water, which is expected to increase the recovery factor.

As proposed operator, Mosman's current plans following agreement and completion of the proposed acquisition are to increase water injection (voidage replacement to maintain reservoir pressure) and to develop the Manutahi oil field with further horizontal wells. Whilst further work is required, initial studies confirm the Origin mapping and target recoverable oil of 4 million barrels (approximately a 10% recovery factor).

**Facilities and Production Infrastructure***

The facilities and production infrastructure were the subject of a major health and safety and environmental review in 2014 when operations were closed for more than 6 months.

**Agreement of Proposed Acquisition, Completion and Risk**

Once the relevant acquisition documentation has been agreed, completion of the acquisition would be anticipated to occur within a few months but would remain conditional on a number of factors including financing, various NZ Government approvals (and other regulatory approvals that are normal for the transfer of petroleum permits of this kind including the change in operatorship). In addition to the purchase consideration, at completion the proposed acquisition will require initial working and development capital.

The proposed acquisition remains subject to the Company and its partner entering into formal acquisition documentation.

**Existing Mosman Portfolio**

The proposed acquisition does not alter the previously announced operational plans for Mosman's extensive portfolio of existing exploration permits.

**Details of STEP Project Mining Permits**

The STEP Project include two petroleum mining permits, further details of which are as follows:

PMP 38151 (Rimu)
Granted: 30 January 2002
Term: 30 years
Expiry: 29 January 2032
Area: 18.42 sq. km
Permit: to explore for, develop and produce Petroleum, including gas, LPG, oil and condensate.

PMP 38155 (Kauri)
Granted: 14 April 2005
Term: 30 years
Expiry: 13 April 2035
Area: 35.24 sq. km
Permit: to explore for, develop and produce Petroleum, including gas, LPG, oil and condensate.

***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.*

**Enquiries**


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

**About Mosman**
Mosman (AIM: MSMN) is an Australia and New Zealand focused oil exploration and development company with a strategy to build a sustainable mid-tier oil and gas business by acquisition and organic growth. Currently, Mosman has a total of ten permits or accepted permit applications in New Zealand and Australia.

**Petroleum Creek Project, New Zealand**
Mosman owns 100% of permit PEP 38526, the Petroleum Creek Project, which is a 143 sq. km low cost onshore exploration project located near Greymouth on the South Island in the southern extension of the proven Taranaki oil system.

**Taramakau, Murchison and East Coast Permits, New Zealand**
These permits were granted to Mosman on 9 December 2014 as part of the 2014 Block Offer, a sixteen-fold increase in the exploration area in NZ from 143 sq. km to 2,317 sq. km.

**Officer Basin Project, Australia (Application)**
Mosman has a 25% investment in the Officer Basin Project, a 22,527 sq. km large land holding with significant exploration potential, which lies in one of the more explored parts of the Basin with road access. The project area is in the Western Australian part of the Officer Basin and offers both conventional and unconventional potential with hydrocarbon shows reported and all elements of a petroleum system are present.

**Amadeus Basin Projects, Australia**
Mosman owns 100% of two granted permits and one application in the Amadeus Basin in Central Australia which total of 5,458 sq. km. The Amadeus Basin is considered one of the most prospective onshore areas in the Northern Territory of Australia for both conventional and unconventional oil and gas, and hosts the producing Mereenie, Palm Valley and Surprise fields.

**Otway Basin Project, Australia**
Mosman owns 30% of VIC/P62 in the Otway Basin. The permit was recently renewed and is in relatively shallow water. The 70% permit holder funded a 3D seismic survey in 2013. The results of the 3D seismic survey are now being integrated into a geological model to allow identification and ranking of drilling targets. Within the Otway Basin there is commercial production both onshore and offshore.

