



29 March 2018

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

**Half Year Report**

Mosman Oil and Gas Limited (AIM: MSMN) the oil exploration, development and production company, announces its results for the six months ended 31 December 2017, which have been reviewed by the appointed auditors.

**Operations Review**

**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.

**Three Producing Projects in USA**

Interests in three onshore producing projects were acquired in 2017, demonstrating that the Company is moving forward effectively in achieving its objectives of building a production operation. These projects are:

1. Welch Permian Basin Project (Texas);
2. Arkoma Stacked Pay Project (Oklahoma); and
3. Strawn (Texas).

There has been considerable management focus on both acquiring and then enhancing the production characteristics of the three producing projects. A total of \$997,302 was expended on acquisition costs and development expenditure which included workovers and largely one-off repairs that were identified to increase production and develop individual assets.

In addition, the Board evaluated other potential acquisitions opportunities that were not pursued principally because they did not meet the defined strategy. The Board continues to review additional opportunities to enhance its producing portfolio.

**Sales**

Revenue attributed to Mosman was \$321,348.

In the three months ending 31 March 2018, Revenue attributed to Mosman was c\$215,000 .

The numbers for the quarter to 31 March 2018 reflect Mosman's share of approximately c2,550 barrels of oil sold less, transport and royalty costs.

From those sales revenues, Lease Operating Expenses are paid.

**Existing Exploration Permits**

In the short term, Mosman remains focused on its strategically important and high-impact production and development assets in the USA, whilst in parallel in Australia, it continues to make good progress on the exploration portion of its portfolio that, following rationalisation, has resulted in Mosman owning and operating two 100% owned granted permits (EP 145 & 156) and one application (EPA 155) which total 5,458 sq. km.

During the six months \$284,043 was expended on advancing those assets.

## General

In parallel with the successful implementation of its stated strategy to build a production portfolio that provides operational cash flow, the Board has prioritised capital expenditure while also managing field operating costs and general and administrative costs. As a result, most costs have been reduced when compared to the same period in 2017, particularly administration and corporate expenditure.

## Corporate

### Funding

In September, Mosman raised £600,000 by way of a placing and subscription of 50,000,000 new ordinary shares of no par value in the capital of the Company ("New Ordinary Shares") at 1.2p per share. The proceeds of the Placing were raised to accelerate the development of the US onshore oil production assets to increase production and cash flow, in addition to the potential acquisition of additional onshore production assets, for general corporate working capital purposes and for the ongoing costs associated with the review and due diligence on other acquisition opportunities being evaluated.

### Gem International Resources Inc

Mosman currently owns c7.6 million shares in the TSX-V listed GEM International Resources Inc. ("GEM") (TSX-V: GI). GEM shares remain suspended due to the previous board failing to complete the required financial reporting. The newly appointed board which includes Mosman's chairman is reviewing the financial and corporate status of the company and have arranged for the required reports to be prepared and audited. That process will be concluded shortly.

It is anticipated a shareholders meeting will then be called to determine the appropriate business plan going forward.

## Outlook

The second half of the year started well with the USA assets all generating cash flow due to production improvements, lower costs and higher oil prices. The strategy of acquiring oil production assets when oil prices were low is proving to be sound given recent increases in both oil production and the oil price and we look forward to building on the platform we have now established for the business.

### 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](mailto:jwbarr@mosmanoilandgas.com)  
[acarroll@mosmanoilandgas.com](mailto: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](mailto:mosman@gablecommunications.com)

Updates on the Company's activities are regularly posted on its website [www.mosmanoilandgas.com](http://www.mosmanoilandgas.com).

