



MOSMAN OIL AND GAS
LIMITED

ACN 150 287 111

ANNUAL REPORT
30 JUNE 2016

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Company Directory

Directors

John W Barr
Andy R Carroll
John A Young

Company Secretary

Jarrold White

Head Office

C/-Traverse Accountants Pty Ltd
Suite 305 Level 3, 35 Lime Street
Sydney NSW Australia NSW 2000

Registered Office

C/-Traverse Accountants Pty Ltd
Suite 305 Level 3, 35 Lime Street
Sydney NSW Australia NSW 2000

Stock Exchange

AIM Market of the London
Stock Exchange plc (AIM)
Stock Symbol: LON: MSMN

Auditors

Greenwich & Audit Co Pty Ltd - Chartered
Accountants

Nominated Adviser & Broker

SP Angel Corporate Finance LLP

Registrars

In Australia:
Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth Western Australia 6000

In the UK:
Computershare Investor Services plc
The Pavilions
Bridgewater Road
Bristol BS99 6ZY

Company Website

www.mosmanoilandgas.com.au

Bankers

In Australia:
National Australia Bank

In New Zealand:
Bank of New Zealand

Lawyers

As to English law
Ronaldsons LLP

As to New Zealand law
Graeme Alexander

As to Australian law
DLA Piper

Chairman's Letter

Overview of the financial year ending 30 June 2016

Mosman recognised early that the fall in oil price would have a serious effect on global markets and adjusted the business model accordingly by pursuing production in priority to exploration.

The company has been successful in reducing operational and corporate costs overall as it looks to reposition into new projects and explore existing permits.

After reviewing a number of opportunities Mosman identified the South Taranaki Energy Project in New Zealand (the "STEP transaction"). A conditional Sales and Purchase Agreement was executed in September 2015, and for the following few months all focus was dedicated to proceeding with the acquisition.

The decision to acquire was made when the relevant oil price (Brent) was over USD50/bbl. The Company recognised the financial risk of a further fall in the oil price, and included in the contract a termination clause in the event the oil price went below USD 40/bbl for over 30 days. Most unfortunately, Brent Oil subsequently fell below USD 30/bbl. The Board reluctantly decided that whilst the long term potential was attractive, the forecast short term negative cash flow was not manageable and the acquisition was cancelled in January 2016.

The cancellation of the STEP transaction led to an immediate review of all expenditure and exploration activity. The Company took steps to manage staff and consultancy costs; all exploration permits were appraised; and all overhead costs were critically reviewed resulting in cost savings.

Actions taken at that time have ensured the survival of the Company, and those actions and subsequent investments have maintained the Company's cash and investment position.

Importantly, strategic and focussed exploration work on existing permits has continued, and in that respect over \$630,705 was spent on exploration over the financial year.

Post Year End Events

The Board recognises that this is only part of the necessary action needed; and the search for sound production assets has continued.

The company has since made two strategic investments. In May 2016 the Company made an investment of CAD\$400,000 in the TSX.V listed GEM International Resource Inc. (GEM.) which was shortly followed by a further CAD \$380,000 cash investment in the TSX.V listed Hemisphere Energy Corporation. (HME) in July 2016.

As part of the rationalisation of permits Mosman withdrew from its interest in the Officer Basin application. The contract arrangement allowed the Company to buy back and cancel the shares issued as consideration for that asset, and this share buyback was approved by Shareholders resulting in the cancellation of 9 million shares at a cost of \$1.

On 9 November 2016 the Company announced the proposed acquisition of an 80 per cent interest in the Pine Mills producing oil field located in Wood County, Texas, USA together with the acquisition of Buccaneer Operating LLC, the operating company for the Pine Mills oil field ("Buccaneer" or the "Operator"), 12 acres of freehold land and a workover rig (collectively the "Asset" or "Acquisition") from Cue Energy Resources Limited (ASX:CUE) ("Cue").

The purchase and sale agreement included notice of a 20 day pre-emptive rights period that commences when the Vendor gives notice to the remaining 20 per cent working interest holders. Acquisition was conditional on standard settlement issues that included the 20 day pre-emptive rights period, joint venture approvals as required, and verification of certain Vendor due diligence information identified by Mosman's due diligence undertaken.

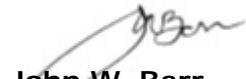
On 29 November 2016 Mosman was advised by Cue that it will not close the acquisition with Mosman as the pre-emptive right had been exercised.

The matter has been referred to Mosman's lawyers who at the date of this report are currently reviewing the contractual validity of the purported pre-emption.

Outlook

The future is not yet radiant and life for junior oil and gas companies is still challenging; but we continue to look forward to 2017 with cautious optimism.

Yours Truly,



John W. Barr
Executive Chairman
2 December 2016

Directors' Report

Your Directors provide their report as to the results and state of affairs of the Group, being the Company and its controlled and associated entities, for the year ended 30 June 2016. Please note that all amounts quoted are Australian Dollars, unless otherwise stated.

Operations Overview

Summary of Current Oil & Gas Permits

Asset	Mosman Interest	Status	Licence Expiry Date	Area Square Kilometers
New Zealand, Petroleum Creek (PEP 38526)	100%	Exploration	4 September 2017	143
New Zealand, Taramakau (PEP 57067)	100%	Exploration	31 March 2025	990
New Zealand, Murchison (PEP 57068)	100%	Exploration	31 March 2025	517
Australia, Amadeus Basin (EP 145)	100%	Exploration	15 August 2019	818
Australia, Amadeus Basin (EP(A)155)	100%	Application	N/A	378
Australia, Amadeus Basin (EP 156)	100%	Exploration	6 November 2018	4,164

During the year \$1,293,295 was spent on exploration of existing permits or on the South Taranaki Energy Project. The South Taranaki Energy Project did not proceed; and as part of cost rationalization efforts permits at the Otway Basin, Officer Basin and Canning basin were either relinquished or the Group withdrew from the relevant Joint Venture participation. This resulted in all relevant costs for those ventures being expensed.

Mosman has endeavored to rationalise costs where possible, and satisfy work obligations on existing permits. Several acquisitions were considered on the basis that in the current oil price environment buying existing production may be a logical step in comparison to higher risk exploration of existing permits.

Murchison Permit, South Island New Zealand (100%)

In 2015 SRK Consulting (Australasia) Pty Ltd ("SRK"), estimated Tight Gas and Oil Prospective Resources for the mapped northern part of Murchison PEP 57068 block as set out below;

Unconventional Tight Gas		P90	P50	MEAN	P10
Prospective Resources	Recoverable Gas (Bcf)	9,543	13,271	13,695	18,546
	Recoverable Oil (MMbbl)	148	159	164	196

SRK has also estimated the conventional oil prospective resources at the Te Wiriki Prospect, summary details of which are in Table 2:

Table 2: Estimated Prospective Oil Resources for the Te Wiriki Anticline

	P90	MODE	P50	MEAN	P10
Prospective Oil Resources (MMbbl Recoverable)	0.06	0.03	0.40	1.13	2.92

Prospective Resources on the Te Wiriki Prospect are for the full structure; approximately 34% of the lowest part of the fault dependent closure extends beyond the block held by Mosman.

On the Murchison Permit after several weather delays, the LIDAR survey was completed in July 2016.

Currently the data obtained is being analyzed and interpreted, and the geological model updated.

Current estimates are to drill in the first quarter of 2017, however the final decision is dependent on many factors including rig availability, appropriate financing and securing approvals. The potential of a joint venture at Murchison has been considered, however to date no realistic offers have been received.

Petroleum Creek Permit, South Island New Zealand (100%)

SRK has reported previously on this project as set out below;

Prospective Resources

	Unrisked OIIP mmstb				Unrisked Recoverable Oil mmstb			
	P90	P50	Mean	P10	P90	P50	Mean	P10
New	32.0	114.5	334.2	466.7	4.7	16.1	27.3	61.5
Old	30.0	98.9	217.9	396.1	4.8	15.6	26.6	59.2

Contingent Resources

Crestal-1

	OIIP Estimate (Barrels)				Contingent Oil Resource Estimate (Barrels)			
	P90	P50	Mean	P10	P90	P50	Mean	P10
Lower 8 Mile	10,552	67,069	190,482	426,309	1,572	9,485	22,480	57,215
Cobden	6,421	32,387	72,017	163,365	1,305	6,272	12,236	30,147
Total	16,973	99,456	262,499	589,674	2,877	15,757	34,716	87,362

Cross Roads-1

	OIIP Estimate (Barrels)				Contingent Oil Resource Estimate (Barrels)			
	P90	P50	Mean	P10	P90	P50	Mean	P10
Lower 8 Mile	5,672	41,071	135,822	297,376	850	5,808	15,460	39,713
Cobden	3,068	15,362	33,910	76,914	623	2,975	5,770	14,197
Total	8,740	56,433	169,732	374,290	1,473	8,783	21,230	53,910

Mosman continues planning the timing of the plug and abandonment of the three wells drilled on the Petroleum Creek permit in 2014. A final technical report on prospectivity will be prepared from which further activity may be scheduled when other nearby wells are abandoned to minimise cost.

Taramakau Permit, South Island New Zealand (100%)

The Taramakau permit surrounds Petroleum Creek and shares similar geological characteristics, and similar prospective play types.

EP 145, EP 156 and EPA 155 (Application), Northern Territory, Australia (100%)

The Northern Territory Government announced a gas pipeline connection from the existing NT pipelines to the gas market in Eastern Australia, which is stimulating acquisitions and gas exploration. The proposed pipeline is progressing with selection of a route and a pipeline company to build the pipeline.

In this context, EP 145 is well placed, adjacent to adjacent to the Mereenie producing oil and gas field. Further exploration, including geological fieldwork to evaluate the prospectivity will commence from Q4 2016, following the receipt of government approval on 13 October 2016.

Within EP156, an airborne magnetic survey is scheduled to occur in Q4 2016. At the date of writing the contract has been awarded and the survey being completed.

The third permit area, EPA 155, is adjacent to an existing oil field, but is currently in native title moratorium. Discussions were continuing with Central Land Council (CLC) regarding an on-site meeting to discuss land access, however very recently the key CLC staff member has resigned and no progress is now expected until calendar year 2017.

Corporate Information

Mosman is an Australian public company (hereafter referred to as "Mosman" or "the Company").