**About Origin Energy Ltd**

Origin Energy Ltd (ASX: ORG) is the leading Australian integrated energy company focused on gas and oil exploration and production, power generation and energy retailing. A member of the S&P/ASX 20 Index, the company has approximately 6,900 employees and is a leading producer of gas in eastern Australia. Origin is Australia's largest energy retailer servicing 4.3 million electricity, natural gas and LPG customer accounts and has one of the country's largest and most flexible generation portfolios with approximately 6,000 MW of capacity, through either owned generation or contracted rights.

Origin's strategic positioning and portfolio of assets provide flexibility, stability and significant opportunities for growth across the energy industry. Through Australia Pacific LNG, its incorporated joint venture with ConocoPhillips and Sinopec, Origin is developing one of Australia's largest CSG to LNG projects based on Australia's largest 2P CSG reserves base.

In New Zealand, Origin operates oil and gas assets and holds petroleum exploration interests.

Origin has a strong focus on ensuring the sustainability of its operations is the largest green energy retailer in Australia and has significant investments in renewable energy technologies.

**APPENDIX 1**

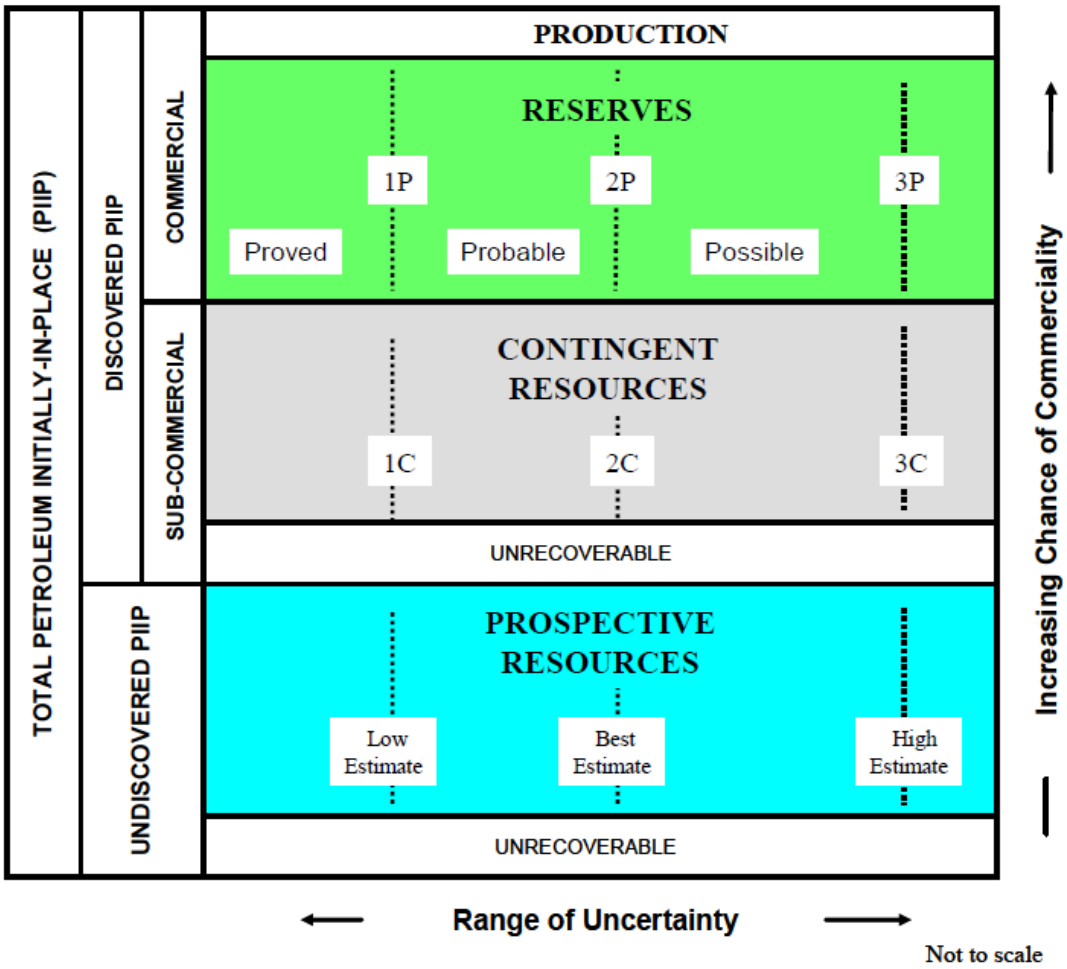
## Glossary of Oil and Gas Terms

| | |
|---|---|
| % | 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 |
| Bcf or BCF | billion standard cubic feet of gas |
| boep | barrels of oil equivalent |
| boepd | barrels of oil equivalent per day |
| CSG | coal seam gas |
| km | kilometre |
| m | metre |
| LPG | liquefied petroleum gas |
| Md or md | millidarcy |
| MMbbl | million barrels of oil |
| Mmboe | million barrels of oil equivalent |
| MMscf | million standard cubic feet of gas |
| MMscfd | million standard cubic feet of gas per day |
| NZP&M | New Zealand Petroleum & Minerals, the New Zealand Government body charged with managing New Zealand's oil, gas, mineral and coal resources |
| OOIP | Oil originally in place |
| PECPR Regulations | Pressure Equipment, Cranes, and Passenger Ropeways Regulations, enacted by the NZ Government |
| Permeability | measure of the ease with which a fluid flows through a rock. The units are millidarcies or darcies |
| Porosity | measure of how much of a rock is open space. This space can be between grains or within cracks or cavities of the rock. Measured in %. |
| PMP | Petroleum Mining Permit |
| Tcf | trillion standard cubic feet of gas |
| Tight Gas Formation | a reservoir that cannot be produced at economic flow rates nor recover economic volumes of natural gas unless the well is stimulated by a large hydraulic fracture treatment or produced by use of a horizontal wellbore or multilateral wellbores |