**Condensed Consolidated Statement of Profit or Loss  
and Other Comprehensive Income for the Half Year Ended 31 December 2017**  
All amounts are in Australian Dollars

	Notes	Consolidated 6 months to 31 December 2017 \$	Consolidated 6 months to 31 December 2016 \$
Revenue		321,348	-
Cost of sales	2	(164,826)	-
Gross profit		<b>156,522</b>	-
Interest income		6,336	1,629
Other income		709	2,108
Administrative expenses		(67,195)	(95,624)
Corporate expenses	3	(406,119)	(437,858)
Directors fees		(60,000)	(60,000)
Exploration expenses incurred not capitalised		(52,163)	-
Employee benefits expense		(47,875)	(35,157)
Evaluation and due diligence		(154,077)	-
Non cash share based payments expense		(40,567)	-
Loss on foreign exchange		-	(77,671)
Depreciation expense		(5,599)	(7,092)
Costs associated with abandoned acquisitions	4	(9,815)	(138,733)
Pre-acquisition costs		(44,775)	-
Share of net loss from joint operation		(6,428)	-
<b>Loss from ordinary activities before income tax expense</b>		<b>(731,046)</b>	<b>(848,398)</b>
Income tax expense		-	-
<b>Net loss for the period</b>		<b>(731,046)</b>	<b>(848,398)</b>
<b>Other comprehensive loss</b>			
<i>Items that may be reclassified to profit or loss</i>			
Fair value loss on AFS shares	5	(190,309)	(67,221)
Foreign currency (loss)/gain	5	(10,415)	59,397
<b>Other comprehensive loss for the period, net of tax</b>		<b>(200,724)</b>	<b>(7,824)</b>
<b>Total comprehensive loss attributable to members of the entity</b>		<b>(931,770)</b>	<b>(856,222)</b>
Basic and diluted loss per share		(0.36) cents	(0.41) cents

The accompanying notes form part of these financial statements.



MOSMAN OIL AND GAS  
LIMITED

**Condensed Consolidated Statement of Financial Position**  
**As at 31 December 2017**  
**All amounts are in Australian Dollars**

	Notes	Consolidated Balance as at 31 December 2017	Consolidated Balance as at 30 June 2017
		\$	\$
Current Assets			
Cash and cash equivalents		830,685	1,666,139
Trade and other receivables	7	407,183	394,605
Inventory		195,437	-
Other assets	8	27,098	35,690
Other financial assets	6	97,979	288,288
Total current assets		<u>1,558,382</u>	<u>2,384,722</u>
Non-Current Assets			
Property, plant & equipment		201,284	211,016
Oil and gas assets	9	1,747,456	749,620
Capitalised oil and gas exploration expenditure	10	4,150,919	4,073,115
Total non-current assets		<u>6,099,659</u>	<u>5,033,751</u>
Total Assets		<u><b>7,658,041</b></u>	<u><b>7,418,473</b></u>
Current Liabilities			
Trade and other payables	11	548,461	353,769
Provisions		153,709	158,165
Total current liabilities		<u>702,170</u>	<u>511,934</u>
<b>Total Liabilities</b>		<u><b>702,170</b></u>	<u><b>511,934</b></u>
Net Assets		<u><b>6,955,871</b></u>	<u><b>6,906,539</b></u>
Shareholders' Equity			
Contributed equity	12 a)	26,226,848	25,286,313
Reserves	12 b)	250,982	1,058,126
Accumulated losses		(19,515,531)	(19,499,941)
<b>Equity attributable to shareholders</b>		<u><b>6,962,299</b></u>	<u><b>6,844,498</b></u>
Non-controlling interest		<u><b>(6,428)</b></u>	<u><b>62,041</b></u>
Total Shareholders' Equity		<u><u><b>6,955,871</b></u></u>	<u><u><b>6,906,539</b></u></u>

The accompanying notes form part of these financial statements.



