

22 December 2015

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

Chairman's Address for AGM

Mosman Oil and Gas Limited (AIM: MSMN) the New Zealand and Australian focussed oil exploration and development company, will hold its AGM tomorrow, 23 December 2015, at which the Chairman of the meeting will provide the following Corporate Update to shareholders.

Overview of 2015 and plans for 2016

In late 2014, Mosman recognised that the fall in oil price from over USD 100/bbl would have a serious effect on global markets. In particular it was considered that the capital markets would be extremely challenging for a pure exploration company, but conversely that the fall may also provide opportunities to purchase quality production assets, thereby providing cash flow and a medium term sustainable business model.

After reviewing a number of opportunities and actively pursuing some, including an unsuccessful takeover offer for MEO Australia, Mosman identified and, over a 6 month period, was able to reach agreement to purchase the South Taranaki Energy Project ('STEP') which is an attractive project as it is an existing producing asset in New Zealand with revenue from oil, gas and LPG, as well as having upside potential in the further development of the Manutahi oil field. That culminated in the signing of a Sales and Purchase Agreement on 3 September 2015. Since then, Mosman has been substantially occupied in progressing the acquisition of STEP, including contract negotiations, financing, identifying senior management, transition planning, discussions with relevant New Zealand government regulatory bodies and related matters.

As the market has witnessed, Brent Oil has recently fallen below USD 37/bbl. The current market forward curve anticipates improving oil prices during 2016, however, near-term prices continue to show significant volatility.

Given this pricing backdrop, the Board is very conscious that both the upstream oil sector and the equity market for junior oil and gas companies remains extremely challenging and therefore believes it has to be prudent when defining its 2016 forward strategy, objectives and financial commitments. Given the challenging oil price, Mosman is reviewing all aspects of its strategy, not only for STEP, but also all expenditure for exploration on the Company's other projects and corporate costs. This review is ongoing.

South Taranaki Energy Project ("STEP")

Mosman continues to make progress on the STEP acquisition. Two Directors, John W Barr and Andy Carroll, last week spent time in New Zealand, including at New Plymouth, visiting the STEP site and meeting the Mosman STEP team which includes staff and consultants covering a wide range of operational disciplines. A meeting was also held with New Zealand based Origin staff.

Mosman also attended the New Zealand 2015 Block Offer awards in Wellington, where meetings were held with the Minister and separately with representatives of New Zealand Petroleum & Minerals ("NZPAM"). Subsequent routine progress meetings were held in Brisbane with senior Origin staff and in Sydney with the STEP joint venture party, High Peak Royalties ("HPR").

While the Mosman STEP team's focus is mainly on transitional matters and very detailed production planning post acquisition, the recent oil price fall (to below USD 37/bbl) has refocused the Company's attention on near-term production optimisation and redefining production forecasts and operational budgets for 2016, particularly costs and capital expenditure. As previously reported, Mosman has indicated that as a first stage, it has identified and is planning 12 projects to increase production at STEP. In light of the current oil price, each one of those projects is again being evaluated further.

Against this background the following matters are also being managed by the Company:

- **Government Consents**

The STEP acquisition remains subject to consents from NZPAM and the Overseas Investment Office ("OIO"). Mosman understands that both Government departments are progressing with their respective reviews. Several requests for additional information have been received, including with respect to financial assurance in connection with any future decommissioning of the STEP facility, which the Company has responded to. Neither department has been able to give a time frame for their decision.

- **Origin sale and purchase agreement ("SPA")**

There are two ongoing matters of note under the SPA:

If the Brent Oil Price, as quoted on the Intercontinental Exchange ("ICE"), remains below USD 40/bbl for 15 consecutive (ICE) business days, there is the provision for either party to issue a "Review Notice" that will lead to good faith negotiations of amendments to the SPA; and, if there is no agreement within 30 days of a party's receipt of the Review Notice, either party may terminate the SPA. Mosman notes that the Brent Oil Price fell below USD 40/bbl on 10 December 2015.

Secondly, the SPA (as amended) contains provisions for either party to cancel the SPA if the Government consent conditions are not satisfied by 31 January 2016, unless extended by the mutual consent of all parties.

- **Ridge Royalty Agreement**

Under the Ridge Royalty Agreement, which was announced on 15 September 2015, it was agreed that if the transaction was not concluded on or before 15 December 2015, or such other date as may be agreed by the parties, either party may give a cancellation notice.

Mosman is currently in discussions to extend the Ridge Royalty Agreement to 31 January 2016.

Other Projects

The Company is actively minimising expenditure and reviewing all exploration activity.

NZ Exploration (Murchison, Petroleum Creek, Taramakau and Piripiri Permits)

Mosman awaits approval from NZPAM to proceed with the previously announced LiDAR survey at Murchison. The timing of the drilling at Murchison is under review given current capital restraints.

Officer Basin

Mosman is involved in continued negotiations on land access.

Amadeus Basin

As previously announced, Mosman has applied for and received a suspension and extension from the Department of Mines and Energy of the Northern Territory Government to allow additional time to plan the next phase of exploration. The proposed pipeline from the Northern Territory to the

eastern gas markets is progressing with selection of a route and a pipeline company to build the pipeline.

Otway Basin

Mosman is progressing with a withdrawal from this permit in light of other exploration priorities.

Onshore Canning Basin

The Operator advised it will not proceed to drill a well and to withdraw from EP 478 and Mosman has agreed to terminate its farm-in option.

In summary, oil and gas companies, large and small, have been hit hard in the past year with a very challenging oil price and a depressed equity market. This has been reflected globally in falling share prices and considerable staff reductions.

Although difficult, this also represents an opportunity for those companies with aggressive expansion plans and available capital.

On the STEP transaction, despite continuing efforts by Mosman, its staff and consultants and the willing efforts by the vendor, oil prices and other external factors largely outside of Mosman's control, increase the completion risk for the STEP transaction.

With a current cash balance of over AUD5 million Mosman retains a varied portfolio of opportunities, but we are mindful of how best to progress these until we see a more robust oil price environment. Notwithstanding the challenges, difficult times also provide opportunities, and we look forward to 2016 with some confidence.

John W Barr
Executive Chairman

Enquiries

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Updates on the Company's activities are regularly posted on its website www.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, prior to the STEP acquisition being completed, Mosman has an interest in nine permits or accepted permit applications.

Production

Mosman is proceeding with the acquisition of 70% of STEP, located onshore NZ. The acquisition is expected to complete after all approvals are secured.

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 will be operated under a joint operating agreement and Mosman will be the operator. The assets being acquired include the Rimu Production Station and two petroleum mining permits.

Exploration

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 in 2014 as part of the 2014 Block Offer. At Murchison a 13 TCF contingent resource has been identified.

Officer Basin Project, Australia (Application)

Mosman has a 25% investment in the Officer Basin Project, a 22,527 sq. km large land holding with 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.