**APPENDIX 2**

**Category Definitions of Petroleum Reserves and Resources**
**For further details on the definitions and guidelines, please see the original document (Society of Petroleum Engineers (SPE), 2007)**

The following figure (from the World Petroleum Council) presents 1P 2P and 3P category definitions. Furthermore, it provides guidelines designed to promote consistency in resource assessments. The following summarizes the definitions for each Reserves category in terms of both the deterministic incremental approach and scenario approach and also provides the probability criteria if probabilistic methods are applied.




**Resources Classification Framework**

**Proved Reserves** are those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

**Probable Reserves** are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.

**Possible Reserves** are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the Project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) Reserves, which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.

The "Range of Uncertainty" reflects a range of estimated quantities potentially recoverable from an accumulation by a project, while the vertical axis represents the "Chance of Commerciality", that is, the chance that the project that will be developed and reach commercial producing status.

The following definitions apply to the major subdivisions within the resources classification:

**TOTAL PETROLEUM INITIALLY-IN-PLACE** is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production plus those estimated quantities in accumulations yet to be discovered (equivalent to "total resources").

**DISCOVERED PETROLEUM INITIALLY-IN-PLACE** is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production.

**PRODUCTION** is the cumulative quantity of petroleum that has been recovered at a given date. While all recoverable resources are estimated and production is measured in terms of the sales product specifications, raw production (sales plus non-sales) quantities are also measured and required to support engineering analyses based on reservoir voidage.

Multiple development projects may be applied to each known accumulation, and each project will recover an estimated portion of the initially-in-place quantities. The projects shall be subdivided into Commercial and Sub-Commercial, with the estimated recoverable quantities being classified as Reserves and Contingent Resources respectively, as defined below.

**RESERVES** are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria's: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.

**CONTINGENT RESOURCES** are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be subclassified based on project maturity and/or characterized by their economic status.

**UNDISCOVERED PETROLEUM INITIALLY-IN-PLACE** is that quantity of petroleum estimated, as of a given date, to be contained within accumulations yet to be discovered.