MOSMAN OIL AND GAS  
LIMITED

**Condensed Consolidated Statement of Changes in Equity  
For the Half Year Ended 31 December 2017  
All amounts are in Australian Dollars**

	Accumulated Losses	Contributed Equity	Reserves	Non- Controlling Interest	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2016</b>	<b>(11,151,593)</b>	<b>25,235,869</b>	<b>1,304,610</b>	<b>-</b>	<b>15,388,886</b>
Comprehensive income					
Loss for the period	(848,398)	-	-	-	(848,398)
Other comprehensive income for the period	-	-	7,824	-	7,824
<b>Total comprehensive loss for the period</b>	<b>(848,398)</b>	<b>-</b>	<b>7,824</b>	<b>-</b>	<b>(840,574)</b>
Transactions with owners, in their capacity as owners, and other transfers:					
Cancellation of shares on selective share buyback	900,000	(900,000)	-	-	-
Total transactions with owners and other transfers	900,000	(900,000)	-	-	-
<b>Balance at 31 December 2016</b>	<b>(11,099,991)</b>	<b>24,335,869</b>	<b>1,312,434</b>	<b>-</b>	<b>14,548,312</b>
<b>Balance at 1 July 2017</b>	<b>(19,499,941)</b>	<b>25,286,313</b>	<b>1,058,126</b>	<b>62,041</b>	<b>6,906,539</b>
Comprehensive income					
Loss for the period	(724,618)	-	-	(6,428)	(731,046)
Other comprehensive loss for the period	-	-	(200,724)	-	(200,724)
<b>Total comprehensive loss for the period</b>	<b>(724,618)</b>	<b>-</b>	<b>(200,724)</b>	<b>(6,428)</b>	<b>(931,770)</b>
Transactions with owners, in their capacity as owners, and other transfers:					
New shares issued	-	1,013,376	-	-	1,013,376
Cost of raising equity	-	(72,841)	-	-	(72,841)
Options issued	-	-	40,567	-	40,567
Options expired	646,987	-	(646,987)	-	-
Total transactions with owners and other transfers	646,987	940,535	(606,420)	-	981,102
<b>Balance at 31 December 2017</b>	<b>(19,577,572)</b>	<b>26,226,848</b>	<b>250,982</b>	<b>55,613</b>	<b>6,955,871</b>

These accompanying notes form part of these financial statements

**Condensed Consolidated Statement of Cash Flows**  
**For the Half Year Ended 31 December 2017**  
**All amounts are in Australian Dollars**

	<b>Consolidated 6 months to 31 December 2017</b>	<b>Consolidated 6 months to 31 December 2016</b>
	\$	\$
Cash flows from operating activities		
Receipts from customers	134,839	-
Interest received & other income	7,040	3,485
Payments to suppliers and employees	(619,075)	(663,232)
Bonds refunded	3,035	-
Net cash used in operating activities	<b>(474,161)</b>	<b>(659,747)</b>
Cash flows from investing activities		
Payments for property, plant & equipment	(4,240)	-
Payments for exploration and evaluation	(284,043)	(311,025)
Payments for AFS financial assets	-	(394,511)
Costs associated with abandoned acquisitions	(9,815)	(138,732)
Payments for oil and gas acquisitions	(656,191)	-
Payments for oil and gas assets	(341,111)	-
Net cash used in investing activities	<b>(1,295,400)</b>	<b>(844,268)</b>
<b>Cash flows from financing activities</b>		
Proceeds from shares issued	1,013,375	-
Payments for costs of capital	(72,841)	-
Transactions with non-controlling interest	(6,427)	-
<b>Net cash provided by financial activities</b>	<b>934,107</b>	<b>-</b>
Net decrease in cash and cash equivalents	<b>(835,454)</b>	<b>(1,504,015)</b>
Cash and cash equivalents at the beginning of the financial period	<b>1,666,139</b>	<b>3,758,555</b>
Cash and cash equivalents at the end of the financial period	<b>830,685</b>	<b>2,254,540</b>

The accompanying notes from part of these financial statements



MOSMAN OIL AND GAS  
LIMITED

**Condensed Notes to the Financial Statements  
For the Half-Year Ended 31 December 2017  
All amounts are Australian Dollars**

**1. Summary of Significant Accounting Policies**

**Statement of Compliance**

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

**Basis of preparation**

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2017 annual financial report for the financial year ended 30 June 2017, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

*Going Concern*

The Group recognises that its ability to continue as a going concern to meet its debts when they fall due is dependent on the Group raising funds as required to pay its debts as and when they fall due. The directors have reviewed the business outlook and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will achieve this.

