

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or about what action to take you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser, an organisation or firm authorised or exempted pursuant to the Financial Services and Markets Act 2000 (“FSMA”) who specialises in advising on the acquisition of shares and other securities.**

This document which comprises an AIM Admission Document prepared in accordance with the AIM Rules, has been issued in connection with the application for admission to trading on the AIM Market of the London Stock Exchange plc of the entire issued and to be issued ordinary share capital of the Company. This document does not constitute, and the Company is not making, an offer of transferable securities to the public within the meaning of sections 85 and 102B of FSMA or otherwise. This document is not an approved prospectus for the purposes of and as defined in section 85 of FSMA and it has not been prepared in accordance with the Prospectus Rules nor has it been approved by the Financial Conduct Authority (“FCA”) and a copy has not been delivered to the FCA under regulation 3.2 of the Prospectus Rules.

To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Company and the Directors, whose names are set out on page 10, accept responsibility, both individually and collectively, for the information contained in this document and for compliance with the AIM Rules.

**Application will be made for the whole of the ordinary share capital of the Company to be admitted to trading on AIM, a market operated by London Stock Exchange plc. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required, pursuant to the AIM Rules for Companies, to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. Neither the London Stock Exchange nor the UK Listing Authority has itself examined or approved the contents of this document.**

The Placing Shares will rank *pari passu* in all respects with the Existing Shares and will rank in full for all dividends or other distributions declared, made or paid on the Ordinary Shares after Admission. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on AIM on 20 March 2014. The Ordinary Shares are not traded on any other recognised investment exchange and no other applications have been made.

**The AIM Rules are less demanding than those of the Official List. You should read the whole text of this document. You should be aware that an investment in the Company is highly speculative and involves a high degree of risk. In particular, your attention is drawn to the section headed “Risk Factors” which is set out in Part 2 on pages 28 to 34 of this document. All statements regarding the Company’s business, financial position and prospects should be viewed in light of those risk factors.**



**MOSMAN OIL AND GAS**  
LIMITED

*(Incorporated in Australia under the Corporations Acts 2001 with Australian Company Number 150 287 111)*

**Admission  
to trading on the AIM market of the London Stock Exchange plc**

*Nominated Adviser*  
**ZAI Corporate Finance Limited**

*Brokers*  
**SI Capital Limited**

**SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION**

*Issued and fully paid – 61,383,701 Ordinary Shares*

ZAI Corporate Finance Ltd. (“ZAI”), which is authorised and regulated in the United Kingdom by the FCA and is a member of the London Stock Exchange, is acting exclusively as the Company’s nominated adviser for the purposes of the AIM Rules and for no one else in connection with Admission and will not be responsible to any person other than the Company for providing the protections afforded to its clients or for providing advice in relation to the contents of this document or Admission or any other matter referred to herein. ZAI’s duties as the Company’s nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any director or shareholder of the Company or to any subsequent purchaser of Ordinary Shares and accordingly no duty of care is accepted in relation to them. No representation or warranty, express or implied, is made by ZAI as to, and no liability whatsoever is accepted by ZAI in respect of, any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). ZAI has not authorised the contents of any part of this document and accepts no liability for the accuracy of any information or opinion contained in this document or for the omission of any material information from this document, for which the Company and the directors of the Company are solely responsible.

SI Capital Ltd. (“SI Capital”), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, and is a member of the London Stock Exchange, has been appointed as the Company’s broker and will not be responsible to any person other than the Company for providing the protections afforded to customers of SI Capital or for advising any other person on the contents of this document. No representation or warranty, express or implied, is made by SI Capital as to, and no liability whatsoever is accepted by SI Capital in respect of, any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). SI Capital has not authorised the contents of any part of this document and accepts no liability for the accuracy of any information or opinion contained in this document or for the omission of any material information from this document, for which the Company and the directors of the Company are solely responsible.

The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended under the securities legislation the United States of America (or any state thereof), the Republic of South Africa, Australia, Japan or Canada. This document does not constitute an offer to sell or issue or the solicitation of an offer to subscribe for or buy, Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation. In particular, this document is not for distribution by any means in or into the United States of America, the Republic of South Africa, Australia, Japan, Canada or any other jurisdiction where to do so would be in breach of any applicable law and/or regulation. Subject to certain exceptions, the Ordinary Shares may not be offered or sold directly or indirectly in or into, or to any national, resident or citizen of the United States of America, the Republic of South Africa, Australia, Japan, or Canada. The distribution of this document and/or the offer or sale of the Ordinary Shares in other jurisdictions may be restricted by the laws or regulations of those jurisdictions and, therefore, persons into whose possession this document comes are required by the Company and ZAI to inform themselves about any such restrictions and to observe such restrictions. Any failure to comply with these restrictions may constitute a violation of relevant securities laws or regulations of the jurisdictions concerned.

It is the responsibility of any person receiving a copy of this document outside the United Kingdom to satisfy themselves as to the full observance of the laws and regulatory requirements of the relevant territory in connection therewith, including obtaining any governmental or other consents which may be required or observing any other formalities required to be observed in such territory and paying any other issue, transfer or other taxes due in such other territory. Persons (including, without limitation, nominees and trustees) receiving this document should not distribute or send this document into any jurisdiction when to do so would, or might contravene local securities laws or regulations.

### **Forward looking statements**

All statements, other than statements of historical fact, contained in this document constitute “forward looking statements”. In some cases forward looking statements can be identified by terms such as “may”, “intend”, “might”, “will”, “should”, “could”, “would”, “believe”, “anticipate”, “expect”, “estimate”, “predict”, “project”, “potential”, or the negative of these terms, and similar expressions. Such forward-looking statements are based on assumptions and estimates and involve risks, uncertainties and other factors that may cause the actual results, financial condition, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. New factors may emerge from time to time that could cause the Company’s business not to develop as it expects, and it is not possible for the Company to predict all such factors. Given these uncertainties,

prospective investors are cautioned not to place any undue reliance on such forward-looking statements except as required by law. The Company disclaims any obligation to update any such forward-looking statements in this document to reflect future events or developments.

Copies of this document will be available free of charge to the public at the Registered Office of the Company c/o Level 1 981 Wellington Street West Perth Western Australia 6005 and at ZAI Corporate Finance Limited 1 Hobhouse Court Suffolk St London SW1Y 4HH from the date of this document up to and including the date which is one month following Admission and on the Company's website at [www.mosmanoilandgas.com](http://www.mosmanoilandgas.com).

## TABLE OF CONTENTS

	<b>Page</b>
DEFINITIONS	5
STATISTICS OF THE PLACING AND ADMISSION	9
EXPECTED TIMETABLE OF PRINCIPAL EVENTS	9
COMPANY DETAILS, DIRECTORS, SECRETARY AND ADVISERS	10
<b>PART 1 INFORMATION ON THE COMPANY</b>	<b>12</b>
Introduction	12
Background	12
Exploration Strategy of the Group	13
Petroleum Asset Properties	15
Petroleum Creek Limited – PEP 38526	15
New Zealand Legislative Framework	17
Australian Petroleum Portfolio Pty Limited	18
Australian Legislative Framework	20
Budget Summary	21
Directors and Key Personnel	22
Corporate governance	23
Placing	24
Use of proceeds	24
Reasons for Admission	24
Lock-in and orderly market arrangements	25
Working capital	25
Dividend policy	25
Takeovers	25
Taxation	25
CREST	26
Further information	27
<b>PART 2 RISK FACTORS</b>	<b>28</b>
<b>PART 3 SUMMARY OF THE LAWS OF NEW ZEALAND AND AUSTRALIA RELATING TO HYDROCARBONS</b>	<b>35</b>
<b>PART 4 ACCOUNTANT’S REPORT ON MOSMAN OIL AND GAS LIMITED</b>	<b>48</b>
<b>PART 5 ACCOUNTANT’S REPORT ON PETROLEUM PORTFOLIO LIMITED</b>	<b>78</b>
<b>PART 6 UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP</b>	<b>88</b>
<b>PART 7 COMPETENT PERSONS REPORT</b>	<b>91</b>
<b>PART 8 ADDITIONAL INFORMATION</b>	<b>125</b>

## DEFINITIONS

In this document, unless the context requires otherwise, the words and expressions set out below shall bear the following meanings.

“ACN”	Australian Company Number
“Admission”	the admission of the Ordinary Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“AIM”	the AIM Market of the London Stock Exchange plc
“AIM Rules”	together, and as amended from time to time, the AIM Rules for Companies and the AIM Rules for Nominated Advisers, governing admission to and the operation of AIM, as published by the London Stock Exchange
“A\$”	Australia Dollars, the lawful currency of the Commonwealth of Australia
“APPPL”	Australian Petroleum Portfolio Pty Ltd a company incorporated in Australia with ACN 135 371 738
“Application Area”	the area to which STP-EPA-0071 relates
“Aorere”	Aorere Resources Limited (NZX:AOR) a company incorporated in New Zealand with company number 1024270 and listed on the New Zealand Stock Exchange
“Australasian”	Australasian Energy Pty Ltd a company incorporated in Australia with ACN 077 264 861
“bcf”	billion cubic feet
“Company” or “Mosman”	Mosman Oil and Gas Limited a company incorporated in Australia with ACN 150 287 111
“CPR”	the independent Competent Persons Report from Moyes & Co. which appears in Part 7 of this document
“Corporations Act”	the Corporations Act 2001(Cth) of Australia
“Constitution”	the constitution of the Company further details of which are set out in Part 8 of this document
“CREST”	the relevant system (as defined in the CREST Regulations) for the paperless settlement of share transfers and the holding of shares in uncertificated form
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended by the Companies Act 2006 (Consequential Amendments) (Uncertificated Securities) Order 2009 (SI 2009/1889)
“Deed Poll”	the deed poll executed by the Depositary in favour of the holders of the DIs
“Depositary”	Computershare Investor Services plc
“DIs”	dematerialised Depositary Interests issued by the Depositary and representing an entitlement to Ordinary Shares, which may be traded through CREST in dematerialised form
“DMP”	Department of Mines and Petroleum of Western Australia
“Directors” or “Board”	the directors of the Company, whose names are set out on page 10 of this document and “Director” means any one of them
“Enlarged Share Capital”	the Existing Shares and the Placing Shares
“EP”	a petroleum exploration permit issued by the DMP under the Petroleum and Geothermal Energy Resources Act 1967 (WA)
“Executive Directors”	John William Barr and Andrew Robert Carroll
“Existing Shares”	the 42,633,701 Ordinary Shares in issue prior to the Placing

“Farm-in Agreement”	the farm-in agreement dated 8 July 2013 between Aorere, the Company and PCL as further described at paragraph 14.1.8 of Part 8 of this document
“FCA”	the Financial Conduct Authority of the United Kingdom
“FMSA”	the Financial Services and Markets Act 2000
“Group”	the Company and its subsidiaries, subsidiary undertakings and associated undertakings
“ISIN”	International Securities Identification Number
“Kensington”	Kensington Advisory Services Pty Ltd a company incorporated in Australia with ACN 159 905 941
“km	Kilometre
“Locked-in Shareholders”	those Shareholders who have executed the Lock-in Agreements being John William Barr, Andrew Robert Carroll, John Alexander Young, and Aorere
“Lock-in Agreement”	the lock-in agreement executed by the Locked-in Shareholders, particulars of which are set out in Part 8 paragraph 14.1.4 of this document
“London Stock Exchange” or “LSE”	the London Stock Exchange plc
“m”	metre
“Metallon”	Metallon Resources Pty Ltd a company incorporated in Australia with ACN 132 528 931
“Minerals Act”	the Crown Minerals Act 1991 of New Zealand
“Minister”	the Minister of Mines and Petroleum for Western Australia
“Ministry”	the Ministry of Business, Innovation and Employment of New Zealand
“mmbbls”	million barrels
“Mosman (NZ)”	Mosman Oil and Gas (NZ) Limited a company incorporated in New Zealand with company number 4671199, a wholly owned subsidiary of Mosman
“Non-executive Director”	John Alexander Young
“NZ”	New Zealand
“NZP&M”	New Zealand Petroleum & Minerals, which manages the New Zealand Government’s oil, gas, mineral and coal resources, known as the Crown Mineral Estate
“NZ\$”	New Zealand Dollar the lawful currency of New Zealand
“Official List”	the Official List of the United Kingdom Listing Authority
“Options”	options to subscribe for Ordinary Shares as detailed in paragraph 4.10 and 4.11 of Part 8 of this document
“Ordinary Shares” or “Shares”	fully paid ordinary shares in the capital of the Company
“Palatine Energy”	Palatine Energy Pty Limited a company incorporated in Australia with ACN 153 352 231
“PCL”	Petroleum Creek Limited a company incorporated in New Zealand with company number 4433102, a wholly owned subsidiary of Mosman
“PEP” or “Permit”	Petroleum exploration permit granted by NZP&M under the Minerals Act
“PEP 38526” or “Petroleum Creek Project”	Petroleum Exploration Permit 38526 on the West Coast of the South Island of NZ
“PEP 38526 Area”	the area to which PEP 38526 relates

“PEPA STP-EPA-0071” or “Application Area”	Petroleum Exploration Permit Application STP-EPA-0071 for acreage release area L12-4
“Petroleum Assets”	the EP and PEPs in which the Company has a beneficial interest, the details of which are set out in Part 7 table 1 of this document, and “Petroleum Asset” shall mean one of them
“Petroleum Asset Properties”	the properties in which the Petroleum Assets are held
“Placing”	the placing of 18,750,000 Ordinary Shares prior to Admission
“Placing Agreement”	the conditional placing agreement between the Company, the Directors, ZAI and SI Capital dated 13 March 2014, further details of which are set out in paragraph 14.1.1 of Part 8 of this document
“Placing Price”	the price of 8p per Placing Share
“Placing Shares”	the 18,750,000 new Ordinary Shares to be issued by the Company pursuant to the Placing
“PPL”	Petroleum Portfolio Pty Ltd a company incorporated in Australia with ACN 159 032 881
“PPL Consideration Shares”	9,000,000 Ordinary Shares issued to Andrew Carroll in consideration for the whole of the issued share capital of PPL
“Prospective Resources”	are estimated volumes associated with undiscovered accumulations. These represent quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from oil and gas deposits identified on the basis of indirect evidence but which have not yet been drilled.
“Prospectus Rules”	rules made by the Financial Conduct Authority, for the purposes of Part VI of the FSMA in relation to offers of securities to the public and admission of securities to trading on a regulated market
“related party”	the Directors and any other person who falls within the meaning of the definition of “related party” in the AIM Rules
“Shareholders”	holders of any legal or beneficial interest, whether direct or indirect, in the Ordinary Shares, including holders of DIs
“Shareholders’ Agreement”	the shareholders’ agreement between Mr Andrew Carroll, PPL and Palatine Energy in relation to the conduct of the affairs of APPPL
“Share Sale Agreement”	the share sale agreement between the Company and Mr Andrew Carroll pursuant to which the Company acquired the entire issued share capital of PPL as further described at paragraph 14.1.7 of Part 8
“SI Capital”	SI Capital Limited, the Company’s broker, which is authorised and regulated by the Financial Conduct Authority
“SRK”	SRK Consulting (Australasia) Pty Ltd a company incorporated in Australia with ACN 074 271 720
“sq km”	square kilometre
“subsidiary”	shall be construed in accordance with the definition of that term in Section 9 of the Corporations Act
“Takeover Rules”	the Australian takeover provisions under Chapter 6 of the Corporations Act
“TIDM”	tradable instrument display mnemonic
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000



“US” or “United States”                   the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia and all other areas subject to the jurisdiction of the United States of America

“ZAI”   ZAI Corporate Finance Limited, the Company’s nominated adviser, which is authorised and regulated by the Financial Conduct Authority

All monetary figures included in this document are in Australian Dollars and cents unless shown to the contrary.

Any reference to any statute, statutory provision or to any order or regulation shall be construed as a reference to that statute, provision, order or regulation as extended, modified, amended, replaced or re-enacted from time to time (whether before or after the date of this document) and all statutory instruments, regulations and orders from time to time made thereunder or deriving validity therefrom.



## STATISTICS OF THE PLACING AND ADMISSION

Placing Price	8p
Number of Existing Shares	42,633,701
Number of Placing Shares being issued	18,750,000
Percentage of the enlarged share capital represented by the Placing Shares at Admission	30.6%
Number of Ordinary Shares in issue at Admission	61,383,701
Market capitalisation of the Company on Admission at the Placing Price	£4.9 million
Number of Options outstanding at Admission	9,527,674
Fully diluted number of Ordinary Shares immediately following Admission (assuming exercise in full of the Options)	70,911,375
Gross proceeds of the Placing	£1.5 million
Estimated expenses of the Placing payable by the Company	£333,000
Estimated net proceeds of the Placing	£1.2 million
ISIN	AU0000XINET1
SEDOL	BJ365T1

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Date of this document	13 March 2014
Admission effective and dealings in Ordinary Shares expected to commence on AIM on	8.00 a.m. 20 March 2014
CREST accounts credited	8.00 a.m. 20 March 2014

Each of the times and dates in the above timetable is subject to change.

All references in this document to times are to Greenwich Mean Time unless otherwise stated.

## COMPANY DETAILS, DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	John William Barr (Executive Chairman) Andrew Robert Carroll (Technical Director) John Alexander Young (Non-executive Director)
<b>Registered Office</b>	Level 1 981 Wellington Street West Perth Western Australia 6005
<b>Secretary</b>	Zane Robert Lewis
<b>Nominated Adviser</b>	ZAI Corporate Finance Limited 1 Hobhouse Court Suffolk St London SW1Y 4HH
<b>Brokers</b>	SI Capital Limited 1 High Street Godalming Surrey GU7 1AZ United Kingdom
<b>Auditors</b>	
<i>In Australia</i>	Somes Cooke 1304 Hay St West Perth WA 6005
<b>Reporting Accountants</b>	
<i>In the UK</i>	Kingston Smith Devonshire House 60 Goswell Road London EC1M 7AD
<b>Solicitors to the Company</b>	
<i>As to Australian law</i>	Hardy Bowen Level 1, 28 Ord Street West Perth, WA 6005
<i>As to English law</i>	Ronaldsons LLP 55 Gower Street London WC1E 6HQ
<i>As to New Zealand title opinion</i>	Greenwood Roche Chisnall ABN AMRO House Level 9/36 Customhouse Quay Wellington 6011, New Zealand
<b>Solicitors to ZAI Corporate Finance</b>	Rosenblatt Solicitors 9-13 St Andrew Street London EC4A 3AF
<b>Competent Person</b>	Moyes & Co 8235 Douglas Ave. Suite 1221 Dallas TX 75225 United States of America
<b>Principal Bankers</b>	National Australia Bank Level 1, 1238 Hay Street, West Perth WA 6005

**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 BS13 8AE

**The Company website following  
Admission**

[www.mosmanoilandgas.com](http://www.mosmanoilandgas.com)

**Telephone**

+61 8 6555 2950

# PART 1

## INFORMATION ON THE COMPANY

### **Introduction**

Mosman is an Australian unlisted public company, formed in 2011 by John W Barr and John Young to examine resource opportunities in overlooked and emerging resource areas. The strategic objective of Mosman is to discover economic reserves and realise value through the development, joint venture or sale of the assets. In early 2013 the Board was bolstered by the addition of Andrew Carroll, an engineer with over 30 years of oil and gas industry experience.

Initially A\$550,001 was raised by the Company through a private placing of Shares for the implementation of this strategy resulting in opportunities being sourced and due diligence proceeding on a gold exploration project in Liberia and oil and gas projects in Papua New Guinea, both of which did not finally result in acquisitions.

In early 2013 Mosman sourced two further opportunities and initiated due diligence on separate oil and gas projects in New Zealand and Australia. Both projects have now been acquired, advanced with an independent report completed by SRK and a competent persons report by Moyes & Co. The future exploration plans for both projects have been determined.

The Directors have extensive international experience in the oil and gas and resource sectors, are experienced in the evaluation of oil and gas assets, in raising funds on international capital markets, in evaluating acquisitions and investment prospects and in the day to day management of public companies, as detailed in Part 1 of this document in the paragraph "Directors". The Directors believe that their expertise and experience will benefit the Company in the development of the Company's business.

The Board seeks to increase shareholder value by the systematic exploration and development of Mosman's existing oil and gas assets. However, other permits and applications have been identified which may in the fullness of time result in the acquisition of other exploration projects.

Mosman has requested NZP&M to release new exploration areas in 2014, and the requested areas are being considered for an announced bid round to be completed in 2014. This will be a competitive bidding process which Mosman hopes to take part in and any award will depend on government actions and approvals.

As part of their commitment to Mosman the Directors have subscribed, in previous fund raisings, for approximately A\$900,000 in Shares, as well as selling an asset to the Company for a consideration comprised of Shares.

The Company has three wholly owned subsidiaries:

Petroleum Creek Limited which holds 100% of the New Zealand petroleum exploration permit PEP 38526, Mosman Oil and Gas (NZ) Limited (currently dormant), both incorporated in New Zealand, and Petroleum Portfolio Pty Limited, incorporated in Australia, which owns 25% of the share capital of Australian Petroleum Portfolio Pty Ltd which, in turn, holds Petroleum Exploration Permit Application STP-EPA-0071 for acreage release area L12-4 in Western Australia.

The Directors believe that further funding of the Company will be required in the future to fund the Company's continued operations.

### **Background**

During the 2013 calendar year in excess of A\$300,000 has been expended on the New Zealand and Australian projects.

#### ***Achievements in 2013 included:***

1. Identification and acquisition of the Petroleum Creek Project;
2. Ministerial consent to the change of conditions for PEP 38526 which amended the work programme requirements for 2014 and 2015. This resulted in Mosman earning the initial 60% interest in the Petroleum Creek Project without significant expenditure;
3. Ministerial approval for PCL to receive transfer of the ownership and operatorship of PEP 38526;
4. PCL's acquisition of 100% of the PEP 38526 in December 2013;

5. Extensive geological and geophysical work completed on PEP 38526. As part of this process Mosman located two key additional seismic lines, and SRK reworked the data resulting in 22 prospects and leads being identified. All the data is now consolidated in one resource model;
6. Mosman has established a functional organisation with management contracted in Australia and in NZ;
7. NZ rig and drilling contractors identified for PEP 38526, with contract negotiations underway; and
8. Acquisition of PPL completed.

#### ***New Zealand***

After initial due diligence, in July 2013 the Company entered into the Farm-in Agreement with Aorere for PEP 38526. Under the terms of the Farm-in Agreement Aorere transferred 100% ownership and operatorship of PEP 38526 to a new company, PCL which, initially, was owned as to 60% by Mosman and as to 40% by Aorere.

In September 2013 a change of condition was approved for PEP 38526 by NZP&M to vary future exploration requirements. Under the amended conditions PCL is required to drill two shallow holes to a depth of 250m before September 2014 and to complete 40 km of seismic acquisition before September 2015.

On 12 December 2013 NZP&M approved the transfer of PEP 38526 and the transfer of the operatorship of the PEP to PCL. Mosman subsequently exercised a call option associated to the Farm-in Agreement to acquire the balance of PCL in December 2013 and issued 8,363,700 new Shares to Aorere.

Mosman now owns 100% of PCL which owns 100% of PEP 38526.

#### ***Australia***

Mosman's 100% owned subsidiary PPL holds 25% of the shares in APPPL which is the preferred applicant in respect of the onshore petroleum exploration permit application STP-EPA-0071 located in the Officer Basin of Western Australia. The application area covers some 22,527 sq km and is the site of some historic petroleum exploration.

PPL was previously owned by Mr Andrew Carroll, a Director of the Company. On 12 December 2013 the Company entered into the Share Sale Agreement with Mr Andrew Carroll pursuant to which the Company agreed to acquire the entire issued share capital of PPL. Details of this agreement are in paragraph 14.1.7 of Part 8 of this document. The other shareholders of APPPL are Mr Andrew Carroll (25%) and a private company, Palatine Energy Pty Ltd (50%).

The operation of APPPL is subject to an agreement between its shareholders, details of which are in clause 14.3.1 of Part 8 of this document.

### **Exploration strategy of the Group**

#### ***New Zealand***

Mosman's immediate short term focus will be in NZ and PEP 38526. The PEP 38526 Area is 143.6 sq km in size and is located near Greymouth on the South Island in the southern extension of the proven Taranaki oil system. In the northern side of Taranaki there are some 20 fields which have produced in excess of 400 mmbbls of oil and 60,000 bcf of gas.

Drilling is planned for mid-2014 on two shallow targets, with specific objectives:

- To seek an oil discovery, oil reserves, and the basis for commercial production; and
- to satisfy the permit work commitment.

Additional wells are also planned on separate targets, which have identified Prospective Resources.

Of particular focus is the Directors objective of establishing production and cash flow.

#### ***Australia***

In Australia, through a 25% investment in APPPL, the focus is the onshore application PEPA STP-EPA-0071. The Application Area is 22,527 sq km in size. The application area is in the Western Australian part of the Officer Basin and offers both conventional and unconventional potential with hydrocarbon shows reported. The Officer Basin is similar to the productive Amadeus Basin in the Northern Territory and to basins in Russia and Oman which contain giant oil and gas fields.

A prerequisite to the grant of the permit is native title agreements which are negotiable by the operator and typically result in certain administration payments and overrides. For STP-EPA-0071 the native title agreement is still in negotiation. Further details of native title requirements are set out in Part 3 of this document.

Once the permit is granted the exploration in year one will be seismic reprocessing; the year two work programme is to drill one well.

The Directors anticipate that Mosman will have sufficient liquid funds to carry out its stated objectives and has prepared programmes specific to the potential of each of the permits which are consistent with its budget allocations.

*Use of funds*

	2014 A\$millions	2015 A\$millions
NZ Exploration	0.859	0.580
Australian Exploration	0.020	0.000
<b>Total</b>	<b>0.879</b>	<b>0.580</b>

The Company will allocate capital to the exploration of its Petroleum Assets and will prioritise identifying the potential of each Petroleum Asset to create value for Shareholders. The Company may use a number of strategies to enhance Shareholder value such as developing a Petroleum Asset using its own team, development in partnership with other groups or a disposal of a Petroleum Asset where appropriate. In implementing its strategy, the Company will focus activity on those of its Petroleum Assets which are identified as having the greatest potential for enhancing Shareholder value.

The Company's objectives are:

- drill a minimum of two wells at the Petroleum Creek Project in 2014;
- achieve the corporate objective of short term cash flow;
- Acquire an additional 40 km of seismic at the Petroleum Creek Project in 2015; and
- complete native title negotiations at Officer Basin.

## Petroleum Asset Properties

### *In New Zealand*

#### **Petroleum Creek Limited – PEP 38526**

Mosman holds title to one petroleum exploration permit in New Zealand. The PEP has an area of 143.6 sq. km, and includes in the south eastern corner the Kotuku oil seeps. The area is known for the largest natural oil seeps in New Zealand.



#### ***Location map of PEP 38526***

#### ***Geography and Infrastructure***

The PEP 38526 Area is located onshore in the Stillwater-Moana area of the West Coast of the South Island east of Greymouth. The Arnold River bisects the Permit north northwest-south southeast, and several roads exist within its area including the east-west State Highway 7 in the northern part. Vegetation comprises open farmland pasture, native bush and lowland forest.

#### ***Previous exploration***

The south eastern corner of the PEP 38526 Area has been subjected to a long history of exploration with drilling starting in 1902. A total of around 58 shallow wells are documented to have been drilled within or close to the PEP. Many of these wells were drilled prior to 1940 and data is therefore limited.

More recent work completed in the PEP 38526 Area to date includes the reprocessing of existing 2D seismic acquired between 1963 and 1987, the drilling of the Widespread-1A well (TD 90m) in 2010 and acquisition of 20km of electrical resistivity survey in 2012. Mosman also commissioned SRK to undertake consulting work in 2013.

Exploration studies during the first term of the PEP 38526 Area have identified several leads of possible shallow oil accumulation in the southern section of the PEP 38526 Area around the Kotuku anticline structure. The extent and depth of this area has been assisted by Electrical Resistivity Tomography (“ERT”) imaging.



Ten wells have been drilled within the PEP 38526 Area itself and a number in the immediate area. Some wells encountered oil shows while oil seeps have been reported in the area.

#### *Geological work*

Mosman commissioned SRK to integrate all available data, including the previous operator's 20 km of seismic and reprocessed data; one well on the Kotuku feature to 90m; and around 58 other wells and 20 seismic lines into a single integrated petroleum model that mapped 22 leads and prospects over the Kotuku anticline.

As part of this process Mosman located two additional seismic lines, and SRK completely reworked the model resulting in new Prospective Resources.

This has meant for the first time, that Mosman is aware of, all data is now in one model. This has resulted in a marked improvement in understanding and drilling locations are now being identified.

#### *Oil and gas resource estimate*

SRK have identified 22 prospects and leads within the PEP 38526 Area. The locations are shown in Figure 17 of the CPR and a summary of the Prospective Resources is presented in Table 3 on page 116 of the CPR in Part 7 of this document.

#### *Prospective Resources*

The table below is reproduced from the CPR in Part 7 of this document on page 116 and summarises the unrisks resources (i.e. they do not take into account the probability of economic success) for the Cobden Limestone, Intra Stillwater Turbidite Channel Sandstones, Lower Eight Mile Formation and Glacial Sequence by oil initially in place ("OIP") and what could eventually be recoverable in the adjacent column. Assuming an accumulation is developed, the P90 resource reflects a 90% probability that quantities actually recovered will exceed the estimate (low estimate), the P50 resource reflects a 50% probability that quantities actually recovered will exceed the estimate, and P10 resource reflects a 10% probability that quantities actually recovered will exceed the estimate (high estimate).

For further details refer to the CPR in Part 7 of the document.

While there may be a significant risk undrilled prospects and leads may not achieve commercial production, it is useful to consider the range of potentially recoverable volumes to determine rationale for expenditure and location of wells.

Prospective Resources are estimated volumes associated with undiscovered accumulations. These represent quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from oil and gas deposits identified on the basis of indirect evidence but which have not yet been drilled. This class represents a higher risk than contingent resources since the risk of discovery is also added. For Prospective Resources to become classified as contingent resources, hydrocarbons must be discovered, the accumulations must be further evaluated and an estimate of quantities that would be recoverable under appropriate development projects prepared.

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

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

**P90 resource** reflects a volume estimate that, assuming the accumulation is developed, there is a 90% probability that the quantities actually recovered will equal or exceed the estimate. This is therefore a low estimate of resource.

**P50 resource** reflects a volume estimate that, assuming the accumulation is developed, there is a 50% probability that the quantities actually recovered will equal or exceed the estimate. This is therefore a median estimate of resource.

**P10 resource** reflects a volume estimate that, assuming the accumulation is developed, there is a 10% probability that the quantities actually recovered will equal or exceed the estimate. This is therefore a high estimate of resource.

