

9 November 2018

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

Planned drilling, operational update and fundraising

Mosman Oil and Gas Limited (AIM: MSMN) the oil exploration, development and production company, is pleased to announce it plans to continue the rapid development on its US projects by proposing up to five new wells, all located onshore in Texas, USA in 2018/19.

The five wells proposed are: Stanley-2, Stanley-3, Stanley-4, Champion-1 and Challenger-1.

The Stanley-2 development well is already funded, and the other Stanley development wells are now funded, and will be drilled under the lease operating agreement, where one drilling operation can be proposed and completed at a time, so this is likely to be one well every two months. The final drilling timetable is dependent on the operator decisions, and logistical matters which are not entirely in Mosman's control at this time.

The first well (Stanley-2) is targeting the Yuega sands identified in the logs when drilling the Stanley-1 well is expected to commence drilling in late November and the results are expected in mid December.

The Champion and Challenger proposed wells still require funding, and several alternatives are being considered.

All these wells will be drilled as part of the Strategic Alliance with Baja Oil and Gas LLC ("Baja"), and will be supported by Baja's interpretation of 3D seismic data, integrated with existing sub-surface well control, and legacy production information, similar to the successful Stanley-1 well which is now on production.

These wells are expected to increase Mosman's production and thus revenues, and therefore a decision to increase the proposed drilling has been made by the Board. The decision is fundamental to Mosman's medium term objective of becoming profitable at a corporate level.

Details of the Fundraising and Proposed Subscription of £500,000

To fund the drilling, the Company has raised £390,000 (before expenses) by way of a placing of 141,818,182 new ordinary shares of no par value in the capital of the Company ("Fundraising or Placing Shares") at 0.275p per share plus a 1 for 2 warrant exercisable at 0.4p per share (the "Warrants"). The Warrants will be exercisable within 24 months of issue.

In addition to the Fundraising, two Directors have indicated their intent, to subscribe for up to £110,000 (approximately AUD 198,000) (the "Proposed Subscription") on the same terms and conditions as the Places to demonstrate their ongoing commitment to the Company.

The Directors are unable to currently participate in the Fundraising as the Company is in a closed period by virtue of the imminent publication of the 2018 Annual Report.

The Proposed Subscription, and the final terms of the Proposed Subscription, which would be subject to AIM Rule 13 Related Party Transactions, will be conditional upon completion of all necessary regulatory approvals. Assuming those approvals are received this would lead to the issuance of a further 40,000,000 shares plus a 1 for 2 warrant exercisable on the same terms.

Assuming the Proposed Subscription proceeds, that would result in a total raising of £500,000 (approximately AUD 900,000) before costs.

Admission to AIM and Total Voting Rights

The Fundraising is conditional on, inter alia, the Placing Shares being admitted to trading on AIM. Application has been made to the London Stock Exchange for the Placing Shares, which will rank pari passu with the Company's existing issued ordinary shares, to be admitted to trading on AIM and dealings are expected to commence at 8:00 a.m. on 15 November 2018.

Following the issue of the Placing Shares, the Company's total issued share capital will comprise 595,810,969 Ordinary Shares. Following admission, the Company's share capital and total voting rights will comprise 595,810,969 Ordinary Shares and the Company does not hold any shares in treasury.

Consequently, the above figure may be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the share capital of the Company under the Financial Conduct Authority's Disclosure and Transparency Rules.

Use of Proceeds

The use of proceeds for the Fundraising will be to fund the proposed drilling of the Stanely-3 and Stanley-4 wells as well as pay normal operational costs.

Baja have also identified low cost opportunities to increase working interest in existing areas and extend existing leases. The capital raised may also be used to fund those type of "bolt-on" acquisitions.

Operational Update

At the Welch project, located in the Permian Basin in Texas, the feasibility study indicated the well would be economic, but with higher oil prices come higher drilling costs, and the cost estimate has now risen to circa USD 2 million per horizontal well. The Board has resolved to seek farmin funding, and there are preliminary negotiations currently underway. It is too early to tell if they will be successful in meeting all parties requirements. Alternatively, there remains the option to fund the horizontal wells by cash flow in due course.

In Australia, the Amadeus Basin permit EP 145 continue with ongoing technical work and planning for seismic acquisition in 2019. EPA 155 continues to be subject to land access agreements, and EP 156 will be relinquished. Santos have confirmed they intend to drill the key Dukas well in the first quarter of 2019, which is now only a few months away.

John W Barr, Chairman, said:

"The way forward is clearly to build production. Mosman has determined the next step is further drilling at Stanley where Stanley-1 is already a producer. If the additional proposed development drilling is commercially successful this will increase production to further enhance the growth potential of the Company.

"The selection of the proposed wells is designed to maximize the potential of Mosman and also deliver the best possible economic outcome.

"Mosman remains fully supportive of its other projects in the portfolio, however the low cost and strong economics of investing in these wells was a significant factor in deciding the next step for the Company."



MOSMAN OIL AND GAS
LIMITED

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