However, the conditions outlined above create uncertainty that may cast significant doubt as to whether the Group will continue as a going concern and, therefore whether the Group will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in these financial statements. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

**Adoption of new or revised accounting standards and interpretations**

The Group has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year. The Group has not early adopted any accounting standards or interpretations.

The adoption of all new and revised standards and interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior half-years.

**Exploration and Evaluation Costs**

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area for which the rights to tenure are current and that has not at reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

**Impairment of Exploration and Evaluation Assets**

The ultimate recoupment of the value of exploration and evaluation assets, is dependent on the successful development and commercial exploitation, or alternatively, sale, of the exploration and evaluation assets.



Impairment tests are carried out when there are indicators of impairment in order to identify whether the asset carrying values exceed their recoverable amounts. There is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of judgement and estimation include:

- Recent exploration and evaluation results and resource estimates;
- Environmental issues that may impact on the underlying tenements;
- Fundamental economic factors that have an impact on the operations and carrying values of assets and liabilities.

### **Oil and gas assets**

The cost of oil and gas producing assets and capitalised expenditure on oil and gas assets under development are accounted for separately and are stated at cost less accumulated amortisation and impairment losses. Costs include expenditure that is directly attributable to the acquisition or construction of the item as well as past exploration and evaluation costs.

When an oil and gas asset commences production, costs carried forward are amortised on a units of production basis over the life of the economically recoverable reserves. Changes in factors such as estimates of economically recoverable reserves that affect amortisation calculations do not give rise to prior financial period adjustments and are dealt with on a prospective basis.

### **Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance.

	<b>Consolidated 6 months to 31 December 2017 \$</b>	<b>Consolidated 6 months to 31 December 2016 \$</b>
<b>2. Cost of sales</b>		
Cost of sales	38,168	-
Lease operating expenses	120,123	-
Oil and gas assets amortisation charge	6,535	-
	<b>164,826</b>	<b>-</b>
<b>3. Corporate costs</b>		
Accounting, Company Secretary and Audit fees	100,252	71,362
Consulting fees	277,592	332,864
Legal and compliance fees	28,275	33,632
	<b>406,119</b>	<b>437,858</b>
<b>4. Costs associated with abandoned acquisitions</b>		
Costs Incurred	9,815	138,733
	<b>9,815</b>	<b>138,733</b>
<b>5. Other comprehensive loss</b>		
Fair value loss on AFS shares	190,309	67,221
Foreign currency loss/(gain)	10,415	(59,397)
	<b>200,724</b>	<b>7,824</b>





MOSMAN OIL AND GAS  
LIMITED

	<b>Consolidated Balance as at 31 December 2017</b>	<b>Consolidated Balance as at 30 June 2017</b>
	\$	\$
<b>6. Other financial assets</b>		
Shares in a listed entity	97,979	288,288
	<b>97,979</b>	<b>288,288</b>
<b>7. Trade and other receivables</b>		
Deposits	195,816	198,851
GST receivable	40,950	44,197
Cash calls receivable	133,569	-
Other receivables	36,848	151,557
	<b>407,183</b>	<b>394,605</b>
<b>8. Other assets</b>		
Prepayments	27,098	23,985
Accrued income	-	11,705
	<b>27,098</b>	<b>35,690</b>
<b>9. Oil and gas assets</b>		
Costs brought forward	749,620	
Acquisition of oil and gas assets	611,422	
Capitalised equipment workovers	392,949	
Amortisation	(6,535)	
Carrying value at the end of the period	<b>1,747,456</b>	
<b>10. Capitalised oil and gas expenditure</b>	\$	
Costs brought forward	4,073,115	
Exploration costs incurred during the period	79,177	
FX movement	(1,373)	
Carrying value at the end of the period	<b>4,150,919</b>	
	<b>Consolidated Balance as at 31 December 2017</b>	<b>Consolidated Balance as at 30 June 2017</b>
<b>11. Trade and other payables</b>		
Trade creditors	423,239	279,582
Unearned revenue	-	11,867
Other creditors and accruals	125,222	62,320
	<b>548,461</b>	<b>353,769</b>