**Pmean** is the mean of the probability distribution for the resource estimates. This is often not the same as P50 as the distribution can be skewed by high resource numbers with relatively low probabilities.

Reservoir	Unrisked OIIP mmstb				Unrisked Recoverable Oil mmstb			
	P90	P50	Mean	P10	P90	P50	Mean	P10
Glacial Sequence	0.1	2.9	64.8	70.4	0.0	0.3	3.3	7.3
Lower Eight Mile Formation	17.4	45.9	61.1	120.7	2.5	6.5	8.4	16.9
Intra Stillwater Turbidite Channel Sandstones	4.9	17.4	28.2	61.1	0.7	2.5	3.7	8.4
Cobden Limestone	7.5	32.7	63.9	143.9	1.5	6.4	11.2	26.7
<b>Total</b>	<b>30.0</b>	<b>98.9</b>	<b>217.9</b>	<b>396.1</b>	<b>4.8</b>	<b>15.6</b>	<b>26.6</b>	<b>59.2</b>

#### *Timetable of activities*

Mosman has committed to drill two wells on the Kotuku anticline structure to test shallow oil production on the crest of the Kotuku structure by September 2014. Currently the wells are planned for the second quarter of 2014.

Further, the Company must also acquire up to 40 km of additional seismic by September 2015.

#### *Exploration costs*

The detailed programme is set out in the CPR in Part 7 of this document.

The budget for the proposed expenditure on PEP 38526 is as follows:

Year	Minimum Work Requirements	Estimated Expenditure (indicative only) A\$ millions
2014	Exploration Wells – reprocessing	0.859
2015	2D Seismic – 40 km	0.580
<b>Total</b>		<b>1.439</b>

#### **New Zealand Legislative Framework**

The Crown Minerals Act 1991 (“Minerals Act”) sets out the broad legislative framework for the exploration and production of petroleum within New Zealand. The relevant regulations for petroleum permit holders are the Crown Minerals (Petroleum) Regulations 2007, the Crown Minerals (Petroleum Fees) Regulations 2006, and the Crown Minerals (Royalties for Petroleum) Regulations 2013.

New Zealand’s royalty regime stipulates the payment of either an *ad valorem* royalty (AVR) or an accounting profits royalty (APR), depending on whichever is the greater in any given year. The royalty rates are either:

- a) 5% AVR, that is 5% of the net revenues obtained from the sale of petroleum, or
- b) 20% APR, that is 20% of the accounting profit of petroleum production.

For more details refer to Part 3(A) of this document.

#### *Conclusions*

The **PEP 38526 Area** is located in the Westland Basin with modest seismic coverage and ten wells drilled within the Permit and a number in the immediate vicinity. Some of these wells were extremely shallow by modern day standards and a large percentage drilled prior to 1940 without the use of seismic data. While the results of a significant number of these wells provide little indication of the true potential of the PEP 38526 Area, what is encouraging is the oil shows reported, which compliment oil and gas seeps recorded on the surface. The PEP 38526 Area has the necessary

ingredients to suggest that accumulations of oil could be present, particularly at deeper levels. PEP38526 is dominated by the Kotuku anticline and 22 leads and prospects have been mapped over the feature. The shallow nature of many of the structures mapped is favourable for cost effective drilling.

**In Australia**

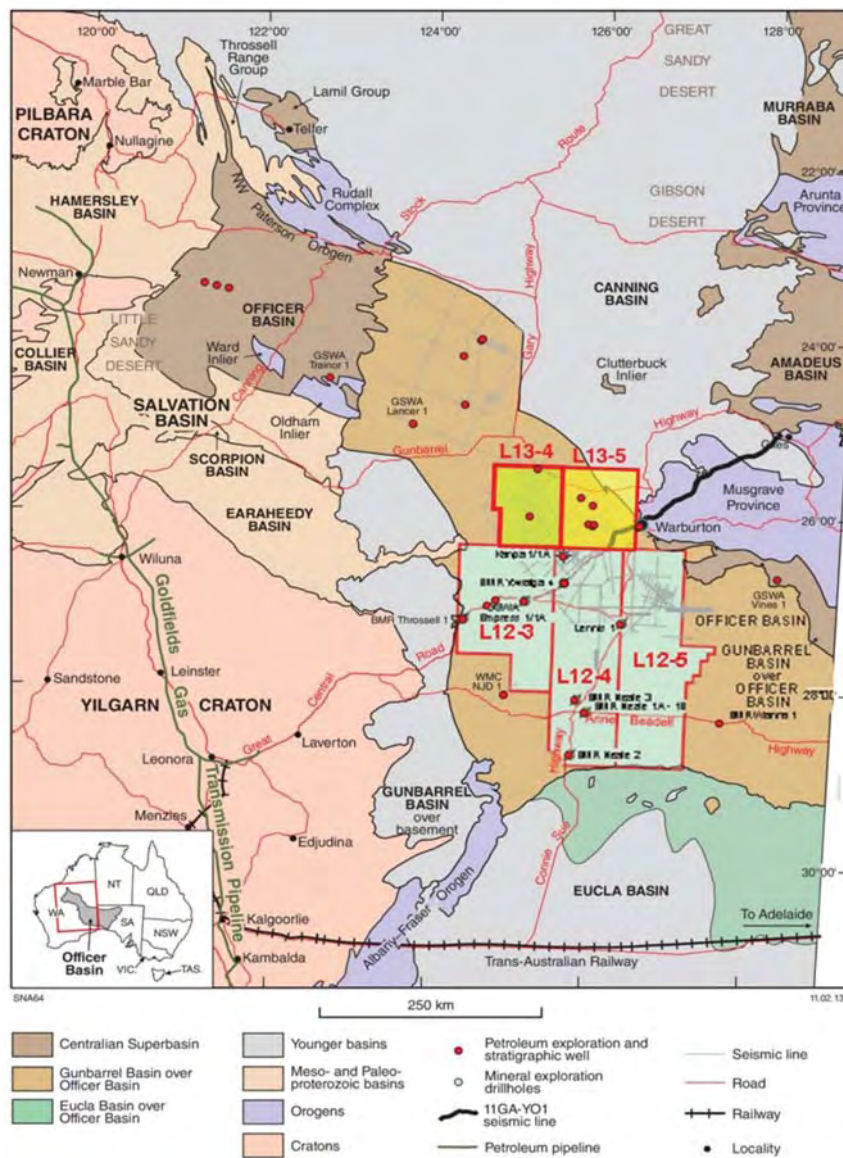
**Australian Petroleum Portfolio Pty Limited – STP-EPA-0071**

*Summary*

In Australia, the Officer Basin onshore application STP-EPA-0071 is an early stage exploration project with a modest work programme. There is no petroleum production in the Officer Basin.

The 22,527 sq km Application Area in the Western Australian part of the Officer Basin lies in the Vernon, Lennis and part of the Talbot Areas, south of the town of Warburton, and offers both conventional and unconventional potential with hydrocarbon shows reported in the Kanpa-1A well.

The Permit may only be awarded after the Native Title Act requirements are met which deal with heritage clearance, land access and other traditional land owner issues. Further details of the Native Title Act requirements are set out in Part 3 of this document.



Location of State Acreage Release Areas L13-4 and L13-5 in the Yowalga area and simplified geology of the western Officer Basin region

## *Location map of STP-EPA-0071 (released as L 12-4 in 2012)*

### *Geography and Infrastructure*

The Application Area is located 1,250 km northeast of Perth in a largely flat terrain with reasonable access in the dry season. The sealed Kalgoorlie to Laverton road links to the well maintained and unsealed Great Central Road which leads to Warburton and carries heavy transport for most of the year. A deep crustal seismic survey line was shot by GeoScience Australia along the road in 2011. Warburton is the most significant settlement in the area and it is linked to the Trans-Australian Railway about 500 km to the south. The Gunbarrel Highway passes north of the Application Area, although this is only a four-wheel drive track for much of its length. A well maintained gravel road links Warburton to other communities in South Australia and Alice Springs in the Northern Territory. Side roads and four-wheel drive tracks extend to other parts of the Application Area and can be used in dry weather.

The Application Area lies in one of the more explored parts of the Officer Basin in Western Australia with fair access for exploration. Seismic coverage exists in the northern portion of the Application Area and it contains six wells. Several structural leads have been mapped in the Application Area. The present oil window is relatively deep in the area and it appears that all elements of a petroleum system are present. There may also be subsalt and unconventional hydrocarbon resources, as indicated by the existence of good source rock near the base of the Neoproterozoic succession in a mineral core hole in the southern Yowalga Area which is immediately northwest of the Application Area.

The Goldfields Gas Transmission Pipeline extends from the North West Shelf to Esperance on the south coast at a distance of approximately 300 km to the west. Potential markets or delivery points for commercial discoveries could include mining centres along the pipeline, Alice Springs, and southern ports. Oil and gas production, with associated infrastructure, exists in the Mereenie area of the Amadeus Basin in the Northern Territory.

### *Previous exploration*

Petroleum exploration in the Western Australia area of the Officer Basin commenced in the 1960s with the drilling of five shallow wells in the Yowalga area. Subsequently, a series of shallow stratigraphic boreholes were drilled. A second phase of exploration followed in the 1980s when Shell acquired 4,682km of seismic data and drilled three deep wells in the area encountering a minor oil show. Further exploration work was carried out between 1995 and 2011 when Rodinia Oil Corp. drilled two wells in the Officer Basin in South Australia. Both wells encountered oil and gas shows, encouraging petroleum system indications and excellent Neoproterozoic reservoirs confirming the presence of an active petroleum system.

### *Geology*

The Officer Basin is similar to the productive Amadeus Basin in the Northern Territory and to basins in Russia and Oman which contain giant oil and gas fields. Few exploration or stratigraphic wells have been drilled in the western Officer Basin, but hydrocarbons have been reported in a number of wells.

Conventional reservoir targets in the basin are represented by sandstones in the Devonian, Ordovician, Cambrian, and Proterozoic. Carbonates in the Cambrian also offer an objective. The key source rock intervals lie in the Steptoe, the Hussar, and the Browne Formations, while horizons within the Kanpa Formation could also contribute to hydrocarbon generation.

Work by *Apak et al. (2003)* suggests that thin but organic rich beds with excellent to fair oil generating potential (together with good reservoir and seal rocks) are present in the basin. The focus of initial exploration is expected to be in the vicinity of the Kanpa wells targeting the Kanpa, Hussar, and Browne Formations.

### *Exploration potential*

The source rocks also offer unconventional targets for shale gas/oil. A number of structural leads trending northwest to southeast exist in the northern part of the Application Area. Salt tectonics also provides a number of different trap types and salt diapirs. Intra-formation shales will also offer sealing potential to hydrocarbon migration.



### *Timetable of activities*

The permit will be awarded after the Native Title Act requirements are met which deal with heritage clearance, land access and other traditional owner issues. Further details of the Native Title Act requirements are set out in Part 3 of this document.

### *Exploration costs*

A shareholders agreement described at paragraph 14.3 of Part 8 between the shareholders of APPPL includes terms relating to the funding of APPPL among other issues. If the Application Area leads to the grant of the permit, each shareholder will be granted a working interest. All parties carry their respective costs *pro rata* to their shareholding in APPPL.

APPPL will undertake the mandatory programme as agreed with the state of Western Australia. This does not commence until after the permit is granted.

<b>Year of Term</b>	<b>Quantity</b>	<b>Minimum Work Requirements</b>	<b>Estimated Expenditure (indicative only) A\$</b>
1		2D Seismic Reprocessing	850,000.00
2	1	Exploration Well	2,070,000.00
3	430km	New 2D Seismic Survey	2,200,000.00
4	1	Exploration Well	4,550,000.00
5		Geological Studies	280,000.00
6	1	Exploration Well	4,590,000.00
<b>TOTAL</b>			<b>14,540,000.00</b>

### *Shareholders Agreement*

The key clause in the shareholders' agreement addressing dilution of interest for failing to meet funding obligations is as follows:

The total funding requirement of the work programme in the Permit, including completion of the Native Title Agreement is estimated at A\$14,590,000 over approximately seven years. In the event that an expenditure obligation is in place and any APPPL shareholder is unable to meet their share of that funding obligation, that APPPL shareholder shall transfer to another APPPL shareholder or shareholders 0.625% of the total of their original shareholding for every A\$100,000 of expenditure obligation incumbent upon them that is met by another shareholder.

Thus, if the 50% shareholder (Palatine) does not contribute to a funding requirement totalling A\$14,590,000 and the other two APPPL shareholders make up the shortfall, Palatine's obligation to contribute half of the A\$14,590,000 (A\$7,295,000) costs results in a reduction in its shareholding of 45.59375% (72.95 multiplied by 0.625), reducing its interest to 4.40625%. If one of the 25% APPPL shareholders does not contribute to a funding requirement totalling A\$14,590,000 and the other two shareholders make up the shortfall, the defaulting shareholder's obligation of one quarter of the A\$14,590,000 (A\$3,647,500) costs results in a reduction in its shareholding of 22.79688% (36.475 multiplied by 0.625), reducing its interest to 2.20312%.

### **Australian Legislative Framework**

Exploration in Western Australia is governed by both State and Federal legislation. Ownership of all petroleum reserves is vested in the Crown.

Application Area STP-EPA-0071 is in Western Australia and the general terms are as follows:

1. Awarded for a 6 year term; renewable for two 5 year terms and a 21 + 21 year production period;
2. State royalty 10%;

3. Crude oil excise duty on gross cumulative production on a sliding scale (0% to 55%) ring fenced around the field and applicable after 30 million barrels of oil has been produced from that field;
4. Petroleum Resource Rent Tax (“PRRT”) of 40% on cash flow when net cumulative receipts turn positive (negative cash flows are uplifted costs depending on the type of costs and the time they were incurred); and
5. Income tax rate of 30% payable to the Federal Government.

#### *Conclusions*

The Application Area is situated in the western part of the Officer Basin with scant seismic coverage and the venue of only six wells. A number of structural leads have been mapped in the Application Area and it is considered the area has all the elements of a petroleum system being present. The presence of salt is an important factor as the rock will provide a good seal to any hydrocarbons being generated and also influence trapping types. The key source rocks in the petroleum system also act as an unconventional reservoir target in the Application Area. Previous operators in the area mapped a series of northwest to southeast trending leads and prospects in the northern portion of the Application Area. Similar age rocks to those found in the Officer Basin are productive in the Amadeus Basin in Northern Territories and in basins in Oman and Russia.

#### **Budget Summary**

Assuming full subscription under the Placing Mosman has prepared a budget for the next two years for its share of expenditures on the permits.

It is anticipated that approximately A\$1,459,000 will be appropriated to operations of the permits. Details are outlined in the following table:

<b>PROJECT</b>	<b>YEAR 2014 A\$</b>	<b>YEAR 2015 A\$</b>	<b>TOTAL A\$</b>
<b>PEP 38526</b>			
Exploration wells and data reprocessing	859,000	—	859,000
Seismic acquisition – 40 km		580,000	580,000
Sub-total	859,000	580,000	<b>1,439,000</b>
<b>STP-EPA-0071</b>			
Seismic Reprocessing	20,000		20,000
Exploration		0	0
Sub-total	20,000	0	<b>0</b>
<b>Total</b>	<b>879,000</b>	<b>580,000</b>	<b>1,459,000</b>

#### **Current trading and future prospects**

The Group currently has no trading income and its expenditure relates to costs associated with exploration activities on its Petroleum Assets and general corporate overheads.

Since 30 June 2013, the Group has traded in line with management expectations and has focused its attention on planning exploration for the 2014 year while continuing to evaluate exploration programmes and to explore wider opportunities for acquisitions of licences and hydrocarbon assets.

Following Admission, the Group will have cash resources of approximately A\$2.1 million after paying the Admission expenses.

#### **Trends**

Save as set out in this document, there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group’s prospects for at least the current financial year.

## **Future prospects**

The short-term focus of the Company, following Admission, will be the planned exploration in New Zealand, and completing the Native Title agreement in Australia.

## **Directors and Key Personnel**

Details of the Directors are set out below:

**John W Barr**, aged 57, B.Bus (Acc.), CA, FAICD, *Executive Chairman*

John is the founder of the Company, based in Perth, Western Australia. John 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 twenty five years.

He has specialised in the management of 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.

John worked extensively in starting up and building resource businesses, historically in mining. Prior to founding Mosman, he was Chairman of TNG Limited and, previously, Thor Mining PLC as well as several Australian listed companies including Sherwin Iron Limited (formerly Batavia Mining Limited). John was one of the founding Directors of Aquarius Platinum Ltd and negotiated various transactions on behalf of Aquarius (including the Penny West high grade gold deposit and the Awak Mas project in Indonesia). He was actively involved in the acquisition of the Aquarius platinum leases in South Africa, and the disposal of Lone Star Exploration generating a material profit for Aquarius. His roles at Aquarius also included the appointment and handover to a successful operational management team.

He has extensive Australian and international experience with exposure to manufacturing, mining and mineral exploration and development in respect to several commodities. He also has direct experience at senior management levels in a variety of industries.

John W Barr has responsibility on the board for the finance function of the Group.

**Andrew Carroll**, aged 58, BA, MA (Engineering) Cambridge, *Technical Director*

A mechanical engineer by background, Andrew has spent his career in the oil industry, initially with BP. He is currently managing director of Australasian Energy Pty Ltd.

He has worked in Australasia for more than 20 years. Andrew's role at Ampolex Limited included proposing PNG gas developments to the Pandora and Kotuku joint ventures, which have now become an ExxonMobil c.\$20bn liquefied natural gas development. Andrew was headhunted to InterOil Corporation to run its Papua New Guinea exploration business; discoveries were made in 2002 resulting in material share price appreciation. His more recent activities have included a number of successful smaller groups – Great Artesian Oil & Gas Ltd, Petroleum Exploration Australia Pty Ltd (sold in 2008) and founding director and former managing director/chief executive officer of the Phoenix Oil and Gas Limited royalties business.

His expertise covers a wide range of the energy business, with particular expertise in oil and gas, from permit applications and initial exploration operations including drilling, to development, production and marketing of oil and gas. This includes taking InterOil Corporation from applying for permits to discovery of a new petroleum system in PNG. Andrew also advised AGL Energy Limited in establishing an exploration and production business with acquisition and operations of coal seam methane assets including Sydney Gas, and Moranbah. International experience includes UK, Canada, Australia, NZ and PNG.

### *Other qualifications*

Post Graduate Business Law, University of Calgary

Post Graduate Tertiary Recovery, University of Calgary

Member Society of Petroleum Engineers since 1983

**John A Young**, aged 48, B App Sc (Geol), Grad Dip Tech Management, MAUSIMM, *Non-executive Director*

John 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 wide variety of mineral and resource projects throughout Australia and overseas.



In addition, John has held senior management and operational positions. He is currently Exploration Manager of Arunta Resources Limited and Principal Geological Consultant to Pilbara Minerals Limited. Both exploration companies are listed on the ASX, the latter a company focused on specialty metals and gold exploration in the Pilbara of Western Australia and in Papua New Guinea.

Details of the key personnel are set out below:

**Graeme Kernet Alexander**, aged 62, LLB, B.App. Sc. (Geol), *NZ Legal Counsel & In-Country Manager*

Graeme commenced his career as a geologist in the base metal mining and exploration industry in Australia after graduating in 1971 from the University of Canberra. A two-year introduction to underground, lead-zinc-silver mining was provided by Zinc Corp., and New Broken Hill mines in Broken Hill in western New South Wales (“NSW”), followed by work as an exploration geologist for CRA Exploration Pty Ltd in Western Australia (“WA”), Queensland and the Northern Territory. There followed gold exploration in WA, copper mining in South Australia and base metal exploration in NSW for CSR Minerals Exploration & Development Group (“CSR”). While working as a staff geologist in Sydney for CSR, Graeme studied law part-time at University of Technology, Sydney, and upon graduating in 1991 he joined Ampol Exploration Pty Ltd as a legal counsel moving to Mobil Exploration and Production in Perth, WA. Graeme moved to Gadens Lawyers in Port Moresby in 1997 as Senior Commercial Partner and gained a wide range of experience in Papua New Guinea law, including participation in the drafting of various PNG legislation and providing advice to Government departments including the Central Bank on interpreting and enforcement of legislation.

Graeme has been admitted to practise law in NSW, WA, PNG and NZ and has a current practising certificate in NSW.

**Zane Lewis** aged 42, Bachelor of Economics (UWA), *Company Secretary*

Zane Lewis is a member of Chartered Secretaries Australia Governance Institute of Australia and is also a Non-executive director of GRP Group Limited and Company Secretary and CFO for ASX listed Pilbara Minerals Limited and APAC Coal Limited.

He has over 20 years’ experience and leadership of small cap multinational companies. Zane’s hands-on skillset includes corporate advisory roles with ASX companies and unlisted companies as well as extensive international experience managing the Commtch Wireless Group of software and technical companies in USA, Europe, Hong Kong, China and Australia.

Zane Lewis has day to day responsibility for the finance function of the Group.

### **Corporate governance**

The Company will not be subject to the UK Corporate Governance Code applicable to companies listed on the Official List. The Company does, however, intend, 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 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 guidelines require, among other things, that:

- (a) certain matters be specifically reserved for the board’s decision;
- (b) the board should be supplied in a timely manner with information (including regular management financial information) in a form and of a quality appropriate to enable it to discharge its duties;
- (c) the board should, at least annually, conduct a review of the effectiveness of the Company and its subsidiaries’ system of internal controls and should report to shareholders that they have done so;
- (d) the roles of chairman and chief executive should not be exercised by the same individual or there should be a clear explanation of how other board procedures provide protection against the risks of concentration of power within the company;

- (e) a company should have at least two independent non-executive directors and the board should not be dominated by one person or group of people;
- (f) all directors should be submitted for re-election at regular intervals subject to continued satisfactory performance;
- (g) the board should establish audit, remuneration and nomination committees; and
- (h) there should be a dialogue with shareholders based on a mutual understanding of objectives.

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.

An audit committee, comprising John W Barr and John 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.

A remuneration committee, comprising John Young and Andrew Carroll has also been established to operate with effect from Admission. 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 Young.

The Company will ensure, in accordance with and subject to the provisions of Rule 21 of the AIM Rules, that the Directors and applicable employees shall not deal in any of the Ordinary Shares during a close period (as defined in the AIM Rules) and will take all reasonable steps to ensure compliance by the Directors and applicable employees with this Rule 21 including the adoption of a share dealing code.

### **Placing**

As at 30 June 2013 Mosman had issued 21,350,001 Shares to raise A\$1,585,000 in aggregate. Since 30 June 2013 a further 3,920,000 Shares were issued at A\$0.10 to raise A\$392,000, 8,363,700 Shares were issued in consideration for the acquisition of the remaining 40% of PCL and the 9,000,000 PPL Consideration Shares were issued to Andrew Carroll in consideration for the acquisition of PPL.

The Company is proposing to raise £1.5 million, before expenses, by the placing of 18,750,000 Ordinary Shares at the Placing Price by way of the Placing. Assuming full subscription, the Placing Shares being issued will represent 30.6 per cent of the Enlarged Share Capital.

Application has been made to the London Stock Exchange for the Existing Shares and the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Existing Shares and the Placing Shares on AIM, will commence on 20 March 2014.

The Placing is conditional *inter alia* on Admission. The Placing Shares will rank *pari passu* in all respects with the Existing Shares of the Company.

Further details of the Placing are set out in paragraph 14.1.1 of Part 8 of this document.

### **Use of proceeds**

The proceeds of the Placing will be used to finance the exploration programme of the Company as detailed in Part 1 of this document, and for general working capital purposes.

In addition the Directors intend to repay the loan of A\$100,000 advanced by John W Barr as detailed in clause 14.1.6 in Part 8 of this document.

It is anticipated that further fund raising will be required, following completion of the exploration programmes, to fund the Company's activities in 2016 and beyond.

### **Reasons for the Admission**

The Directors believe that the admission of the Company's issued share capital to trading on AIM will provide future access to capital for the long-term development of its business, increase the general awareness of the Company, enable the Company to acquire assets through the issue of equity and

enhance the liquidity of the Company's issued share capital by attracting UK high net worth and institutional investors.

### **Lock-in and orderly market arrangements**

The Directors are committed to the long term future of the Company. Their aggregate direct and indirect interests in the issued ordinary share capital of the Company immediately following Admission will amount to 22,100,001 Ordinary Shares, equivalent to approximately 36.0% of the issued ordinary share capital of the Company at that time.

The Locked-in Shareholders have each undertaken not to dispose of any interest in Ordinary Shares held by them (whether acquired on or after Admission) for a minimum period of twelve months (18 months in the case of the PPL Consideration Shares) following Admission without the prior written consent of the Company, ZAI and the SI Capital. Thereafter, the Locked-in Shareholders (other than Aorere) have each agreed not to make any such disposal for a further twelve months without the written consent of each of the Company, ZAI CF and SI Capital, such consent not to be unreasonably withheld and that any disposal of Shares by him following the expiry of the Lock-In Period will be made through SI Capital in such manner as SI Capital may require with a view to the maintenance of an orderly market in the Company's shares.

The lock-in obligations described above do not apply in certain limited circumstances being:

- a) to transfers in relation to an acceptance of an offer for the entire issued share capital of the Company (excluding any Shares already held by the offeror) by a person who is not acting in concert with any Locked-in Shareholder; the giving of an irrevocable undertaking to accept such an offer; or selling any Shares to a person making such an offer or a person who has announced an intention to make such an offer;
- b) any disposal upon an intervening court order;
- c) to the transfer or disposal of Shares pursuant to a compromise or arrangement between the Company and its creditors or any class of them or between the Company and its members or any class of them which is agreed to by the creditors or members and sanctioned by the court;
- d) to any disposal required by any statutory or regulatory requirement;
- e) to transfers to the personal representatives or beneficiaries of a Locked-in Shareholder who has died provided always that the proposed transferee agrees by deed in a form acceptable to the Company, ZAI CF and SI Capital to be bound by the provisions of the lock-in restrictions;

### **Working capital**

The Directors are of the opinion that, having made due and careful enquiry the working capital available to the Company will, from Admission, be sufficient for its present requirements, that is for at least the next 12 months from Admission.

### **Dividend policy**

The nature of the Company's business means that it is unlikely that the Directors will recommend a dividend in the early years following Admission. The Directors believe the Company should seek to generate capital growth for its Shareholders. The Company may recommend distributions at some future date when it becomes commercially prudent to do so, having regard to the availability of the Company's distributable profits and the retention of funds required to finance future growth.

### **Takeovers**

The Company is incorporated in, is resident in and has its head office and central place of management and control in Australia. Accordingly, the UK City Code on Takeovers and Mergers ("City Code") published by the Panel on Takeovers and Mergers does not apply to the Company or transactions in Ordinary Shares. Investors should be aware that the protections afforded to shareholders by the City Code which are designed to regulate the way in which takeovers are conducted will not be available. Details of the Australian takeover regime applicable to the Company are set out in paragraph 17 of Part 8 of this document.

### **Taxation**

The attention of prospective investors is drawn to the taxation section in paragraph 22 of Part 8 of this document.

Information regarding the taxation in the UK with regard to holdings in Ordinary Shares is set out in paragraph 22.3 of Part 8 of this document. These details are, however, intended only as a general guide to the current tax position under UK taxation law. Shareholders who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than their UK are strongly advised to consult their own independent financial adviser immediately.

### **CREST and Depositary Interests**

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. It is not currently possible for securities of an Australian company, such as the Company, to be held or transferred through CREST and therefore the Directors have made arrangements for (i) instruments representing Ordinary Shares to be settled through CREST, being DIs which represent the Ordinary Shares and (ii) for DIs to be issued, which are then held in trust for their holders.

Consequently, with effect from Admission, it will be possible for CREST members to hold and transfer interests in Ordinary Shares within CREST pursuant to a DI arrangement established by the Company with the Depositary. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will also be able to do so. No temporary documents of title will be issued. The Ordinary Shares will not themselves be admitted to CREST. Instead the Depositary will issue DIs in respect of the underlying Ordinary Shares. The DIs will be independent securities constituted under English law which may be held and transferred through CREST. DIs will have the same (ISIN) as the underlying Ordinary Shares and will not require a separate listing on AIM. The DIs will exist only in uncertificated form and cannot be traded other than through CREST.

The DIs will be created pursuant to and issued on the terms of the Deed Poll executed by the Depositary in favour of the holders of the DIs from time to time. Prospective holders of DIs should note that they will have no rights in respect of the underlying Ordinary Shares or the DIs representing them against Euroclear or its subsidiaries. In order for the Ordinary Shares to be dematerialised, those Ordinary Shares will be transferred to the Depositary or its custodian and the Depositary will issue the corresponding DIs to participating CREST members. Each DI will be treated as one Ordinary Share for the purposes of determining, for example, eligibility for any dividends. The Depositary will pass on to DI holders any stock or cash benefits received by it as holder. DI holders will also be able to receive notices of meetings of holders of Ordinary Shares and other notices issued by the Company to its shareholders through the Depositary.

Application will be made for the DIs in respect of the underlying Ordinary Shares to be admitted to CREST with effect from Admission. Holders of Ordinary Shares in certificated form who wish to hold DIs through the CREST system may be able to do so and should contact the Depositary for further details.

Prospective purchasers of the Ordinary Shares are referred to the Deed Poll which governs the relationship between the DI holders and the Depositary and is available for inspection at Computershare Investor Services plc, The Pavilions, Bridgewater Road, Bristol BS99 6ZY. In summary, the Deed Poll contains, among other things, provisions to the following effect which are binding on holders of DIs:

- (a) the Depositary will hold (itself or through its nominated custodian) as bare trustee of the underlying securities issued by the Company and all and any rights and other securities, property and cash attributable to the underlying securities pertaining to the DIs for the benefit of the holders of the relevant DIs. The DI holder may call to have his DIs cancelled and the underlying securities and rights, property and cash attributable thereto delivered to him;
- (b) the Depositary shall pass on and ensure any custodian passes on to DI holders all rights and entitlements received in respect of the underlying Ordinary Shares. Rights and entitlements to cash distributions, to information, to make choices and elections and to attend and vote at general meetings shall, subject to the Deed Poll, be passed on in the form which they are received together with any amendments or such additional documentation necessary to effect such passing-on;
- (c) The Deed Poll contains provisions excluding and limiting the Depositary's liability. For example, the Depositary shall not be liable to any DI holder or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or

otherwise except as may result from its negligence or wilful deceit or fraud or that of any person for whom it is vicariously liable, provided that the Depositary shall not be liable for negligence, wilful deceit or fraud of any custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of such custodian or agent. Furthermore, the Depositary's liability to a holder of DIs will be limited to the lesser of (a) the value of the Ordinary Shares and other deposited property attributable to the DIs to which the liability relates and (b) that proportion of £5 million which corresponds to the proportion which the amount the Depositary would otherwise be liable to pay to the DI Holder bears to the aggregate of the amounts the Depositary would otherwise be liable to pay to all DI Holders in respect of the same act, omission or event or, if there are no such amounts, £5 million;

- (d) the Depositary is entitled to charge DI holders fees and expenses for the provisions of its services under the Deed Poll;
- (e) each DI holder is liable to indemnify the Depositary and any custodian (and their agents, officers and employees) against all liabilities arising from or incurred in connection with, or arising from any act relating to, the Deed Poll so far as they relate to the property held for the account of the DIs held by that holder, other than those resulting from the wilful deceit, negligence or fraud of the Depositary, or a custodian of the same group or the Depositary shall have failed to exercise reasonable care in the appointment and continued use and supervision of any custodian or agent;
- (f) The Depositary may terminate the Deed Poll by giving at least 30 days' notice. On such notice each holder shall be entitled to cancel DIs held by it and withdraw all of the deposited property. If any DIs remain outstanding after termination, the Depositary shall, among other things, deliver the deposited property in respect of the DIs to the respective DI holders or, at its discretion sell all or part of such deposited property. It shall, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any sums due to the Depositary, together with any other cash held by it under the Deed Poll *pro rata* to DI holders in respect of their DIs; and
- (g) the Depositary may require from any holder or former or prospective holder of DIs information as to the capacity in which such holder owns or owned DIs and regarding the identity of any other person then or previously interested in such DIs and the nature of such interest and the DI holders agree to provide such information requested.