**PROSPECTIVE RESOURCES** are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. Prospective

Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

**UNRECOVERABLE** is that portion of Discovered or Undiscovered Petroleum Initially-in-Place quantities which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur, the remaining portion may never be recovered due to physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

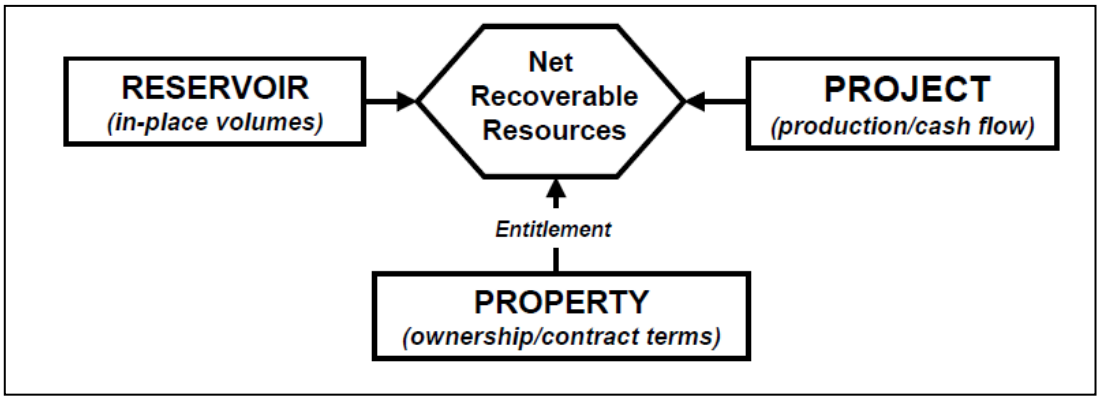
**ESTIMATED ULTIMATE RECOVERY (EUR)** is not a resources category, but a term that may be applied to any accumulation or group of accumulations (discovered or undiscovered) to define those quantities of petroleum estimated, as of a given date, to be potentially recoverable under defined technical and commercial conditions plus those quantities already produced (total of recoverable resources).

In specialized areas, such as basin potential studies, where alternative terminology has been used, the total resources may be referred to as Total Resource Base or Hydrocarbon Endowment. Total recoverable or EUR may be termed Basin Potential. The sum of Reserves, Contingent Resources and Prospective Resources may be referred to as "remaining recoverable resources". When such terms are used, it is important that each classification component of the summation also be provided. Moreover, these quantities should not be aggregated without due consideration of the varying degrees of technical and commercial risk involved with their classification.

**Project-Based Resources Evaluations**

The resources evaluation process consists of identifying a recovery project, or projects, associated with a petroleum accumulation(s), estimating the quantities of Petroleum Initially-in-Place, estimating that portion of those in-place quantities that can be recovered by each project, and classifying the project(s) based on its maturity status or chance of commerciality.

This concept of a project-based classification system is further clarified by examining the primary data sources contributing to an evaluation of net recoverable that may be described as follows:




**Resources Evaluation Data Sources**

**Resources Classification**

The basic classification requires establishment of criteria for a petroleum discovery and thereafter the distinction between commercial and sub-commercial projects in known accumulations (and hence between Reserves and Contingent Resources).

**Determination of Discovery Status**

A discovery is one petroleum accumulation, or several petroleum accumulations collectively, for which one or several exploratory wells have established through testing, sampling, and/or logging the existence of a significant quantity of potentially moveable hydrocarbons.

In this context, “significant” implies that there is evidence of a sufficient quantity of petroleum to justify estimating the in-place volume demonstrated by the well(s) and for evaluating the potential for economic recovery. Estimated recoverable quantities within such a discovered (known) accumulation(s) shall initially be classified as Contingent Resources pending definition of projects with sufficient chance of commercial development to reclassify all, or a portion, as Reserves.

Where in-place hydrocarbons are identified but are not considered currently recoverable, such quantities may be classified as Discovered Unrecoverable, if considered appropriate for resource management purposes, a portion of these quantities may become recoverable resources in the future as commercial circumstances change or technological developments occur.