At 30 June 2016, Mosman has five wholly owned Subsidiaries:

1. Mosman Oil & Gas Limited (a New Zealand incorporated company);
2. Petroleum Portfolio Pty Limited (an Australian incorporated company) (PPPL);
3. Mosman Oil and Gas (NZ) Limited (a New Zealand incorporated company);
4. OilCo Pty Ltd; and
5. Trident Energy Pty Ltd.

Details of these Controlled Entities and an Associated Entity are contained in Notes 22 and 23 to the Financial Statements.

Directors

The names of the Directors of the Company in office during the year and as at the date of this report are as follows:

John W Barr Executive Chairman (since Incorporation)
Andy R Carroll Technical Director (appointed 2013)
John A Young Non-Executive Director (since Incorporation)

Directors Meetings

The number of meetings held and number of meetings attended by each of the directors of the Company during the financial period are:

Director	Number of meetings held during the time the director held office	Number of meetings attended
J W Barr	12	12
A R Carroll	12	12
J A Young	12	12

Principal Activities

The principal activities of the Company during the financial year were exploring its prospective resource projects in Australia and New Zealand, and evaluating potential production assets for acquisition. Considerable time was also devoted to all aspects of the STEP project which eventually led to its termination and abandonment.

Corporate Financial Position

As at 30 June 2016 the Company had current assets of \$4,398,773 (2015: \$1,507,617).

Results of Operations

The net loss of the Company for the year ended 30 June 2016 was \$4,894,765 (2015: \$3,389,301) was principally as a result of STEP costs (\$1,293,295; 2015: \$0), non-cash impairment of projects as the company withdrew from offshore exploration (\$1,456,942; 2015: \$112,728), a negative foreign exchange environment ((\$300,854); 2015: 20,541) and other active business development activities.

The company has been successful in reducing operational and corporate costs overall as it looks to reposition into new projects.

Future Developments, Prospects and Business Strategies

The Company proposes to continue its current focus, particularly in respect to New Zealand and Australia. Subsequent to balance date the Company's investment horizon has expanded to include investments in two companies and very recently and more materially executing an agreement subsequent to balance date to acquire an operating oil field in Texas, USA.

During this transition the company will continue to evaluate projects with near term upside. The transactions progressed subsequent to balance date are demonstrative of this commitment.

Significant Changes

In the opinion of the Directors there were no other significant changes in the state of affairs of the Company that occurred during the financial year under review.

Events Subsequent to the End of the Financial Period

Material transactions arising since 30 June 2016 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:

Investment in Gem International Resource Inc. (TSX.V GEM)

In May 2016 Note 6 the Company made a cash investment of CAD\$400,000 in the TSX.V listed GEM International Resource Inc. (GEM.) In July 2016 the Company was allotted 8 million shares at CAD 5 cents and 8 million two year CAD 15 cents non-transferrable options.

Investment in Hemisphere Energy Corporation (TSX.V HME)

In July 2016 the Company made a CAD\$380,000 (AUD 394,000) cash investment in the TSX.V listed Hemisphere Energy Corporation. (HME), subscribing for two million shares at a price of CAD 19 cents per share.

General Meeting Held – 2 August 2016

On 2 August 2016 The Company held a General meeting of shareholders. The meeting was held as a result of the Company's withdrawal 25% interest in the Officer Basin application, which occurred in January 2016.

All resolutions put forward to shareholders were passed which resulted in the cancellation of 9,000,000 ordinary shares held by Director Mr A Carroll as part of a selective buyback.

At the date of this report the Company has 206,591,008 ordinary shares of no par value each in issue.

Acquisition of producing oil asset in USA

On 9 November 2016 the Company announced the proposed acquisition of an 80 per cent interest in the Pine Mills producing oil field located in Wood County, Texas, USA together with the acquisition of Buccaneer Operating LLC, the operating company for the Pine Mills oil field ("Buccaneer" or the "Operator"), 12 acres of freehold land and a workover rig (collectively the "Asset" or "Acquisition") from Cue Energy Resources Limited (ASX:CUE) ("Cue").

The purchase and sale agreement included notice of a 20 day pre-emptive rights period that commences when the Vendor gives notice to the remaining 20 per cent working interest holders. Acquisition was conditional on standard settlement issues that included the 20 day pre-emptive rights period, joint venture approvals as required, and verification of certain Vendor due diligence information identified by Mosman's due diligence undertaken.

On 29 November 2016 Mosman was advised by Cue that it will not close the acquisition with Mosman as the pre-emptive right had been exercised.

The matter has been referred to Mosman's lawyers who at the date of this report are currently reviewing the contractual validity of the purported pre-emption.

There were no other events subsequent to balance date.

Dividends

No amounts were paid by way of dividends since the end of the previous financial period and the Directors do not recommend a payment of a dividend.

Environmental Regulations

The Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the company.

Information on Directors

Director	Qualifications, experience & special responsibilities
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J W Barr	CA FAICD Executive Chairman
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Mr. John W Barr is a Chartered Accountant and Fellow of the Australian Institute of Company Directors and has acted as Director of listed and unlisted companies for over thirty years. He has extensive Australian and international experience with exposure to manufacturing, mining and mineral exploration and development in respect to several commodities.

Mr. Barr specializes in the management of private and public companies including advice on capital raisings, mergers and acquisitions, negotiating onshore and offshore acquisitions and joint ventures, negotiating commodity based funding, and compliance with corporate and stock exchange requirements.

A R Carroll	MA, BA Technical Director
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Mr. Carroll has over 30 years of oil industry experience, from permit applications and initial exploration operations including drilling, to development, production and marketing of oil and gas. Initially worked at BP and led the E&P division of InterOil Corporation from applying for Permits to discovery of a new petroleum system in Papua New Guinea (PNG) that is now being developed for LNG exports.

International experience includes UK, Canada, Australia, NZ and PNG. Currently founder and Managing Director of Australasian Energy Pty Ltd and Director of ASX listed High Peak Royalties Ltd. Previous roles include Executive Chairman of Ausam Resources and Managing Director of ASX listed Great Artesian Oil and Gas.

J A Young	B App Sc (Geol), Grad Dip Tech Management, MAUSIMM Non-Executive Director
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Mr. Young is a geologist with 25 years' experience in resource project management and corporate management. He is a Member of the Australian Institute of Mining and Metallurgy and has worked on a wide variety of mineral and resource projects throughout Australia and overseas. In addition, Mr. Young has held senior management and operational positions. He is currently the Technical Director of Pilbara Minerals Limited an exploration company listed on the ASX.

J T White	Bachelor of Business, CA & CTA Company Secretary & Chief Financial Officer
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Mr. White is a Chartered Accountant and founding Director of Traverse Accountants Pty Ltd, a Corporate Advisory and Chartered Accounting Firm. In conjunction with his Corporate Advisory roles at Traverse Mr. White has been appointed Company Secretary and Chief Financial Officer of several other listed entities that operate on the Australian Stock Exchange and has a sound knowledge of corporate governance and compliance. Jarrod has also been an advisor to a wide range of capital raisings, IPO's and reverse takeover transactions and has a focus on working with growing Companies in the exploration, technology and biotech space.

Indemnification and Insurance of Officers

During the period, the Company participated in Deeds of Indemnity, Insurance and Access with officers of the Company.

REMUNERATION REPORT

1. Principles of Remuneration

This report details the amount and nature of remuneration of each Key Management Person ('KMP') of the Company. The KMP have authority and responsibility for planning and controlling the activities of the Company.

Board Members' Remuneration Policy

The remuneration policy is to provide a fixed directors fee component (non-executive Directors receive an annual fee, of \$30,000, and the Chairman receives an annual fee of \$60,000); and a consulting fee component based on actual days worked. The Board believes that this remuneration policy is appropriate given the stage of development of the Company and the activities which it undertakes and is appropriate in aligning director objectives with shareholder and business objectives.

2. Board of Director's Remuneration Arrangements

At Admission the Board established a Remuneration Committee responsible for making recommendations to the Board on remuneration arrangements for Directors and executives of the Company.

- J W Barr – Executive Chairman – All fees have been paid to Kensington Advisory Services Pty Ltd.
- A R Carroll – Technical Director – All fees have been paid to Australasian Energy Pty Ltd.
- J A Young – Non-Executive Director – All fees have been paid to Metallon Resources Pty Ltd.
- J T White – Company Secretary – All fees have been paid to Traverse Accountants Pty Ltd.

KMP Fees and Consulting Fees Paid	Year to 30 June 2016	Year to 30 June 2015
J W Barr – Executive Chairman	\$295,000 ¹	\$262,500
A R Carroll – Technical Director	\$346,000 ^{2,3}	\$419,818
J A Young – Non-Executive Director	\$30,000 ⁴	\$60,529
Z R Lewis – Company Secretary	3,411 ⁵	\$153,792
J T White – Company Secretary	\$114,605 ⁶	\$53,800
Totals	\$789,016	\$950,439

1. Directors fees of \$60,000 and consulting fees of \$235,000 were paid and payable to Kensington Advisory Services Pty Ltd;
2. Director fees of \$30,000 and consulting fees of \$316,000 were paid and payable to Australasian Energy Pty Ltd;
3. Fees paid to AR Carroll include an amount of \$196,000 for consulting services provided during the STEP transaction which took place in the first half of the 2016 year. Mr. Carroll's services were utilised rather than external operators.
4. Directors fees of \$30,000 were paid to Metallon Resources Pty Ltd;
5. Mr Z R Lewis resigned as Company Secretary on the 24th of July 2015 and was remunerated to that date;
6. CFO, Company Secretary and Consulting Fees totaling \$114,605 were paid and payable to J T White's accounting firm, Traverse Accountants Pty Ltd.

Options

No options were issued to Directors during the financial year ending 30 June 2016.

There is no direct link between remuneration paid to any of the KMP and corporate performance such as bonus payments for achievements of key performance indicators.

Service Agreements

The Executive Chairman, Mr. John W Barr

J W Barr is employed under a contract for services with Kensington Advisory Services Pty Ltd. The Agreement commenced on 16 January 2015.