To the extent that, among other things, the Constitution requires disclosure to the Company of, or limitations in relation to, beneficial or other ownership of, or interests of any kind whatsoever in, the Company's securities, the DI holders shall comply with the Company's instructions with respect thereto. It should also be noted that DI holders may not have the opportunity to exercise all of the rights and entitlements available to holders of Ordinary Shares including, for example, the ability to vote on a show of hands. In relation to voting, it will be important for DI holders to give prompt instructions to the Depositary or any custodian, in accordance with any voting arrangements made available to them, to vote the underlying Ordinary Shares on their behalf or, to the extent possible, to take advantage of any arrangements enabling DI holders to vote such Ordinary Shares as a proxy of the Depositary or any custodian.

#### **Further information**

Your attention is drawn to Part 2 of this document, which contains risk factors relating to any investment in the Company, Part 7 which contains the Competent Person's Report in respect of the Company's Projects and Parts 4, 5 and 6 of this document which contain financial information on the Company, as well as further additional information on the Company in Part 8 of this document.



## PART 2

### RISK FACTORS

An investment in the Company is highly speculative and involves a high degree of risk. Potential investors should carefully consider the risks described below, in light of the information in this document and their personal circumstances, before making any decision to invest in the Company. An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment, and who have sufficient resources to bear any loss which might result from such investment. If any of the risks described should actually occur, the Group could be materially affected. In such circumstances, the price of the Ordinary Shares may fall and Shareholders could lose all or part of their investment. If a potential investor is in any doubt about the action he, she or it, should take, he, she or it should consult a professional advisor authorised under the FSMA, who specialises in advising on the acquisition of shares and other securities. The risk factors summarised below are not intended to be exhaustive and are not intended to be presented in any assumed order of priority. Additional risks and uncertainties not presently known to the Directors, or which the Board currently deems immaterial, may also have an adverse effect upon the Group.

AIM is not the Official List. It is a market designed primarily for emerging or smaller companies. The market in the Company's shares may therefore be relatively illiquid or subject to fluctuations. Consequently it may be difficult for Shareholders to realise any investment in the Group.

The AIM Rules are less demanding than those of the Official List. An investment in shares that are listed on AIM is likely to carry a higher risk than an investment in shares on the Official List.

#### RISKS RELATED TO THE COMPANY'S BUSINESS

*The Group's principal assets are its Petroleum Assets which are subject to renewal requirements*

The Group's Petroleum Assets comprise one onshore petroleum exploration permit (PEP 38526) in New Zealand and one onshore petroleum exploration permit application (EPA) in Western Australia, STP-EPA-0071 and are the Company's principal assets. The holder of a petroleum exploration permit (PEP) in New Zealand and Western Australia must under New Zealand and Western Australia law:

- (a) New Zealand: provided the permit holder complies with the permit conditions and with the Crown Minerals Act 1991 and its associated regulations, rules and programmes, title to the PEP will be held for the full permit term with a right to extend its duration for up to four years for the purposes of appraisal of a discovery. The permit holder has an exclusive right to apply for and to receive a petroleum mining permit (PMP) if it can be satisfied that a petroleum field has been discovered as a result of activities authorised under the PEP; and
- (b) Western Australia: provided the permit holder complies with the permit conditions and with the Petroleum & Geothermal Energy Resources Act 1967 and its associated regulations, title to the permit can be held for an initial 6 year term and the permit can be renewed for several 5-year periods over a reduced (in general 50%) area of the original permit. Upon establishing a location of a discovery the permit holder has the right to apply for a retention lease or a petroleum production licence over that location.

*The Company's development operations may require substantial capital expenditures. The Company may be unable to obtain needed capital or financing on satisfactory terms or otherwise, which could materially adversely affect the business, prospects and financial condition of the Company.*

The successful extraction of oil and/or gas requires very significant capital investment. Delays in the construction and commissioning of any of the Group's hydrocarbon exploration or production projects or other technical difficulties may result in projected target dates for related production being delayed and/or further capital expenditure being required. In common with all hydrocarbon exploration, appraisal, development and production operations, there is uncertainty, and therefore risk, associated with operating parameters and costs resulting from the scaling up of appraisal extraction methods. The Group's ability to raise further funds will depend on the success of existing and acquired operations. The Group may not be successful in procuring the requisite funds and, if such funding is unavailable, the Group may be required to reduce the scope of its operations or anticipated expansion. In the event that financing is successful it may mean that new Ordinary Shares need to be issued thus diluting the interests of investors at that time.

A portion of the Group's activities will be directed to the search for and the development of new hydrocarbon deposits. Significant capital investment will be required to achieve commercial

production from the Group's existing exploration projects and from successful exploration efforts. There is no assurance that the Company will be able to raise the required funds to continue these activities and there can be no guarantee that such funding will ultimately be available.

***Petroleum exploration and extraction are highly speculative in nature***

The business of exploring for and extracting hydrocarbons involves a high degree of risk and only a small proportion of areas that are explored worldwide are ultimately developed into producing oil or gas fields. No success in this respect can be guaranteed.

Even where exploration has led to oil or gas resources or reserves, the economics of developing petroleum properties is affected by many factors including the cost of operations, variations of the quality of hydrocarbon extracted, quality and availability of geological and geophysical expertise and such other factors as government regulations.

Due to the speculative nature of exploration and production it may not always be possible for the Group to accurately forecast cash flow, operating costs and economic returns.

***Pricing and market fluctuations internationally may reduce the Company's profit margins***

The earnings of the Group, or other companies that the Group may invest in from time to time, may be derived from the extraction and sale of oil and/or gas and may, therefore, be related to the market price for those resources. Historically, the prices of oil and gas have fluctuated significantly and are affected by numerous factors which the Group is unable to control or predict including industrial and retail demand, the availability of substitute energy sources for industrial uses, forward sales and purchases by producers and speculators, levels of hydrocarbon production, short-term changes in supply and demand because of speculative hedging activities, the strength of the US\$ (the currency in which the price of oil and gas are generally quoted), and global or regional political or economic conditions or events. The performance of the share price of an oil and gas company generally exhibits a correlation with the price of oil and gas, although there is no guarantee that the price of the Ordinary Shares will follow this trend.

In addition, the profitability of any future production operations by the Group shall be directly related to the prevailing price of the oil and/or gas produced. If prices decline for a substantial period below the cost of production of the Group, it may not be economically feasible to continue production. A decline in the prevailing price of oil and gas may also require the Group to write-down any hydrocarbon resources or reserves, which would have a material and adverse effect on future earnings and profitability.

***The Group's principal assets are its Petroleum Assets which may be the subject of title disputes or defects***

The acquisition and retention of title to petroleum rights is a detailed and time-consuming process. Title to, and the area of, petroleum interests may be disputed or challenged. Although the Directors believe the Group has taken reasonable measures to ensure title to, and rights and interests in, the permits held by it, and to the best of its knowledge title to such permits is in good standing, there is no guarantee that title to its Permits will not be challenged or impaired.

The Permits may be subject to undetected defects. Any successful challenges to the title of the Group's Permits may cause the Group to lose all or part of its interest in its Permits and materially delay or restrict the Group's ability to proceed with its exploration operations.

There is no guarantee that the Group will be able to secure all exploration permits, production licences, permissions, clearances or other titles or exemptions required for its projects. There is no guarantee, even where the necessary approvals are obtained, that any subsequently required approvals will also be granted or maintained throughout the life of the Group's projects.

The Group may not be able to retain its Permits interests when they come up for renewal.

In addition, pursuant to the Petroleum & Geothermal Energy Resources Act 1967 (WA), on renewal of an exploration permit, the permit holder has to relinquish a significant part of the area (generally 50%) covered by the original permit. Although it is the intention of the Group to re-apply for the areas described in this document and which prove to be of hydrocarbon potential and interest to the Group, there can be no guarantee that the Company, its subsidiaries or the companies that the Company chooses to invest in from time to time will secure title to the areas relinquished under that Act.



***The Group is subject to complex national, local and other laws and regulations that could affect the cost, manner and feasibility of doing business***

Oil and gas projects may be subject to the environmental laws of countries or states in which the projects, or companies that the Group has invested in, operate. These laws may result in limitations of exploration or production activities which may become increasingly strict in the future. Environmental awareness on the part of the public has been increasing, as has public pressure on environmental authorities. No assurance can be given that the need to comply with current or future environmental laws, regulations or commitments will not have a material adverse effect on the activities of the Group or any other company that it has invested in. Nor can it be assured that the liabilities resulting from any environmental damage caused by the activities of the Group, or any investee companies, will not be material.

The Group's investments may be subject to the foreign exchange and other laws of various countries that may prevent, materially delay or at least require governmental approval for, the full or partial repatriation of the Group's investments. Foreign investment in companies in emerging countries may be restricted or controlled to varying degrees. These restrictions may, at times, limit or preclude foreign investment and increase the costs and expenses of the Group. Additionally, under certain circumstances a country may impose restrictions on capital remittances abroad. The Group could be adversely affected by delays in, or refusal to grant any required governmental approval for, repatriation of capital or dividends held by the Group or their conversion into foreign currency. In addition, gains from the disposal of such securities may be subject to withholding taxes, income tax and capital gains tax.

The Group must comply with, *inter alia*, the current and future New Zealand and Australia regulations relating to hydrocarbon exploration and production. The institution and enforcement of such regulations could have the effect of increasing the expense and lowering the income or rate of return from, as well as adversely affecting the value of, the Group's assets.

***The Group's current exploration activities are situated entirely in two countries***

The political situations in New Zealand and Australia may introduce a degree of risk with respect to the Group's activities. Risks may include, among others, labour disputes, delays or invalidation of governmental orders and permits, corruption, uncertain political and economic environments, civil disturbances and terrorist actions, arbitrary changes in laws or policies, foreign taxation and exchange controls, opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, infrastructure limitations and increased financing costs.

In New Zealand and Australia the respective government exercises control over exploration and production, permitting, exporting and taxation. The Group is currently conducting its exploration operations entirely in New Zealand and Australia. The Board believes that the Government of New Zealand and the Governments of Western Australia and the Commonwealth of Australia support the development of natural resources. However, there is no assurance that future political and economic conditions in New Zealand and Australia will not result in the Governments of New Zealand and Australia changing their respective political attitude towards mining and adopting different policies respecting the exploration, development and ownership of petroleum resources. Any such changes in policy may result in changes in laws affecting ownership of assets, land tenure and petroleum licences, taxation royalties, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, which may affect the Group's ability to undertake exploration and future exploration and production operations in the properties in respect of which it has obtained petroleum rights to date and may adversely impact the Group's ability to carry out its activities.

***The Group's exploration activities are, and will be, subject to operational risks and hazards inherent to the oil and gas industry***

The Group's exploration activities are, and will be, subject to risks and hazards inherent in the oil and gas industry, including but not limited to, variations in hydrocarbon quality, deposit or reservoir size, density, unusual or unexpected rock formations and other geological problems, seismic activity, fires, explosions, periodic interruptions due to inclement or hazardous weather conditions, environmental hazards, hydrological conditions, delays in installing and commissioning plant and equipment, mechanical equipment performance problems and other technical problems, the unavailability of materials and equipment including fuel, labour force disruptions or shortage of skilled workers, unanticipated interruptions or significant changes in the costs of services and supplies

including but not limited to water, transport, fuel and power, and unanticipated regulatory changes. Should any of these risks and hazards affect any of the Group's exploration activities, it may cause the cost of exploration to increase and may result in a requirement for greater capital or operating expenditure. The cost of exploration may also increase to a point where it would no longer be economic to carry out these activities which would have a material and adverse effect on the financial condition of the Group.

Problems may also arise due to the quality or failure of locally obtained equipment or interruptions to services (such as power, water, fuel or transport or production capacity) or technical support which results in failure to achieve expected target dates for drilling or production activities and/or result in a requirement for greater expenditure.

In New Zealand and Australia land access is or may be subject to future access arrangements with the relevant landowners, occupiers or regulatory body.

***The Group has a limited operating history and its success is dependent on its ability to generate cash flow from future mining operations and its access to equity markets***

The Group does not have an established track record. The Group's operations are at an early stage of development and success will depend upon the Directors' ability to manage the current projects and to identify and take advantage of further opportunities which may arise. The Group has no properties producing positive cash flow and its ultimate success will depend on its ability to generate cash flow from active extraction operations in the future and its ability to access equity markets for its development requirements. The Group has not earned profits to date and there is no assurance that it will do so in the future. All of the Group's activities will be directed to exploration and, if warranted, development of its existing properties, the granting of mining Permits and to the search for and the development of new oil and gas resources. Significant capital investment will be required to achieve commercial production.

Historical facts, information gained from historic experience, present facts, circumstances and information, and assumptions from all or any of these are not a guide to the future. Aims, targets, plans and intentions referred to herein are no more than that and do not imply forecasts. The Ordinary Shares should be regarded as a highly speculative investment and an investment in Ordinary Shares should only be made by those with the necessary expertise to fully evaluate the investment.

***The Group may be unable to compete effectively with larger companies, which may adversely affect the Group's revenues and results of operations***

The oil and gas exploration production business is competitive in all of its phases. The Group competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Group, in the search for and acquisition and development rights on attractive petroleum properties. The Group's ability to acquire exploration and production rights on licence areas in the future will depend not only on its ability to develop the Permits on which it currently has exploration rights, but also on its ability to select and acquire exploration and production rights on suitable licence areas for exploration and development. There is no assurance that the Group will continue to be able to compete successfully in acquiring exploration and production rights on such properties.

***If the Group loses any of its key personnel, the Group's ability to manage the business and continue the growth could be negatively impacted***

The Group's success depends to a significant extent on the quality of management of the Group. The Group's business may be disrupted, additional cost may be incurred or the future of the Group may be jeopardised by a loss of or failure to retain sufficient numbers and quality of management staff or senior personnel.

There can be no assurance the Group's present key personnel and Directors will remain with the Company, and the departure of any such person or Director may materially affect the Company's business operations and the value of its Ordinary Shares. The future success of the Group is also in part dependent upon its ability to identify, attract, motivate and retain staff with the requisite experience. Measures are in place and are under review to reward and retain key individuals and to protect the Group from the impact of staff turnover.

A shortage of skilled labour may make it difficult for the Group to maintain labour productivity and competitive costs could adversely affect its profitability.

***The Group may be unable to successfully manage the growth of its operations***

If the Group grows as expected, it must successfully increase and implement additional resources to support its operations. If growth cannot be managed effectively, the Group's business, financial conditions and results from operations could be adversely affected.

***Insurance***

The oil and gas industry is subject to significant risks that could result in damage to, or destruction of, facilities, personal injury or death, environmental damage, delays in scheduled programmes, increased costs, and monetary losses and possible legal liability. Where considered practical or required to do so, the Group will endeavour to maintain appropriate insurance cover against risks in the operation of its business in amounts which it believes to be reasonable. Such insurance, however, contains exclusions and limitations on coverage. There can be no assurance that such insurance will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting liability for the Company, its subsidiaries or companies that the Company chooses to invest in from time to time, including liability for blow-out, fire, pollution or other hazards occurring from the Group's current and future operations. In addition, insurance usually does not cover, among other things, wilful damage, sabotage or political risk. The Group may suffer a material adverse effect on its business if it incurs losses related to any significant events that are not covered by its insurance policies. Payment of such liabilities would reduce funds available for exploration, development, production or acquisition of petroleum properties and would have a material adverse effect on the financial position of the Group.

**RISKS RELATED TO THE ECONOMIC, POLITICAL AND SOCIAL ENVIRONMENTS IN NEW ZEALAND AND AUSTRALIA**

***The Group faces foreign exchange risks that could adversely affect its operating results***

The Company reports its financial results and maintains its accounts in Australian dollars. A majority of the Company's expenses will be incurred in Australian or NZ Dollars. The appreciation of the Australian and NZ Dollar against Sterling, the Placing currency, would reduce the amount of Australian dollars available for exploration, which, among other effects, would materially and may adversely affect the Company's financial condition, and may limit the Company's ability to carry on its exploration activities. In addition, the market for oil and gas is principally denominated in US\$ and the Group's future petroleum operations in New Zealand and Australia may make it subject to further currency fluctuations and such fluctuations may materially affect the Group's future profitability and results.

***Taxation***

Any change to the Group's tax status or tax legislation could affect its ability to provide returns to Shareholders or alter post tax returns to Shareholders. The taxation of an investment in the Group depends on the individual circumstances of investors.

***Native Title***

The Company's activities in Australia are subject to the Native Title Act 1993 (Cth) and associated legislation.

The Aboriginal and Torres Strait Islander Heritage Protection Act 1984 (Cth) (Commonwealth Heritage Act) is aimed at the preservation and protection of any Aboriginal areas and objects that may be located on the Permit Application.

Under the Commonwealth Heritage Act, the Minister for Aboriginal Affairs may make interim or permanent declarations of preservation in relation to significant Aboriginal areas or objects, which have the potential to halt exploration activities. Compensation is payable by the Minister for Aboriginal Affairs to a person who is, or is likely to be, affected by a permanent declaration of preservation.

Uncertainty associated with native title issues may impact on the Company's access to land and future plans.

## **RISKS ASSOCIATED WITH THE ORDINARY SHARES**

### ***There is a risk of share price volatility and limited liquidity associated with the Ordinary Shares***

Investors should recognise that the price of securities and the income from them can go down as well as up. The price at which the Ordinary Shares may trade and the price which the Shareholders may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Company and some which may affect quoted companies generally. These factors could include the performance of the Group's operations, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory changes and general economic conditions. The value of the Ordinary Shares will therefore fluctuate and may not reflect their underlying asset value.

The nature of the Company may result in little or no trading in Ordinary Shares, which may result in Shareholders being unable to dispose of their shareholdings.

There is also no guarantee that the market price of an Ordinary Share will accurately reflect its underlying value.

### ***An active trading market in the Ordinary Shares may not develop***

An active trading market in the Ordinary Shares may not develop on AIM during the trading period because the trading of the Ordinary Shares may be volatile and subject to the same risks as noted elsewhere herein.

### ***The Company's ability to pay dividends will depend on the level of profits and cash flows generated by the Group***

In accordance with the Corporations Act, the Company must not pay a dividend unless:

- the Company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend; and
- the payment of the dividend is fair and reasonable to the Company's shareholders as a whole; and
- the payment of the dividend does not materially prejudice the Company's ability to pay its creditors.

The ability of the Company to pay dividends in the future is affected by a number of factors, principally the ability to receive sufficient dividends from its subsidiaries. The payment of dividends to the Company by its subsidiaries is, in turn, subject to restrictions, including certain regulatory requirements and the existence of sufficient distributable reserves and cash in their respective subsidiaries.

The ability of these subsidiaries to pay dividends and the ability of the Company to receive distributions from its investments in other entities are subject to applicable local laws and regulatory requirements and other restrictions, including, but not limited to, applicable tax laws. These laws and restrictions could limit the payment of dividends to the Company by its subsidiaries, which could in future restrict the Company's ability to fund other operations or to pay a dividend to holders of the Ordinary Shares.

### ***The Company may issue additional shares without shareholder approval, which would dilute existing ownership interest.***

The Company may, subject to listing rules and the Corporations Act, issue additional shares without the approval of its shareholders.

The issuance of additional shares or other equity securities may have the following effects:

- the proportionate ownership interest of shareholders in the Company may decrease;
- the relative voting strength of each previously outstanding ordinary share may be diminished; and
- the market price of the shares may decline.

Insiders will continue to have substantial control over the Company after completion of the Admission, so potential investors may not be able to influence the outcome of some of the Group's important decisions.

It may also be necessary for the Group to raise additional capital in the future to finance future stages of development. Any such capital may not be available to the Group on favourable terms or

at all and will, if existing shareholders are unable or choose not to subscribe, lead to a dilution of interest.

***Shareholders outside Australia and the United Kingdom may not be able to take up future issues of shares***

Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Shareholders in such jurisdictions in any future issues of shares carried out by the Company. Qualifying Shareholders who have a registered address in or who are resident in, or who are citizens of, countries other than Australia or the UK, should consult professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up any future issues of shares.

Investors should consider carefully whether the investment in the Group is suitable for them in light of the risk factors outlined above, their personal circumstances and the financial resources available to them.

**All statements other than statements of historical fact, contained in this admission document constitute "forward looking statements". In some cases forward looking statements can be identified by terms such as "may", "intend", "might", "will", "should", "could", "would", "believe", "anticipate", "expect", "estimate", "predict", "project", "potential", or the negative of these terms, and similar expressions. Such forward looking statements are based on assumptions and estimates and involve risks, uncertainties and other factors which may cause the actual results, financial condition, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in this Part 2 "Risk Factors". New factors may emerge from time to time that could cause the Group's business not to develop as it expects, and it is not possible for the Group to predict all such factors. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements except as required by law. The Group disclaims any obligation to update any such forward looking statements in this admission document to reflect future events or developments.**

**The risk factors detailed above do not include those risks associated with the Group which are unknown to the Directors and do not necessarily comprise all those risks associated with an investment in the Company.**



## PART 3

# SUMMARY OF THE LAWS OF NEW ZEALAND AND AUSTRALIA RELATING TO HYDROCARBONS

### A. SUMMARY OF THE LAWS OF NEW ZEALAND RELATING TO HYDROCARBONS

The *Crown Minerals Act 1991* of New Zealand (the “Act”) was enacted as Public Act No. 70 by Assent dated 22 July 1991 and commenced on 1 October 1991. It was most recently materially amended by the *Crown Minerals Amendment Act 2013* (2013 No. 14) on 24 May 2013. Regulations enacted under the Act affecting petroleum activities in NZ are the *Crown Minerals (Petroleum) Regulations 2007*, *Crown Minerals (Petroleum Fees) Regulations 2006* and the *Crown Minerals (Royalties for Petroleum) Regulations 2013*. Other legislation that affects or relates to prospecting for, exploring for or mining petroleum include the *Resources Management Act 1991*, which sets out how the environment is to be managed onshore and up to 12 nautical miles offshore; the *Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012*, which sets out how the environment in NZ’s exclusive economic zone and continental shelf are to be managed; and the *Health and Safety in Employment Act 1992*, which sets out how health and safety in the workplace, including petroleum facilities, are to be managed.

A summary of the provisions of the Act relating to the different types of permits, including granting, renewal and extension, and the granting of mining permits; the regulating authorities, and general information on transferability and environmental and health and safety requirements is set out below.

#### 1. Types of permits

Section 2 of the Act defines three types of petroleum titles:

- (a) prospecting permit;
- (b) exploration permit; and
- (c) mining permit.

##### (a) Prospecting Permit

Section 23 of the Act provides that the purpose of a petroleum prospecting permit (PPP) is to authorise the permit holder to prospect for petroleum deposits or occurrences and is generally for low impact exploration activities. The term “prospecting” is defined in the Act as: “any activity undertaken for the purpose of identifying land likely to contain mineral deposits or occurrences; and includes the following activities: (i) geological, geochemical, and geophysical surveying; (ii) aerial surveying; (iii) taking samples by hand or hand held methods; and (iv) taking small samples offshore by low-impact mechanical methods. Petroleum prospecting permits are usually granted by the Minister on a non-exclusive basis, although they may be granted with exclusive rights to prospect in certain circumstances and under more stringent conditions. Holders of PPPs do not have subsequent rights to petroleum exploration or mining permits over the area of a PPP. The PPP may be granted for a period of up to four years and cannot be extended beyond four years, although the Minister will not normally grant a PPP for more than two years. There are no specific size limitations for a PPP, but the area granted will not exceed the area proposed to be prospected under the holder’s proposed work programme.

##### (b) Exploration Permit

Section 23 of the Act provides that the purpose of a petroleum exploration permit (PEP) is to authorise the permit holder to explore for petroleum resources. The term “exploration” or “to explore” is defined in the Act as: “any activity undertaken for the purpose of identifying mineral deposits or occurrences and evaluating the feasibility of mining particular deposits or occurrences of one or more minerals; and includes any drilling, dredging, or excavations (whether surface or subsurface) that are reasonably necessary to determine the nature and size of a mineral deposit or occurrence.” All PEPs are allocated competitively by way of Petroleum Exploration Permit Rounds on the basis of staged work programme bidding or cash bonus bidding. The former basis is used in most circumstance whilst cash bonus bidding may be used in a highly sought after area, adjacent to a discovery for instance. Under staged work programme bidding a PEP would be granted to the party proposing to undertake a work programme that has the best information-gathering value and that is most likely to find

petroleum deposits in a timely manner, and subject to other matters the Minister must consider under the Act. There is usually only one Petroleum Exploration Permit Round per year, consisting of a competitive tender for a number of exploration permits over areas nominated by interested parties for inclusion during the previous year.

The PEP can be awarded for up to 15 years and may be extended for up to four years for appraisal of a petroleum discovery; the Minister may grant one further similar extension under the same conditions as for the initial extension. The extension would be restricted to the area of the PEP to which the Minister determines that the discovery relates.

Any application for a mining permit must be submitted before the appraisal extension expires, in which case the PEP under appraisal extension continues in force until a decision is made on the mining permit application.

#### **(c) Mining Permit**

Section 23 of the Act provides that the purpose of a petroleum mining permit (PMP) is to authorise the permit holder to mine for minerals as specified in the permit. The term “mining” is defined in the Act as: “to take, win, or extract, by whatever means: (i) a mineral existing in its natural state in land; or (ii) a chemical substance from a mineral existing in its natural state in land; and includes: (i) the injection of petroleum into an underground gas storage facility; and (ii) the extraction of petroleum from an underground gas storage facility; but does not include prospecting or exploration for any such mineral or chemical substance”. A PMP is most commonly awarded to the holder of a PEP who has discovered a petroleum field within the area of the PEP. Section 32(3) of the Act provides that “unless the exploration permit expressly provides otherwise, if the holder of an exploration permit satisfies the Minister that he or she has, as a result of activities authorised by the permit, discovered a deposit or occurrence of a mineral to which the permit relates, the permit holder shall have the right, on applying before the expiry of the exploration permit, to surrender the permit insofar as it relates to the land in which the deposit or occurrence exists and to be granted in exchange a mining permit for that land and mineral”. If an application for PMP has not been determined before the PEP expires, the PEP continues in force until the Minister determines the application.

A PMP is granted for a term determined by the Minister on the basis of such factors as the estimated reserves, planned production programme and decommissioning and rehabilitation operations, but a PMP cannot have a term of longer than 40 years. However, it can be extended if the Minister is satisfied that the resource cannot be economically depleted before the permit expiry date and a new programme is approved.

Section 31 of the Act provides: “Every permit holder shall be the owner of all minerals lawfully obtained by or on behalf of the permit holder in the course of activities authorised by the permit”.

#### **(d) Transfers of and dealings in interests in permits generally**

The transfer of all or part of a participating interest in a permit requires the consent of the Minister, and consent may only be granted if the Minister is satisfied that the transferee is likely to be able to comply with the conditions of, and give proper effect to, the permit. A transferee must be able to satisfy the Minister, amongst other things, that the transferee has the financial capability to meet its obligations under the permit. All dealings in interests in permits are also subject to prior Ministerial consent, where a “dealing” is defined as any agreement (other than a transfer of a participating interest, or a mortgage or other charge) that imposes on any permit participant any obligation that relates to the sale or the proceeds of production”.

#### **(e) Revocation of permits generally**

Section 39 of the Act provides that the “Minister may revoke a permit or transfer a permit to the Minister (in replacement for the permit holder) if (i) the Minister is satisfied that a permit holder has contravened a condition of the permit or the Act or the regulations; or (ii) in any case where a condition relates to payment of money to the Crown under the permit, the Act, or the regulations, payment has not been made within 90 days after the due date for the payment.” Such revocation may also be invoked if the Minister is not satisfied that the permit holder, following a change of control of a permit participant, is capable of meeting its financial obligations under the permit. The Minister must give a permit holder 40 working days to either



remove the grounds for revocation or provide reasons why the permit should not be revoked. If the Minister still considers that there are grounds for revocation, the Minister may revoke the permit by giving 20 working days written notice to the permit holder.

## **2. Taxes and royalties**

### **(a) Taxes**

New Zealand's fiscal regime for petroleum exploration and production, involves a corporate income tax rate of 28% and the payment of royalties to the Crown. There are tax treatments in place to avoid double taxation. Consolidation of income and expenses from different licences is allowed within a company and within a group of New Zealand companies.

### **(b) Royalties**

The *Crown Minerals (Royalties for Petroleum) Regulations 2013* set out rates and provisions for the payment of royalties on petroleum production from initial permits granted after 24 May 2013. The royalty terms and conditions for permits granted before 24 May 2013, and any subsequent permits to those existing permits, is determined by the relevant minerals programme.

New Zealand's royalty regime stipulates the payment of either an *ad valorem* royalty (AVR) or an accounting profits royalty (APR), depending on whichever is the greater in any given year. The royalty rates are either:

- (i) 5% AVR, that is, 5% of the net revenues obtained from the sale of petroleum, or
- (ii) 20% APR, that is, 20% of the accounting profit of petroleum production.

## **3. Regulatory authority**

New Zealand Petroleum and Minerals ("NZP&M"), a group within the Ministry of Business, Innovation and Employment, is the government authority responsible for managing and administering the Crown's petroleum estate under the Act and its regulations and the Crown's involvement in petroleum exploration and production in New Zealand. Decisions that are the responsibility of the Minister or the Chief Executive under the Act may be made from time to time by NZP&M officials under delegation from the Minister or the Chief Executive

Other regulatory authorities effecting petroleum exploration and production in New Zealand include the Minister for the Environment, the Minister of Conservation and the relevant local and regional councils in respect of environmental matters and the High Hazards Unit in respect of health and safety matters.