## 12. Contributed Equity

### Ordinary Shares

Total shares at 31 Dec 17 295,282,151 (30 June 2017: 249,448,818) ordinary shares fully paid

**26,226,848** 25,286,313

	<b>Value of shares \$</b>	<b>No. of shares</b>
<b>a) Shares movements during the half-year</b>		
Balance at 30 June 2017	25,286,313	249,448,818
Shares issued	1,013,376	45,833,333
Cost of issued shares	(72,841)	-
Balance at 31 December 2017	<b>26,226,848</b>	<b>295,282,151</b>

### b) Reserves

	<b>\$</b>
Balance at the beginning of the period	1,058,126
Fair value (loss)/gain on available-for-sale shares	(190,309)
Foreign currency translation reserve loss	(10,415)
Options issued during the period	40,567
Options expired in the period	(646,987)
Options reserve at the end of the period	<b>250,982</b>

### c) Options movements during the half-year

	<b>No. of options Balance as at 31 December 2017</b>
Balance at the beginning of period	7,859,372
Expired options	(3,800,000)
Incentive options issued to KMPs	7,500,000
Options issued to other holders	2,500,000
<b>Total</b>	<b>14,059,372</b>



MOSMAN OIL AND GAS  
LIMITED

Of the 14,059,372 options on issue as at 31 December 2017, the following are held by directors of the Company:

J W Barr	4,000,000
A Carroll	4,000,000
J Young	1,500,000

**Option details**

<b>Number of options</b>	<b>Exercise date</b>	<b>Exercise price</b>
3,200,000	13 January 2019	\$0.15
859,372	20 March 2019	£0.08
10,000,000	18 December 2020	£0.02
<b>14,059,372</b>		

**13 Segment Information**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board to make decisions about resources to be allocated to the segments and assess their performance.

Operating segments are identified by the board based on the Oil and Gas projects in Australia the United States and New Zealand. Discrete financial information about each project is reported to the board on a regular basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the economic characteristics, the nature of the activities and the regulatory environment in which those segments operate.

The Group has three reportable segments based on the geographical areas of the mineral resource and exploration activities in Australia, the United States and New Zealand. Unallocated results, assets and liabilities represent corporate amounts that are not core to the reportable segments.



MOSMAN OIL AND GAS  
LIMITED

(i) Segment performance

	New Zealand \$	United States \$	Australia \$	Total \$
<b>Half-Year Ended 31 December 2017</b>				
<b>Revenue</b>				
Oil and Gas Project Related Revenue	-	302,113	19,235	321,348
Interest revenue	-	-	709	709
Gain on foreign exchange	-	-	1,529	1,529
Other income	4,775	32	-	4,807
Segment revenue	<b>4,775</b>	<b>302,145</b>	<b>21,473</b>	<b>328,393</b>
<b>Segment Result</b>				
- Corporate costs	-	(1,187)	(404,932)	(406,119)
- Administrative costs	(4,905)	-	(62,290)	(67,195)
- Cost of sales	-	(38,169)	-	(38,169)
- Lease operating expenses	-	(126,657)	-	(126,657)
- Share of net joint operation loss	-	(6,428)	-	(6,428)
Segment net profit/(loss) before tax	(130)	129,704	(445,749)	(316,175)
<i>Reconciliation of segment result to net loss before tax</i>				
Amounts not included in segment result but reviewed by the Board				
- Exploration expenses incurred, not capitalised	(52,163)	-	-	(52,163)
- Evaluation and due diligence	-	(9,819)	(144,258)	(154,077)
- Projects abandoned	(9,815)	-	-	(9,815)
- Pre-acquisition costs	-	-	(44,775)	(44,775)
Unallocated items				
- Employee benefits				(107,875)
- Share-based payments				(40,567)
- Depreciation				(5,599)
Net Loss before tax from continuing operations				<b>(731,046)</b>



MOSMAN OIL AND GAS  
LIMITED

(i) Segment performance (continued)