Under the terms of the present contract:

- Mr Barr's services as an executive are contracted pursuant to an agreement between Mosman and Mr Barr's nominee, Kensington Advisory Services Pty Ltd (Kensington) dated 16 January 2015;
- Mosman or Kensington may terminate the agreement for any reason by providing six months written notice to the other;
- In accordance with that agreement, Mr Barr must provide a minimum of 12 days per month of service to Mosman for a retainer of A\$15,000 per month. In addition, if required, additional services will be provided at a daily rate of A\$1,250 per day.

The Technical Director, Mr. Andrew R Carroll

A R Carroll is employed under a contract for services with Australasian Energy Pty Ltd. The Agreement commenced on 19 Jan 2015.

Under the terms of the present contract:

- Mr Carroll's services as an executive are contracted pursuant to an agreement between Mosman and Mr Carroll's nominee, Australasian Energy Pty Ltd (Australasian Energy) dated 19 January 2015;
- Mosman or Australasian Energy may terminate the agreement for any reason by providing six months written notice to the other;
- In accordance with that agreement, Mr Carroll must provide a minimum of five days per month of service to Mosman for a retainer of A\$10,000 per month. In addition, if required, additional services will be provided at a daily rate of A\$2,000 per day.

The Non-Executive Director, Mr. John A Young

J A Young is employed under a contract for services with Metallon Resources Pty Ltd.

Under the terms of the present contract:

- Mr. Young provides consultancy services to Mosman pursuant to a consultancy agreement between the Company, Mr. Young's nominee, Metallon Resources Pty Ltd (Metallon), and Mr. Young dated 25 May 2014'
- In accordance with that agreement, Mr. Young will be paid for services as a Director by retainer of \$30,000 per annum, and where required up to eight days per month of service to the Company for a retainer of \$100 per hour to a maximum of \$1,000 per day. Throughout the 2016 year Mr Young provided no additional services to his retainer as a Director;
- This agreement commenced on 1 June 2014 and continues until terminated by either Mosman or Metallon by giving not less than 3 months written notice.

The Company Secretary, Mr. Jarrod T White

J T White is employed under a contract for services with Traverse Accountants Pty Ltd.

Under the terms of the contract:

- Mr. White's provides services to Mosman are pursuant to a consultancy agreement between the Company and Mr White's nominee, Traverse Accountants Pty Ltd. In accordance with the engagement, Mr. White provides Company Secretarial and CFO services for a fee of \$3,750 and \$750 per month respectively and any additional amounts are invoiced on a time cost basis.

Board of Directors' Dealings in Company Securities

As more fully disclosed in the Financial Statements (Note 11 – Contributed Equity), at 30 June, 2016, the Company had issued 215,591,008 Ordinary Shares (as at the date of this report the Company had on issue 206,591,008 Ordinary Shares) (2015 – 122,578,066). The Directors (and their related entities) owned the following shares and options of the Company as at 30 June, 2016, representing 10.52% of the undiluted issued capital of Mosman at that:

Director	Title	Directors' Interest in Ordinary Shares	Company Ownership	Directors' Interest in Unlisted Options
John W Barr	Executive Chairman	10,450,001	4.85%	1,500,000 ¹
Andrew R Carroll	Technical Director	11,076,500*	5.14%	2,500,000 ²
John A Young	Non-Executive Director	1,150,000	0.53%	500,000 ³
Total Director Holdings		22,676,501	10.52%	4,500,000

1. Comprises of:
 - a. 1,000,000 Mosman Options with an exercise price of \$0.15 and an expiry date of 13 January 2019 issued in the 2014 financial year; and
 - b. 500,000 Mosman Options with an exercise price of \$0.58 and an expiry date of 28 November 2017.
2. Comprises of:
 - a. 1,000,000 Mosman Options with an exercise price of \$0.15 and an expiry date of 13 January 2019 issued in the 2014 financial year; and
 - b. 1,500,000 Mosman Options with an exercise price of \$0.58 and an expiry date of 28 November 2017.
3. Comprises of:
 - a. 500,000 Mosman Options having an exercise price of \$0.58 and an expiry date of 28 November 2017.

* subsequently reduced to 2,076,500 shares following EGM on 2 August 2016.

At the date of this report, the Company had issued 206,591,008 shares and so the Board's ownership of the Company has been reduced to 6.62% from 10.52% at 30 June 2016.

Mosman Locked-In Shares

At the date of this report, no shares held by directors or key management personnel are escrowed.

KMP Share Holdings

ORDINARY SHARES	30 June 2015 Balance	Issued on Exercise of Options during the Year	Other Changes during the Year	30 June 2016 Balance
Mr J W Barr	10,450,001	-	-	10,450,001
Mr A Carroll	11,076,500	-	-	11,076,500
Mr J Young	1,150,000	-	-	1,150,000
Mr J White	-	-	-	-
Totals	22,676,501	-	-	22,676,501

ORDINARY SHARES	30 June 2014 Balance	Issued on Exercise of Options during the Year	Other Changes during the Year	30 June 2015 Balance
Mr J W Barr	10,100,001	-	350,000	10,450,001
Mr A Carroll	10,850,000	-	226,500	11,076,500
Mr J Young	1,150,000	-	-	1,150,000
Mr Z Lewis	441,875	-	(441,874)	1
Mr J White	-	-	-	-
Totals	22,541,876	-	134,626	22,676,502

KMP Option Holdings

The number of **options** in Mosman Oil and Gas Limited held by each KMP of the Group during the financial year is as follows:

OPTIONS	30 June 2015 Balance	Granted as Remuneration during the Year	Exercised during the Year	Options lapsed during the year	30 June 2016 Balance	Vested and Exercisable
Mr J W Barr	2,500,000	-	-	(1,000,000)	1,500,000	1,500,000
Mr A Carroll	2,500,000	-	-	-	2,500,000	2,500,000
Mr J Young	1,500,000	-	-	(1,000,000)	500,000	500,000
Mr J White	-	-	-	-	-	-
Totals	6,500,000	-	-	(2,000,000)	4,500,000	4,500,000

OPTIONS	30 June 2014 Balance	Granted as Remuneration during the Year	Exercised during the Year	Options lapsed during the year	30 June 2015 Balance	Vested and Exercisable
Mr J W Barr	2,000,000	500,000	-	-	2,500,000	2,500,000
Mr A Carroll	1,000,000	1,500,000	-	-	2,500,000	2,500,000
Mr J Young	1,000,000	500,000	-	-	1,500,000	1,500,000
Mr Z Lewis	400,000	200,000	-	(80,000)	520,000	520,000
Mr J White	-	-	-	-	-	-
Totals	4,400,000	2,700,000	-	(80,000)	7,020,000	7,020,000

Options

As of the date of signing this report, unissued ordinary shares of the Company under option were:

Grant Date	Number of Options on Issue	Exercise Price	Expiry Date
15 January 2014	3,200,000	15 cents each	13 January 2019
20 March 2014	859,372	8 Great British Pence	20 March 2019
28 November 2014	3,800,000	58 cents each	28 November 2017
Total Unlisted Options	7,859,372		

The above options represent unissued ordinary shares of the Company under option as at the date of this report. These unlisted options do not entitle the holder to participate in any share issue of the Company. The holders of unlisted options are not entitled to any voting rights until the options are exercised into ordinary shares.

Since 30 June 2016 and up until the date of this report, no options have been exercised.

No person entitled to exercise any option has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

Warrants

As of the date of signing this report, unissued ordinary shares of the Company under option were:

Grant Date	Number of Warrants on Issue	Exercise Price	Expiry Date
30 October 2015	18,411,233	5 Great British Pence	30 October 2020
Total Unlisted Warrants	18,411,233		

Amounts Outstanding from Related Parties

Petroleum Creek Limited

At 30 June 2016 the Company's 100% owned subsidiary, Petroleum Creek Limited (PCL), owed Mosman Oil and Gas Limited \$7,660,930 (2015: \$6,440,398). The Company has executed a Loan Agreement with PCL covering amounts up to \$2,000,000 bearing interest at 7% pa and secured by a Fixed and Floating charge over the assets of PCL, as registered with the NZ Ministry of Economic Development Companies Office on 17 April, 2014.

Mosman Oil and Gas (NZ) Limited

At 30 June 2016 the Company's 100% owned subsidiary, Mosman Oil and Gas (NZ) Limited, owed Mosman Oil and Gas Limited \$169,128 (2015: \$95,803).

Trident Energy Pty Ltd

At 30 June 2016 the Company's 100% owned subsidiary, Trident Energy Pty Ltd, owed Mosman Oil and Gas Limited \$2,453,911 (2015: \$2,148,655).

OilCo Pty Ltd

At 30 June 2016 the Company's 100% owned subsidiary, OilCo Pty Ltd (OilCo), owed Mosman Oil and Gas Limited \$607,878 (2015: \$497,641).

Other Related Party Transactions

Since the last financial year, no director of the Company has received or become entitled to receive a benefit included (other than a benefit in the aggregated amount of emoluments, received or due and receivable by directors shown in the accounts) by reason of a contract made by the Company with the director or with a firm of which he is a member, or with an entity in which he has a substantial financial interest

Non Audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

No fees were paid or payable to Greenwich & Co Audit Pty Ltd (2015: Somes Cooke) for non-audit services provided during the year ended 30 June 2016:

	2016	2015
	\$	\$
Taxation services	-	2,000
Professional services ¹	=	<u>3,900</u>
Total Non-Audit Fees	=	<u>5,900</u>

Proceedings On Behalf Of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of the proceedings.

The Company was not party to any such proceeding during the year.

Auditor Independence Declaration

The auditor's independence declaration as required under s307c of the Corp Act 2001 is included in the financial report and forms part of the financial report for the financial year ended 30 June 2016.

Signed in accordance with a resolution of the Directors.


John W. Barr
Executive Chairman
2 December 2016

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE

The Company will not be subject to the UK Corporate Governance Code applicable to companies listed on the Official List of the London Stock Exchange plc. The Company does, however, in so far as is practicable, given the size and nature of the Company and the constitution of the Board, to comply with the QCA Corporate Governance Code for Small and Mid-size Quoted Companies (the "QCA Code") as published by the Quoted Companies Alliance (the "QCA").

The Company has made the necessary disclosures to comply with the QCA Code and the Company's annual corporate governance statement has set out how it achieves good governance and the challenges it faces in so doing.