## **4. Environment**

Under Part 4 of the *Resource Management Act 1991* (the "RMA") the Minister for the Environment has the following functions:

- (i) the recommendation of the issue of national policy statements;
- (ii) the recommendation of the making of national environmental standards;
- (iii) to decide whether to intervene in a matter, or to make a direction for a matter that is or is part of a proposal of national significance;
- (iv) the recommendation of the approval of an applicant as a requiring authority or a heritage protection authority;
- (v) the recommendation of the issue of water conservation orders;
- (vi) the monitoring of the effect and implementation of the RMA (including any regulations in force under it), national policy statements, and water conservation orders;
- (vii) the monitoring of the relationship between the functions, powers, and duties of central government and local government;
- (viii) the monitoring and investigation, in such manner as the Minister thinks fit, of any matter of environmental significance;
- (ix) the consideration and investigation of the use of economic instruments (including charges, levies, other fiscal measures, and incentives) to achieve the purpose of the RMA; and
- (x) any other functions specified in the RMA.

The RMA provides the Minister with the power to investigate, intervene in and make recommendations to local and regional councils in respect of environmental matters. Section 24A of the RMA provides that the Minister may:

- (i) investigate the exercise or performance by a local authority of any of its functions, powers, or duties under RMA or regulations under the RMA;
- (ii) make recommendations to the local authority on its exercise or performance of those functions, powers, or duties;
- (iii) investigate the failure or omission by a local authority to exercise or perform any of its functions, powers, or duties under the RMA or its regulations;
- (iv) make recommendations to the local authority on its failure or omission to exercise or perform those functions, powers, or duties; and
- (v) take action under the RMA if the local authority's failure or omission to act on a recommendation gives the Minister grounds to take action under that Act.

Local councils including regional councils are responsible to the Minister for the Environment and the Minister of Conservation for carrying out the following functions under the RMA:

- (a) the establishment, implementation, and review of objectives, policies, and methods to achieve integrated management of the natural and physical resources of the region;
- (b) the preparation of objectives and policies in relation to any actual or potential effects of the use, development, or protection of land which are of regional significance;
- (c) the control of the use of land for the purpose of:
  - (i) soil conservation;
  - (ii) the maintenance and enhancement of the quality of water in water bodies and coastal water;
  - (iii) the maintenance of the quantity of water in water bodies and coastal water;
  - (iv) the maintenance and enhancement of ecosystems in water bodies and coastal water;
  - (iv) the avoidance or mitigation of natural hazards; and
  - (v) the prevention or mitigation of any adverse effects of the storage, use, disposal, or transportation of hazardous substances;
- (d) the investigation of land for the purposes of identifying and monitoring contaminated land;
- (e) in respect of any coastal marine area in the region, the control (in conjunction with the Minister of Conservation) of:
  - (i) land and associated natural and physical resources;
  - (ii) the occupation of space in, and the extraction of sand, shingle, shell, or other natural material from, the coastal marine area, to the extent that it is within the common marine and coastal area;
  - (iii) the taking, use, damming, and diversion of water;
  - (iv) discharges of contaminants into or onto land, air, or water and discharges of water into water;
  - (v) the dumping and incineration of waste or other matter and the dumping of ships, aircraft, and offshore installations;
  - (vi) any actual or potential effects of the use, development, or protection of land, including the avoidance or mitigation of natural hazards and the prevention or mitigation of any adverse effects of the storage, use, disposal, or transportation of hazardous substances;
  - (vii) the emission of noise and the mitigation of the effects of noise; and
  - (viii) activities in relation to the surface of water;
- (f) the control of the taking, use, damming, and diversion of water, and the control of the quantity, level, and flow of water in any water body, including:
  - (i) the setting of any maximum or minimum levels or flows of water;
  - (ii) the control of the range, or rate of change, of levels or flows of water; and

- (iii) the control of the taking or use of geothermal energy;
- (g) the control of discharges of contaminants into or onto land, air, or water and discharges of water into water;
- (h) if appropriate, the establishment of rules in a regional plan to allocate any of the following:
  - (i) the taking or use of water (other than open coastal water);
  - (ii) the taking or use of heat or energy from water (other than open coastal water);
  - (iii) the taking or use of heat or energy from the material surrounding geothermal water; and
  - (iv) the capacity of air or water to assimilate a discharge of a contaminant;
- (i) if appropriate, and in conjunction with the Minister of Conservation:
  - (i) the establishment of rules in a regional coastal plan to allocate the taking or use of heat or energy from open coastal water; and
  - (ii) the establishment of a rule in a regional coastal plan to allocate space in a coastal marine area;
- (j) in relation to any bed of a water body, the control of the introduction or planting of any plant in, on, or under that land, for the purpose of:
  - (i) soil conservation;
  - (ii) the maintenance and enhancement of the quality of water in that water body;
  - (iii) the maintenance of the quantity of water in that water body; and
  - (iv) the avoidance or mitigation of natural hazards;
- (k) the establishment, implementation, and review of objectives, policies, and methods for maintaining indigenous biological diversity;
- (l) the strategic integration of infrastructure with land use through objectives, policies, and methods; and
- (m) any other functions specified in the RMA.

## 5. Health and Safety

Permit holders are required to comply with the following health and safety legislation and related regulations.

There are several provisions under the Act which refer to the *Health and Safety in Employment Act 1992* (as amended in 2010) (“HSE Act”) and the Health and Safety Regulator (the “High Hazards Unit” or “HHU”):

- (i) Section 33(1) – permit holder must comply with HSE Act and its regulations;
- (ii) Section 33A – even though an activity within a permit area may be authorised under the permit, that activity cannot be carried out until approved by the HHU under the requirements of the HSE Act;
- (iii) Section 33B – the HHU is responsible for notifying the Chief Executive of NZP&M of breaches of the HSE Act and for enforcing that legislation; and
- (iv) Section 41C (change of permit operator) – a change of operator may only be approved if the HHU is satisfied that the proposed operator can meet the requirements of the HSE Act and its regulations.

### ***Health and Safety in Employment Act 1992*** (as amended in 2010) (“HSE Act”)

The HSE Act provides general duties of employers to take all practicable steps to ensure the safety of employees; provide safe working environment; work facilities and plant; ensure no exposure to hazards, and duty to develop procedures for dealing with emergencies. It is of general application with no provisions specific to petroleum exploration and production.

### ***Health and Safety in Employment Regulations 1995***

General regulations for the HSE Act with no provisions specific to petroleum exploration and production

***Health and Safety in Employment (Petroleum Exploration and Extraction) Regulations 2013***  
(came into force on 30 June 2013)

Provides the detailed regulations specific to onshore and offshore petroleum exploration and production operations.

**General duties:**

**S.10:** the permit owner has a general duty to ensure that “installations” (i.e. all well sites except a rig solely for installing conductor casing) are safe and that all work and other activities carried out on the installation are carried out in a safe manner;

**Other duties:** the permit owner must:

**S.11:** appoint a competent installation manager to be in charge of the installation;

**S.13:** take all steps to manage hazardous liquids, vapours and gases;

**S.14:** ensure the safe disposal of waste petroleum, vapour and gases;

**S.15:** take all practicable steps to prevent sources of ignition in areas where they may create a hazard;

and the Operator must:

**S.17:** prepare and implement a major accident prevention policy, including a safety management system, for the installation before operations commence.

**Duties regarding provision of Safety Case for major production facilities:**

**S.25:** a production installation that exceeds lower-tier production must not be operated without an accepted safety case for that installation, which must be provided to the Secretary at least 90 days before operations commence.

**Duties regarding all well operations:**

**S.64:** well operator has primary duty to ensure that a well is designed, equipped, operated, maintained, modified, suspended and abandoned so that:

(a) no unplanned escape of fluids; and

(b) risks to health and safety are as low as reasonably practicable.

**S.65:** permit owner must ensure that every person involved in a well operation has the necessary knowledge, skills, experience and ability to carry out his responsibilities and perform the job safely and effectively; has received sufficient information and is sufficiently supervised.

**Duties of well operator:**

**S.66:** must assess the ground conditions before designing a well regarding geological strata and formations; fluid in the strata and hazards that may present;

**S.67:** must continue to assess ground conditions during well drilling operations;

**S.68:** must ensure well is designed to allow safe suspension or abandonment;

**S.69:** must ensure that every part of the well is composed of suitable material;

**S.70:** must ensure the use of suitable well control equipment;

**S.71:** must prepare and implement a “well examination scheme” (i.e. written and recorded arrangements for the independent examination of a well that ensures that the well is designed, equipped, operated, maintained, modified, suspended and abandoned so that there can be no unplanned escape of fluids and health and safety risks are minimised);

**S.73:** must provide the Secretary a notice of well operations comprising Schedule 7 information at least 21 days before well-drilling operations commence;

**S.78:** must notify the Secretary of any “dangerous occurrence” as soon as practicable after becoming aware of the occurrence; with further notice of the circumstances of the occurrence within 7 days and a detailed report with 30 days after the occurrence.

**S.79:** the permit owner of an installation must prepare an emergency response plan for the installation which must be provided to the Secretary at least 30 days before commencing operations.

## **B. SUMMARY OF THE LAWS OF WESTERN AUSTRALIA RELATING TO HYDROCARBONS**

The area the subject of Application STP-EPA-0071 is located in the Officer Basin region of Western Australia. This area is regulated by the *Petroleum and Geothermal Energy Resources Act 1967* (WA) (the “Petroleum Act”).

The Petroleum Act was enacted as Act No. 072 of 1967 by assent dated 11 December 1967. The Petroleum Act relates to the exploration for, and the exploitation of, petroleum resources, geothermal energy resources, and certain other resources, within certain lands of the State of Western Australia, to repeal the *Petroleum Act 1936* (WA), and for incidental and other purposes.

Petroleum exploration permits are granted under the Petroleum Act by the Minister following a competitive bid process and clearance through the *Native Title Act 1993* (“NTA”) future act process.

Applicants pledge a program of work and the grant is made (or not) on the efficacy of that work program. Consideration is also given to the applicant’s technical and financial ability and past performance. Once a suitable applicant is identified the necessary NTA notifications are made pursuant to the future act provisions of that NTA. Further information with respect to the NTA and the future act process is detailed in section 3 below.

A summary of the provisions of the Western Australian petroleum legislative framework is detailed below.

### **1. Exploration Permit**

An exploration permit authorises the holder to explore for petroleum and to carry out such operations and execute such works as are necessary for the purpose in the title area, subject to the Petroleum Act and any conditions imposed at the discretion of the Minister. An exploration permit also gives the holder the right to convert any discovery made to a production licence or to a retention lease (where the deposit is currently not commercially viable).

The initial term of an exploration permit is six years which may be renewed for further periods of five years on a reduced area basis. In accordance with section 41 of the Petroleum Act, the number of blocks in respect of which an application for the renewal of a permit may be made shall not exceed the number calculated as follows:

- (a) where the number of blocks in respect of which the permit is in force is a number that is divisible by two without remainder, half of that number; or
- (b) where the number of blocks in respect of which the permit is in force is a number that is one less or one more than a number that is divisible by four without remainder, half of that last-mentioned number.

Provided the exploration permit holder has complied with the condition of the permit, the Minister will grant a renewal application. If the exploration permit holder has not complied with the conditions of the permit and the Minister is satisfied that special circumstances exist, the Minister may grant a renewal application.

The maximum area that can be held under a single exploration permit is 400 blocks. However, the number of blocks contained in releases will usually be far less than the maximum.

An exploration permit may be granted subject to such conditions as the Minister thinks fit and specifies in the permit which may include the obligation to perform work and satisfy minimum expenditure requirements in accordance with good oil field practice and securing the health and safety of all workers engaged in exploration activities. Exploration permits are granted on the basis of a firm commitment to complete the first two years work without variation. In this regard, the permit holder is required to fulfil the nominated commitment for those initial years, regardless of the circumstances, excepting force majeure. Upon discovery of petroleum, a permit holder must notify the authorities, giving details of the discovery. Before applying for a retention lease or production licence, the permit holder must identify and nominate the block or blocks which cover the area of the discovery. A declaration of location is made over the discovery and the permit holder may then undertake further exploration and appraisal activities within the location to determine more accurately the nature of the discovery.

The permit holder has a two year application period after the location is declared in which to apply for either a retention lease or production licence. This period may be extended for a further two years on application and at the discretion of the Minister. Within this period the permit holder selects from this location the blocks to be included in a production licence or retention lease.

**(a) Minimum Acceptable Work Program Bids**

An exploration permit will not be offered to an applicant unless the applicant can satisfy the Minister of its capacity to undertake at least the first two years of the proposed work program and that program is considered likely to significantly progress the assessment of the petroleum potential of the permit area.

The minimum acceptable bid for an area will vary depending on the size of the area and its perceived prospectivity. It is mandatory that the minimum work program proposed in each year of the term of the exploration permit is stated precisely to avoid any ambiguity. The proposed work programs should not include contingent work.

**(b) Transfers of and dealings in interests in permits generally**

Section 72 of the Petroleum Act provides that exploration permits may be transferred in whole or in part, subject to Ministerial approval. Until such time as Ministerial approval is granted, an assignment of a permit or an interest in a permit is of no force.

**(c) Cancellation of Permit**

In accordance with section 99 of the Petroleum Act, an exploration permit may be cancelled, in whole or in part, by the Minister if the rent or royalty is not paid, the conditions (including the prescribed expenditure conditions) to which the exploration licence is subject are not complied with, there is a failure to comply with certain provisions the Petroleum Act or the holder is convicted of an offence under the Petroleum Act. In such an event, the Minister may cancel the exploration licence by notice in accordance in with section 99(2) of the Petroleum Act.

**2 Aboriginal Heritage**

An exploration permit holder must ensure that it does not breach the Commonwealth and applicable State legislation relating to Aboriginal heritage as set out below. To ensure that it does not contravene such legislation, it would be prudent for the exploration permit holder (and it would accord with industry practice and Aboriginal expectations) to conduct heritage surveys to determine if any Aboriginal sites or objects exist within the area of the permit application. Any interference with these sites or objects must be in strict conformity with the provisions of the relevant legislation. It may also be necessary for the exploration permit holder to enter into separate arrangements with the traditional owners of the sites.

**(a) Commonwealth Legislation**

The *Aboriginal and Torres Strait Islander Heritage Protection Act 1984* (Cth) (“Commonwealth Heritage Act”) is aimed at the preservation and protection of any Aboriginal areas and objects that may be located on the Permit Application.

Under the Commonwealth Heritage Act, the Minister for Aboriginal Affairs may make interim or permanent declarations of preservation in relation to significant Aboriginal areas or objects, which have the potential to halt exploration activities. Compensation is payable by the Minister for Aboriginal Affairs to a person who is, or is likely to be, affected by a permanent declaration of preservation.

**(b) Western Australian Legislation**

Permits are granted subject to a condition, requiring observance of the *Aboriginal Heritage Act 1972* (WA) (“WA Heritage Act”).

The WA Heritage Act makes it an offence to alter or damage sacred ritual or ceremonial Aboriginal sites and areas of significance to Aboriginal persons (whether or not they are recorded on the register or otherwise known to the Register of Aboriginal Sites, DIA or the Aboriginal Culture Material Committee).



The Minister's consent is required where any use of land is likely to result in the excavation, alteration or damage to an Aboriginal site or any objects on or under that site.

Aboriginal sites may be registered under the WA Heritage Act. However, there is no requirement for a site to be registered. The WA Heritage Act protects all registered and unregistered sites.

### **3. Native Title**

#### **(a) Introduction**

This section examines the effect of native title on petroleum exploration permits.

The existence of native title rights held by indigenous Australians was first recognised in Australia in 1992 by the High Court in the case *Mabo v Queensland (no.2) (1992) 175 CLR 1* ("Mabo no.2").

The High Court in Mabo no.2 held that certain land tenure existing as at the date of that case, where granted or renewed without due regard to native title rights, were invalid. The High Court concluded that:

- native title has been wholly extinguished in respect of land the subject of freehold, public works or other previous "exclusive possession" acts; and
- native title has been partially extinguished as a result of the grant of "non-exclusive possession" pastoral leases and mining leases, and also as a result of the creation of certain reserves.

As a result of Mabo no.2, the NTA was passed to:

- provide a process for indigenous people to lodge claims for native title rights over land, for those claims to be registered by the NNTT and for the Courts to assess native title claims and determine if native title rights exist. Where a Court completes the assessment of a native title claim, it will issue a native title determination that specifies whether or not native title rights exist;
- provide (together with associated State legislation) that any land tenures granted or renewed before 1 January 1994 were valid despite Mabo no.2 (Past Acts). This retrospective validation of land tenure was subsequently extended by the NTA to include freehold and certain leasehold (including pastoral leases) granted or renewed before 23 December 1996 (Intermediate Period Acts). Broadly speaking, this means that native title is not extinguished, merely suspended, for the duration of the permit; and
- provide that an act that may affect native title rights (such as the grant or renewal of a permit) carried out after 23 December 1996 (a Future Act) must comply with certain requirements for the Future Act to be valid under the NTA. These requirements are called the future act provisions (Future Act Provisions).

#### **(b) Future Act Provisions**

The Future Act Provisions vary depending on the Future Act to be carried out. In the case of the grant of a permit, typically there are four alternatives: the right to negotiate, an ILUA, the Infrastructure Process (defined below) and the Expedited Procedure. These are summarised below.

##### **Right to Negotiate**

The "right to negotiate" involves a formal negotiation between the State, the applicant for the permit and any registered native title claimants and holders of native title rights. The aim is to agree the terms on which the permit can be granted. The applicant for the permit is usually liable for any compensation that the parties agree to pay to the registered native title claimants and holders of native title. The parties may also agree on conditions that will apply to activities carried out on exploration permit (eg in relation to heritage surveys).

If agreement is not reached to enable the tenement to be granted, the matter may be referred to arbitration before the NNTT, which has six months to decide whether the State, the applicant for the exploration permit and any registered native title claimants and holders of native title rights have negotiated in good faith (only if the issue is raised by one of the parties) and then

whether the tenement can be granted and if so, on what conditions. The earliest an application for arbitration can be made to the NNTT is six months after the date of notification of commencement of negotiations by the DMP.

If the Right to Negotiate procedure is not observed, the grant of the permit will be invalid to the extent (if any) that it affects native title.

## **ILUA**

An ILUA is a contractual arrangement governed by the NTA. Under the NTA, an ILUA must be negotiated with all registered native title claimants for a relevant area. The State and the applicant for the permit are usually the other parties to the ILUA.

An ILUA must set out the terms on which a permit can be granted. An ILUA will also specify conditions on which activities may be carried out within the permit. The applicant for a permit is usually liable for any compensation that the parties agree to pay to the registered native title claimants and holders of native title in return for the grant of the permit being approved. These obligations pass to a transferee of the permit.

Once an ILUA is agreed and registered, it binds the whole native title claimant group and all holders of native title in the area (including future claimants), even though they may not be parties to it.

## **Infrastructure Process**

The NTA establishes a simplified process for the carrying out of a Future Act that is the creation of a right to mine for the sole purpose of the construction of an infrastructure facility (“Infrastructure Process”). The NTA defines infrastructure facility to include a range of transportation, marine, aeronautical, electrical, oil, gas, mineral and communication facilities.

The State commences the Infrastructure Process by giving notice of the proposed grant of the permit to any registered native title claimants or native title holders in relation to the land to be subject to the permit. Those registered native title claimants or holders have two months after the notification date to object in relation to the effect of the grant of the permit on any registered or determined native title rights. Any objection is lodged with DMP.

If a registered native title claimant or holder objects, the applicant for the permit must consult with that claimant or holder about:

- ways of minimising the effect of the grant of the permit on any registered or determined native title rights;
- if relevant, any access to the land; and
- the way in which anything authorised by the permit may be done.

If the registered native title claimant or holder does not subsequently withdraw their objection, the State is required to ensure that the objection is heard by an independent person (in Western Australia, this is the Chief Magistrate). The independent person must determine whether or not the registered native title claimant or holder’s objection should be upheld or other conditions should be imposed on the permit.

## **Expedited Procedure**

The NTA establishes a simplified process for the carrying out of a Future Act that is unlikely to adversely affect native title rights (“Expedited Procedure”). The grant of a permit can occur under the Expedited Procedure if:

- (i) the grant will not interfere directly with the carrying on of the community or social activities of the persons who are the holders of native title in relation to the land;  
the grant is not likely to interfere with areas or sites of particular significance, in accordance with their traditions, to the persons who are holders of native title in relation to the land; and  
the grant is not likely to involve major disturbance to any land or waters concerned or create rights whose exercise is likely to involve major disturbance to any land.

If the State considers the above criteria are satisfied, it commences the Expedited Procedure by giving notice of the proposed grant of the permit in accordance with the NTA. Persons have until three months after the notification date to take steps to become a registered native title claimant or native title holder in relation to the land to be subject to the permit.

If there is no objection lodged by a registered native title claimant or a native title holder within four months of the notification date, the State may grant the permit.

If one or more registered native title claimants or native title holders object within that four month notice period, the NNTT must determine whether the grant is an act attracting the Expedited Procedure. If the NNTT determines that the Expedited Procedure applies, the State may grant the permit. Otherwise, the Future Act Provisions (eg Right to Negotiate or ILUA) must be followed before the permit can be granted.

#### **Exception to requirement to comply with Future Act Provisions**

The grant of a permit does not need to comply with the Future Act Provisions if in fact native title has never existed over the land covered by the permit, or has been validly extinguished prior to the grant of the permit. We have not undertaken the extensive research needed to determine if in fact native title does not exist, or has been validly extinguished in relation to the Permits.

Unless it is clear that native title does not exist (e.g. in relation to freehold land), the usual practice of the State is to comply with the Future Act Provisions when granting a permit. This ensures the grant will be valid in the event a court determines that native title rights do exist over the land subject to the permit.

Where a permit has been retrospectively validated or validly granted under the NTA, the rights under the tenement prevail over any inconsistent native title rights.

#### **4. Royalties**

Section 142 of the Petroleum Act provides that the permittee holder of the drilling reservation, lessee or licensee shall pay to the Minister a royalty at the prescribed rate in respect of all petroleum or all geothermal energy, as the case requires, recovered by the permittee, holder of the drilling reservation, lessee or licensee in the permit area, drilling reservation, lease area or licence area.

In accordance with section 142(2), the prescribed rate in respect of petroleum recovered under a petroleum exploration permit, petroleum drilling reservation or petroleum retention lease is 10% of the royalty value of the petroleum.

#### **5. Taxes**

Section 5 of the *Petroleum Resource Rent Tax Assessment Act 1987* (“PRRTAA”) imposes a liability upon persons to pay tax at a rate of 40 per cent on the taxable profits of a petroleum project or production licence area.

In accordance with section 22 of the PRRTA, a person is deemed to have a taxable profit in a year of tax in relation to a petroleum project or production licence area where the assessable receipts derived by the person exceed the sum of:

- (a) the deductible expenditure of a project incurred in a financial year; and
- (b) the total amounts (if any) relating to exploration expenditure transferred to the project from other projects held by the taxpayer; and
- (c) the total amounts of exploration expenditure transferred to the project (if the taxpayer is a company in a wholly-owned group) from projects held by other companies in the group.

#### **6. Regulatory authority**

The ownership of Australia’s petroleum and geothermal resources is vested in the State of Western Australia as is the right to provide access to those resources. For petroleum and geothermal resources within the limits of Western Australia (its onshore areas including islands and coastal waters), that ownership is administered by the Government of Western Australia.

In Western Australia, DMP is the lead agency responsible for the regulation of all petroleum and geothermal activities, as outlined in the Petroleum Act, *Petroleum Pipelines Act 1969* and the *Schedule of Onshore Petroleum Exploration and Production Requirements 1991 (Amended 2010)*.

Other regulatory authorities effecting petroleum exploration and production in Western Australia include the Department of Environment and Conservation, Department of Water and the Department of Indigenous Affairs.

## **7. Environment**

All work on permits granted under the Petroleum Act is subject to the *Petroleum and Geothermal Energy Resources (Environment) Regulations 2012* (“New Regulations”).

Under the New Regulations it is now an offence for an operator to carry out petroleum or geothermal activities otherwise than in accordance with an approved environment plan (“EP”). Although DMP consent to commence exploration or production in Western Australia has long been contingent on the submission of an appropriate Environmental Plan or an Environmental Management Plan, including in some cases an Oil Spill Contingency Plan, the legal enforceability of the accepted document and the process was tenuous.

In summary, the New Regulations provide that the EP must include:

- (a) an environmental assessment of the activity;
- (b) an implementation strategy for the EP, including an oil spill contingency plan; and
- (c) monitoring, recording and reporting arrangements

The EP must be revised:

- (a) before commencement of any new (previously unspecified) activity or the modification, change in or significant new stage of an existing activity;
- (b) if the instrument holder or operator changes;
- (c) in the event of a significant new environmental impact or risk or a significant increase in an existing impact or risk (whether due a single impact/risk or the cumulative impact or risk of a series of impacts/risks);
- (d) where required by the Minister; and
- (e) every 5 years.

A revision of the oil spill contingency plan must be submitted every 2 and a half years.

## **8. Health and Safety**

Schedule 1 of the Petroleum Act sets a scheme to regulate occupational safety and health matters relating to petroleum operations or geothermal energy operations. The following is a simplified outline of the Schedule:

Occupational safety and health (“OSH”) duties are imposed on the following:

- (a) the operator of a petroleum operation or geothermal energy operation;
- (b) a person in control of any part of a petroleum operation or geothermal energy operation;
- (c) an employer;
- (d) a manufacturer of plant, or a substance, for use in a petroleum operation or geothermal energy operation;
- (e) a supplier of a facility, or of any plant or substance, for use in a petroleum operation or geothermal energy operation;
- (f) a person who erects or installs a facility, or any plant, for use in a petroleum operation or geothermal energy operation;
- (g) a person engaged in a petroleum operation or geothermal energy operation.

A group of members of the workforce engaged in a petroleum operation or geothermal energy operation may be established as a designated work group.

The members of a designated work group may select a safety and health representative for that designated work group. The safety and health representative may exercise certain powers for the purpose of promoting or ensuring the occupational safety and health of group members.

An inspector may conduct an inspection:

- (a) to ascertain whether a listed OSH law is being complied with; or
- (b) concerning a contravention or a possible contravention of a listed OSH law; or
- (c) concerning an accident or dangerous occurrence that has happened at or near a place at which a petroleum operation or geothermal energy operation is carried on.

The operator of a petroleum operation or geothermal energy operation must report to the Minister accidents and dangerous occurrences arising out of the petroleum operation or geothermal energy operation.

## PART 4

### ACCOUNTANTS REPORT ON MOSMAN OIL & GAS LIMITED



Helping clients succeed

13 March February 2014

**The Board of Directors**

Mosman Oil & Gas Limited  
PO Box 4034  
Mosman Park  
West Australia  
6912

**The Board of Directors**

ZAI Corporate Finance Limited  
1 Hobhouse Court  
Suffolk St  
London SW1Y 4HH

Dear Sirs

**Mosman Oil & Gas Limited (the Company”)**

We report on the financial information set out below relating to the Company for the period ending 30 June 2012 and the year ended 30 June 2013 (“the Financial Information”). The Financial Information has been prepared for inclusion in the Admission Document of the Company (“the Admission Document”) on the basis of the accounting policies set out in Note 2 to the Financial Information. This report is required by the AIM rules and is given for the purpose of complying with Schedule 2 of Section 20.1 of Annex 1 to the AIM Rules and for no other purpose. We do not report or provide any opinion on the unaudited financial information below for the period ended 30 November 2013.

**Responsibilities**

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in Note 2 to the Financial Information and in accordance with International Financial Reporting Standards.

It is our responsibility to form an opinion as to whether the Financial Information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

**Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Financial Information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion on Financial Information**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at 30 June 2012 and 30 June 2013 and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in Note 2 and in accordance with International Financial Reporting Standards.