**Determination of Commerciality**

Discovered recoverable volumes (Contingent Resources) may be considered commercially producible, and thus Reserves, if the entity claiming commerciality has demonstrated firm intention to proceed with development and such intention is based upon all of the following criteria:
Evidence to support a reasonable timetable for development.

A reasonable assessment of the future economics of such development projects meeting defined investment and operating criteria.

A reasonable expectation that there will be a market for all or at least the expected sales quantities of production required to justify development.

Evidence that the necessary production and transportation facilities are available or can be made available.
Evidence that legal, contractual, environmental and other social and economic concerns will allow for the actual implementation of the recovery project being evaluated.

To be included in the Reserves class, a project must be sufficiently defined to establish its commercial viability. There must be a reasonable expectation that all required internal and external approvals will be forthcoming, and there is evidence of firm intention to proceed with development within a reasonable time frame. A reasonable time frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While 5 years is recommended as a benchmark, a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented.
To be included in the Reserves class, there must be a high confidence in the commercial producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.

**Project Status and Commercial Risk**

Evaluators have the option to establish a more detailed resources classification reporting system that can also provide the basis for portfolio management by subdividing the chance of commerciality axis according to project maturity. Such sub-classes may be characterized by standard project maturity level descriptions (qualitative) and/or by their associated chance of reaching producing status (quantitative).
As a project moves to a higher level of maturity, there will be an increasing chance that the accumulation will be commercially developed. For Contingent and Prospective Resources, this can further be expressed as a quantitative chance estimate that incorporates two key underlying risk components:
The chance that the potential accumulation will result in the discovery of petroleum. This is referred to as the “chance of discovery”
Once discovered, the chance that the accumulation will be commercially developed is referred to as the “chance of development”.

Thus, for an undiscovered accumulation, the "chance of commerciality" is the product of these two risk components. For a discovered accumulation where the "chance of discovery" is 100%, the "chance of commerciality" becomes equivalent to the "chance of development".

**Project Maturity Sub-Classes**

As illustrated in **Figure A-1** development projects (and their associated recoverable quantities) may be sub-classified according to project maturity levels and the associated actions (business decisions) required to move a project toward commercial production.