The QCA Code was devised by the QCA, in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies. An alternative code was proposed because the QCA considered the UK Corporate Governance Code to be inappropriate to many AIM companies.

The QCA Code sets out a code of best practice for AIM companies. Those principles are discussed below:

Setting out the Vision and Strategy

The Board should express a shared view of the Company's vision and strategy.

For details on the Company's objectives, please refer to the Company's website (<http://mosmanoilandgas.com/company-overview>.)

Managing and Communication Risk and Implementing Internal Control

The Board is responsible for putting in place and communicating a sound system to manage risk and implement.

Management determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Company's process of risk management and internal compliance and control includes:

- (a) establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- (b) continuously identifying and reacting to risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- (c) formulating risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and internal controls; and
- (d) monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an ongoing assessment of the effectiveness of risk management and internal compliance and control.

Within the identified risk profile of the Company, comprehensive practices are in place that are directed towards achieving the following objectives:

- (a) effectiveness and efficiency in the use of the Company's resources;
- (b) compliance with applicable laws and regulations; and
- (c) preparation of reliable published financial information.

The Board oversees an ongoing assessment of the effectiveness of risk management and internal compliance and control.

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required by the Board to report back on the efficiency and effectiveness of risk management, inter alia, by benchmarking the Company's performance against industry standards.

The risk profile of the Company contains both financial and non-financial factors including material risks arising from pricing, competitive position, currency movements, operational efficiency, fuel prices, ground water flows, reserve recovery, investments in new projects. To mitigate these risks, the Company has in place a broad range of risk management policies and procedures including specialised sales contracts, competent management in all disciplines, a comprehensive management information system, an experienced Board, regular Board meetings, financial and internal audits, rigorous appraisal of new investments, advisers familiar with the Company and an internal audit function.

Management is responsible for the ongoing management of risk with standing instructions to appraise the Board of changing circumstances within the Company and within the international business environment.

This policy is reviewed every two years.

Articulating Strategy through Corporate Communication and Investor Relations

A healthy dialogue should exist between the board and shareholders to enable shareholders to come to informed disclosures decisions about the company.

The Company recognises the value of providing current and relevant information to its shareholders. The CEO and Company Secretary have the primary responsibility for communication with shareholders.

Information is communicated to shareholders through:

- (a) continuous disclosure to relevant stock markets of all material information;
- (b) periodic disclosure through the annual report (or concise annual report), half year financial report and quarterly reporting of exploration, production and corporate activities (if required);
- (c) notices of meetings and explanatory material;
- (d) the annual general meeting;
- (e) periodic newsletters or letters from the Chairman or CEO; and
- (f) the Company's web-site.

The Company is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market.

Meeting the Needs and Objectives of Shareholders

Directors should develop a good understanding of the needs and expectations of the Company's shareholders, as well as the motivations behind shareholder voting decisions.

The Company strives to maintain an opening line of communication with Shareholders at all times. Detailed corporate directory, directory of Directors and Management, as well and current and historical notices to shareholders are available on the Company's website.

The Company recognises the rights of shareholders and encourages the effective exercise of those rights through the following means:

- (a) notices of meetings are distributed to shareholders in accordance with the provisions of the Corporations Act;
- (b) notices of meeting and other meeting material are drafted in concise and clear language;
- (c) shareholders are encouraged to use their attendance at meetings to ask questions on any relevant matter, with time being specifically set aside for shareholder questions;
- (d) notices of meetings encourage participation in voting on proposed resolutions by lodgement of proxies, if shareholders are unable to attend the meeting;
- (e) it is general practice for a presentation on the Company's activities to be made to shareholders at each annual general meeting; and
- (f) it is both the Company's policy and the policy of the Company's auditor for the lead engagement partner to be present at the annual general meeting and to answer any questions regarding the conduct of the audit and the preparation and content of the auditors' report.

This policy is reviewed annually.

Meeting Stakeholder and Social Responsibilities

Good governance includes the Board considering the Company's impact on society, the community and the environment.

The Board recognises that the primary stakeholders in the Company are its shareholders. Other legitimate stakeholders in the Company include employees, potential customers and the general community.

The Company's primary objective is to create shareholder wealth through capital growth and dividends by the continued development and commercialisation of its assets.

The Company is committed to conducting all its operations in a manner which:

- (a) protects the health and safety of all Employees, contractors and community members;
- (b) recognises, values and rewards the individual contribution of each employee;
- (c) achieves a balance between economic development, maintenance of the environment and social responsibility;
- (d) maintains good relationships with suppliers and the local community; and
- (e) is honest, lawful and moral.

All Employees (including directors) are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

This policy is reviewed annually.

Using Cost Effective and Value Added Arrangements

The Board periodically reviews its corporate governance policies to ensure its governance arrangements allows for clear and efficient decision making processes.

The risk management processes outlined above highlights the key risks faced by the Company and facilitates a clear understanding of how value is enhanced and abuses prevented through the governance policies and processes.

Developing Structures and Processes

The Board's corporate governance policies helps ensure that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, and internal control processes are in place and functioning appropriately.

These processes are regularly implemented at the Meetings of Directors as set out in the Directors' Report and are updated as necessary based on:

- Corporate Culture;
- Size;
- The capacity and appetite for risk and the tolerances of the company; and
- Business complexity.

Being Responsible and Accountable

Responsibility for corporate governance lies with the Chairman and the Board has a collective responsibility and legal obligation to promote the long term success of the Company.

Role of the Board and Management

The Board's primary role is the protection and enhancement of medium to long term shareholder value. To fulfil this role, the Board is responsible for the overall Corporate Governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Board has sole responsibility for the following:

- Appointing and removing executive directors and approving their remuneration;
- Appointing and removing the Company Secretary and approving their remuneration;
- Determining the strategic direction of the Company and measuring performance of management against approved strategies;
- Reviewing the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating and capital expenditure budgets at the commencement of each financial period and monitoring the progress by both financial and non-financial key performance indicators;
- Monitoring the Company's medium term capital and cash flow requirements;
- Approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- Determining that satisfactory arrangements are in place for auditing the Company's financial affairs;
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- Ensuring that policies and compliance systems consistent with the Company's objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board's role and the Company's corporate governance practices are being continually reviewed and improved as the Company's business develops.

Having Balance on the Board

The Board consists of two Executive Directors, being John W Barr, the Executive Chairman, and Andrew Carroll, the Technical Director, and one non-executive Director being John A Young. Major corporate decisions of the Company are subject to Board approval.

The Company's Constitution provides that the number of Directors shall not be less than three and not more than ten. There is no requirement for any shareholding qualification.

The Board considers that J A Young is an Independent Director of the Company.

Details of the directors, including their qualifications, experience and date of appointment are set out in the Directors' Report.

An audit committee, comprising John W Barr and John A. Young has been established to operate with effect from Admission. The audit committee will determine the application of financial reporting and internal control principles, including reviewing the effectiveness of the Group's financial reporting, internal control and risk management procedures and the scope, quality and results of the external audit. The audit committee will be chaired by John W Barr.

At Admission the Board established a Remuneration Committee responsible for making recommendations to the Board on remuneration arrangements for Directors and executives of the Company. It will review the performance of the Executive Directors and will set their remuneration, determine the payment of bonuses to Executive Directors and consider bonus and option schemes. Each of the Executive Directors will take no part in discussions concerning their own remuneration. The remuneration of all Directors will be reviewed by the Board. The remuneration committee will be chaired by John A. Young.

Evaluation Board Performance and Development

As part of the annual review of the performance of the Board, the appropriate size, composition and terms and conditions of appointment to and retirement from the Board are considered. The level of remuneration for non-executive directors is considered with regard to practices of other public companies and the aggregate amount of fees approved by shareholders. The Board also reviews the appropriate criteria for Board membership collectively.

The Board has established formal processes to review its own performance and the performance of individual directors and the committees of the Board, annually.

Board

A process has been established to annually review and evaluate the performance of the Board. The annual review includes consideration of the following measures:

- (a) comparison of the performance of the Board against the requirements of the Board charter;
- (b) assessment of the performance of the Board over the previous twelve months having regard to the corporate strategies, operating plans and the annual budget;
- (c) review the Board's interaction with management;
- (d) identification of any particular goals and objectives of the Board for the next year;
- (e) review the type and timing of information provided to the directors; and
- (f) identification of any necessary or desirable improvements to Board or committee charters.

The method and scope of the performance evaluation will be set by the Board and which may include a Board self-assessment checklist to be completed by each director. The Board may also use an independent adviser to assist in the review.

Committees

Similar procedures to those for the Board review are applied to evaluate the performance of each of the Board committees.

An assessment will be made of the performance of each committee against each charter and areas identified where improvements can be made.

Non-executive Directors

The Chairman will have primary responsibility for conducting performance appraisals of non-executive directors in conjunction with them, having particular regard to:

- (a) contribution to Board discussion and function;
- (b) degree of independence including relevance of any conflicts of interest;
- (c) availability for and attendance at Board meetings and other relevant events;

- (d) contribution to Company strategy;
- (e) membership of and contribution to any Board committees; and
- (f) suitability to Board structure and composition.

Where the Chairman, following a performance appraisal, considers that action must be taken in relation to a director's performance, the Chairman must consult with the remainder of the Board regarding whether a director should be counselled to resign, not seek re-election, or in exceptional circumstances, whether a resolution for the removal of a director be put to shareholders.

Senior Executives

The Executive Chairman is responsible for assessing the performance of the key executives within the Company. This is to be performed through a formal process involving a formal meeting with each senior executive. The basis of evaluation of senior executives will be on agreed performance measures.

This policy is reviewed annually.

Providing Information and Support

Each director has the right to seek independent professional advice on matters relating to his position as a director of the Company at the Company's expense, subject to the prior approval of the Chairman, which shall not be unreasonably withheld.

Non-executive directors are provided with access to all information they require and are authorised to engage external advisors as necessary.

Nominated Advisor

In accordance with the AIM Rules for Companies, SP Angel Corporate Finance LLP has been assigned to advise the Board of the Company on an ongoing basis. This role is referred to as the NOMAD, or Nominated Advisor, whose responsibility is to ensure the interests of AIM and the company's shareholders are protected.