**Declaration**

For the purposes of Paragraph a of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to



ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

**Kingston Smith LLP**

Chartered Accountants & Registered Auditors

Devonshire House

60 Goswell Road

London

EC1M 7AD

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Period Ended 30 November 2013 A\$ (unaudited)	Year Ended 30 June 2013 A\$ (audited)	Period Ended 30 June 2012 A\$ (audited)
<b>Continuing Operations</b>				
Interest Income		1,711	2,773	14,327
Administrative expenses	3	(187,213)	(409,857)	(184,330)
Exploration written-off		(12,713)	(305,252)	(122,036)
		<u>(198,215)</u>	<u>(712,336)</u>	<u>(292,039)</u>
<b>Loss from ordinary activities before income tax expense</b>		<u>(198,215)</u>	<u>(712,336)</u>	<u>(292,039)</u>
Income tax expense	4	—	—	—
<b>Net loss for the year</b>		<b>(198,215)</b>	<b>(712,336)</b>	<b>(292,039)</b>
<b>Other comprehensive income:</b>				
Items that may subsequently be reclassified to the profit and loss		—	—	—
Items that will not be re-analysed to the profit and loss		—	—	—
		<u>—</u>	<u>—</u>	<u>—</u>
<b>Total comprehensive income for the period attributable to members of the entity</b>		<b>(198,215)</b>	<b>(712,336)</b>	<b>(292,039)</b>
Basic earnings/(loss) per share (cents per share)		<b>(0.93) cents</b>	<b>(4.89) cents</b>	<b>(2.94) cents</b>
Diluted earnings/(loss) per share (cents per share)		<b>(0.93) cents</b>	<b>(4.89) cents</b>	<b>(2.94) cents</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 November 2013 A\$ (unaudited)	30 June 2013 A\$ (audited)	30 June 2012 A\$ (audited)
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	6	256,386	427,666	205,755
Trade and other receivables	7	24,433	22,348	—
Prepayments		55,000	—	—
<b>TOTAL CURRENT ASSETS</b>		<b>335,819</b>	<b>450,014</b>	<b>205,755</b>
<b>NON CURRENT ASSETS</b>				
Property, plant and equipment	8	4,810	5,703	—
Intangible assets	9	522,574	183,973	74,706
<b>TOTAL NON CURRENT ASSETS</b>		<b>527,384</b>	<b>189,676</b>	<b>74,706</b>
<b>TOTAL ASSETS</b>		<b>863,203</b>	<b>639,690</b>	<b>280,461</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	10	88,793	59,065	22,500
<b>TOTAL CURRENT LIABILITIES</b>		<b>88,793</b>	<b>59,065</b>	<b>22,500</b>
<b>TOTAL LIABILITIES</b>		<b>88,793</b>	<b>59,065</b>	<b>22,500</b>
<b>NET ASSETS</b>		<b>774,410</b>	<b>580,625</b>	<b>257,961</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	11	1,977,000	1,585,000	550,000
Accumulated losses	12	(1,202,590)	(1,004,375)	(292,039)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>774,410</b>	<b>580,625</b>	<b>257,961</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Accumulated Losses	Total
	A\$	A\$	A\$
<b>Balance at 6 April 2011</b>	—	—	—
Total comprehensive income for the period	—	(292,039)	(292,039)
<b>Transactions with owners in their capacity as owners</b>			
Contributions of equity, net of transaction costs	550,000	—	—
<b>Balance at 30 June 2012 (audited)</b>	<b>550,000</b>	<b>(292,039)</b>	<b>257,961</b>
Total comprehensive income for the year	—	(712,336)	(712,336)
<b>Transactions with owners in their capacity as owners</b>			
Contributions of equity, net of transaction costs	1,035,000	—	1,035,000
<b>Balance at 30 June 2013 (audited)</b>	<b>1,585,000</b>	<b>(1,004,375)</b>	<b>580,625</b>
Total comprehensive income for the period (unaudited)	—	(198,215)	(198,215)
<b>Transactions with owners in their capacity as owners</b>			
Contributions of equity, net of transaction costs	392,000	—	392,000
<b>Balance at 30 November 2013 (unaudited)</b>	<b>1,977,000</b>	<b>(1,202,590)</b>	<b>774,410</b>

## STATEMENT OF CASH FLOWS

		<b>Period Ended 30 November 2013 A\$ (unaudited)</b>	<b>Year Ended 30 June 2013 A\$ (audited)</b>	<b>Period Ended 30 June 2012 A\$ (audited)</b>
<b>Cash flow from operating activities</b>				
Interest received		1,711	2,773	14,327
Payments to suppliers and employees		(179,966)	(356,324)	(179,222)
		<u>(178,255)</u>	<u>(353,551)</u>	<u>(164,895)</u>
<b>Net cash (outflow) from operating activities</b>				
<b>Cash from Investing activities</b>				
Payments for property, plant and equipment	8	—	(6,456)	—
Payments for exploration and evaluation assets	9	(325,025)	(403,082)	(129,350)
		<u>(325,025)</u>	<u>(409,538)</u>	<u>(129,350)</u>
<b>Net cash (outflow) from investing activities</b>				
<b>Cash From financing activities</b>				
Proceeds from shares issued	11	332,000	985,000	500,000
		<u>332,000</u>	<u>985,000</u>	<u>500,000</u>
<b>Net cash inflow from financing activities</b>				
<b>Net increase/ (decrease) in cash and cash equivalents</b>		(171,280)	221,911	205,755
<b>Cash &amp; cash equivalents at the beginning of the period</b>		<u>427,666</u>	<u>205,755</u>	<u>—</u>
<b>Cash &amp; cash equivalents at the end of the period</b>		<u><u>256,386</u></u>	<u><u>427,666</u></u>	<u><u>205,755</u></u>

## Notes to the historical financial information

### 1. Company and Principal Activities

Mosman Oil and Gas Ltd was incorporated on the 6th April 2011 in Australia and is a company limited by shares. The address of its registered office is Level 1, 981 Wellington Street, West Perth WA 6005.

The Company's main activity is the acquisition of prospective resource projects.

### 2. Statement of Accounting Policies

The principal accounting policies adopted in preparing the financial report of Mosman Oil and Gas Limited 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.

#### (a) Basis of Preparation

This short form report has been prepared in accordance with International Financial Reporting Standards as Endorsed by EU ("Endorsed IFRSs").

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.

#### (b) Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

#### (c) Foreign Exchange

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

#### (d) 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. A list of controlled entities is contained in Note 21 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.

#### (e) 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. None of the balances reported have been derived from estimates

#### *Critical Accounting Estimates and Judgements*

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current and economic data, obtained both externally and within the Company.

#### *Key Estimates – Impairment*

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

#### *Key Estimates – Exploration and evaluation assets*

Determining the recoverability of exploration and evaluation expenditure capitalised in accordance with the Group's accounting policy (refer Note 2(i)), requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. The Group recognises exploration and evaluation assets when the rights of tenure of the area of interest are current, and the exploration and evaluation expenditures incurred are expected to be recouped through successful development and exploitation of the area. If, after having capitalised the expenditure under the Group's accounting policy in Note 2(i), a judgment is made that recovery of the carrying amount is unlikely, an impairment loss is recorded in profit or loss in accordance with the Group's accounting policy in Note 2(q). The carrying amounts of exploration and evaluation assets are set out in Note 9.

### **(f) 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 recognised for all taxable temporary differences.

Deferred income tax assets are recognised 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 utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and 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 utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised 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 realised 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 recognised directly in equity are recognised 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.

**(g) Goods and services tax**

Revenues, expenses and assets are recognised 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 recognised 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 balance sheet;
- (iv) Cash flows are included in the Cash Flow Statement 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.

**(h) 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 recognised 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 2(q) 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.

**Depreciation**

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, 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.

**(i) 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 or if the Directors consider the expenditure to be of reduced value, 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 amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Costs of site restoration and rehabilitation are recognised 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 recognised 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:

- (i) sufficient data exists to determine technical feasibility and commercial viability, and
- (ii) 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.

**(j) Payables**

These amounts represent liabilities for goods and services provided to the Company 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.

**(k) 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.

**(l) 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.

**(m) Share-based payment transactions**

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

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

Where the Company 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 equity instruments granted is measured at grant date. The cost of equity securities is recognised within capitalised mineral exploration and evaluation expenditure, together with a corresponding increase in equity.

**(n) Comparative Figures**

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

**(o) 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 Company. These risks include credit risk, liquidity risk and market risk from the use of financial instruments. The Company has only limited use of financial instruments through its cash holdings being invested in short term interest bearing securities. The primary goal of this strategy is to maximise returns while minimising risk through the use of accredited Banks with a minimum credit rating of A1 from Standard & Poors. The Company has no debt, and working capital is maintained at its highest level possible and regularly reviewed by the full board.

**(p) Financial Instruments**

***Recognition and Initial Measurement***

Financial instruments, incorporating financial assets and financial liabilities, are recognised 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 derecognised 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 derecognised 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 Company of financial assets is managed by key management personnel on a fair value basis in accordance with a document risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

*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 amortised 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 Company's intention to hold these investments to maturity. They are subsequently measured at amortised 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 amortised cost using the effective interest rate method.

***Impairment***

At each reporting date, the Company 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.

**(q) Impairment of assets**

At each reporting date, the Company 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**(r) 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 recognised 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 recognised 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.

**(s) Provisions**

Provisions are recognised when the Company 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.

**(t) 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 12 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

**(u) Revenue and other Income**

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

**(v) Accounting Standards for Application in Future Periods**

The following new standards, amendments to standards or interpretations are mandatory for the Company for the first time for the financial period beginning 1 July 2013, but are not currently considered to be relevant to the Company (although they may affect the accounting for future transactions and events):

- Amendment to IFRS 1, 'Presentation of Financial Statements' on Other Comprehensive Income.' The amendment confirms the treatment of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is before the date of transition to IFRSs.
- Amendments to IFRS 7 'Financial Instruments: Disclosures'. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.
- Amendment to IAS 12, 'Income taxes'. Deferred tax accounting for investment property at fair value' IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally, be through sale.
- IFRS 10, 'Consolidated Financial Statements', effective from 1 January 2013. This standard builds on existing principles by identifying the concept of control as the determining factor in which an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess.
- IFRS 11, 'Joint arrangements', effective from 1 January 2013. This standard establishes principles for financial reporting by parties to a joint arrangement.
- IFRS 12, 'Disclosure of interests in other entities', effective from 1 January 2013. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.
- IFRS 13, 'Fair value measurement', effective from 1 January 2013. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.
- IAS 1, 'Other Comprehensive Income', effective from 1 January 2013. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The amendments do not address which items are presented in other comprehensive income.
- IAS 19 (Revised), 'Employee Benefits' effective from 1 January 2013. These amendments are intended to provide a clearer indication of an entity's obligations resulting from the provision of defined benefit pension plan and how those obligations will affect its financial position, financial performance and cash flow.
- IAS 27 (Revised), 'Separate Financial Statements' (Revised), effective from 1 January 2013 has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.
- IAS 28 (Revised), 'Associates and Joint Ventures' (Revised), effective from 1 January 2013 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.
- Amendment to IAS 32, 'Offsetting Financial Assets and Liabilities', effective from 1 January 2013 clarifies that the tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 32.



The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial period beginning 1 July 2013 and have not been early adopted:

- IFRS 9, 'Financial instruments', issued in November 2009 and effective for periods commencing on or after 1 January 2015. IFRS 9 represents the first phase of the IASB's project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. It sets out the classification and measurement criteria for financial assets and liabilities and requires all financial assets, including assets currently classified under IAS 39 as available for sale, to be measured at fair value through profit and loss unless the assets can be classified as held at amortised cost. Qualifying equity investments held at fair value may have their fair value changes taken through other comprehensive income by election.

The directors of the company anticipate that the application of IFRS 9 in the future may have significant impact on the amounts reported in respect of the Group's financial assets and liabilities. It is not practical to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

- Amendments to IFRS 9 'Financial instruments', and IFRS 7, 'Financial instruments: disclosures', effective for periods commencing on or after 1 January 2015. The amendments introduce a new model for hedge accounting and reporting changes in the fair value of an entity's own debt.

The directors do not anticipate that amendments will have any effect on the Group's consolidated financial statements as the group does not undertake hedging transactions nor does it value its own debt at fair value.

- Amendments to IFRS 10, 'Consolidated Financial Statements', IFRS 12, 'Disclosure of interest in other entities', and IFRS 27, 'Consolidated and Separate Financial Statements', effective for periods commencing on or after 1 January 2014. The amendments define the requirements for an investment entity and consequential amendments to introduce new disclosure requirements for investment entities.

The directors do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

- Amendments to IAS 32, 'Financial Instruments: Presentation', effective for periods commencing on or after 1 January 2014. The amendments clarify the requirements relating to the offset of financial assets and financial liabilities.

The directors do not anticipate that the amendments to IAS 32 will have any effect on the Group's consolidated financial statements as the Group does not have any financial asset and financial liabilities that qualify for offset.

### 3. Administrative Expenses

	NOV 2013 A\$ (unaudited)	JUN 2013 A\$ (audited)	JUN 2012 A\$ (audited)
Administration expenses	2,725	7,409	16,496
Corporate costs	162,265	326,009	167,834
Employee benefits expense	18,830	25,686	—
Depreciation	893	753	—
Share based payments	2,500	50,000	—
	<u>187,213</u>	<u>409,857</u>	<u>184,330</u>

#### 4. Income Tax

No income tax is payable by the Company as it has incurred losses for income tax purposes in each period since incorporation, therefore current tax, deferred tax and tax expense is A\$Nil for each period.

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

	NOV 2013 A\$ (unaudited)	JUN 2013 A\$ (audited)	JUN 2012 A\$ (audited)
<b>Reconciliation of effective tax rate</b>			
Loss before income tax	(198,215)	(712,336)	(292,039)
Income tax on loss before tax at 30%	59,465	213,701	87,612
Tax effect of expenses that are not deductible in determining taxable profit	—	—	—
Deferred tax asset not recognised	(59,465)	(213,701)	(87,612)
Total tax expense for the period	—	—	—

##### b) Tax Losses

As at 30 November 2013, the company had tax losses of A\$1,241,534 (30 June 2013: A\$1,043,317; 30 June 2012: A\$324,323). The benefit of deferred tax assets not brought to account will only be realised if:

- Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised; 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 realising the benefit.

##### c) Unbooked Deferred Tax Assets and Liabilities

Unbooked deferred tax assets comprise:

	NOV 2013 A\$ (unaudited)	JUN 2013 A\$ (audited)	JUN 2012 A\$ (audited)
Provisions/Accruals/Other	5,327	4,752	6,750
Tax losses available for offset against future taxable income	372,459	312,995	97,297
	<u>377,786</u>	<u>317,747</u>	<u>104,047</u>

Unbooked deferred tax liabilities comprise:

	NOV 2013 A\$ (unaudited)	JUN 2013 A\$ (audited)	JUN 2012 A\$ (audited)
Capitalised mineral exploration and evaluation expenditure	156,772	55,192	22,412
	<u>156,772</u>	<u>55,192</u>	<u>22,412</u>

##### d) Franking credits balance

The Company has no franking credits available as at the end of each of the periods.

**5. Auditors remuneration**

	NOV 2013 A\$ (unaudited)	JUN 2013 A\$ (audited)	JUN 2012 A\$ (audited)
Audit of the financial statements	—	5,000	6,000
Taxation services	—	1,000	600
Other services	3,000	5,000	—

**6. Cash and cash equivalents**

	NOV 2013 A\$ (unaudited)	JUN 2013 A\$ (audited)	JUN 2012 A\$ (audited)
Cash and cash equivalents	256,386	427,666	205,755

The Group also has a loan facility in place with a related party for up to A\$300,000 (note 15 (d)). As at 30 November 2013, this loan has not yet been drawn down.

**7. Trade and other receivables**

	NOV 2013 A\$ (unaudited)	JUN 2013 A\$ (audited)	JUN 2012 A\$ (audited)
GST Receivable	24,433	22,348	—

**8. Property, plant & equipment**

	Period to November 2013 A\$ (unaudited)	Year to June 2013 A\$ (audited)	Period to June 2012 A\$ (audited)
<b>Cost</b>			
Brought Forward	6,456	—	—
Additions	—	6,456	—
Carried Forward	6,456	6,456	—
<b>Accumulated Depreciation</b>			
Brought Forward	753	—	—
Charged in period/year	893	753	—
Carried Forward	1,646	753	—
<b>Carrying Value (end of period/year)</b>	4,810	5,703	—
<b>Carrying Value (start of period/year)</b>	5,703	—	—

## 9. Intangibles

The intangibles represent capitalised mining asset costs which comprise consulting fees and other direct expenses associated with the acquisition of the group's mining exploration licenses. 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.

	NOV 2013 A\$ (unaudited)	JUN 2013 A\$ (audited)	JUN 2012 A\$ (audited)
<b>Intangibles</b>	522,574	183,973	74,706

### (a) Movement in Intangibles

	NOV 2013 A\$ (unaudited)	JUN 2013 A\$ (audited)	JUN 2012 A\$ (audited)
Opening balance	183,973	74,706	—
Additions	338,601	413,884	196,742
Amounts written off	—	(304,617)	(122,036)
Closing balance	522,574	183,973	74,706

## 10. Trade and other payables

	NOV 2013 A\$ (unaudited)	JUN 2013 A\$ (audited)	JUN 2012 A\$ (audited)
<b>Current (unsecured)</b>			
Trade creditors	45,780	43,956	—
Other creditors and accruals	43,013	15,109	22,500
	<b>88,793</b>	<b>59,065</b>	<b>22,500</b>

Included within trade and other creditors and accruals is an amount of A\$16,000 (30 June 2013: A\$22,961; 30 June 2012: (A\$ nil) relating to exploration expenditure.

## 11. Share capital

	NOV 2013 A\$ (unaudited)	JUN 2013 A\$ (audited)	JUN 2012 A\$ (audited)
25,720,001(30 June 2013: 21,350,001; 30 June 2012: 11,000,001) nil par value ordinary shares fully paid	1,977,000	1,585,000	550,000
	<b>1,977,000</b>	<b>1,585,000</b>	<b>550,000</b>

	Number (unaudited)	Number (audited)	Number (audited)
<b>Share movements during the period</b>			
Balance at the beginning of period	21,350,001	11,000,001	—
Share issued on 6th April 2011 at A\$1	—	—	1
Shares issued on 20th May 2011 at A\$0.05	—	—	11,000,000
Shares issued on 15th August 2012 at A\$0.10	—	1,000,000	—
Shares issued on 6th February 2013 at A\$0.10	—	6,150,000	—
Shares issued on 30th May 2013 at A\$0.10	—	3,200,000	—
Shares issued on 27th November 2013 at A\$0.10	3,920,000	—	—
<b>Balance at end of period</b>	<u>25,270,001</u>	<u>21,350,001</u>	<u>11,000,001</u>

### Options

There are 3 million options on issue at the year end, which were issued during the period ended 30 June 2012. These options are all held by related parties (note 15).

### Share based payments

380,000 shares with a value of A\$38,000 were issued on the 6 February 2013 in lieu of payment of corporate finance fees.

120,000 shares with a value of A\$12,000 were issued on the 6 February 2013 in lieu of payment of Company Secretary fees.

600,000 shares with a value of A\$60,000 were issued on 27 November 2013 in lieu of payment of fees for the following 12 months.

## 12. Accumulated losses

	NOV 2013 A\$ (unaudited)	JUN 2013 A\$ (audited)	JUN 2012 A\$ (audited)
Accumulated losses at the beginning of the year	1,004,375	292,039	—
Net loss attributable to members	198,215	712,336	292,039
Accumulated losses at the end of the year	<u>1,202,590</u>	<u>1,004,375</u>	<u>292,039</u>

## 13. Notes to the statement of cash flows

Reconciliation of loss from ordinary activities after income tax to net cash outflow from operating activities:

	NOV 2013 A\$ (unaudited)	JUN 2013 A\$ (audited)	JUN 2012 A\$ (audited)
(Loss) from ordinary activities after related income tax	(198,215)	(712,336)	(292,039)
Exploration expenses written off	12,713	305,252	122,036
Depreciation	893	753	—
Share based payments	2,500	50,000	—
Decrease / (Increase) in trade and other receivables	(2,085)	(22,348)	5,884
(Decrease) / Increase in trade and other payables	5,940	25,128	(776)
Net cash outflow from operating activities	<u>(178,255)</u>	<u>(353,551)</u>	<u>(164,895)</u>

#### 14. Financial instruments

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

##### (a) 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:

#### 30 November 2013

(unaudited)

	Note	Weighted Average Effective Interest %	Funds Available at a Floating Interest Rate AS	Fixed Interest Rate AS	Assets/ (Liabilities) Non Interest Bearing AS	Total AS
Financial Assets						
Cash and Cash Equivalents	6	2.6%	256,386	—	—	256,386
Other receivables	7		—	—	24,433	24,433
Prepayments			—	—	55,000	55,000
Total Financial Assets			256,386	—	79,433	335,819
Financial Liabilities Payables	10		—	—	88,793	88,793
Total Financial Liabilities			—	—	88,793	88,793
Net Financial Assets			256,386	—	(9,360)	247,026

#### 30 June 2013

(audited)

	Note	Weighted Average Effective Interest %	Funds Available at a Floating Interest Rate AS	Fixed Interest Rate AS	Assets/ (Liabilities) Non Interest Bearing AS	Total AS
Financial Assets						
Cash and Cash Equivalents	6	2.6%	427,666	—	—	427,666
Other receivables	7		—	—	22,348	22,348
Total Financial Assets			427,666	427,666	22,348	450,014
Financial Liabilities Payables			—	—	59,065	59,065
Total Financial Liabilities	10		—	—	59,065	59,065
Net Financial Assets			427,666	—	(36,717)	390,949



30 June 2012  
(audited)

	Note	Weighted Average Effective Interest %	Funds Available at a Floating Interest Rate A\$	Fixed Interest Rate A\$	Assets/ (Liabilities) Non Interest Bearing A\$	Total A\$
Financial Assets						
Cash and Cash Equivalents	6	3.5%	205,755	—	—	205,755
Other receivables	7		—	—	—	—
Total Financial Assets			205,755	—	—	205,755
Financial Liabilities						
Payables			—	—	22,500	22,500
Total Financial Liabilities	10		—	—	22,500	22,500
Net Financial Assets			205,755	—	(22,500)	183,255

**(b) 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.

**(c) 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.

**(d) 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.

## 15. Related parties

There were no other transactions with Key Management Personnel (KMP) apart from those mentioned below.

### (a) KMP Remuneration

	NOV 2013 A\$ (unaudited)	JUN 2013 A\$ (audited)	JUN 2012 A\$ (audited)
Short-term employee benefits	163,000	308,811	129,530
Post-employment benefits	—	—	—
Share-based payments	—	—	—
Total	<u>163,000</u>	<u>308,811</u>	<u>129,530</u>

	NOV 2013 A\$ (unaudited)	JUN 2013 A\$ (audited)	JUN 2012 A\$ (audited)
JW Barr – Executive Chairman	—	—	—
Kensington Advisory Services Pty Ltd (associated with John W Barr)	75,000	— 144,000 <sup>1</sup>	63,708
AR Carroll – Technical Director	—	—	—
Australasian Energy Pty Ltd (associated with Andrew R Carroll)	80,500	75,000 <sup>2</sup>	—
JA Young – Non-Executive Director	—	—	—
Metallon Resources Pty Ltd (associated with John A Young)	7,500	45,000 <sup>3</sup>	30,000
MP Bowen – Non-Executive Director	—	—	—
Hardy Bowen Lawyers (associated with Michael P Bowen)	—	44,811 <sup>4</sup>	35,822

1 – Directors fees of A\$25,000 (30 June 2013: A\$60,000, 30 June 2012: A\$nil) and consulting fees of A\$50,000 (30 June 2013: A\$84,000, 30 June 2012: A\$63,708) were paid to Kensington Advisory Services Pty Ltd.

2 – Technical service fees of A\$ 80,500 (30 June 2013: A\$75,000, 30 June 2012: A\$nil) were paid to Australasian Energy Pty Ltd.

3 – Directors fees of A\$7,500 (30 June 2013: A\$30,000, 30 June 2012: A\$nil) and consulting fees of A\$nil (30 June 2013: A\$15,000, 30 June 2012: A\$30,000) were paid to Metallon Resources Pty Ltd

4 – Legal fees of A\$nil (30 June 2013: A\$44,811, 30 June 2012: A\$35,822) were paid to Hardy Bowen Lawyers

No other fees were paid to Directors during the financial periods under review.

**(b) KMP Shareholdings**

The aggregate numbers of shares of the Company held directly, indirectly or beneficially by Directors and Executive Officers of the Company or their personally-related entities are as follows:

<b>30 November 2013</b> (Unaudited)	<b>Balance at Beginning of Period</b>	<b>Granted as Remuneration during the Period</b>	<b>Issued on Exercise of Options during the Period</b>	<b>Other Changes during the Period</b>	<b>Balance at End of Period</b>
Mr J W Barr	7,500,001	—	—	900,000	8,400,001
Mr A Carroll <sup>1</sup>	—	—	—	1,750,000	1,750,000
Mr J Young	1,000,000	—	—	50,000	1,050,000

<b>30 June 2013</b> (Audited)	<b>Balance at Beginning of Year</b>	<b>Granted as Remuneration during the Year</b>	<b>Issued on Exercise of Options during the Year</b>	<b>Other Changes during the Year</b>	<b>Balance at End of Year</b>
Mr J W Barr	2,000,001	—	—	5,500,000	7,500,001
Mr A Carroll <sup>1</sup>	—	—	—	—	—
Mr J Young	1,000,000	—	—	—	1,000,000
Mr M Bowen <sup>2</sup>	400,000	—	—	—	400,000

<b>30 June 2012</b> (Audited)	<b>Balance at Beginning of Period</b>	<b>Granted as Remuneration during the Period</b>	<b>Issued on Exercise of Options during the Period</b>	<b>Other Changes during the Period</b>	<b>Balance at End of Period</b>
Mr J W Barr	—	—	—	2,000,001	2,000,001
Mr A Carroll <sup>1</sup>	—	—	—	—	—
Mr J Young	—	—	—	1,000,000	1,000,000
Mr M Bowen <sup>2</sup>	—	—	—	400,000	400,000

1 Mr Carroll was appointed Technical Director on 25 February 2013.

2 Mr Bowen resigned as Non-Executive director on 25 February 2013. Balances above are as at time of resignation.

### (c) KMP Option holdings

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows. Each option below is convertible onto one share, has an exercise price of 20 cents and expires on 31 March 2016.

30 November 2013 (Unaudited)	Balance at Beginning of Period	Granted as Remuneration during the Period	Exercised during the Period	Other Changes during the Period	Balance at End of Period	Vested during the Period	Vested and Exercisable	Vested and Unexercisable
Mr J W Barr	1,000,000	—	—	—	1,000,000	—	1,000,000	—
Mr A Carroll <sup>1</sup>	—	—	—	—	—	—	—	—
Mr J Young	1,000,000	—	—	—	1,000,000	—	1,000,000	—

30 June 2013 (Audited)	Balance at Beginning of Year	Granted as Remuneration during the Year	Exercised during the Year	Other Changes during the Year	Balance at End of Year	Vested during the Year	Vested and Exercisable	Vested and Unexercisable
Mr J W Barr	1,000,000	—	—	—	1,000,000	—	1,000,000	—
Mr A Carroll <sup>1</sup>	—	—	—	—	—	—	—	—
Mr J Young	1,000,000	—	—	—	1,000,000	—	1,000,000	—
Mr M Bowen <sup>2</sup>	1,000,000	—	—	—	1,000,000	—	1,000,000	—

30 June 2012 (Audited)	Balance at Beginning of Year	Granted as Remuneration during the Year	Exercised during the Year	Other Changes during the Year	Balance at End of Year	Vested during the Year	Vested and Exercisable	Vested and Unexercisable
Mr J W Barr	—	1,000,000	—	—	1,000,000	—	1,000,000	—
Mr A Carroll <sup>1</sup>	—	—	—	—	—	—	—	—
Mr J Young	—	1,000,000	—	—	1,000,000	—	1,000,000	—
Mr M Bowen <sup>2</sup>	—	1,000,000	—	—	1,000,000	—	1,000,000	—

1 Mr Carroll was appointed Technical Director on 25 February 2013.

2 Mr Bowen resigned as Non-Executive director on 25 February 2013. Balances above are as at time of resignation.

The weighted average fair value of the options granted during the period ended 30 June 2012 was 0.36 cents. The total value of the options granted in that period was A\$10,800, which was not charged to the Statement of Comprehensive Income as it was not material.

The warrants were priced using the Binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on the management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on comparable listed stocks.

#### Inputs into the model

Grant date share price	5 cents	Share Option life	5 years
Exercise price	20 cents	Dividend yield	0%
Expected volatility	40%	Risk free interest rate	5.25%

#### (d) Amounts outstanding from related parties:

At 30 November 2013 the subsidiary Petroleum Creek Limited owed Mosman Oil and Gas Limited A\$515,309 (30 June 2013: A\$168,041; 30 June 2012: A\$nil).

In addition, John Barr has provided the Group with a loan facility for up to A\$300,000. As at 30 November 2013, this loan had not been drawn down.

There were no other loans made or outstanding with related parties.

## 16. 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, New Zealand and Papua New Guinea. Discrete financial information about each project is reported to the board on a regular basis.

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

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

<b>Period ended 30 November 2013</b> (unaudited)	<b>New Zealand</b> A\$	<b>PNG</b> A\$	<b>Australia</b> A\$	<b>Total</b> A\$
<b>Revenue</b>				
Interest revenue	13	—	1,698	1,711
Foreign exchange gain	—	—	—	—
Total segment revenue	<u>13</u>	<u>—</u>	<u>1,698</u>	<u>1,711</u>
Segment net profit/(loss) before tax	<u>13</u>	<u>—</u>	<u>1,698</u>	<u>1,711</u>
<i>Reconciliation of segment result to net loss before tax</i>				
Amounts not included in segment result but reviewed by the Board				
– Exploration expenditure written off	—	—	(12,713)	(12,713)
Unallocated items				
– Corporate Costs				(162,265)
– Employee Benefits Expense				(18,830)
– Administrative Costs				(2,725)
– Share based payments				(2,500)
Depreciation				(893)
Net loss before tax from continuing operations				<u>(198,215)</u>
Net loss before tax from continuing operations				<u>(198,215)</u>

	New Zealand A\$	PNG A\$	Australia A\$	Total A\$
<b>Year ended 30 June 2013</b>				
<b>Revenue</b>				
Interest revenue	—	—	2,773	2,773
Foreign exchange gain	—	—	—	—
Total segment revenue	—	—	2,773	2,773
Segment net profit/(loss) before tax	—	—	2,773	2,773
<i>Reconciliation of segment result to net loss before tax</i>				
Amounts not included in segment result but reviewed by the Board				
– Exploration expenditure written off	—	(305,252)	—	(305,252)
Unallocated items				
– Corporate Costs				(326,009)
– Employee Benefits Expense				(25,686)
– Administrative Costs				(7,409)
– Share based payments				(50,000)
Depreciation				(753)
Net loss before tax from continuing operations				(712,336)
Net loss before tax from continuing operations				(712,336)
<b>Year ended 30 June 2012</b>				
<b>Revenue</b>				
Interest revenue	—	—	14,327	14,327
Foreign exchange gain	—	—	—	—
Total segment revenue	—	—	14,327	14,327
Segment net profit/(loss) before tax	—	—	14,327	14,327
<i>Reconciliation of segment result to net loss before tax</i>				
Amounts not included in segment result but reviewed by the Board				
– Exploration expenditure written off	—	—	(122,036)	(122,036)
Unallocated items				
– Corporate Costs				(180,098)
– Employee Benefits Expense	—			
– Administrative Costs				(4,232)
– Share based payments				—
Net loss before tax from continuing operations				(292,039)



## Segment assets

	New Zealand A\$	PNG A\$	Australia A\$	Total A\$
<b>As at 30 November 2013</b>				
Segment assets as at 1 July 2013	183,973	—	—	183,973
Segment asset increases/(decreases) for the year				
– Exploration and evaluation	338,601	—	—	338,601
	<u>522,574</u>			<u>522,574</u>
<i>Reconciliation of segment assets to total assets:</i>				
Other assets				340,629
Total assets from continuing operations				<u>863,203</u>
<b>As at 30 June 2013</b>				
Segment assets as at 1 July 2012	—	74,706	—	74,706
Segment asset increases/(decreases) for the year				
– Exploration and evaluation	183,973	(74,706)	—	109,267
	<u>183,973</u>			<u>183,973</u>
<i>Reconciliation of segment assets to total assets:</i>				
Other assets				455,717
Total assets from continuing operations				<u>639,690</u>
<b>As at 30 June 2012</b>				
Segment assets as at incorporation	—	—	—	—
Segment asset increases/(decreases) for the year				
– Exploration and evaluation	—	74,706	—	74,706
	<u>—</u>	<u>74,706</u>		<u>74,706</u>
<i>Reconciliation of segment assets to total assets:</i>				
Other assets				205,755
Total assets from continuing operations				<u>280,461</u>

## Segment liabilities

	New Zealand A\$	PNG A\$	Australia A\$	Total A\$
<b>As at 30 November 2013</b>				
Segment liabilities as at 1 July 2013	9,676	—	49,389	59,065
Segment liability increases/(decreases) for the year	(9,676)	—	39,404	29,728
	<u>—</u>	<u>—</u>	<u>88,793</u>	<u>88,793</u>
<i>Reconciliation of segment liabilities to total liabilities:</i>				
Other liabilities				<u>—</u>
Total liabilities from continuing operations				<u>88,793</u>
<b>As at 30 June 2013</b>				
Segment liabilities as at 1 July 2012	—	—	22,500	22,500
Segment liability increases/(decreases) for the year	9,676	—	26,889	36,565
	<u>9,676</u>	<u>—</u>	<u>49,389</u>	<u>59,065</u>
<i>Reconciliation of segment liabilities to total liabilities:</i>				
Other liabilities				<u>—</u>
Total liabilities from continuing operations				<u>59,065</u>
<b>As at 30 June 2012</b>				
Segment liabilities as at incorporation	—	—	—	—
Segment liability increases/(decreases) for the year	—	—	22,500	22,500
	<u>—</u>	<u>—</u>	<u>22,500</u>	<u>22,500</u>
<i>Reconciliation of segment liabilities to total liabilities:</i>				
Other liabilities				<u>—</u>
Total liabilities from continuing operations				<u>22,500</u>

## 17. Earnings/(Loss) per shares

### (a) Basic earnings per share (“EPS”)

EPS is calculated by dividing the net loss attributable to members of the Company by the weighted average number of ordinary shares in issue during the financial year.