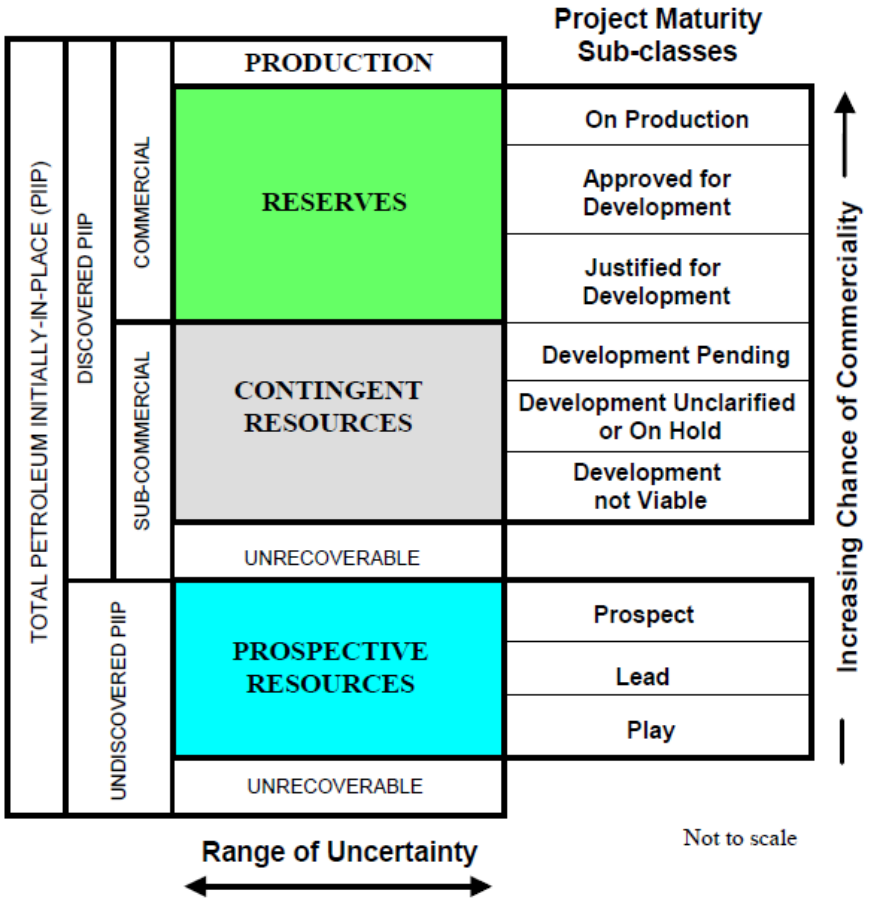



**Figure A-1: Project Maturity Sub-Classes**

Project Maturity terminology and definitions have been modified from the example provided in the 2001 Supplemental Guidelines, Chapter 2. Detailed definitions and guidelines for each Project maturity sub-class are provided in Table I. This approach supports managing portfolios of opportunities at various stages of exploration and development and may be supplemented by associated quantitative estimates of chance of commerciality. The boundaries between different levels of project maturity may be referred to as "decision gates".

Decisions within the Reserves class are based on those actions that progress a project through final approvals to implementation and initiation of production and product sales. For Contingent Resources, supporting analysis should focus on gathering data and performing analyses to clarify and then mitigate those key conditions, or contingencies that prevent commercial development.

For Prospective Resources, these potential accumulations are evaluated according to their chance of discovery and, assuming a discovery, the estimated quantities that would be recoverable under appropriate development projects. The decision at each phase is to undertake further data acquisition and/or studies designed to move the project to a level of technical and commercial maturity where a decision can be made to proceed with exploration drilling.

Evaluators may adopt alternative sub-classes and project maturity modifiers, but the concept of increasing chance of commerciality should be a key enabler in applying the overall classification system and supporting portfolio management.

**Reserves Status**

Once projects satisfy commercial risk criteria, the associated quantities are classified as Reserves. These quantities may be allocated to the following subdivisions based on the funding and operational status of wells and associated facilities within the reservoir development plan.

Developed Reserves are expected quantities to be recovered from existing wells and facilities.

Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate

Developed Non-Producing Reserves include shut-in and behind-pipe Reserves.

Undeveloped Reserves are quantities expected to be recovered through future investments.

Where Reserves remain undeveloped beyond a reasonable timeframe, or have remained undeveloped due to repeated postponements, evaluations should be critically reviewed to document reasons for the delay in initiating development and justify retaining these quantities within the Reserves class. While there are specific circumstances where a longer delay (see Determination of Commerciality, section 2.1.2) is justified, a reasonable time frame is generally considered to be less than 5 years.

Development and production status are of significant importance for project management. While Reserves Status has traditionally only been applied to Proved Reserves, the same concept of Developed and Undeveloped Status based on the funding and operational status of wells and producing facilities within the development project are applicable throughout the full range of Reserves uncertainty categories (Proved, Probable and Possible).

Quantities may be subdivided by Reserves Status independent of sub-classification by Project Maturity. If applied in combination, Developed and/or Undeveloped Reserves quantities may be identified separately within each Reserves sub-class (On Production, Approved for Development, and Justified for Development).

**Economic Status**

Projects may be further characterized by their Economic Status. All projects classified as Reserves must be economic under defined conditions.

Based on assumptions regarding future conditions and their impact on ultimate economic viability, projects currently classified as Contingent Resources may be broadly divided into two groups:

> Marginal Contingent Resources are those quantities associated with technically feasible projects that are either currently economic or projected to be economic under reasonably forecasted improvements in commercial conditions but are not committed for development because of one or more contingencies.
>
> Sub-Marginal Contingent Resources are those quantities associated with discoveries for which analysis indicates that technically feasible development projects would not be economic and/or other contingencies would not be satisfied under current or reasonably forecasted improvements in commercial conditions. These projects nonetheless should be retained in the inventory of discovered resources pending unforeseen major changes in commercial conditions.