Auditor's Independence Declaration

To those charged with governance of Mosman Oil and Gas Limited

As auditor for the audit of Mosman Oil and Gas Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd

Nicholas Hollens

Nicholas Hollens
Managing Director

Perth

2 December 2016

Independent Auditor's Report

To the members of Mosman Oil and Gas Limited

Report on the Financial Report

We have audited the accompanying financial report of Mosman Oil and Gas Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

(a) the financial report of Mosman Oil and Gas Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) The financial statements and notes also comply with *International Financial Reporting Standards* as disclosed in Note 1.

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd

Nicholas Hollens

Nicholas Hollens

Managing Director

2 December 2016

Perth

Consolidated Statement of Profit or Loss and Other Comprehensive Income
Year Ended 30 June 2016
All amounts are in Australian Dollars

	Notes	Consolidated 2016 \$	Consolidated 2015 \$
Interest income		6,623	2,772
Other income		9,923	4,029
Administrative expenses		(322,118)	(644,749)
Corporate expenses		(1,184,225)	(1,739,349)
Exploration expenses		(37,181)	(4,450)
Employee benefits expense		(188,539)	(228,873)
Share based payments expense		-	(646,987)
Gain/(Loss) on foreign exchange		(300,354)	20,443
Depreciation expense		(18,171)	(18,868)
Finance expense		(3,383)	(20,541)
Exploration written off (STEP costs)	2	(1,293,295)	-
Loss on financial assets		(89,674)	-
Impairment expense	2	(1,456,942)	(112,728)
Loans to associated entities forgiven	2	(17,429)	-
Loss from ordinary activities before income tax expense	3	(4,894,765)	(3,389,301)
Income tax expense	3	-	-
Net loss for the year		(4,894,765)	(3,389,301)
Other comprehensive loss			
Items that may be reclassified to profit or loss:			
Exchange differences arising on - translation of foreign operations		523,825	(282,655)
Total comprehensive income attributable to members of the entity		(4,370,940)	(3,671,956)
Basic earnings/(loss) per share (cents per share)	18	(2.53) cents	(3.12) cents
Diluted earnings/(loss) per share (cents per share)	18	(2.53) cents	(3.12) cents

The accompanying notes form part of these financial statements.

**Consolidated Statement of Financial Position
As at 30 June 2016
All amounts are in Australian Dollars**

	Notes	Consolidated 30 June 2016	Consolidated 30 June 2015
		\$	\$
Current Assets			
Cash and cash equivalents	5	3,758,556	1,117,855
Trade and other receivables	6	194,115	346,680
Other assets	7	446,095	43,082
Other financial assets	8	7	-
Total Current Assets		<u>4,398,773</u>	<u>1,507,617</u>
Non-Current Assets			
Other financial assets	8	-	274,806
Property, plant & equipment	9	224,448	222,514
Capitalised oil and gas exploration	10	10,955,203	11,733,041
Total Non-Current Assets		<u>11,179,651</u>	<u>12,230,361</u>
Total Assets		<u>15,578,424</u>	<u>13,737,978</u>
Current Liabilities			
Trade and other payables	11	177,692	619,119
Provisions		11,846	9,307
Total Current Liabilities		<u>189,538</u>	<u>628,426</u>
Net Assets		<u>15,388,886</u>	<u>13,109,552</u>
Shareholders' Equity			
Contributed equity	12	25,235,869	18,585,595
Reserves	13	1,304,610	780,785
Accumulated losses	14	(11,151,593)	(6,256,828)
Total Shareholders' Equity		<u>15,388,886</u>	<u>13,109,552</u>

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity
Year Ended 30 June 2016
All amounts are in Australian Dollars

	Accumulated Losses	Contributed Equity	Reserves	Total \$
	\$	\$	\$	
Balance at 1 July 2014	(2,867,527)	11,972,319	416,453	9,521,245
Comprehensive income				
Loss for the year	(3,389,301)	-	-	(3,389,301)
Other comprehensive income for the year	-	-	(282,655)	(282,655)
Total comprehensive loss for the year	(3,389,301)	-	(282,655)	(3,671,956)
Transactions with owners, in their capacity as owners, and other transfers:				
Shares issued to shareholders	-	7,168,272	-	7,168,272
Capital raising costs	-	(554,996)	-	(554,996)
Options issued	-	-	646,987	646,987
Total transactions with owners and other transfers	-	6,613,276	646,987	7,260,263
Balance at 30 June 2015	(6,256,828)	18,585,595	780,785	13,109,552
Balance at 1 July 2015	(6,256,828)	18,585,595	780,785	13,109,552
Comprehensive income				
Loss for the year	(4,894,765)	-	-	(4,894,765)
Other comprehensive loss for the year	-	-	523,825	523,825
Total comprehensive loss for the year	(4,894,765)	-	523,825	(4,370,940)
Transactions with owners, in their capacity as owners, and other transfers:				
Shares issued to shareholders	-	7,242,293	-	7,242,293
Capital raising costs	-	(592,019)	-	(592,019)
Total transactions with owners and other transfers	-	6,650,274	-	6,650,274
Balance at 30 June 2016	(11,151,593)	25,235,869	1,304,610	15,388,886

These accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows
Year Ended 30 June 2016
All amounts are in Australian Dollars

	Notes	Consolidated 2016 \$	Consolidated 2015 \$
Cash flows from operating activities			
Interest received & other income		16,546	6,800
Payments to suppliers and employees		(2,507,041)	(3,100,575)
Interest paid		(3,383)	(57,104)
Net cash outflow from operating activities	19	(2,493,878)	(3,150,879)
Cash flows from investing activities			
Bonds refunded		45,300	-
Disposal of MEO shares		185,125	-
Payments for property, plant & equipment		(6,304)	(235,938)
Payments for exploration and evaluation		(1,717,319)	(5,784,628)
Payment for Shares in GEM International Limited	7	(423,549)	-
Acquisition of subsidiary (net of cash acquired)		-	35,043
Net cash outflow from investing activities		(1,916,747)	(5,985,523)
Cash flows from financing activities			
Proceeds from shares issued	12	7,242,293	4,519,332
Payments for costs of capital		(592,019)	(554,996)
Net cash inflow from financial activities		6,650,274	3,964,336
Net increase/(decrease) in cash and cash equivalents		2,239,649	(5,172,066)
Exchange rate adjustment		401,052	-
Cash and cash equivalents at the beginning of the financial year		1,117,855	6,289,921
Cash and cash equivalents at the end of the financial year	5	3,758,556	1,117,855

The accompanying notes from part of these financial statements

Notes to the Financial Statements
Year Ended 30 June 2016
All amounts are Australian Dollars

1 Statement of Accounting Policies

The principal accounting policies adopted in preparing the financial report of Mosman Oil and Gas Limited (or "the Company") and Controlled Entities ("Consolidated entity" or "Group"), are stated to assist in a general understanding of the financial report. These policies have been consistently applied to all the years presented, unless otherwise indicated.

Mosman Oil and Gas Limited is a Company limited by shares incorporated and domiciled in Australia.

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. Compliance with Australian Accounting Standards ensures that the financial statements also comply with International Financial Reporting Standards.

The financial report has been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial report was authorised for issue by the Directors on 2 December 2016.

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Mosman Oil and Gas Limited at the end of the reporting period. A controlled entity is any entity over which Mosman Oil and Gas Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. Details of Controlled and Associated entities are contained in Notes 23 and 24 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date

(c) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Critical Accounting Estimates and Judgements

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.

Taxation

Balances disclosed in the financial statements and the notes related to taxation, are based on the best estimates of directors and take into account the financial performance and position of the Group as they pertain to current income tax legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current tax position represents the best estimate, pending assessment by the tax authorities.

Exploration and evaluation assets

The accounting policy for exploration and evaluation expenditure results in expenditure being capitalised for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

This policy requires management to make certain estimates as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that the recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to profit and loss.

(d) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized;

(d) Income Tax (continued)

The carrying amount of deferred income tax assets is reviewed at each balance sheet date reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognized directly in equity are recognized in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(e) Goods and Services Tax

Revenues, expenses and assets are recognized net of the amount of GST except:

- (i) Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognized as part of the cost of acquisition of the asset, or as part of the expense item as applicable;
- (ii) Receivables and payables are stated with the amount of GST included;
- (iii) The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position;
- (iv) Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows; and
- (v) Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(f) Property, Plant and Equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognized either in profit or loss, or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(p) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

(g) Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

(h) Exploration and Evaluation Assets

Mineral exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest and is subject to impairment testing. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

Such costs are expected to be recouped through the successful development and exploitation of the area of interest, or alternatively by its sale; or

Exploration and/or evaluation activities in the area have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active or significant operations in, or in relation to, the area of interest are continuing.

In the event that an area of interest is abandoned accumulated costs carried forward are written off in the year in which that assessment is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Where a resource has been identified and where it is expected that future expenditures will be recovered by future exploitation or sale, the impairment of the exploration and evaluation is written back and transferred to development costs. Once production commences, the accumulated costs for the relevant area of interest are amortized over the life of the area according to the rate of depletion of the economically recoverable reserves.

Costs of site restoration and rehabilitation are recognized when the Company has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be reliably estimated.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Exploration and evaluation assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

(i) Accounts Payable

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(j) Contributed Equity

Issued Capital

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

(k) Earnings Per Share

Basic earnings per share ("EPS") are calculated based upon the net loss divided by the weighted average number of shares. Diluted EPS are calculated as the net loss divided by the weighted average number of shares and dilutive potential shares.

(l) Share-Based Payment Transactions

The Group provides benefits to Directors KMP and consultants of the Group in the form of share-based payment transactions, whereby employees and consultants render services in exchange for shares or rights over shares ("Equity-settled transactions").

The value of equity settled securities is recognised, together with a corresponding increase in equity.

Where the Group acquires some form of interest in an exploration tenement or an exploration area of interest and the consideration comprises share-based payment transactions, the fair value of the assets acquired are measured at grant date. The value is recognised within capitalised mineral exploration and evaluation expenditure, together with a corresponding increase in equity.

(m) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(n) Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework, to identify and analyse the risks faced by the Group. These risks include credit risk, liquidity risk and market risk from the use of financial instruments. The Group has only limited use of financial instruments through its cash holdings being invested in short term interest bearing securities. The Group has no debt, and working capital is maintained at its highest level possible and regularly reviewed by the full board.