	NOV 2013 A\$ (unaudited)	JUN 2013 A\$ (audited)	JUN 2012 A\$ (audited)
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	<u>(198,215)</u>	<u>(712,336)</u>	<u>(292,039)</u>
	<b>Number of shares 2013</b>	<b>Number of shares 2013</b>	<b>Number of shares 2012</b>
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share:	<b>21,928,619</b>	<b>14,572,056</b>	<b>9,926,830</b>
Basic loss per share (cents per share)	<b>0.93</b>	<b>4.89</b>	<b>2.94</b>

### (b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume the conversion of all dilutive potential ordinary shares at the start of the period. The Company’s dilutive potential ordinary shares arise from share options. In respect of the share options a calculation is performed to determine the number of shares that could have been acquired at fair value, based upon the monetary value of the subscription rights attached to the outstanding warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants.

There were no potentially dilutive warrants as the exercise price exceeded the average issue price of the shares during the period. Any potentially dilutive shares would have been anti-dilutive because the Group was loss-making.

## 18. Post Balance Sheet Events

No other matters or circumstances have arisen since the end of the financial period which have significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years apart from the following:

### (a) Farm in Agreement

On 8 July 2013, the Company entered into a farm-in agreement with Petroleum Creek Limited and Aorere Resources Limited.

As at the date of execution of the Farm in Agreement, Aorere Resources Limited was the sole titleholder of and holds the whole legal and beneficial interest in Petroleum Exploration Permit 38526 (PEP) in the Stillwater Moana area of the West Coast of the South Island, New Zealand.

In accordance with the terms and conditions of the farm-in Agreement, Aorere Resources Limited assigned the legal and beneficial interest in the PEP to the Company in exchange for a 40% shareholding in Petroleum Creek Limited. This was subject to regulatory approval, which was received on 12 December 2013. Hence, at the year-end Petroleum Creek Limited remained a wholly owned subsidiary of the company.

The Company exercised a call option to acquire the 40% balance of Petroleum Creek on 20 December 2013 by issuing 8,363,700 shares, at a deemed price of A\$0.10, to Aorere Resources Limited as consideration.

**(b) Acquisition of Petroleum Portfolio Pty Ltd**

On 12 December 2013 the Company completed a share sale agreement with Mr Andrew Carroll pursuant to which the Company acquired the entire issued share capital of Petroleum Portfolio Pty Ltd. Andrew Carroll is the sole current shareholder of Petroleum Portfolio and is a director of the Company.

The consideration was 9,000,000 shares in the Company which were issued following shareholders' approval achieved at the general meeting held on 15 January 2014.

Petroleum Portfolio Pty Ltd is the owner of 25% of the issued shares in Australia Petroleum Portfolio Pty Ltd, which is the preferred applicant in respect to Permit Application STP-EPA-0071 for acreage release area L12-4 located in the Officer Basin, Western Australia (Permit Application). Andrew Carroll also directly owns 25% of the issued shares in APPL.

**(c) Issue of share options and warrants**

During a general meeting of shareholders held on 15 January 2014 the issue of 2,000,000 share options was approved; 1,000,000 were issued to John W Barr and 1,000,000 were issued to Andrew Carroll, both Directors of the Company. Each option entitles the holder to subscribe for one share at an exercise price of A\$0.15 and has an expiry date of 13 January 2019.

On 15 January 2014, 1,300,000 share options were issued to staff and consultants. Each option entitles the holder to subscribe for one share at an exercise price of A\$0.15 and will have an expiry date of 13 January 2019.

ZAI Corporate Finance Limited has a warrant to be issued upon completion of the transaction to subscribe for shares in Mosman with a value equal to 1% of the Company's issued ordinary share capital immediately following Admission. This is exercisable at the price at which the placing is affected. This warrant will be granted upon Admission of the Company's shares to trading on AIM and will be capable of exercise for a period of five years thereafter at the fundraising price.

SI Capital Limited ("SI") has a warrant to be issued equating to 1% of the Company's issued share capital at the date of Admission. The exercise price will equate to the AIM IPO placing price and the warrant may be exercised in whole or in part at SI's discretion within a term of five years from Admission.

On 6 February 2014, the Company entered into a settlement agreement with Santina Ltd ("Santina") pursuant to which it agreed to grant 2 million Options at an exercise price of A\$0.05 exercisable until 15 February 2017 to Santina in consideration for Santina's withdrawal and release from all claims it has or may have against the Company and confirmation that the subscription was irrevocable. Further details of the dispute are set out in paragraph 21.1 of Part 8 of this document.

**(d) Drawdown of Director's loan**

On 8 January 2014 the Company applied to draw down A\$100,000 of the loan facility provided by John Barr under the terms of the facility letter described in Note 15 (d). Interest is charged at 8% per annum on the drawn loan balance.

Upon Admission this facility will be terminated and replaced by a loan agreement dated 13 March 2014 between the Company and John W Barr pursuant to which John W Barr made a loan facility of up to A\$300,000 available to the Company. Interest will accrue on outstanding advances at the rate of 7% per annum and the loan is repayable on or before the date 24 months from the date of the agreement or earlier in the event that the Company undertakes a capital raising during the term of the agreement.

**19. Capital Commitments and Contingent Liabilities**

**(a) Exploration**

The Company has certain obligations to perform minimum exploration work on Oil and Gas tenements held in order to maintain title to the tenements. These obligations may vary over time, depending on the Company's exploration programmes and priorities. As at balance date, total exploration expenditure commitments on tenements held by the

Company have not been provided for in the financial statements and those which cover the following twelve month period amount to A\$nil (30 June 2013 – A\$780,000; 30 June 2012 – A\$nil). These obligations are also subject to variations by farm-out arrangements, sale of the relevant tenements or seeking expenditure exemption for previous year's expenditure.

**(b) Capital Commitments**

The Company had no capital commitments at 30 November 2013 (30 June 2013: A\$nil; 30 June 2012: (A\$nil).

**20. Control**

The group has a widely dispersed collection of shareholders, with no one individual holding more than 50% of the shares. As such, the group does not have an ultimate controlling party.

**21. Controlled Entities**

Investments in controlled entities comprise:

Name	Principal activities	Beneficial percentage held by economic entity		
		NOV 2013 %	JUN 2013 %	JUN 2012 %
Mosman Oil and Gas Limited	Parent entity			
Wholly owned controlled entities:				
Petroleum Creek Limited	Oil and Gas exploration	100	100	—
Mosman Oil and Gas (NZ) Limited	Oil and Gas exploration	100	—	—

All controlled entities are incorporated in New Zealand. Mosman Oil and Gas Limited is the head entity of the consolidated group, which includes all of the controlled entities

## PART 5

### ACCOUNTANTS REPORT ON PETROLEUM PORTFOLIO LIMITED



13 March 2014

**The Board of Directors**

Mosman Oil & Gas Limited  
PO Box 4034  
Mosman Park  
West Australia  
6912

**The Board of Directors**

ZAI Corporate Finance Limited  
1 Hobhouse Court  
Suffolk St  
London SW1Y 4HH

Dear Sirs

**Petroleum Portfolio Pty Ltd (“PPP”)**

We report on the financial information set out below relating to PPP for the three years ended 30 June 2013 (“the Financial Information”). The Financial Information has been prepared for inclusion in the Admission Document of Mosman Oil & Gas Limited (“the Company”) (“the Admission Document”) on the basis of the accounting policies set out in Note 2 to the Financial Information. This report is required by the AIM rules and is given for the purpose of complying with Schedule 2 of Section 20.1 of Annex 1 to the AIM Rules and for no other purpose.

**Responsibilities**

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in Note 2 to the Financial Information and in accordance with International Financial Reporting Standards.

It is our responsibility to form an opinion as to whether the Financial Information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

**Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Financial Information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion on Financial Information**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of PPP as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in Note 2 and in accordance with International Financial Reporting Standards.



**Declaration**

For the purposes of Paragraph a of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

**Kingston Smith LLP**

Chartered Accountants & Registered Auditors

Devonshire House

60 Goswell Road

London

EC1M 7AD

## STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2013 A\$	30 June 2012 A\$	30 June 2011 A\$
<b>CURRENT ASSETS</b>				
Trade and other receivables	3	1	1	1
<b>TOTAL CURRENT ASSETS</b>		<u>1</u>	<u>1</u>	<u>1</u>
<b>TOTAL ASSETS</b>		<u>1</u>	<u>1</u>	<u>1</u>
<b>TOTAL LIABILITIES</b>		<u>—</u>	<u>—</u>	<u>—</u>
<b>NET ASSETS</b>		<u>1</u>	<u>1</u>	<u>1</u>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	4	1	1	1
Accumulated profits		<u>—</u>	<u>—</u>	<u>—</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>1</u>	<u>1</u>	<u>1</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital A\$	Accumulated Profits A\$	Total A\$
<b>Balance at 1 July 2010</b>	<b>1</b>	—	<b>1</b>
Total comprehensive income for the period	—	—	—
<b>Transactions with owners in their capacity as owners</b>			
Contributions of equity, net of transaction costs	—	—	—
	<hr/>	<hr/>	<hr/>
<b>Balance at 30 June 2011</b>	<b>1</b>	—	<b>1</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income for the year	—	—	—
<b>Transactions with owners in their capacity as owners</b>			
Contributions of equity, net of transaction costs	—	—	—
	<hr/>	<hr/>	<hr/>
<b>Balance at 30 June 2012</b>	<b>1</b>	—	<b>1</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income for the period (unaudited)	—	—	—
<b>Transactions with owners in their capacity as owners</b>			
Contributions of equity, net of transaction costs	—	—	—
	<hr/>	<hr/>	<hr/>
<b>Balance at 30 June 2013</b>	<b>1</b>	—	<b>1</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## Notes to the historical financial information

### 1. Company and Principal Activities

Petroleum Portfolio Pty Ltd was incorporated on the 18 June 2012 in Australia and is a company limited by shares. The address of its registered office is Level 1, 981 Wellington Street, West Perth, WA 6005.

The Company's main activity is the acquisition of prospective resource projects.

### 2. Statement of Accounting Policies

The principal accounting policies adopted in preparing the financial report of Petroleum Portfolio Pty Ltd, 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.

#### (a) Basis of Preparation

This short form report has been prepared in accordance with International Financial Reporting Standards as Endorsed by EU ("Endorsed IFRSs").

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.

#### (b) Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

#### (c) Foreign Exchange

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

#### (d) 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. None of the balances reported have been derived from estimates

#### *Critical Accounting Estimates and Judgements*

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current and economic data, obtained both externally and within the Company. There were no key estimates in the periods under review.

#### (e) 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 or if the Directors consider the expenditure to be of reduced value, 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 amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Costs of site restoration and rehabilitation are recognised 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 recognised 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:

- (i) sufficient data exists to determine technical feasibility and commercial viability, and
- (ii) 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.

**(f) 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.

**(g) 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 Company. These risks include credit risk, liquidity risk and market risk from the use of financial instruments. The Company has only limited use of financial instruments through its cash holdings being invested in short term interest bearing securities. The primary goal of this strategy is to maximise returns while minimising risk through the use of accredited Banks with a minimum credit rating of A1 from Standard & Poors. The Company has no debt, and working capital is maintained at its highest level possible and regularly reviewed by the full board.

**(h) Financial Instruments**

***Recognition and Initial Measurement***

Financial instruments, incorporating financial assets and financial liabilities, are recognised 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 derecognised 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 derecognised 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 Company of financial assets is managed by key management personnel on a fair value basis in accordance with a document risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

*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 amortised 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 Company's intention to hold these investments to maturity. They are subsequently measured at amortised 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 amortised cost using the effective interest rate method.

#### ***Impairment***

At each reporting date, the Company 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.

**(i) Impairment of assets**

At each reporting date, the Company 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**(j) Accounting Standards for Application in Future Periods**

The following new standards, amendments to standards or interpretations are mandatory for the Company for the first time for the financial period beginning 1 July 2013, but are not currently considered to be relevant to the Company (although they may affect the accounting for future transactions and events):



- Amendment to IFRS 1, 'Presentation of Financial Statements' on Other Comprehensive Income.' The amendment confirms the treatment of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is before the date of transition to IFRSs.
- Amendments to IFRS 7 'Financial Instruments: Disclosures'. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.
- Amendment to IAS 12, 'Income taxes'. Deferred tax accounting for investment property at fair value' IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally, be through sale.
- IFRS 10, 'Consolidated Financial Statements', effective from 1 January 2013. This standard builds on existing principles by identifying the concept of control as the determining factor in which an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess.
- IFRS 11, 'Joint arrangements', effective from 1 January 2013. This standard establishes principles for financial reporting by parties to a joint arrangement.
- IFRS 12, 'Disclosure of interests in other entities', effective from 1 January 2013. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.
- IFRS 13, 'Fair value measurement', effective from 1 January 2013. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.
- IAS 1, 'Other Comprehensive Income', effective from 1 January 2013. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The amendments do not address which items are presented in other comprehensive income.
- IAS 19 (Revised), 'Employee Benefits' effective from 1 January 2013. These amendments are intended to provide a clearer indication of an entity's obligations resulting from the provision of defined benefit pension plan and how those obligations will affect its financial position, financial performance and cash flow.
- IAS 27 (Revised), 'Separate Financial Statements' (Revised), effective from 1 January 2013 has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.
- IAS 28 (Revised), 'Associates and Joint Ventures' (Revised), effective from 1 January 2013 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.
- Amendments to IAS 32, 'Offsetting Financial Assets and Liabilities', effective from 1 January 2013 clarifies that the tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 32.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial period beginning 1 July 2013 and have not been early adopted:

- IFRS 9, 'Financial instruments', issued in November 2009 and effective for periods commencing on or after 1 January 2015. IFRS 9 represents the first phase of the IASB's project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. It sets out the classification and measurement criteria for financial assets and liabilities and requires all financial assets, including assets currently classified under IAS 39 as available for sale, to be measured at fair value through profit and loss unless the assets can be classified as held at amortised cost. Qualifying equity investments held at fair value may have their fair value changes taken through other comprehensive income by election.

The directors of the company anticipate that the application of IFRS 9 in the future may have significant impact on the amounts reported in respect of the company's financial assets and liabilities. It is not practical to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

- Amendments to IFRS 9 'Financial instruments', and IFRS 7, 'Financial instruments: disclosures', effective for periods commencing on or after 1 January 2015. The amendments introduce a new model for hedge accounting and reporting changes in the fair value of an entity's own debt.

The directors do not anticipate that amendments will have any effect on the Company's financial statements as the company does not undertake hedging transactions nor does it value its own debt at fair value.

- Amendments to IFRS 10, 'Consolidated Financial Statements', IFRS 12, 'Disclosure of interest in other entities', and IFRS 27, 'Consolidated and Separate Financial Statements', effective for periods commencing on or after 1 January 2014. The amendments define the requirements for an investment entity and consequential amendments to introduce new disclosure requirements for investment entities.

The directors do not anticipate that the investment entities amendments will have any effect on the Company financial statements as the Company is not an investment entity.

- Amendments to IAS 32, 'Financial Instruments: Presentation', effective for periods commencing on or after 1 January 2014. The amendments clarify the requirements relating to the offset of financial assets and financial liabilities.

The directors do not anticipate that the amendments to IAS 32 will have any effect on the Company's financial statements as the Company does not have any financial asset and financial liabilities that qualify for offset.

### 3. Trade and other receivables

	JUN 2013 A\$	JUN 2012 A\$	JUN 2011 A\$
Unpaid share capital	1	1	1

### 4. Share capital

	JUN 2013 A\$	JUN 2012 A\$	JUN 2011 A\$
1 (30 June 2012: 1, 30 June 2011: 1) nil par value ordinary shares unpaid	1	1	1

## **Options**

There are no share options outstanding.

## **5. Financial instruments**

The Company's future activities will expose it to a variety of financial risks and market risks. The Company's overall risk management programme will focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

### **(a) Interest Rate Risk**

The company has no exposure to interest rate risk.

### **(b) Credit Risk**

The Company does not have any material credit risk exposure to any single debtor or group of debtors.

### **(c) 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.

### **(d) 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.

## **6. Related parties**

There were no transactions with Key Management Personnel (KMP).

## **7. Post Balance Sheet Events**

No other matters or circumstances have arisen since the end of the financial period which have significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years apart from the following;

### **(a) Acquisition of interest in Australian Petroleum Portfolio Pty Limited**

On 27 September 2013 the Company acquired a 25% interest in Australian Petroleum Portfolio Pty Limited by subscribing for 4 shares. Australian Petroleum Portfolio Pty Limited holds Petroleum Exploration Permit Application STP-EPA-0071 for acreage Release Area L12-4 ("L12-4") located in the Officer Basin of Western Australia.

After the acquisition by the Company, Andrew Carroll directly retained 25% of the issued shares in Australian Petroleum Portfolio Pty Limited. The balance of the 50 % shareholding is held by a private company, Palatine Energy Pty Ltd.

## **8. Control**

At 30 June 2013, the Company was controlled by Andrew Carroll by virtue of his 100% shareholding.

On 12 December 2013 the entire issued share capital was acquired by Mosman Oil and Gas Limited, which has a widely dispersed collection of shareholders with no one individual holding more than 50% of the shares. As such, the company does not have an ultimate controlling party after 12 December 2013.

## PART 6

### UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP



13 March 2014

The Directors  
Mosman Oil and Gas Limited  
PO Box 4034  
Mosman Park  
West Australia  
6912

The Board of Directors  
ZAI Corporate Finance Limited  
1 Hobhouse Court  
Suffolk Street  
London  
SW1Y 4HH

Dear Sirs

#### **Pro Forma Statement of Net Assets – Mosman Oil and Gas Limited (“the Company”)**

We report on the *pro forma* statement of net assets set out below relating to the Company which has been prepared on the basis described in the notes, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 30 November 2013. This report is required by guidance issued by London Stock Exchange plc with respect to the AIM market and is given for the purpose of complying with that guidance and for no other purposes.

#### **Responsibilities**

It is the responsibility of the directors of the Company to prepare the *pro forma* financial information in accordance with guidance issued by the London Stock Exchange.

It is our responsibility to form an opinion, as required by guidance issued by the London Stock Exchange, as to the proper compilation of the *pro forma* financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the *pro forma* financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

#### **Basis of Opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the *pro forma* statement of net assets with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the *pro forma* financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

**Opinion**

In our opinion:

- (a) the *pro forma* statement of net assets has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

**Declaration**

For the purposes of guidance issued by the London Stock Exchange we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with guidance issued by the London Stock Exchange.

Yours faithfully

**Kingston Smith LLP**

Chartered Accountants & Registered Auditors  
Devonshire House  
60 Goswell Road  
London  
EC1M 7AD

## Unaudited Pro Forma Statement of Net Assets

The unaudited Pro Forma Statement of Net Assets of the Company, illustrating the effect of the proposed fundraising, acquisition of Petroleum Portfolio Pty Ltd and the farm in agreement if they took place on 30 November 2013, is set out below. The Pro Forma statement has been prepared for illustrative purposes only and, because of its nature, may not reflect the actual financial position of the Company post completion.

	Mosman Oil and Gas Limited 30 November 2013 (Unaudited) Note 1 AS	Petroleum Portfolio Pty Ltd 30 June 2013 Audited Note 2 AS	Acquisition of 25% of Australia Petroleum Portfolio Pty Ltd Note 3 AS	Acquisition of Petroleum Portfolio Pty Ltd Note 4 AS	Farm in Agreement Note 5 AS	Fundraising Note 6 AS	Pro Forma AS
<b>Fixed Assets</b>							
PPE	4,810	—	—	—	—	—	4,810
Intangible Assets	522,574	—	—	899,999	836,370	—	2,258,943
Investments	—	—	4	—	—	—	4
	527,384	—	4	899,999	836,370	—	2,263,757
<b>Current Assets</b>							
Trade and other receivables	24,433	1	—	—	—	—	24,434
Prepayments	55,000	—	—	—	—	—	55,000
Cash at bank and in hand	256,386	—	—	—	—	2,213,386	2,469,772
	335,819	1	—	—	—	2,213,386	2,549,206
<b>Creditors Due Within One Year</b>	88,793	—	4	—	—	—	88,797
<b>Net Current Assets/(Liabilities)</b>	247,026	1	(4)	—	—	2,213,386	4,724,166
<b>Total Assets less Current Liabilities</b>	774,410	1	—	899,999	836,370	2,213,386	4,724,166
<b>Net Assets</b>	774,410	1	—	899,999	836,370	2,213,386	4,724,166

### Notes

- The balance sheet of Mosman Oil & Gas Limited has been extracted from the consolidated interim unaudited accounts for the period ended 30 November 2013.
- The balance sheet of Petroleum Portfolio Pty Limited has been extracted from the audited financial statements the year ended 30 June 2013.
- Acquisition of 25% interest in Australia Petroleum Portfolio Pty Limited**  
Petroleum Portfolio Pty Ltd subscribed for 25% of the issued shares in Australia Petroleum Portfolio Pty Limited on 27 September 2013 for AS4.
- Acquisition of Petroleum Portfolio Pty Limited**  
On 12 December 2013 the company acquired the entire issued share capital of Petroleum Portfolio Pty Limited in exchange for 9,000,000 of its own shares. The deemed price was AU\$0.10 per share.

	AS
Consideration	900,000
Net assets acquired	1
	<u>899,999</u>
Goodwill on acquisition	<u>899,999</u>

### 5 Farm-in agreement and call option over shares in Petroleum Creek Limited

On 8 July 2013, the Company entered into a farm-in agreement with Petroleum Creek Limited and Aorere Resources Limited, which held the whole legal and beneficial interest in Petroleum Exploration Permit 38526 ("the PEP"). In accordance with the terms and conditions of the farm-in agreement, Aorere Resources Limited assigned the legal and beneficial interest in the PEP to Petroleum Creek Limited in exchange for a 40% shareholding in Petroleum Creek Limited. This was subject to regulatory approval, which was received on 12 December 2013.

The Company exercised its call option to acquire back the 40% balance of Petroleum Creek Limited on 20 December 2013 by issuing 8,363,700 Shares, at a deemed price of AS\$0.10, to Aorere Resources Limited as consideration.

### 6 Fundraising

The net proceeds of the fundraising is based on the placing of 18,750,000 shares at a price of 8 pence per share translated to AS at a rate of 0.5274, less estimated transaction costs of AS\$630,755.



**PART 7**

**COMPETENT PERSONS REPORT**

**“THIS PAGE LEFT INTENTIONALLY BLANK”**



# **COMPETENT PERSON'S REPORT**

**Licences held by Mosman Oil & Gas Limited**

**In Australia and New Zealand**

**As of 5 March 2014**

**By:**

**Ian M. Cross**

**Prepared for Mosman Oil & Gas Limited**

**and**

**ZAI Corporate Finance Limited**

**and**

**SI Capital Limited**



## TABLE OF CONTENTS

<b>Section</b>	<b>Page</b>
1. Executive Summary.....	96
2. Australia.....	99
2.1. Introduction and Background .....	99
2.1.1. Geography and Infrastructure .....	100
2.1.2. Exploration History and Results .....	100
2.1.3. Available Data and Scope of Report .....	101
2.2. Regional Geology and Petroleum Systems.....	101
2.2.1. Regional Tectonics and Stratigraphy.....	101
2.2.2. Charge.....	102
2.2.3. Reservoirs and Seals .....	103
2.2.4. Traps .....	104
2.2.5. Petroleum Systems Summary.....	106
2.3. Description of Application Area and Work Programmes.....	106
2.3.1. Regulatory Framework and Fiscal Terms.....	106
2.3.2. Mandatory Work Programmes.....	106
2.3.3. Application Area Commercial and Fiscal Terms .....	107
2.4. Exploration Plans, Costs and Schedules.....	107
3. New Zealand .....	108
3.1. Introduction and Background .....	108
3.1.1. Geography and Infrastructure .....	108
3.1.2. Exploration History and Results .....	109
3.1.3. Available Data and Scope of Report .....	110
3.2. Regional Geology and Petroleum Systems.....	110
3.2.1. Regional Tectonics and Stratigraphy.....	110
3.2.2. Charge.....	112
3.2.3. Reservoirs and Seals .....	115
3.2.4. Traps .....	115
3.2.5. Petroleum Systems Summary.....	116
3.3. Description of Permit and Work Programmes.....	117
3.3.1. Regulatory Framework and Fiscal Terms.....	117
3.3.2. Mandatory Work Programmes.....	117
3.3.3. Permit Commercial and Fiscal Terms .....	118
3.4. Exploration Plans, Costs and Schedules.....	119
4. Disclosures .....	119
Appendix A References .....	122
Appendix B Glossary .....	124



Moyes & Co.  
8235 Douglas Ave., Suite 1221  
Dallas TX 75225 USA

5 March 2014

The Directors

Mosman Oil & Gas Limited  
Level 1  
981 Wellington Street  
West Perth  
Western Australia 6005  
and

ZAI Corporate Finance Limited  
1 Hobhouse Court  
Suffolk St  
London SW1Y 4HH  
and

SI Capital Limited  
1 High Street  
Godalming  
Surrey GU7 1AZ

## **Competent Person's Report**

### **Licences held by Mosman Oil & Gas Limited in Australia and New Zealand**

Dear Sirs:

Mosman Oil & Gas Limited (the "Company" or "MOG") is incorporated in Australia and has two active wholly owned subsidiaries. Petroleum Portfolio Proprietary Limited ("PPL") is incorporated in Australia and Petroleum Creek Limited ("PCL") is incorporated in New Zealand. MOG, through its subsidiaries, holds certain rights to petroleum exploration assets in Australia and New Zealand.

The Directors of MOG have requested Moyes & Co. ("Moyes") to provide an independent Competent Person's Report ("CPR") in relation to the Company's planned admission to the Alternative Investment Market ("AIM") operated by the London Stock Exchange plc.

Moyes considers the scope of the CPR appropriate and was prepared to a standard expected in accordance with the AIM Guidance Note. Moyes consents to the issuance of the CPR into the public domain by MOG. Moyes hereby consents to the inclusion of this report, with the inclusion of its name, in the form and context in which it appears, in the Admission Document.



Below is a chart describing the corporate structure and interests of MOG:

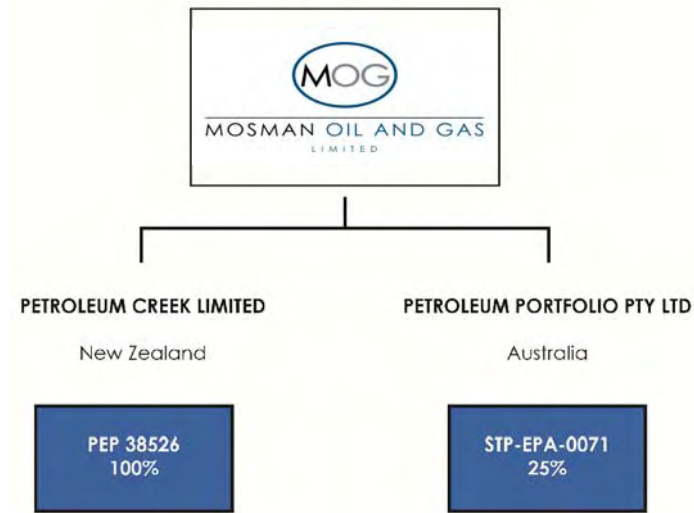


Figure 1: Corporate Structure and Interests of MOG



## 1. Executive Summary

As at 5 March 2014 MOG owned a 100% working interest in an exploration permit in New Zealand, PEP 38526 (“Permit”) and a 25% indirect working interest in one application in Australia, STP-EPA-0071 (“Application Area”). The MOG organization chart is set out in Figure 1.

Details of these permits under agreement are set out below:

### Australia

Petroleum Portfolio Pty Ltd

Application Area:	STP-EPA-0071
Ownership Interest:	25%
Area (sq km):	22,527
Status:	PPL owns a 25% direct interest in Australian Petroleum Portfolio Pty Ltd (“APPPL”) which is the successful applicant for the area offered as L 12-4 and will be awarded an Exploration Permit subject to satisfaction of Native Title Act prerequisites

### New Zealand

Petroleum Creek Ltd

Permit:	PEP 38526
Ownership Interest:	100%
Area (sq km):	143.6
Date Original Award:	5 September 2007
Extension Granted:	13 September 2013
Expiration Date:	13 September 2017
Status:	Permit acquired by MOG through the purchase of 100% of the shares of Petroleum Creek Ltd (“PCL”). MOG has committed to drill two wells by September 2014

Table 1: Summary Table of Assets

**In Australia**, the Officer Basin onshore application STP-EPA-0071 (“Application Area”), released as L 12-4 in 2012, is an early stage exploration project with a modest work programme. There is no production in the Officer Basin and there are no resources or reserves attributable to the Application Area. MOG has acquired 100% of PPL which has a 25% shareholding in APPPL. APPPL has submitted the application and is the preferred applicant for the 22,527 sq km permit STP-EPA-0071. The Application Area in the Western Australian part of the Officer Basin lies in the Vernon, Lennis and part of the Talbot areas, south of the town of Warburton. The Application Area offers both conventional and unconventional potential with hydrocarbon shows reported in the Kanpa-1A well. The permit will be awarded after the Native Title Act requirements are met which deal with heritage clearance, land access and other traditional owner issues. MOG has advised this is underway and discussions have commenced.

The Application Area lies on the edge of one of the more explored parts of the Officer Basin in Western Australia with fair but remote access for exploration activity. Seismic coverage exists in the northern portion of the project area which also contains six wells. Several structural leads have been mapped in the Application Area.

The present oil window is relatively deep in the area and it appears that all elements of a petroleum system are present. There may also be subsalt and unconventional hydrocarbon resources, as indicated by the existence of good source rock near the base of the Neoproterozoic succession in a mineral corehole in the southern Yowalga Area which is immediately northwest of the Application Area.