	New Zealand	United States	Australia	Total
	\$	\$	\$	\$
<b>Half-Year Ended 31 December 2016</b>				
<b>Revenue</b>				
Interest revenue	-	-	1,629	1,629
Other income	2,108	-	-	2,108
Segment revenue	<b>2,108</b>	<b>-</b>	<b>1,629</b>	<b>3,737</b>
<b>Segment Result</b>				
- Corporate costs	(23,850)	-	(474,008)	(497,858)
- Administrative costs	(25,211)	-	(47,700)	(72,911)
- Foreign exchange gain/(loss)	-	-	(77,671)	(77,671)
Segment net profit/(loss) before tax	<b>(46,953)</b>	<b>-</b>	<b>(597,750)</b>	<b>(644,703)</b>

*Reconciliation of segment result to net loss before tax*

Amounts not included in segment result but reviewed by the Board

- Projects abandoned	(2,126)	-	(136,607)	(138,733)
Unallocated items				
- Employee benefits				(35,158)
- Occupancy				(22,712)
- Finance				(7,092)
Net loss before tax from continuing operations				<b>(848,398)</b>

(ii) Segment assets

	New Zealand	United States	Australia	Total
	\$	\$	\$	\$
<b>As at 31 December 2017</b>				
Segment assets as at 1 July 2017	392,510	953,669	6,072,294	7,418,473
Segment asset (decreases)/increases for the period				
- Capitalised exploration and evaluation	(338,973)	-	(1,921,375)	(2,260,348)
- Capitalised oil and gas assets	-	(953,669)	-	(953,669)
- Impairment of exploration and evaluation assets	(1,374)	-	-	(1,374)
- FX movement exploration and evaluation assets	(52,163)	-	-	(52,163)
- Other assets	355,401	1,900,857	1,250,864	3,507,122
Total assets from continuing operations	<b>355,401</b>	<b>1,900,857</b>	<b>5,401,783</b>	<b>7,658,041</b>



(iii) Segment liabilities

<b>As at 31 December 2017</b>	<b>New Zealand</b>	<b>United States</b>	<b>Australia</b>	<b>Total</b>
	\$	\$	\$	\$
Segment liabilities as at 1 July 2017	162,478	69,679	279,777	511,934
Segment liability increases/(decreases) for the period	(21,417)	284,365	(72,712)	190,236
	<b>141,061</b>	<b>354,044</b>	<b>207,065</b>	<b>702,170</b>
<i>Reconciliation of segment liabilities to total liabilities:</i>				
Other liabilities	-	-	-	-
Total liabilities from continuing operations	<b>141,061</b>	<b>354,044</b>	<b>207,065</b>	<b>702,170</b>

**14 Producing assets**

The Group currently has 3 producing assets, which the Board monitors as a separate item to the geographical and operating segments. The Arkoma, Strawn and Welch are Oil and Gas producing assets in the United States. It should be noted that the Strawn Project is a 50% joint operation with Blackstone Oil and Gas and as a result the amounts below are only the apportionment of the Mosman ownership right. Project performance, assets and liabilities and acquisition costs are all monitored by the line items below.

(i) Project performance

<b>Half-Year Ended 31 December 2017</b>	<b>Arkoma</b>	<b>Strawn</b>	<b>Welch</b>	<b>Total</b>
	\$	\$	\$	\$
<i>Revenue</i>				
Oil and gas project related revenue	2,965	75,003	224,145	302,113
Other income	32	-	-	32
Segment revenue	<b>2,997</b>	<b>75,003</b>	<b>224,145</b>	<b>302,145</b>
<i>Project-related expenses</i>				
- Cost of sales	-	11,596	26,573	38,169
- Lease operating expenses	-	57,667	81,710	139,377
Project cost of sales	-	<b>69,263</b>	<b>108,283</b>	<b>177,546</b>
<i>Project gross profit</i>				
Gross profit	<b>2,997</b>	<b>5,740</b>	<b>115,862</b>	<b>124,599</b>
<i>Overhead costs</i>				
- Employee benefits	-	12,836	-	12,836
<b>Project net profit/(loss) before tax</b>	<b>2,997</b>	<b>(7,096)</b>	<b>115,862</b>	<b>111,763</b>