(o) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognized when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as a fair value through profit or loss. Transaction costs related to instruments classified as a fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognized where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognized where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognized in profit or loss.

Classification and Subsequent Measurement

i. Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realized and unrealized gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

(o) Financial Instruments (continued)

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost using the effective interest rate method.

iii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortized cost using the effective interest rate method.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost using the effective interest rate method.

vi. Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognized in the income statement.

(p) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(q) Employee Entitlements

Liabilities for wages and salaries, annual leave and other current employee entitlements expected to be settled within 12 months of the reporting date are recognized in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognized when the leave is taken and measured at the rates paid or payable.

Contributions to employee superannuation plans are charged as an expense as the contributions are paid or become payable.

(q) Provisions

Provisions are recognized when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outlay can be reliably measured.

(r) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(s) Revenue and Other Income

Interest revenue is recognized using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

(t) Acquisition of Subsidiary Not Deemed a Business Combination

When an acquisition of assets does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial exemption for deferred tax under AASB 12 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

(u) New standards and interpretations

Account Standard and Interpretation

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. These changes do not materially impact on this financial report.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been adopted early. Adoption would not materially impact on this financial report.

	Consolidated 2016 \$	Consolidated 2015 \$
2 Expenses include:		
Listing and share register maintenance costs	389,471	272,801
MEO bid costs	-	226,125
Trident acquisition related costs	-	82,994
Impairment of exploration and evaluation assets (Note 10)	1,456,942	-
Loans to associated entities forgiven (i)	17,429	-
Exploration written off (Note 10b)	1,293,295	-

(i) Further to the Company's decision to withdraw its 25% interest in the Officer Basin Application the Board made a unanimous decision to write off all loans to APPPL "(Australasian Petroleum Portfolio Pty Ltd)" (Refer to Note 24 for associated entities)

3 Income Tax

No income tax is payable by the Group as it has incurred losses for income tax purposes for the year, therefore current tax, deferred tax and tax expense is \$Nil (2015 - Nil).

(a) Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated 2016 \$	Consolidated 2015 \$
Loss before tax	(4,894,765)	(3,389,301)
Income tax calculated at 30% (2015: 30%)	(1,468,429)	(1,016,790)
Tax effect of amounts which are deductible/non-deductible		
In calculating taxable income:		
Project abandonment costs	128,733	-
Share based payments	-	194,096
Capital raising costs	86,788	160,285
Impairment expense	442,311	13,028
Upfront exploration expenditure claimed	(177,804)	(1,393,689)
Other	(178,665)	62,468
Effects of unused tax losses and tax offsets not recognized as deferred tax assets	1,167,066	1,980,602
Income tax expense attributable to operating profit	NIL	NIL

(b) Tax Losses

As at 30 June 2016 the company had Australian tax losses of \$3,899,473 (2015: \$4,516,907). The benefit of deferred tax assets not brought to account will only be realized if:

- Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realized; and
- The conditions for deductibility imposed by tax legislation continue to be complied with and no changes in tax legislation adversely affect the Company in realizing the benefit.

(b) Unbooked Deferred Tax Assets and Liabilities

Unbooked deferred tax assets comprise:

Capital Raising Costs	486,874	474,435
Provisions/Accruals/Other	36,329	33,971
Tax losses available for offset against future taxable income	3,899,473	2,561,607
	4,422,676	3,070,013

	Consolidated 2016 \$	Consolidated 2015 \$
4 Auditors Remuneration		
<i>Audit – Somes Cooke</i>		
Audit of the financial statements	7,000	28,500
<i>Audit – Greenwich & Co Audit Pty Ltd</i>		
Audit of the financial statements	18,000	-
	25,000	28,500
5 Cash and Cash Equivalents		
Cash at Bank	3,758,556	1,117,855
6 Trade and Other Receivables		
Deposits	150,533	195,834
GST receivable	43,419	126,637
Other receivables	163	24,209
	194,115	346,680
7 Other assets		
Prepayments	22,546	43,082
Share Applications (i)	423,549	-
	446,095	43,082
<i>(i) On 24 May 2016 the Group invested CAD\$400,000 cash in TSXV listed GEM international Resource Inc. (GEM). Subsequent to balance date the Company was allotted shares in GEM for the equivalent amount. Refer to Note 26.</i>		
8 Other financial assets		
Current		
Shares in a listed entity	7	-
Non-Current		
Shares in a listed entity	-	274,806

9 Property, Plant and Equipment

	Land and Buildings \$	Office Equipment and Furniture \$	Vehicles \$	Total \$
Cost				
Balance at 1 July 2015	163,814	155,168	23,098	342,080
Additions	-	6,304	-	6,304
Effective movement in exchange rates	12,573	-	1,773	14,346
Balance at 30 June 2016	176,387	161,472	24,871	362,730
Depreciation				
Balance at 1 July 2015	405	114,959	4,202	119,566
Depreciation for the year	454	13,366	4,351	18,171
Effective movement in exchange rates	49	-	496	545
Balance at 30 June 2016	908	128,325	9,049	138,282
Carrying amounts				
Balance at 30 June 2015	163,409	40,209	18,896	222,514
Balance at 30 June 2016	175,479	33,147	15,822	224,448

	Consolidated 2016 \$	Consolidated 2015 \$
10 Capitalised Oil and Gas Expenditure		
Cost brought forward	11,733,041	3,986,591
Acquisition of Trident Group Limited (Note 23)	-	3,227,550
Exploration costs incurred during the year	1,480,667	4,912,160
Exploration expenditure impaired (i)	(1,456,942)	(69,302)
Exploration expenditure written off (ii)	(1,293,295)	-
FX movement	491,732	(323,958)
Carrying value at end of year	10,955,202	11,733,041

The recoupment of costs carried forward is dependent on the successful development and/or commercial exploitation or alternatively sale of the respective areas of interest.

(i) Expenditure impaired relate to the impairment of all capitalised costs associated with:

- VIC/P62 for the amount of \$487,022 as a result of the withdrawal and termination of the Group's 30% Joint Venture;
- STP-EPA-0071 of the Group's 25% interest in the Officer Basin for the amount of \$969,920 due to expiry of its application as the Native Title Act requirements were not met.

(ii) On 1 February 2016, the Company cancelled the Sale and Purchase Agreement with Origin Energy Limited ("Origin") to acquire the South Taranaki Project ("STEP". As a result all costs associated with the transaction were written off.

11 Trade and Other Payables

Trade creditors	66,448	549,073
Other creditors and accruals	111,244	70,046
	177,692	619,119

Included within trade and other creditors and accruals is an amount of \$13,842 (2015 \$159,950) relating to exploration expenditure.

12 Contributed Equity

Ordinary Shares :

Value of Ordinary Shares fully paid

Movement in Contributed Equity

			Number of shares	Contributed Equity \$
Balance as at 1 July 2014:			77,927,175	11,972,319
<i>Date</i>	<i>Nature of Transaction</i>	<i>Issue Price</i>		
14/07/14	Exercise of options	\$0.2000	1,000,000	200,000
14/07/14	Exercise of options	\$0.1500	100,000	15,000
16/07/14	Exercise of options	\$0.0500	2,000,000	100,000
15/09/14	Shares issued	\$0.3770	6,250,000	2,356,250
14/10/14	Shares issued	\$0.4010	2,796,440	1,120,108
06/11/14	Exercise of options	\$0.1473	368,302	54,249
10/11/14	Shares issued	\$0.2360	96,533	22,829
10/11/14	Shares issued	\$0.5000	265,858	132,929
17/12/14	Shares issued	\$0.5000	1,000,000	500,000
02/04/15	Shares issued	\$0.0975	10,000,000	975,000
05/06/15	Shares issued	\$0.0901	3,057,155	275,482
15/06/15	Shares issued	\$0.0704	606,919	42,750
24/06/05	Shares issued	\$0.0512	16,000,000	818,833
30/06/15	Shares issued	\$0.5000	1,109,684	554,842
Capital raising costs			-	(554,996)
Balance as at 1 July 2015:			122,578,066	18,585,595
28/07/2015	Shares issued (i)	\$0.0377	22,857,143	857,143
22/09/2015	Shares issued (i)	\$0.0980	33,333,333	3,261,018
30/10/2015	Shares issued (i)	\$0.0848	36,822,466	3,124,132
Capital raisings costs				(592,019)
Balance at end of year			215,591,008	25,235,869

(i) Placements via capital raising as announced

	Consolidated 2016 \$	Consolidated 2015 \$
13 Reserves		
Options reserve	1,063,440	1,063,440
Foreign currency translation reserve	241,170	(282,655)
	1,304,610	780,785

Options Reserve

Nature and purpose of the Option reserve

The options reserve represents the fair value of equity instruments issued to employees as compensation and issued to external parties for the receipt of goods and services. This reserve will be reversed against issued capital when the underlying shares are converted and reversed against retained earnings when they are allowed to lapse.

	Consolidated 2016 \$	Consolidated 2015 \$
<i>Movement in Options Reserve</i>		
Options Reserve at the beginning of the year	1,063,440	416,453
Incentive options issued to KMP's	-	459,702
Options related to other holders	-	187,285
Options Reserve at the end of the year	1,063,440	1,063,440

Foreign Currency Translation Reserve

Nature and purpose of the Foreign Currency Translation Reserve

Functional currency balances are translated into the presentation currency using the exchange rates at the balance sheet date. Value differences arising from movements in the exchange rate is recognised in the Foreign Currency Translation Reserve.