The presence of salt is an important factor as the rock will provide a good seal to any hydrocarbons being generated and also influence trapping types. The key source rocks in the petroleum system also act as an unconventional reservoir target in the Application Area. Previous operators in the area mapped a series of northwest to southeast trending leads and prospects in the northern portion of the Application Area. Similar age rocks to those found in the Officer Basin are productive in the Amadeus Basin in Northern Territories and in basins in Oman and Russia.

In the Application Area in Australia, Moyes recognises that it offers the potential for both conventional and unconventional hydrocarbon discoveries to be made at a number of stratigraphic levels with global analogues. The preferred area for initial exploration work is considered to be in the northern portion of the Application Area and during the early stages of the project it is recommended that detailed mapping of the salt is undertaken to better understand trapping types and sealing capabilities. In parallel with this, research should be undertaken to understand the source rocks present and their distribution, along with studies to determine where markets will be for any oil and gas discovered.

The work programme submitted with the application requires APPPL in the first year to complete seismic reprocessing and in the second year to drill one well. This programme is appropriate to develop the geologic basis for the future work.

**In New Zealand**, PEP 38526 (“Permit”) acquired by MOG through the purchase of 100% of the shares of PCL, has an area of 143.6 sq km, which in the south eastern corner covers the Kotuku oil seeps. No commercial production has been established in the Permit which is situated in the northwestern part of South Island in the Westland Basin. There are only Prospective Resources estimated for the mapped leads in the Permit. No contingent resources or reserves are assessed.

The previous operator Aorere acquired 20km of new seismic and reprocessed earlier data and drilled one well on the Kotuku feature to 90m. The south eastern corner of the Permit has been subjected to a long history of exploration with drilling starting in 1902. The area is known for the largest natural oil seeps in New Zealand; around 58 wells and 20 seismic lines were integrated into a petroleum model developed by SRK Consulting (“SRK”) that mapped 22 leads and prospects over the Kotuku anticline. SRK notes in its report that 33 wells directly impacted the assessment of the area. But, note that it will require careful data acquisition and detailed mapping to develop plays. Additional exploration potential exists in the remaining area of the Permit.

The Permit is held by PCL and it has entered into a farm in agreement for which Ministerial approval was granted 12 December 2013 to acquire an initial 60% interest. An option on the remaining 40% was exercised on 20 December 2013 and now PCL is the 100% owner with a vendor royalty of 2% payable from production.

Ten wells have been drilled within the Permit itself. It has been reported the wells encountered oil shows and oil seeps in the area. Some of these wells have been extremely shallow by modern day standards, many drilled prior to 1940 without the use of seismic data. While the results provide little indication of the true potential of the Permit, what is shown is encouraging.

The Permit has hydrocarbon potential in deeper structural and stratigraphic plays to the west and north of the Kokutu seeps where the hydrocarbon kitchens are mapped.

Within the Permit in New Zealand, hydrocarbon potential is currently recognized in conventional hydrocarbon exploration. Multiple sands and carbonates offer targets for oil and gas accumulations, however the complexity of the geology is challenging and additional data is needed to adequately map the region and Permit.

The Permit has the necessary ingredients to suggest that accumulations of oil could be present, particularly at deeper levels. The project area is dominated by the Kotuku anticline and 22 leads and prospects have been mapped over the feature. The shallow nature of many of the structures mapped is favourable for cost effective drilling.





MOG has committed to drill two wells within the permit by September 2014 and to reprocess and interpret a minimum of 4km of existing seismic; the latter has largely been completed. MOG must also acquire up to 40km of additional seismic by September 2015.

MOG has evaluated other exploration areas in South Island and has nominated certain areas to be considered by the New Zealand Petroleum and Mining (“NZPAM”) for inclusion in the 2014 bid round. The round will be a competitive bidding process which MOG hopes to take part in and any award will depend on government actions and relevant approvals.

**In summary**, both projects are at an early stage in their exploration cycles with modest work programmes. STP-EPA-0071 is considered lightly explored and offers conventional and unconventional hydrocarbon potential, while PEP 38526 is recognised as being a lower risk conventional project. Moyes is comfortable with the work programmes suggested by MOG for the initial evaluation of the two areas.



## 2. Australia

### 2.1. Introduction and Background

In Australia, the Officer Basin onshore application STP-EPA-0071 (released as L 12-4 in 2012) is an early stage exploration project with a modest work programme. MOG has acquired 100% of PPL which has a 25% shareholding in APPPL and holds the 22,527 sq km Application Area. The location of the Application Area is shown in Figure 2.

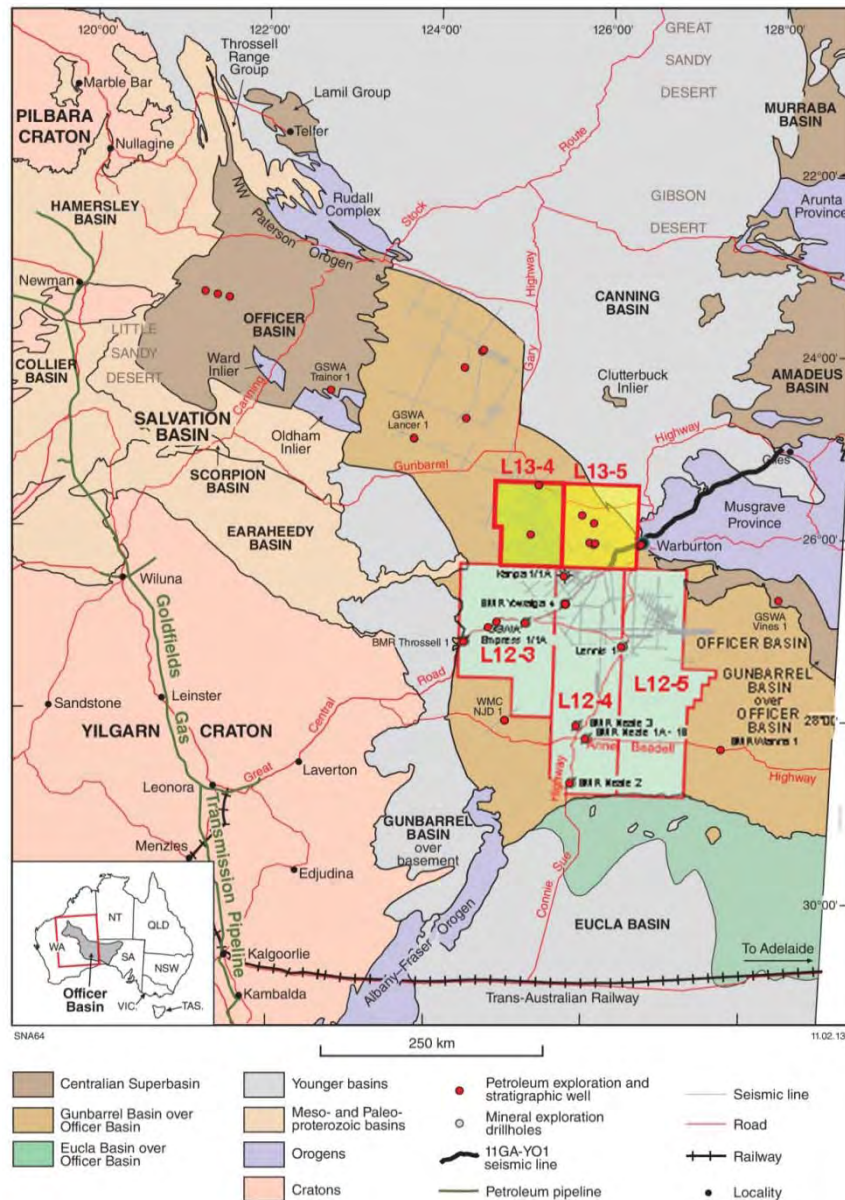


Figure 2: Location of Application Acreage

The Application Area in the Western Australian part of the Officer Basin lies in the Vernon, Lennis and part of the Talbot areas, south of the town of Warburton, and offers both conventional and unconventional potential with hydrocarbon shows reported in the Kanpa-1A well. The permit will be awarded after the Native Title Act (“NTA”) requirements are met which deal with heritage clearance, land access and other traditional owner issues.



### **2.1.1. Geography and Infrastructure**

The Application Area is located 1,250km northeast of Perth in a largely flat terrain with reasonable access in the dry season. The sealed Kalgoorlie to Laverton road links to the well maintained and unsealed Great Central Road which leads to Warburton and carries heavy transport for most of the year. A deep crustal seismic survey line was shot by GeoScience Australia along the road in 2011. Warburton is the most significant settlement in the area and it is linked to the Trans-Australian Railway about 500km to the south (Figure 2). The Gunbarrel Highway passes north of the Application Area, although this is only a four-wheel drive track for much of its length. A well maintained gravel road links Warburton to other communities in South Australia and Alice Springs in the Northern Territory. Side roads and four-wheel drive tracks extend to other parts of the Application Area and can be used in dry weather.

The Goldfields Gas Transmission Pipeline extends from the North West Shelf to Esperance on the south coast at a distance of approximately 300km to the west. Potential markets or delivery points for commercial discoveries could include mining centres along the pipeline, Alice Springs, and southern ports. Oil and gas production, with associated infrastructure, exists in the Mereenie area of the Amadeus Basin in the Northern Territory.

### **2.1.2. Exploration History and Results**

Petroleum exploration in the Western Australia area on the Officer Basin commenced in the 1960s with the drilling of five shallow (<1,000m deep) wells in the Yowalga area (Phillips *et al.*, 1985).

There were minor oil and gas shows in Browne-1 and 2 from the Browne Formation (Carlsen *et al.*, 2003). Subsequently, the former Bureau of Mineral Resources (BMR, now GeoScience Australia) drilled a series of shallow stratigraphic boreholes in the Yowalga area during 1972 (Jackson and van de Graaff, 1981). A second phase of exploration followed in the 1980s when Shell acquired 4,682km of seismic data and drilled three deep wells in the area, including Yowalga-3 and Kanpa-1/1A (Townson, 1985). The latter well encountered a minor oil show in the Steptoe Formation and reported three potential source intervals in the Browne Formation. The well proved the presence of a reservoir and seal, respectively, in the Hussar Formation sandstone and Kanpa Formation mudstone.

In 1995 the Japan National Oil Corporation (“JNOC”) reprocessed 50 key seismic lines (2,165km) and conducted a high resolution aeromagnetic survey (86,782km total length). JNOC (1997) also conducted source rock characterization and thermal maturation studies using drill cuttings from wells in the Yowalga area.

The Geological Survey of Western Australia (“GSWA”) reprocessed further seismic data and conducted seismic stratigraphic and additional geochemical studies, including basin modelling in key areas (Ghori, 1998, 2002; Ghori *et al.*, 2009).

GSWA has also drilled three stratigraphic wells in the central and western part of the basin. Empress-1/1A is the closest stratigraphic well to the area providing a complete cored stratigraphic section through the basin succession, terminating in a late Mesoproterozoic basin. Finally, GeoScience Australia and GSWA sponsored the acquisition of a crustal seismic survey line about 20km away from Yowalga-3 and Kanpa-1A in 2011. This provides excellent seismic and magnetotellurics (“MT”) data across the Officer Basin including the relevant Application Area.

In 2011, Rodina Oil Corp. drilled two wells in the western Officer Basin of South Australia. The Mulyawara-1 well was drilled to a total depth (“TD”) of 2,691m and the Kutjara-1 to a TD of 2,453m. Both wells encountered oil and gas shows, encouraging petroleum system indications and excellent Neoproterozoic reservoirs. During the drilling of Mulyawara-1, gas shows with up to C5 (pentane) content were recorded over sands in the Mundallio and Emeroo sections totaling approximately 150m gross confirming the presence of an active petroleum system.

Sparse mineral exploration holes through the area provide additional data of relevance to hydrocarbon prospectivity. The most noteworthy is WMC’s NJD-1, with core from the bottom of this well, possibly Neoproterozoic in age, which displayed oil staining. In addition, excellent source rock



potential was identified in a thin interval of shaly siltstone near the base of the Neoproterozoic succession.

### 2.1.3. Available Data and Scope of Report

Data available to Moyes included government department reports and website information, other reports, public journals, and papers. Moyes reviewed hard copy seismic lines only and relied heavily on the high quality material of industry standard supplied by MOG and its consultants.

A site visit has not been made as the asset does not, according to MOG, include any surface facilities.

## 2.2. Regional Geology and Petroleum Systems

### 2.2.1. Regional Tectonics and Stratigraphy

The large intracratonic Neoproterozoic to Late Devonian Officer Basin of Western Australia and South Australia covers 550,000 sq km and has a maximum sediment thickness of 10,000m. There are several major depo-centres,

The Officer Basin, as shown on Figure 3, is the southernmost and western of a series of basins in central Australia that initially formed during the Neoproterozoic and which, for much of their history, shared a similar sedimentary evolution. They are collectively known as the Centralian Superbasin.

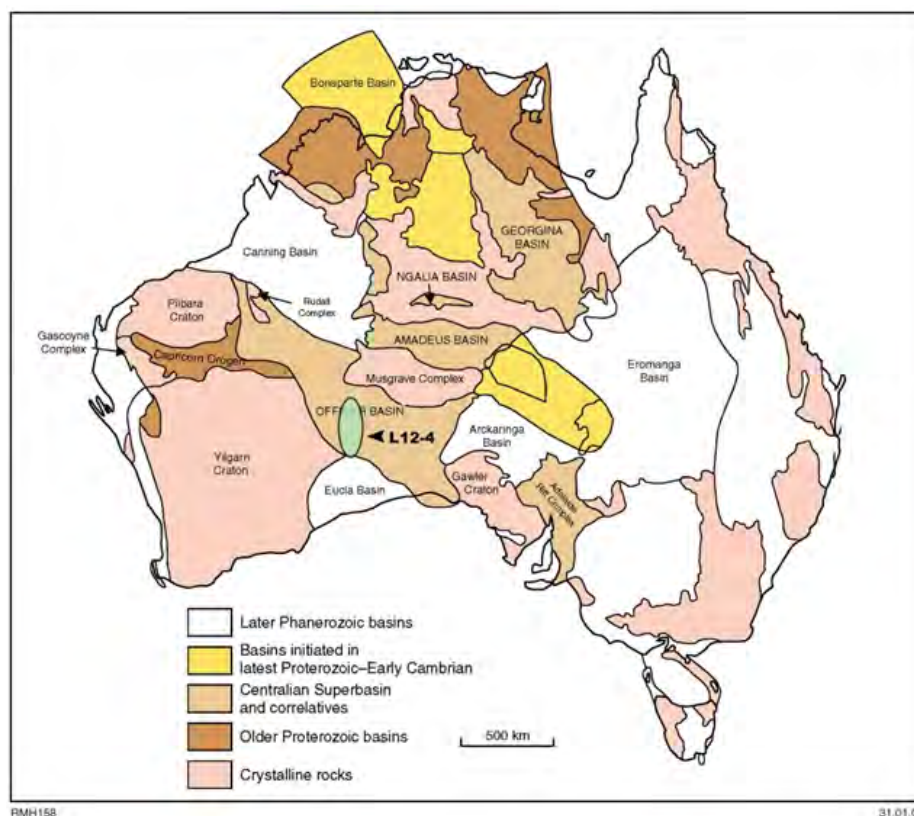


Figure 3: Main Sedimentary Basins of Australia

The Neoproterozoic-Lower Cambrian sedimentary section in the western Officer Basin is up to 6,000m thick based on seismic data (Apak and Moore, 2000, Simeonova and Lasky, 2005). The western Officer Basin, combined with the overlying Gunbarrel Basin, and possibly an underlying Mesoproterozoic basin, reaches a thickness of up to 12,000m; but this represents cumulative stratigraphic thickness rather than the actual thickness.





The Officer Basin is similar to the productive Amadeus Basin in the Northern Territory and to basins in Russia and Oman which contain giant oil and gas fields. Few exploration or stratigraphic wells have been drilled in the western Officer Basin, but hydrocarbons have been reported in a number of wells.

Figure 4 shows simplified stratigraphy and petroleum systems of the Neoproterozoic of the western and central Officer Basin across the Application Area (modified after Grey *et al.*, 2005 and Haines *et al.*, 2008).

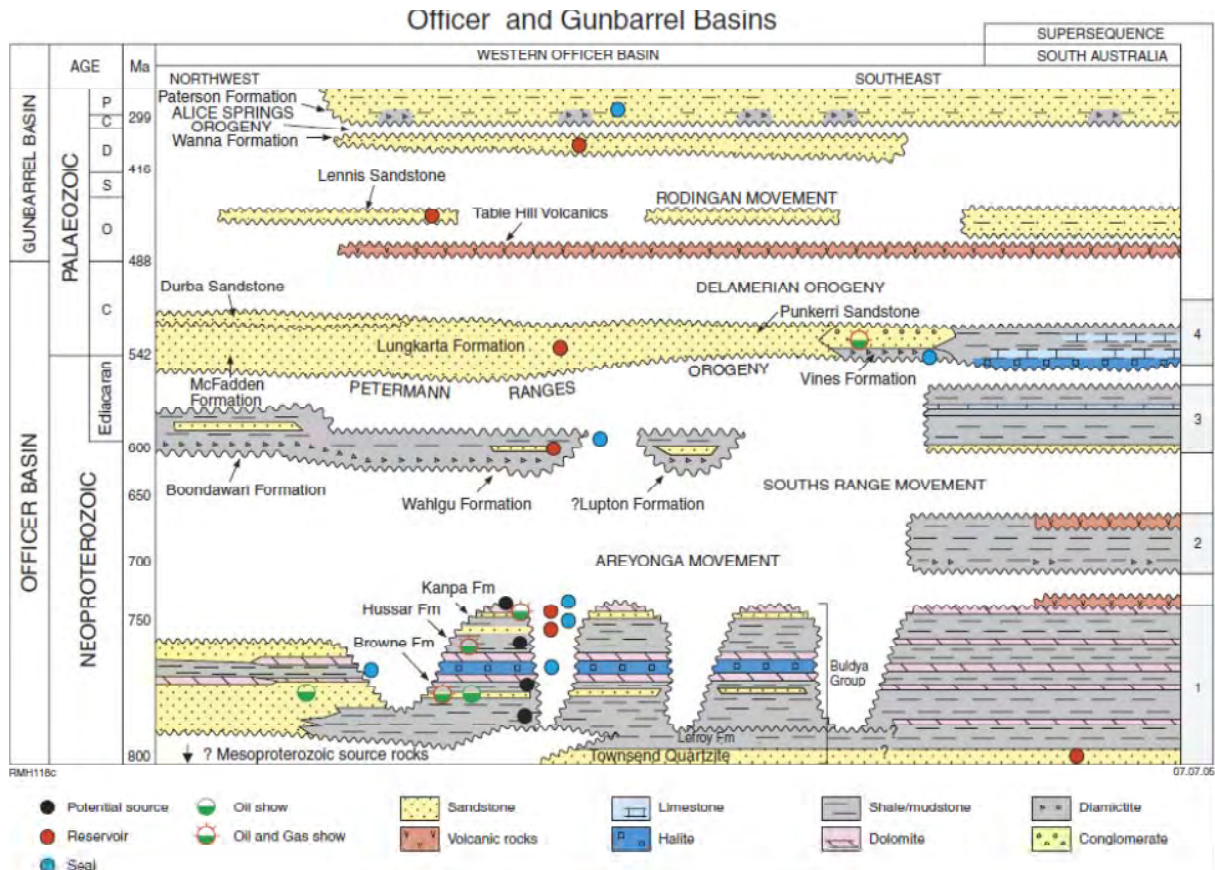


Figure 4: Generalized Time and Seismic Stratigraphy, Tectonic Events, Source, Reservoir, and Seal Rocks of the Yowalga Area (from Ghori *et al.*, 2009)

### 2.2.2. Charge

The key source rock intervals in the Application Area lie in the Steptoe, Hussar, and Browne Formations. Horizons within the Kanpa Formation are also considered to offer source rock potential in some publications. These formations are also potential shale gas/oil targets as discussed in Section 2.2.3. The widespread hydrocarbon shows in wells across the western Officer Basin (including Kanpa-1/1A) indicate that hydrocarbons have been generated. There may have been some migration, but publications do not consider this to be highly significant. Much may have remained in source shales, the basis for the shale gas/oil concept being pursued by MOG. Maturity modelling suggests that the most significant hydrocarbon traps formed before most of the potential source rocks entered the oil window and much of the prospective section within the thicker parts of the western Officer Basin remains in the oil maturation window today (Ghori, 1998, 2002).

Work by Apak *et al.* (2003) suggests that thin but organic rich beds with excellent to fair oil generating potential (together with good reservoir and seal rocks) are present in the basin. Oil and gas prone source beds with fair to excellent hydrocarbon generating potential are found in Browne-1



and Browne-2, Empress-1/1A, Hussar-1, Kanpa-1A, LDDH-1, NJD-1, and Yowalga-3, as indicated by total organic carbon, Rock-Eval pyrolysis and rock extract analyses. Source rocks are generally mature, with the measured maturity ranging from immature to over-mature as indicated by organic petrology and Rock-Eval pyrolysis. A significantly thick part of the Neoproterozoic succession in Yowalga-3 (1,500-3,000m) is presently within the oil window. The present day depth to the top of the oil window in Kanpa-1A and Yowalga-3 (Yowalga area) is about 1,000m deeper than in Hussar-1 (Gibson area; Ghori, 1998).

The Neoproterozoic of the western Officer Basin shows similarities to Neoproterozoic basins in Oman and Russia (Ghori *et al.*, 2009). As part of the former Centralian Superbasin, the succession in the western Officer Basin is also comparable to the nearby Amadeus Basin and there are similarities to the shale gas/oil plays in the McArthur Basin of the Northern Territory.

The general basin architecture shows a northwest trending trough approximately 6,000m deep. Figure 5, from the FrOG Tech SEEBASE database, shows contours which are the approximate base Mesoproterozoic sediments of the Gunbarrel Basin and western Officer Basin. The figure also shows the location of the MOG permit and adjacent acreage which was offered for bid at the same time.

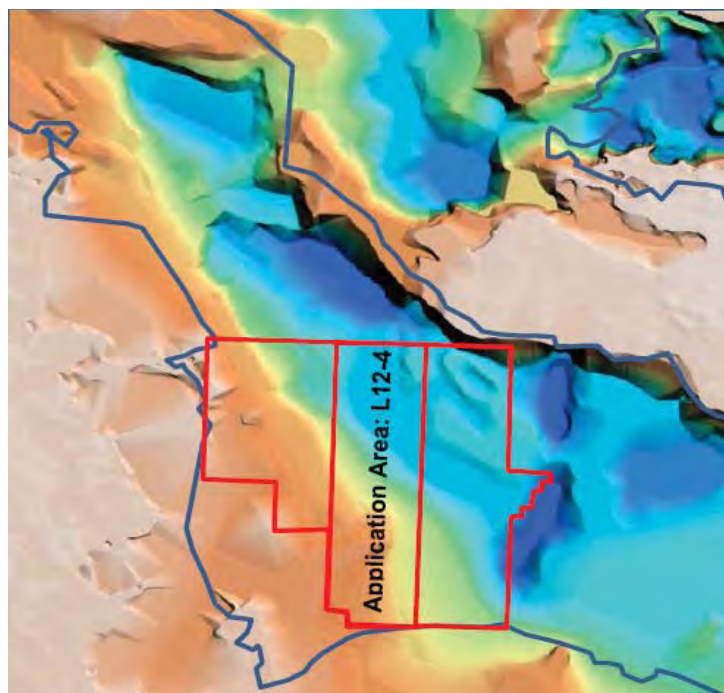


Figure 5: SEEBASE Interpretive Basement Depth in Relation to STP-EPA-0071 (MOG Application Report, 2013)

Kanpa-1/1A, drilled in 1983 by Shell in the northwest corner of the Application Area, is reported to have encountered oil and gas shows. Fluorescence and brown oil stains were recorded in sandstones and dolomites of the Kanpa Formation. Hydrocarbon shows are also reported in wells close to the Application Area including Hunt's 1962 Browne-1 and Browne-2 wildcats, and WMC's 1981 NJD-1 well.

### 2.2.3. Reservoirs and Seals

Conventional reservoir targets in the basin are represented sandstones in the Devonian, Ordovician, Cambrian and Proterozoic. Carbonates in the Cambrian also offer an objective. Meanwhile, key source rocks in the Steptoe, Hussar, and Browne Formations, and possibly the Kanpa Formation (see Section 2.2.2.), will offer unconventional shale gas/oil targets.

Basement compression between two deep Pre-Cambrian blocks has resulted in a complicated structural system consisting of major horst blocks capped by salt which provide excellent seals. The



salt tectonics also provides a number of different trap types and salt diapirs occur much further west in the basin than previously believed. Intra-formational shales will also offer sealing potential to hydrocarbon migration.

### 2.2.4. Traps

The complicated structural system with major horst blocks overlain by salt provides a number of different trap types. Seismic data available allows a certain level of confidence in mapping basement and structures. A number of structural leads trending northwest to southeast exist in the northern part of the Application Area (Figure 6). The focus of initial exploration is expected to be in the vicinity of the Kanpa wells targeting the Kanpa, Hussar, and Browne Formations.

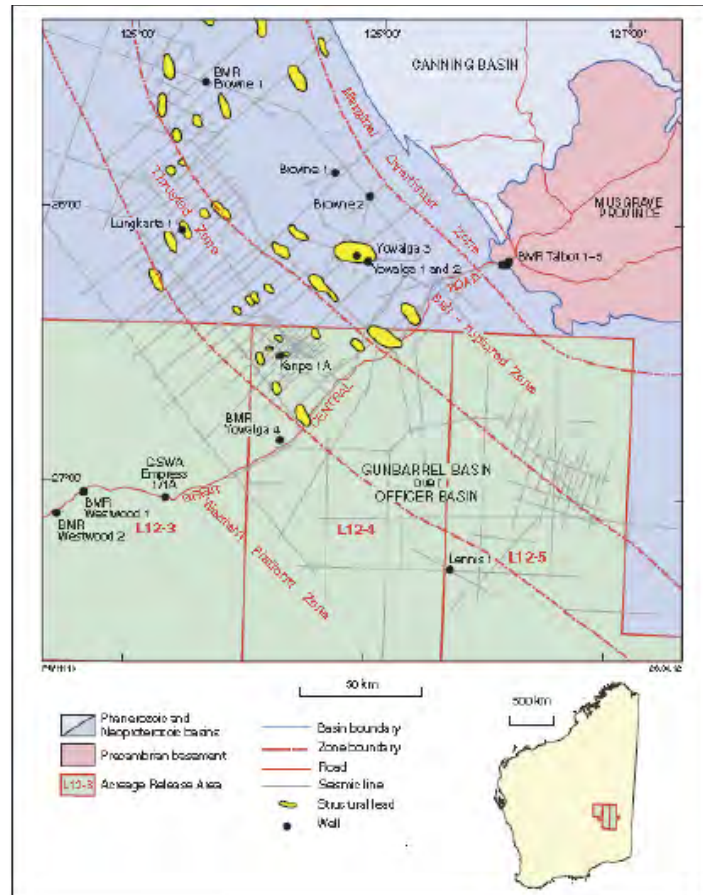


Figure 6: Location of MOG Held Contract Area Showing Leads (MOG Application Report, 2013)





A Department of Mineral Resources (“DMR”) report on the potential hydrocarbon play types in the Waigen Area, contiguous to and immediately east of the MOG area, shown in Figure 7, provides a good picture of the potential targets.

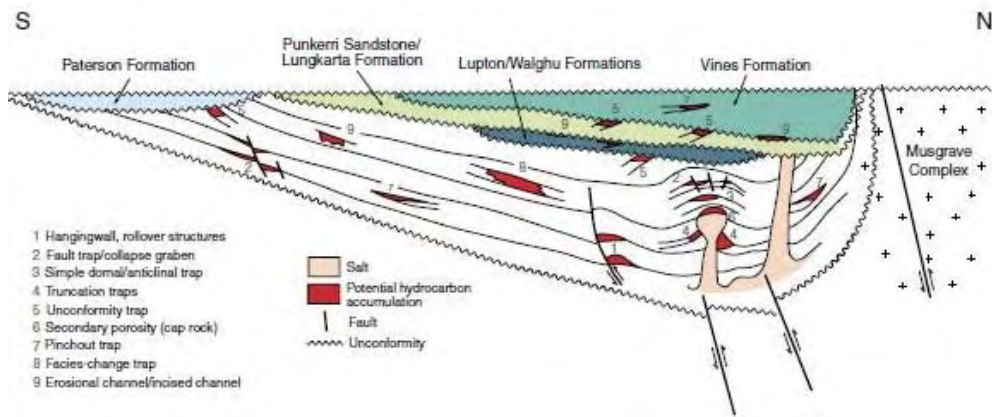


Figure 7: Geology and hydrocarbon play types, Waigen Area, immediately east of MOG’s Application Area (GSWA report, 2004)

Figure 8 below is a southwest to northeast cross section through the basin, including the MOG Application Area, with oil and gas symbols identifying principal hydrocarbon targets. The line highlights possible salt traps and other geological features.

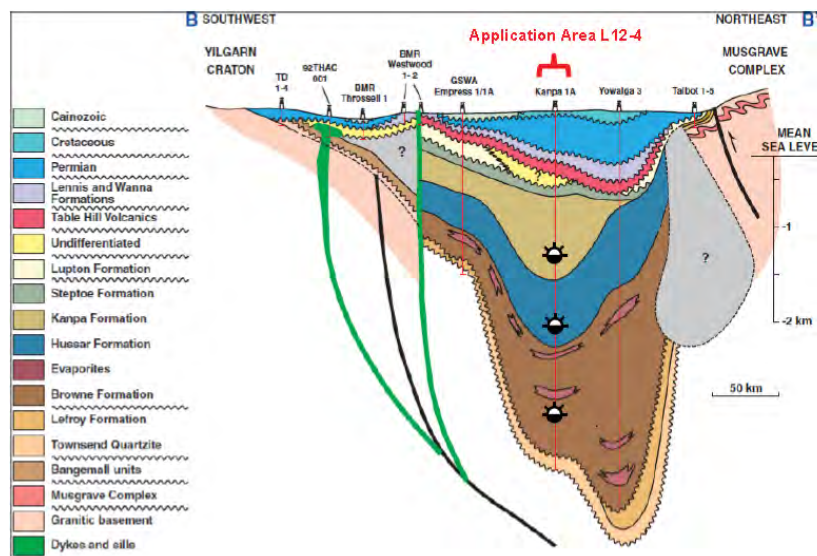


Figure 8: Cross Section Through the Officer Basin (MOG Application Report 2013)



**2.2.5. Petroleum Systems Summary**

Conventional reservoir targets in the basin are represented by sandstones in the Devonian, Ordovician, Cambrian, and Proterozoic. Carbonates in the Cambrian also offer an objective. The key source rock intervals lie in the Steptoe, Hussar, and Browne Formations, while horizons within the Kanpa Formation could also contribute to hydrocarbon generation. The source rocks also offer unconventional targets for shale gas/oil. A number of structural leads trending northwest to southeast exist in the northern part of the Application Area. Salt tectonics also provides a number of different trap types and salt diapirs. The salt, along with intra-formation shales, provides cap rocks to trap hydrocarbons.