MOSMAN OIL AND GAS  
LIMITED

**(ii) Project assets**

Project assets as at 1 July 2017	-	204,119	-	204,119
Project assets for the year				
- Cash	2,107	1,420	44,119	47,646
- Cash calls receivable	-	66,785	533	67,318
- Loans receivable	8,963	-	181,478	190,441
- Inventory	-	26,221	142,994	169,215
- Bonds receivable	-	32,340	-	32,340
	<b>11,070</b>	<b>126,766</b>	<b>369,124</b>	<b>506,960</b>

*Unallocated assets*

- Other assets				1,282
----------------	--	--	--	-------

<b>Total project assets</b>				<b>508,242</b>
-----------------------------	--	--	--	----------------

**(iii) Project liabilities**

Project liabilities as at 1 July 2017	-	83,217	-	83,217
Project liabilities for the year				
- Accounts payable	-	43,747	215,642	259,389
- Accrued expenses	-	-	16,064	16,064
- Loans payable	8,077	31,142	21,693	60,912
	<b>8,077</b>	<b>74,889</b>	<b>253,399</b>	<b>336,365</b>

*Unallocated liabilities*

- Other liabilities				-
---------------------	--	--	--	---

<b>Total project liabilities</b>				<b>336,365</b>
----------------------------------	--	--	--	----------------

**15 Expenditure Commitments**

**(a) Exploration**

The Company has certain obligations to perform minimum exploration work on Oil and Gas tenements held. These obligations may vary over time, depending on the Company's exploration programs and priorities. At 31 December 2017, total exploration expenditure commitments for the next 12 months are as follows:

Entity	Tenement	\$
Petroleum Creek Limited	PEP 38526	-
Trident Energy Limited	EP 145	200,000
Oilco Pty Ltd	EPA 155	-
Oilco Pty Ltd	EP 156	-
		<b>200,000</b>

These obligations are subject to variations by farm-out arrangements, sale of the relevant tenements or seeking expenditure exemption for previous year's expenditure. The Company has the option to elect to not carry out the minimum work program commitments pertaining to a specific permit, in which case the Company will relinquish its interest in the relevant permit.

## **(b) Capital Commitments**

The Company had no capital commitments at 31 December 2017 (2016 - \$Nil).

## **16 Subsequent Events**

Material transactions arising since 31 December 2017 which will significantly affect the operations of the Company, the results of those operations, or the state affairs of the Company in subsequent financial periods are as follows:

### ***Capital raise***

In February 2018, the Company announced a capital raising which provided £500,000 in proceeds by placing 45,454,545 new ordinary shares at 1.1p per share. Included in the capital raise, a total of 750,000 warrants over shares were granted to SP Angel in connection with capital raise.

### ***Welch update***

A Pre-Feasibility Study (PFS) was commissioned by Mosman to determine the economic value of horizontal well drilling in the Welch Permian Basin project. The study provided positive anticipated flow rates of 60-120 bopd per well. Additionally, a Reserves Report has been commissioned and is due to be delivered in April 2018.

### ***Arkoma option exercised***

In February 2018, Mosman exercised 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 meet Mosman's strategic objectives to acquire production with development upside.

To support the additional investment, 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:
  - 346,000 boe 2P (Proved and Probable Reserves);
  - 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.

The key advantages of the exercise of this option are as follows:

- 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; and
- The vendor has agreed to work with Mosman (and Blackstone) to explore and develop the adjacent area where it 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 OIL AND GAS  
LIMITED

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.

In March 2018 Mosman executed an amended second option to increase its interest in the Inland assets from the current 27% to 33.3% for a cost of USD 231,022 on or before 31 July 2018.

## **17 Dividends**

No dividends have been paid or proposed during the half year ended 31 December 2017.

**John W Barr**  
**Executive Chairman**

Dated this **29 March 2018**