	Consolidated 2016 \$	Consolidated 2015 \$
<i>Movement in Foreign Currency Translation Reserve</i>		
Foreign Currency Translation Reserve at the beginning of the year	(282,655)	-
Current year movement	523,825	(282,655)
Foreign Currency Translation Reserve at the end of the year	241,170	(282,655)

14 Accumulated Losses

Accumulated losses at the beginning of the year	6,256,828	2,867,527
Net loss attributable to members	4,894,765	3,389,301
Accumulated losses at the end of the year	11,151,593	6,256,828

15 Related Party Transactions

Key Management Personnel Remuneration	Consolidated 2016 \$	Consolidated 2015 \$
Short term employee benefits (i)	789,016	950,439
Share-based payments (ii)	-	459,702
Total	789,016	1,410,141

i. During the year to 30 June 2016:

- a. Directors fees of \$60,000 and consulting fees of \$235,000 were paid and payable to Kensington Advisory Services Pty Ltd;
- b. Director fees of \$30,000 and consulting fees of \$316,000 were paid and payable to Australasian Energy Pty Ltd;
- c. Fees paid to AR Carroll include an amount of \$196,000 for consulting services provided during the STEP transaction which took place in the first half of the 2016 year. Mr. Carroll's services were utilised rather than external operators.
- d. Directors fees of \$30,000 were paid to Metallon Resources Pty Ltd;
- e. Mr Lewis resigned as Company Secretary on the 28th of July 2015 and was remunerated to that date;
- f. CFO, Company Secretary and Consulting Fees totaling \$114,605 were paid and payable to J T White's accounting firm, Traverse Accountants Pty Ltd.

- ii. For the period ending 30 June 2015, Mr. Carroll received 1,500,000 incentive options valued at \$255,390. Mr. John W Barr and Mr. Young both received 500,000 incentive options, each valued at \$85,130 for a total of \$170,260. Mr. Lewis received 200,000 incentive options valued at \$34,052.

Movement in Shares and Options

The aggregate numbers of shares and options of the Company held directly, indirectly or beneficially by Key Management Personnel of the Company or their personally-related entities are fully detailed in the Directors' Report.

Amounts owing to the Company from subsidiaries:

Petroleum Creek Limited

At 30 June 2016 the Company's 100% owned subsidiary, Petroleum Creek Limited (PCL), owed Mosman Oil and Gas Limited \$7,660,930 (2015: \$6,440,398). The Company has executed a Loan Agreement with PCL covering amounts up to \$2,000,000 bearing interest at 7% pa and secured by a Fixed and Floating charge over the assets of PCL, as registered with the NZ Ministry of Economic Development Companies Office on 17 April, 2014.

Mosman Oil and Gas (NZ) Limited

At 30 June 2016 the Company's 100% owned subsidiary, Mosman Oil and Gas (NZ) Limited, owed Mosman Oil and Gas Limited \$169,128 (2015: \$95,803).

Trident Energy Pty Ltd

At 30 June 2016 the Company's 100% owned subsidiary, Trident Energy Pty Ltd, owed Mosman Oil and Gas Limited \$2,453,911 (2015: \$2,148,655).

OilCo Pty Ltd

At 30 June 2016 the Company's 100% owned subsidiary, OilCo Pty Ltd (OilCo), owed Mosman Oil and Gas Limited \$607,878 (2015: \$497,641).

16 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 30 June 2016, total exploration expenditure commitments for the next 12 months are as follows:

Entity	Tenement	2016	2015
		\$	\$
Mosman Oil & Gas Limited	PEP385326	572,028	265,628
Trident Energy Pty Ltd	EP145	121,500	343,013
Oilco Pty Ltd	EPA155	10,000	-
Oilco Pty Ltd	EP 156	155,000	-
Mosman Oil and Gas (NZ) Ltd	PEP 57067	-	544,398
Mosman Oil and Gas (NZ) Ltd	PEP 57068	1,239,394	226,832
Mosman Oil and Gas (NZ) Ltd	PEP 57058	-	90,733
		2,097,922	1,470,604

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 30 June 2016 (2015 - \$Nil).

17 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, 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 two reportable segments based on the geographical areas of the mineral resource and exploration activities in Australia, New Zealand and in the prior year, Papua New Guinea. Unallocated results, assets and liabilities represent corporate amounts that are not core to the reportable segments.

(i) Segment performance

	New Zealand \$	Australia \$	Total \$
Year ended 30 June 2016			
Revenue			
Interest revenue	6	6,616	6,623
Other income	6,000	3,924	9,923
Segment revenue	6,006	10,540	16,546

Segment Result

Loss

Allocated

- Corporate Costs	(108,617)	(1,075,608)	(1,184,225)
- Administrative Costs	(24,949)	(297,169)	(322,118)
- Depreciation	(4,805)	(13,366)	(18,171)
- Exploration expenses	-	(37,181)	(37,181)
- Foreign Exchange Loss gain/ (loss)	386	(300,740)	(300,354)
Segment net loss before tax	(137,985)	(1,724,064)	(1,862,049)

Reconciliation of segment result to net loss before tax

Amounts not included in segment result but reviewed by the Board

- Exploration expenditure written off	(1,031,306)	(261,989)	(1,293,295)
- Exploration expenditure impaired	-	(1,456,942)	(1,456,942)
- Loans to associated entities forgiven	-	(17,429)	(17,429)

Unallocated items

- Employee Benefits Expense	-	-	(188,539)
- Loss on financial assets	-	-	(89,674)
- Finance costs	-	-	(3,383)

Net Loss before tax from continuing operations

(4,894,765)

17 Segment Information (continued)

Year ended 30 June 2015

Revenue

Interest revenue	137	2,635	2,772
Other income	-	4,029	4,029
Segment revenue	137	6,664	6,801

Segment Result

Loss

Allocated

- Corporate Costs	(85,165)	(1,654,184)	(1,739,349)
- Administrative Costs	(42,546)	(606,651)	(649,197)
- Depreciation	(4,835)	(14,033)	(18,868)
- Foreign Exchange Loss gain/ (loss)	138	20,305	20,443
Segment net loss before tax	(132,408)	(2,254,563)	(2,386,971)

Reconciliation of segment result to net loss before tax

Amounts not included in segment result but reviewed by the Board

- Exploration expenditure written off	-	(69,302)	(69,302)
Unallocated items			
- Employee Benefits Expense	-	-	(228,873)
- Share based payments	-	-	(646,987)
- Impairment	-	-	(43,426)
- Finance	-	-	(20,541)
Net Loss before tax from continuing operations			(3,389,301)

(ii) Segment assets

	New Zealand \$	Australia \$	Total \$
As at 30 June 2016			
Segment assets as at 1 July 2015	6,691,897	5,041,144	11,733,041
Segment asset increases/(decreases) for the year			
- Exploration and evaluation	641,089	(1,418,927)	(777,838)
	7,332,986	3,622,217	10,955,203
<i>Reconciliation of segment assets to total assets:</i>			
Other assets	273,460	4,349,761	4,623,221
Total assets from continuing operations	7,606,446	7,971,978	15,578,424
As at 30 June 2015			
Segment assets as at 1 July 2014	3,017,931	968,660	3,986,591
Segment asset increases for the year			
- Exploration and evaluation	3,673,966	4,072,484	7,746,450
	6,691,897	5,041,144	11,733,041
<i>Reconciliation of segment assets to total assets:</i>			
Other assets	359,892	1,645,045	2,004,937
Total assets from continuing operations	7,051,789	6,686,189	13,737,978

17 Segment Information (continued)

(iii) Segment liabilities

	New Zealand \$	Australia \$	Total \$
As at 30 June 2016			
Segment liabilities as at 1 July 2015	108,895	519,531	628,426
Segment liability (decreases) for the year	(99,741)	(339,147)	(438,888)
	9,154	180,384	189,538
<i>Reconciliation of segment liabilities to total liabilities:</i>			
Other liabilities	-	-	-
Total liabilities from continuing operations	9,154	180,384	189,538
As at 30 June 2015			
Segment liabilities as at 1 July 2014	798,334	227,294	1,025,628
Segment liability increases/(decreases) for the year	(689,439)	292,237	(397,202)
	108,895	519,531	628,426
<i>Reconciliation of segment liabilities to total liabilities:</i>			
Other liabilities	-	-	-
Total liabilities from continuing operations	108,895	519,531	628,426

18 Earnings/ (Loss) per shares

	Consolidated 2016 \$	Consolidated 2015 \$
The following reflects the loss and share data used in the calculations of basic and diluted earnings/ (loss) per share:		
Earnings/ (loss) used in calculating basic and diluted earnings/ (loss) per share	(4,894,765)	(3,389,301)
	Number of shares 2016	Number of shares 2015
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share:	193,534,581	108,580,362
Basic loss per share (cents per share)	2.53	3.12

19 Notes to the statement of cash flows

Reconciliation of loss from ordinary activities after income tax to net cash outflow from operating activities:	Consolidated 2016 \$	Consolidated 2015 \$
(Loss) from ordinary activities after related income tax	(4,894,765)	(3,389,301)
Exploration expenses written off	1,293,295	4,450
Depreciation	18,171	18,868
Impairment	1,456,942	112,728
Share based payments	-	646,987
Loss on financial assets	89,674	-
Decrease in other assets	20,536	-
Decrease / (Increase) in trade and other receivables	107,265	(110,869)
(Decrease) in trade and other payables relating to operating activities	(587,535)	(433,742)
Increase in provisions	2,539	-
Net cash outflow from operating activities	(2,493,878)	(3,150,879)

20 Financial Instruments

The Company's activities expose it to a variety of financial and market risks. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

(i) Interest Rate Risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market, interest rates and the effective weighted average interest rates on those financial assets, is as follows:

Consolidated
2016

	Note	Weighted Average Effective Interest %	Funds Available at a Floating Interest Rate \$	Fixed Interest Rate \$	Assets/ (Liabilities) Non Interest Bearing \$	Total \$
Financial Assets						
Cash and Cash Equivalents	5	0.2%	3,758,556	-	-	3,758,556
Trade and other Receivables	6		-	-	194,115	194,115
Other assets	7		-	-	446,095	446,095
Other financial assets	8		-	-	7	7
Total Financial Assets			3,758,556	-	640,217	4,398,773
Financial Liabilities						
Trade and other Payables	11		-	-	177,692	177,692
Provisions			-	-	11,846	11,846
Total Financial Liabilities			-	-	189,538	189,538
Net Financial Assets			3,758,556	-	428,126	4,186,682

20 Financial Instruments (continued)

**Consolidated
2015**

Financial Assets

Cash and Cash

Equivalents	5	0.3%	1,117,855	-	-	1,117,855
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Trade and other

Receivables	6		-	-	346,680	346,680
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Other assets	7		-	-	43,082	43,082
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Total Financial

Assets			1,117,855	-	389,762	1,507,617
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Financial Liabilities

Trade and other

Payables	11		-	-	(619,119)	(619,119)
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Total Financial

Liabilities			-	-	(619,119)	(619,119)
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Net Financial

Assets			1,117,855	-	(229,357)	(888,498)
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(ii) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date, is the carrying amount, net of any provisions for doubtful debts, as disclosed in the balance sheet and in the notes to the financial statements. The Company does not have any material credit risk exposure to any single debtor or group of debtors, under financial instruments entered into by it.