Where evaluations are incomplete such that it is premature to clearly define ultimate chance of commerciality, it is acceptable to note that project economic status is “undetermined.” Additional

economic status modifiers may be applied to further characterize recoverable quantities; for example, non-sales (lease fuel, flare, and losses) may be separately identified and documented in addition to sales quantities for both production and recoverable resource estimates (see also Reference Point, section 3.2.1). Those discovered in-place volumes for which a feasible development project cannot be defined using current or reasonably forecast improvements in, technology are classified as Unrecoverable.

Economic Status may be identified independently of, or applied in combination with, Project Maturity sub-classification to more completely describe the project and its associated resources.

MOSMAN OIL AND GAS LIMITED

APPENDIX 3

**Definition of Prospective Resources, P90, P10, P50, Pmean**

While there may be a significant risk that sub-commercial or undiscovered accumulations will not achieve commercial production, it is useful to consider the range of potentially recoverable volumes independently of such a risk.

Prospective Resources are those quantities of petroleum which are estimated to be potentially recoverable from undiscovered accumulations. These estimates are derived from volumetric estimates for the reservoir size, estimates of the reservoir characteristics (porosity, permeability, oil saturation). The basis of these estimates would be available geological and geophysical data, and the data from any existing wells in the given area.

Any estimation of resource quantities for an accumulation is subject to both technical and commercial uncertainties and consequently there will be a range of estimates which in general will be substantially greater for undiscovered accumulations than for discovered accumulations. In all cases, however, the actual range will be dependent on the amount and quality of data (both technical and commercial) which is available for that accumulation. As more data become available for a specific accumulation (for example wells and reservoir performance data) the range of uncertainty would be reduced.

Probabilistic methods are normally used to quantify the uncertainty in these estimated quantities and the results of the analysis are typically presented by stating resource quantities at the following levels of confidence:

- P90 resource reflects a volume estimate that, assuming the accumulation is developed, there is a 90% probability that the quantities actually recovered will equal or exceed the estimate. This is therefore a low estimate of resource.
- P50 resource reflects a volume estimate that, assuming the accumulation is developed, there is a 50% probability that the quantities actually recovered will equal or exceed the estimate. This is therefore a median estimate of resource.
- P10 resource reflects a volume estimate that, assuming the accumulation is developed, there is a 10% probability that the quantities actually recovered will equal or exceed the estimate. This is therefore a high estimate of resource.
- Pmean is the mean of the probability distribution for the resource estimates. This is often not the same as P50 as the distribution can be skewed by high resource numbers with relatively low probabilities.

**Appendix 4**

**Risks**

The proposed acquisition remains subject to entering into appropriate acquisition documentation which is now at an advanced stage.

Funding the proposed acquisition of the Project will require Mosman its partner, to raise additional financing and there can be no certainty at this time that such financing will be secured or that the terms offered will be satisfactory.

The Project has subsurface, reserve and production risk.

Completion of the acquisition is expected to be subject to the granting of certain approvals from the NZ Government and there can be no certainty that such approvals will be granted.

The competitive auction process has meant that Mosman is reliant upon information provided to it in a data room that has restricted third party validation: limited warranties are being provided by the vendor.

A number of assumptions have been made in determining the operational targets, production rates and expected cost reductions possible that may not be achieved or may be influenced negatively by factors outside Mosman's control.

This RNS contains forward-looking statements which have not been based solely on historical facts but rather on Mosman's and its technical advisers' current expectations about future events and a number of assumptions which are subject to significant uncertainties and contingencies.

Hydrocarbon prices in the world environment remain volatile.

Exchange rates are volatile. An exchange rate of NZ$0.42 to the pound has been used for illustrative purposes in the document.

Any individual who is in any doubt about the investment to which these document relates should consult an authorised person specialising in advising on investments of the kind referred to.