(iii) Commodity Price Risk and Liquidity Risk

At the present state of the Company's operations it has minimal commodity price risk and limited liquidity risk due to the level of payables and cash reserves held. The Company's objective is to maintain a balance between continuity of exploration funding and flexibility through the use of available cash reserves.

(iv) Net Fair Values

For assets and other liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. The Company has no financial assets where the carrying amount exceeds net fair values at balance date.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

21 Contingent Liabilities

There were no material contingent liabilities not provided for in the financial statements of the Company as at 30 June 2016.

22 Mosman Oil and Gas Limited - Parent Entity Disclosures

	2016 \$	2015 \$
Financial position		
Assets		
Current Assets	3,836,354	1,240,479
Non-Current Assets	11,555,969	10,578,083
Total Assets	15,392,323	11,818,562
Liabilities		
Current Liabilities	180,382	447,228
Total Liabilities	180,382	447,228
Net Assets	15,211,941	11,371,334
Equity		
Contributed equity	25,235,869	18,585,595
Reserves	1,063,440	1,063,440
Accumulated losses	(11,087,368)	(8,277,701)
Total Equity	15,211,941	11,371,334
Financial Performance		
Loss for the year	(2,890,667)	(5,424,923)
Other comprehensive income	-	-
Total comprehensive income	(2,890,667)	(5,424,923)

23 Controlled Entities

Investments in group entities comprise:

Name	Principal activities	Incorporation	Beneficial percentage held by economic entity	
			2016 %	2015 %
Mosman Oil and Gas Limited	Parent entity	Australia		
Wholly owned and controlled entities:				
Mosman Oil & Gas Limited	Oil & Gas exploration	New Zealand	100	100
Mosman Oil and Gas (NZ) Limited	Oil & Gas exploration	New Zealand	100	100
Petroleum Portfolio Pty. Ltd	Oil & Gas exploration	Australia	100	100
OilCo Pty Limited	Oil & Gas exploration	Australia	100	100
Trident Energy Pty Ltd	Oil & Gas exploration	Australia	100	100

Mosman Oil and Gas Limited is the Parent Company of the Group, which includes all of the controlled entities. See also Note 26 Subsequent Events for additional corporate activity in progress subsequent to the 30 June 2016 year end.

23 Controlled Entities (continued)

30 June 2015

a) Trident Energy Pty Ltd

On 19 September 2014, the Group obtained control of Trident Energy Pty Ltd, an oil and gas exploration entity, by acquiring 100% of Trident's shares from existing shareholders.

The acquisition of Trident Energy Pty Ltd was assessed by the Board in the current period and it was determined that the acquisition was an asset acquisition, rather than a business combination as the substance and intent of the acquisition was for the Group to acquire the exploration and evaluation assets of Trident Energy Pty Ltd for the purpose of expanding the Groups overall resource base.

The deemed fair value of net assets acquired at the date of acquisition were as follows:	\$
Cash and cash equivalents	35,043
Trade and other receivables	12,105
Property, plant and equipment	1,872
Exploration and evaluation assets	3,227,550
Trade and other payables	(798,152)
Borrowings	(1,015,481)
Net assets acquired	<u>1,462,937</u>
Acquisition consideration:	
Shares issued (2,796,440 shares at \$0.256), at fair value	1,120,108
Shares issued (96,533 shares at \$0.238), at fair value	22,829
Acquisition costs	320,000
Total purchase consideration	<u>1,462,937</u>

b) OilCo Pty Ltd

On 27 August 2014, the Group obtained control of OilCo Pty Ltd, an oil and gas exploration entity by acquiring 100% of OilCo Pty Ltd's shares from existing shareholders.

The acquisition of OilCo Pty Ltd was assessed by the Board in the current period and it was determined that the acquisition was an asset acquisition, rather than a business combination.

The deemed fair value of net assets acquired at the date of acquisition were as follows:	\$
Fair value of net assets acquired	<u>Nil</u>
Acquisition consideration:	
Overriding 2% royalty on production	<u>Nil</u>
The Board reviewed the royalty payable to OilCo Pty Ltd's previous shareholders and at this point in time a reliable and quantitative value cannot be established	

24 Associated Entity

Name	Principal activities	Incorporation	Beneficial percentage held by Group	
			2016	2015
Australasian Petroleum Portfolio Pty. Ltd.	Holds interest in Officer Basin Licence Application - Oil & Gas exploration	Australia	25	25

Australasian Petroleum Portfolio Pty Ltd ('APPPL') holds a 100% interest in the Officer Basin License Application and is 25% owned by Petroleum Portfolio Pty. Ltd., itself a 100% owned subsidiary of the Group as detailed in Note 23. The carrying value of assets and liabilities accounted for in APPPL is not material to the Group. There are currently nil commitments associated with the Officer Basin License.

25 Share Based Payments

	Consolidated 2016 \$	Consolidated 2015 \$
Basic loss per share (cents per share)	2.53	3.12

The following share based payment arrangements existed at 30 June 2016:

Each of the three classes of unlisted options detailed below entitle the holder to acquire one Ordinary share of the Company on the terms disclosed, but do not entitle the holder to participate in any share issue or dividends of the Company and are not transferable. All options vested on the grant date and were therefore not dependent on performance. Options do not lapse on a Director leaving the Company.

- (1) On 11 April 2011, 2,000,000 Options were issued to Directors to take up ordinary shares of the Company at an exercise price of \$0.20 each. These options lapsed on 31 March, 2016.
- (2) On 15 January 2014, 800,000 Options were issued to consultants, an employee and others to take up ordinary shares of the Company at an exercise price of \$0.15 each. The options are exercisable on or before 13 January, 2019. As at 30 June 2016 700,000 options still remain outstanding.
- (3) On 15 January 2014, 2,500,000 Options were issued to KMP to take up ordinary shares of the Company at an exercise price of \$0.15 each. The options are exercisable on or before 13 January, 2019.
- (4) On 20 March 2014, 1,227,674 Options were issued to UK consultants involved in the AIM IPO to take up ordinary shares of the Company at an exercise price of \$0.146 (8 GB pence) each. The options are exercisable on or before 20 March, 2019. At 30 June 2016 859,372 options still remain outstanding.
- (5) On 28 November 2014, 3,800,000 Options were issued to Directors, employee & consultants to take up ordinary shares of the Company at an exercise price of \$0.58 each. The options are exercisable on or before 28 November 2017.

25 Share Based Payments (continued)

A summary of the movements of all company option issues to 30 June, 2016 is as follows:

Company Options	2016 Number of Options	2015 Number of Options	2016 Weighted Average Exercise Price	2015 Weighted Average Exercise Price
Outstanding at the beginning of the year	9,859,372	9,527,674	\$0.31	\$0.14
Granted	-	3,800,000	-	\$0.58
Exercised	-	(3,468,302)	-	-
Expired	(2,000,000)	-	\$0.58	-
Outstanding at the end of the year	7,859,372	9,859,372	\$0.24	\$0.11
Exercisable at the end of the year	7,859,372	9,859,372	\$0.24	\$0.33

No Options Granted were granted during the financial year ended 30 June 2016.

26 Subsequent Events

Material transactions arising since 30 June 2016 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:

Investment in Gem International Resource Inc. (TSX.V GEM)

On 24 May 2016 Note 6 the Company made a cash investment of CAD\$400,000 in the TSX.V listed GEM International Resource Inc. (GEM.) On 11 July 2016 the Company was allotted 8 million shares at CAD 5 cents and 8 million two year CAD 15 cents non-transferrable options.

Investment in Hemisphere Energy Corporation (TSX.V HME)

On 4 July 2016 the Company made a CAD\$380,000 (AUD 394,000) cash investment in the TSX.V listed Hemisphere Energy Corporation. (HME), subscribing for two million shares at a price of CAD 19 cents per share.

The subscription was part of a larger 8 million share placing, with the funds to be used for drilling to further increase production. Following the transaction the Company's holding in HME will equate to approximately 2.4% of the enlarged issued share capital.

General Meeting Held – 2 August 2016

On 2 August 2016 The Company held its General meeting of shareholders. The meeting was held as a result of the Company's withdrawal 25% interest in the Officer Basin application, which occurred in January 2016.

All resolutions put forward to shareholders were passed which resulted in the cancellation of 9,000,000 selective buyback shares of. Further Mr. A Carroll, Technical Director of Mosman now has a beneficial interest in 2,076,500 Ordinary Shares representing approximately 1.01% of the total voting rights in the Company. The number of options held remain unchanged.

At the date of this report the Company has 206,591,008 ordinary shares of no par value each in issue.

Acquisition of producing oil asset in USA

On 9 November 2016 the Company announced the proposed acquisition of an 80 per cent interest in the Pine Mills producing oil field located in Wood County, Texas, USA together with the acquisition of Buccaneer Operating LLC, the operating company for the Pine Mills oil field ("Buccaneer" or the "Operator"), 12 acres of freehold land and a workover rig (collectively the "Asset" or "Acquisition") from Cue Energy Resources Limited (ASX:CUE) ("Cue").

The purchase and sale agreement included notice of a 20 day pre-emptive rights period that commences when the Vendor gives notice to the remaining 20 per cent working interest holders. Acquisition was conditional on standard settlement issues that included the 20 day pre-emptive rights period, joint venture approvals as required, and verification of certain Vendor due diligence information identified by Mosman's due diligence undertaken.

On 29 November 2016 Mosman was advised by Cue that it will not close the acquisition with Mosman as the pre-emptive right had been exercised.

The matter has been referred to Mosman's lawyers who at the date of this report are currently reviewing the contractual validity of the purported pre-emption.

There were no other events subsequent to balance date.

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 26-52, are in accordance with the Australian Corporations Act 2001:
 - (a) comply with Accounting Standards, which, as stated in Note 1 - Statement of Accounting Policies to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (b) give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the Group.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed by authority for and on behalf of the Directors by:



John W Barr
Executive Chairman
2 December 2016