**2.3. Description of Application Area and Work Programmes**

**2.3.1. Regulatory Framework and Fiscal Terms**

Exploration in Western Australia is governed by both state and federal legislation. Ownership of all petroleum reserves is vested in the Crown.

Application Area STP-EPA-0071 is in Western Australia and the general terms are as follows:

1. Awarded for a 6 year term; renewable for two 5 year terms and a 21 + 21 year production period;
2. State royalty 10%;
3. Crude oil excise duty on gross cumulative production on a sliding scale (0% to 55% ring fenced around the field and applicable after 30 million barrels of oil has been produced from that field);
4. Petroleum Resource Rent Tax (“PRRT”) of 40% on cash flow when net cumulative receipts turn positive (negative cash flows are uplifted costs depending on the type of costs and the time they were incurred); and
5. Income tax rate of 30% payable to the Federal Government.

Native Title Agreements are negotiable by the operator and typically result in certain administration payments and overrides.

**2.3.2. Mandatory Work Programmes**

The minimum work requirements for the Application Area are set out in Table 2 which is extracted from the letter of 14 March 2013 from the Department of Mines and Petroleum, Western Australia, advising APPPL it is the preferred applicant. The total obligation is A\$14.54 million.

<b>Year of Term</b>	<b>Quantity</b>	<b>Minimum Work Requirements</b>	<b>Estimated Expenditure Constant dollars (indicative only) \$A</b>
1		2D Seismic Reprocessing	\$850,000.00
2	1	Exploration Well	\$2,070,000.00
3	430km	New 2D Seismic Survey	\$2,200,000.00
4	1	Exploration Well	\$4,550,000.00
5		Geological Studies	\$280,000.00
6	1	Exploration Well	\$4,590,000.00
<b>TOTAL</b>			<b>\$14,540,000.00</b>

**Table 2: Work Programme for STP-EPA-0071**



### ***2.3.3. Application Area Commercial and Fiscal Terms***

The Application Permit was awarded to Australian Petroleum Portfolio Pty Ltd. (APPPL).  
STP-EPA-0071 (formerly L 12-4)

Permit Holder:	Australian Petroleum Portfolio Pty Ltd (APPPL)
Interest:	100%
Area:	22,527 sq km
Application Date:	1 November 2012
Notification Date:	24 April 2013
Grant Date:	Pending NTA Agreement
Primary Term:	6 years
Native Stakeholders:	Compensation being negotiated
Royalty:	
WA Government:	10%
Native Stakeholders:	In negotiations

MOG has acquired 100% of PPL which in turn has a 25% shareholding in APPPL which holds a 100% working interest in STP-EPA-0071 (formerly offered as L 12-4); the purchase price being the issuance of 9 million shares by MOG.

A shareholders agreement between the parties covers the funding and other issues related to APPPL. Once the permit is granted, each shareholder will be granted a working interest. All parties carry their respective costs. The key clause addressing dilution of interest for failing to meet funding obligations in the shareholders agreement is:

The total funding requirement of this work program, including NTA estimated cost, is A\$14,590,000 over approximately seven years. In the event that an expenditure obligation is in place and any Shareholder is unable to meet their share of that funding obligation, that Shareholder shall transfer to another Shareholder or Shareholders 0.625% of the total of their original shareholding for every A\$100,000 of expenditure obligation that is transferred.

Thus, if the 50% shareholder (Palatine) contributes no cash and the other two shareholders pick it up, Palatine's obligation of  $0.5 * A\$14,590,000$  (A\$7,295,000) costs is 45.59375%, reducing its interest to 4.40625% carried. If one of the 25% shareholders contributes no cash and the other two shareholders pick it up, that shareholder's obligation of  $0.25 * A\$14,590,000$  (A\$3,647,500) costs it 22.79688%, reducing its interest to 2.20312% carried.

### ***2.4. Exploration Plans, Costs and Schedules***

APPPL will undertake the mandatory programme as agreed with the State. The budget for the first year of operation is currently deferred until 2016 and is estimated at A\$600,000 of which MOG's contribution will be A\$150,000.





### 3. New Zealand

#### 3.1. Introduction and Background

MOG holds title to one petroleum exploration permit in New Zealand which is designated PEP 38526 (also referred to as the Kotuku Project) located onshore in the Stillwater-Moana area of the West Coast of the South Island situated in the Westland Basin. The location of the Permit is shown in Figure 9.

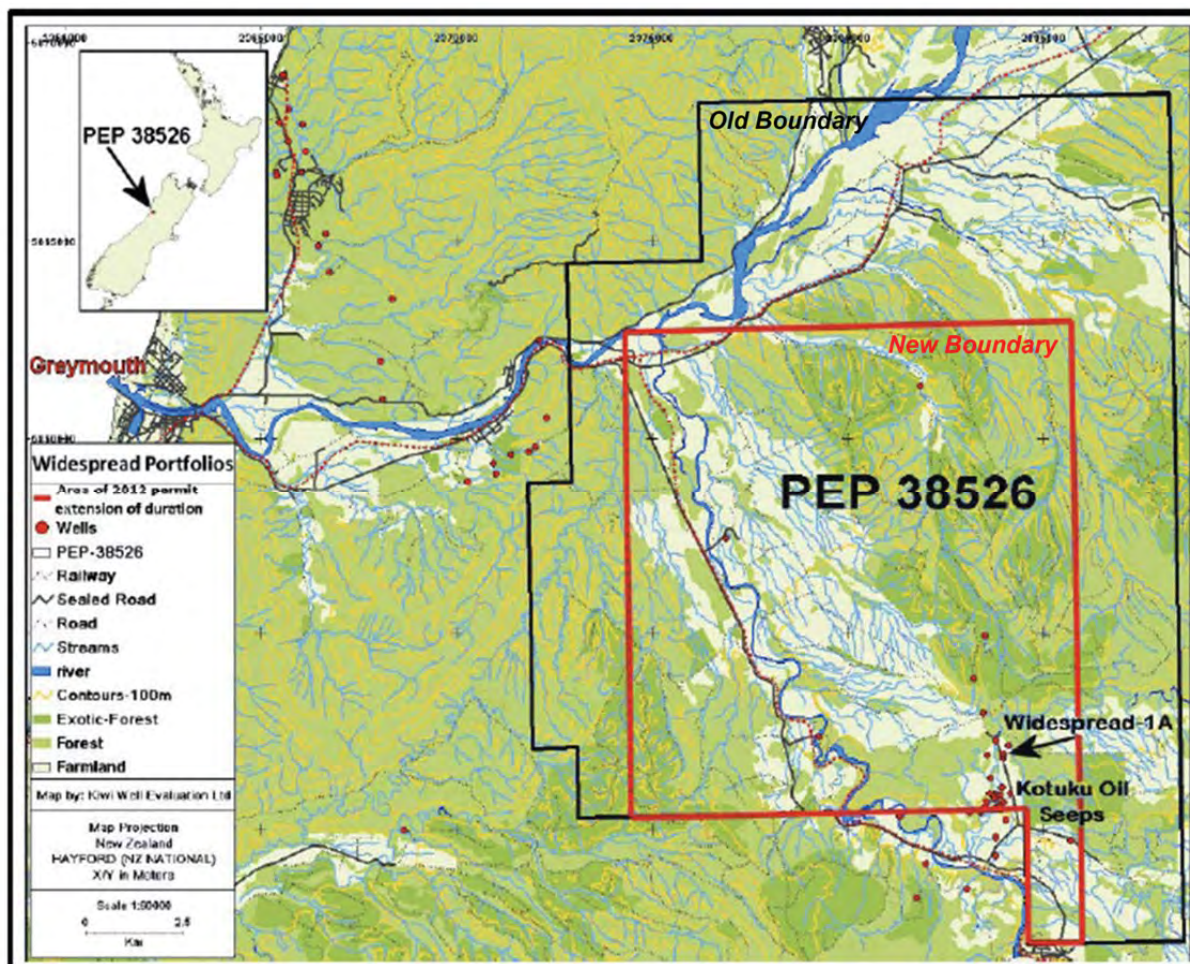


Figure 9: Location Map of PEP 38526

The 143.6 sq km PEP 38526 was originally awarded to Aorere Resources Ltd for a ten year exploration term (under its former name of Widespread Portfolios Ltd). The Permit is now held by PCL and it has entered into a farm-in agreement for which Ministerial approval was granted on 12 December 2013 to acquire an initial 60% interest. An option on the remaining 40% was exercised on 20 December 2013 and now PCL is the 100% owner with a vendor royalty of 2% payable from production.

#### 3.1.1. Geography and Infrastructure

PEP 38526 is located onshore in the Stillwater-Moana area of the West Coast of the South Island north of Lake Brunner. The Arnold River bisects the Permit north northwest-south southeast, and several roads exist within its area including the east-west State Highway 7 in the northern part. Vegetation is comprised of native bush and lowland forest.



### 3.1.2. Exploration History and Results

A total of around 58 shallow wells are documented to have been drilled within or close to PEP 38526. SRK notes in its report that 33 wells directly impact the assessment of the area. Many of these wells were drilled prior to 1940 and data is therefore limited. The southeastern corner of the Permit has been subjected to a long history of exploration with drilling starting in 1902 (Figure 10). The area is known for the largest natural oil seeps in New Zealand.

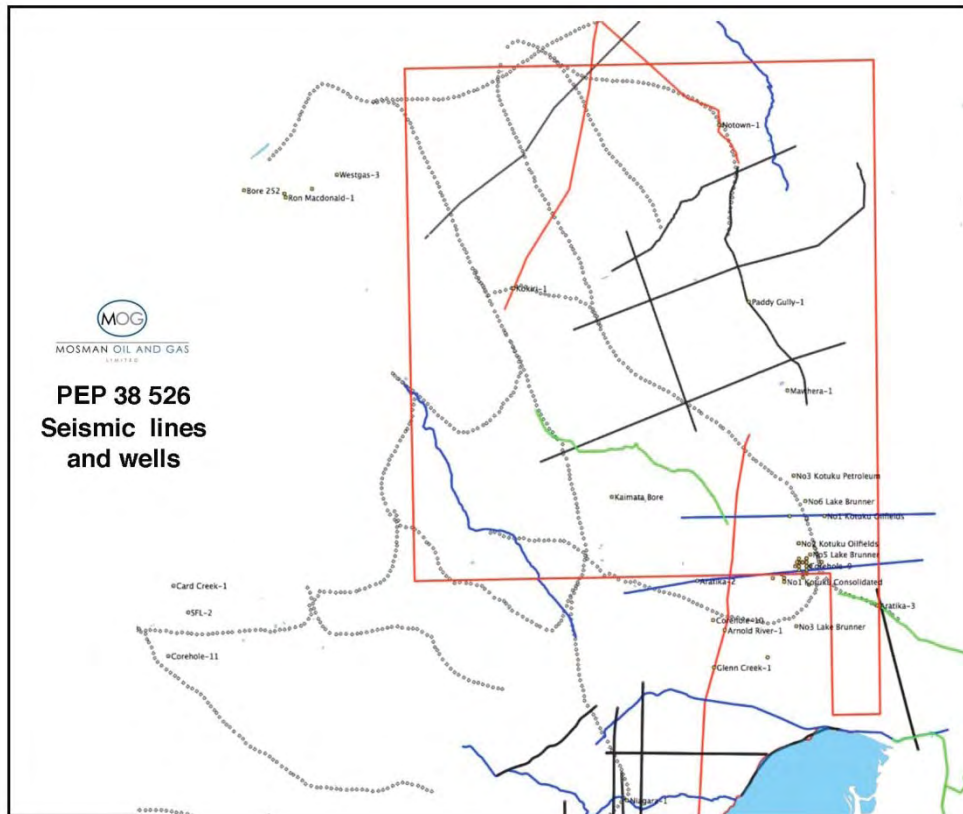


Figure 10: Location of PEP 38526 Seismic Lines and Wells

Work completed in the Permit area to date includes the reprocessing of existing 2D seismic acquired between 1963 and 1987, the drilling of the Widespread-1A well (TD 90m) in 2010 and acquisition of a 20km of electric survey in 2012. MOG also commissioned SRK to undertake consulting work in 2013.

In the initial term, Widespread completed a review of existing petroleum well data and geological literature, an electrical resistivity tomography survey, seismic reprocessing of all seismic field data available within the permit and one exploration well, Widespread-1/1A. Details and interpretation of these activities are available in a series of reports which are mentioned in the References section of this report.

Exploration studies during the first term of the Permit have identified several leads of possible shallow oil accumulation in the southern section of the permit around the Kotuku anticline structure. The extent and depth of this area has been assisted by Electrical Resistivity Tomography (“ERT”) imaging. A thorough analysis and study of the Kotuku petroleum system included identification of:

- The source and analysis of potential reservoir rocks;
- A suitable kitchen; and
- A migration and accumulation mechanism



To the northwest, the seismic and ERT imaging has highlighted areas which may extend the size of the reservoir area. This requires further evaluation.

### ***3.1.3. Available Data and Scope of Report***

Data available to Moyes included department reports and website information, SRK reports, public journals and papers and the New Zealand electronic data base of petroleum data. Moyes reviewed hard copy seismic lines only and relied heavily on high quality material of industry standard supplied by MOG and its consultants.

A site visit has not been made as the asset does not, according to MOG, include any surface facilities.

## ***3.2. Regional Geology and Petroleum Systems***

### ***3.2.1. Regional Tectonics and Stratigraphy***

There are multiple sedimentary basins with known or potential hydrocarbons onshore and underlying the extensive continental shelf of New Zealand, as well as several deepwater basins within its Exclusive Economic Zone.

PEP 38526 is located in the Westland Basin which is one of the West Coast Basins which eventually extend north to merge with the hydrocarbon producing Taranaki Basin. The West Coast is situated at the edge of the Australian plate which is being overthrust and dextrally offset against the Pacific Plate along the Alpine Fault (Beggs *et al.*, 2008).



The stratigraphy, with Cretaceous salt on Ordovician, is summarized in Figure 11.

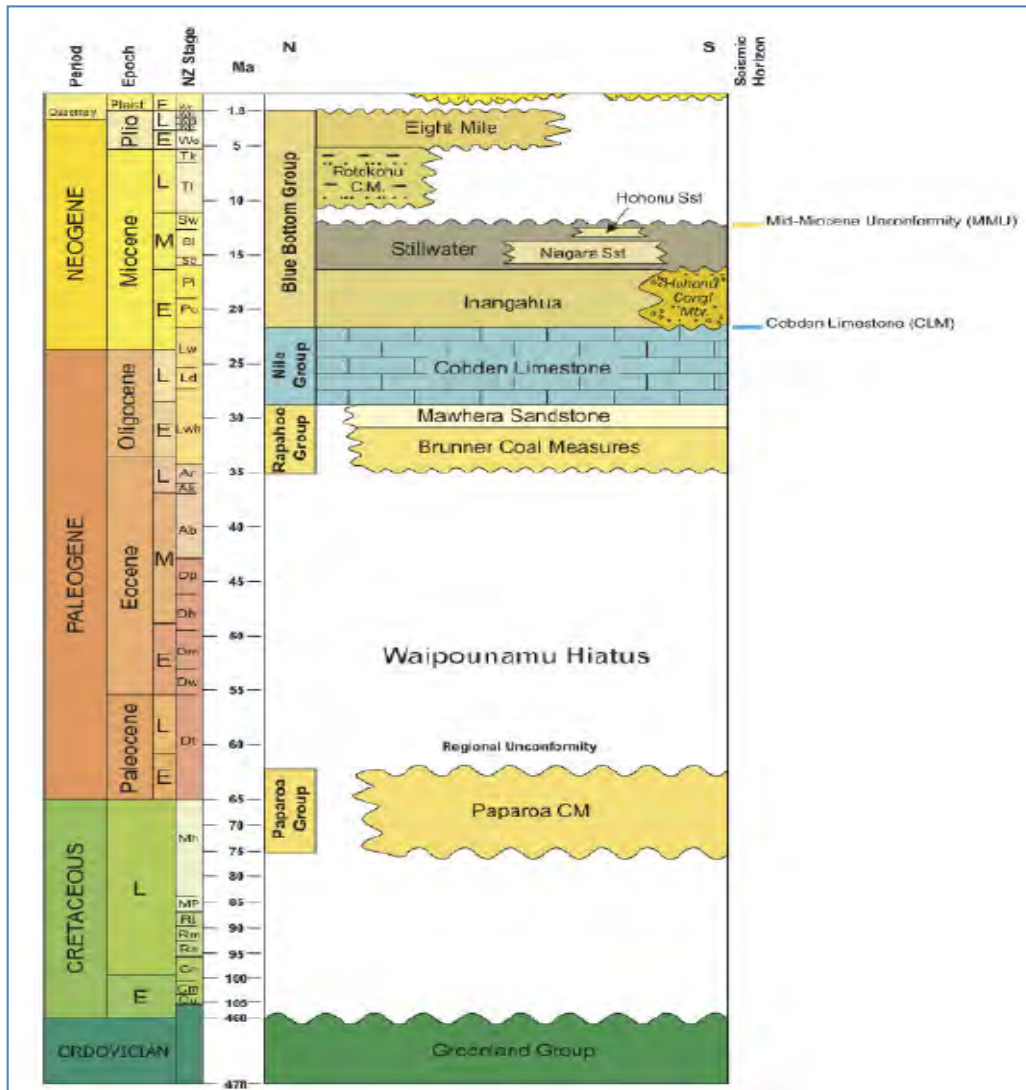


Figure 11: Regional Stratigraphy of the Westland Basin (MOG report, November 2013)





### 3.2.2. Charge

Source rocks in the basin are represented by Cretaceous Papanoa and Eocene – Oligocene Brunner coal measures (as in the Taranaki Basin to the north). Marine mudstones may also be present in the Eocene. Intra-formational shales will provide seals to hydrocarbon migration.

Numerous oil and gas seeps are reported in this licence area and elsewhere in the Westland Basin.

Figure 12 is a northwest to southeast seismic line (GV-10-DMO) across the Permit showing the main geological formations and features and the location of the Widespread-1/1A well.

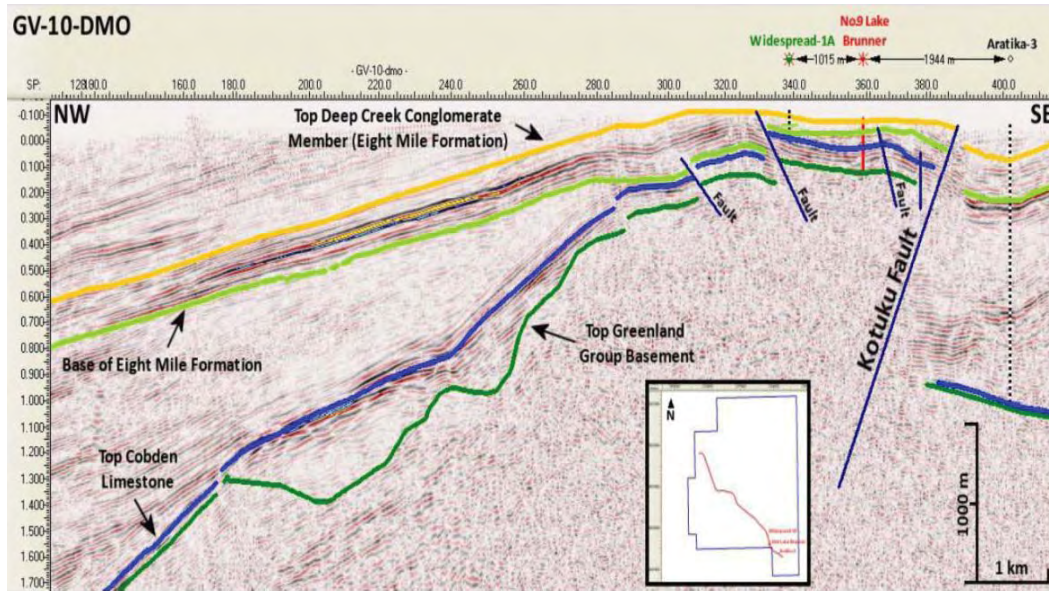


Figure 12: Seismic Line GV-10-DMO Across PEP 38526 (MOG Report, 2013)

The 2010 Widespread-1/1A was drilled as a stratigraphic test of the northern edge of the Kotuku Anticline to a TD of 90m (planned TD was reported to be 250m) and encountered hydrocarbon shows at shallow depths from 40m to TD, particularly in sandstones of the Eight Mile Formation.



The petroleum system in the vicinity of the Permit is bound to the west by the Grey Valley Fault and to the east by the Kotuku Fault. The two major structures with the system are the Kotuku Anticline and the Grey Valley Syncline (Figure 13).

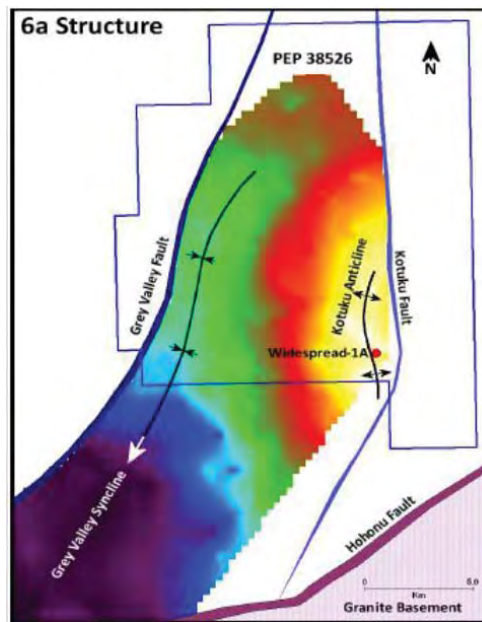


Figure 13: Main Geological Features in Vicinity of PEP 38526 (MOG, 2013)

The western limb of the Kotuku Anticline dips toward the Grey Valley Syncline located some 20km southwest of the Widespread-1A well. Seismic data indicates that the basement depth varies from 400m to 5,300m.

Oil seeps at Petroleum Creek were generated from Cretaceous coal measures and Figure 14 shows a picture of an oil seep at Kotuku.



Figure 14: Photograph of Oil Seeps at Kotuku (MOG, 2013)



Seismic data suggest that high reflectivity sediments extend northeast from the Grey Valley Syncline to the Kotuku Fault. Maximum burial was attained in the Middle Pliocene when up to 1,350m of Eight Mile Formation sediments were thought to have been deposited. It is considered that the coal measures began to generate oil at this time. Published data suggests that the source would have been covered by over 5,500m of sediments during this time. The source rock play fairway is shown in Figure 15.

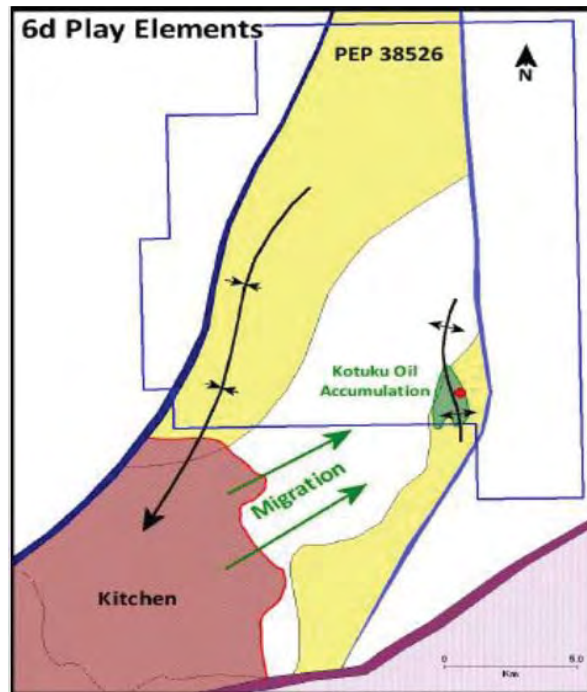


Figure 15: Hydrocarbon Migration in Vicinity of PEP 38526

Oil subsequently migrated up to the western and south-western limb of the Kotuku Anticline. The pathway to migration is likely to be within Eocene coal measures and Oligocene limestones and up-dip into the Eight Mile Formation via fault systems. The migration routes are highlighted in Figure 16.

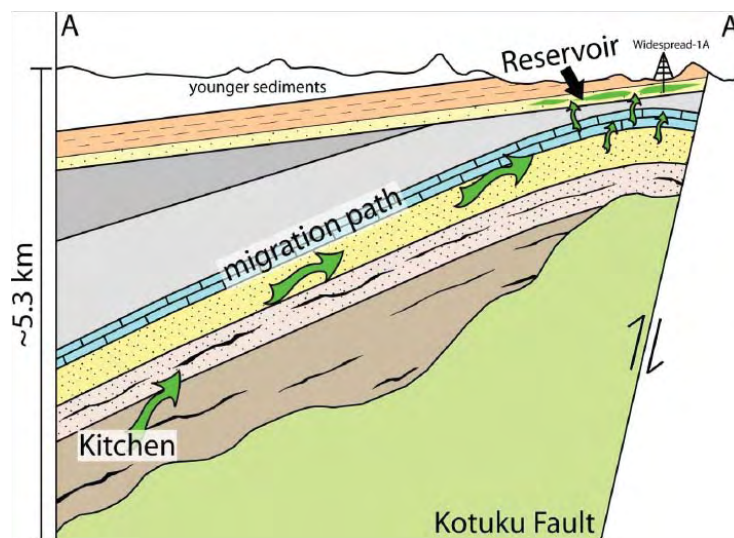


Figure 16: Simplified Cartoon of Hydrocarbon Migration in the Westland Basin (MOG, 2013)





### 3.2.3. Reservoirs and Seals

The basin contains potential Tertiary reservoirs in the Cobden Limestone and overlying clastics, turbidites in the Stillwater Formation, clastics in the lower Eight Mile and Holocene glacial clastics. Additional potential may lie in Cretaceous sandstones of the Paparoa Group. Intra-formational shales will provide a seal to hydrocarbon migration although the reliability of the integrity of the shallower cap rocks is a concern.

### 3.2.4. Traps

Main trap types are the Kotuku anticline and related structural fault controlled features. The SRK report of November 2013 identifies 22 prospects and leads within PEP 38526. The locations are shown in Figure 17.

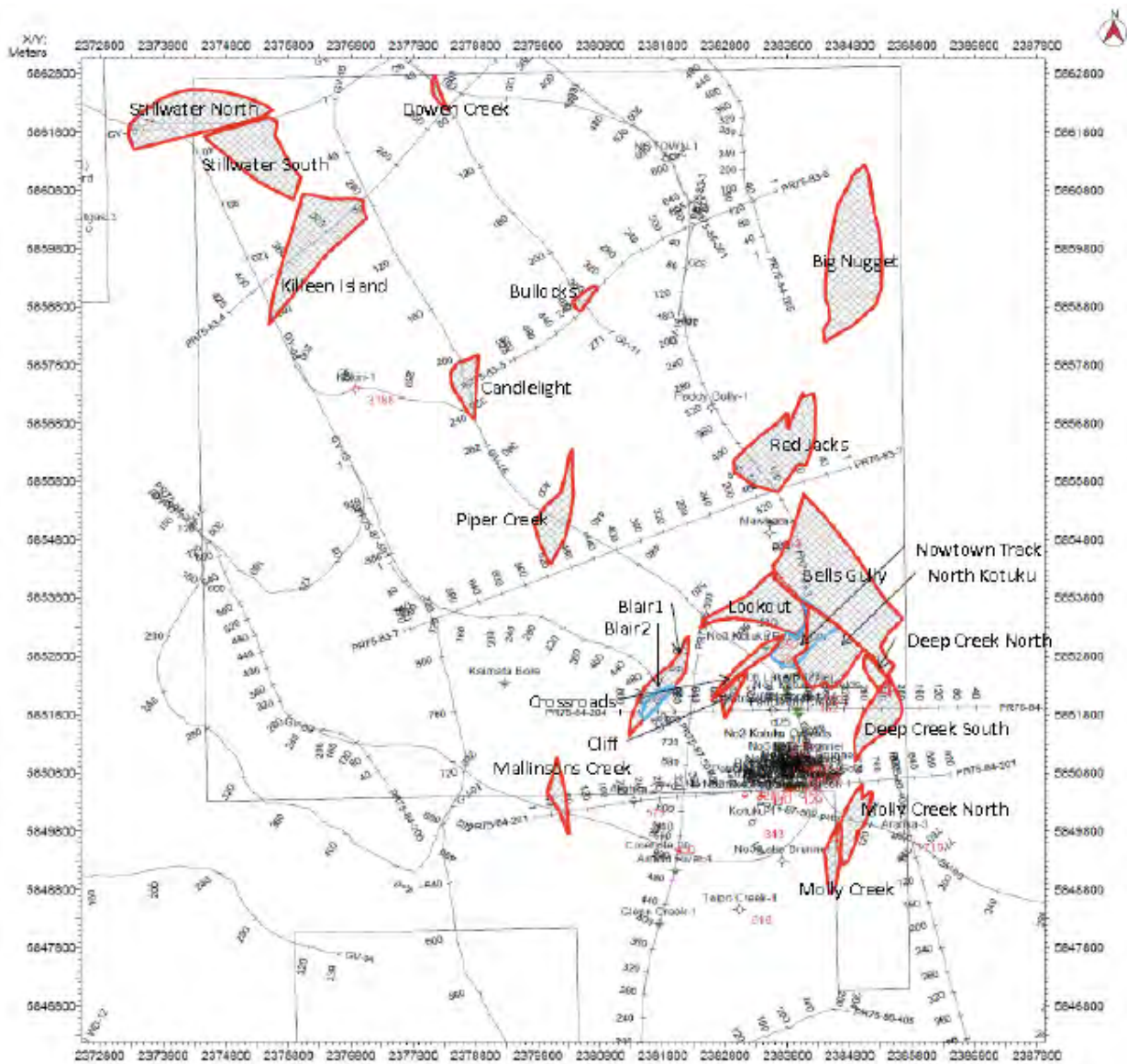


Figure 17: Prospects and Leads within PEP 38526 (SRK Report, November 2013)

Each of the 22 prospects and leads have Cobden Limestone and Lower Eight Mile Formation objectives, while seven have a contribution from the Stillwater turbidites and 16 from the Holocene



glacial sequence. The prospects which have been high graded are summarized below with the aerial extent highlighted in brackets:

- Big Nugget (1.9 sq km)
- Killen Island (1.35 sq km)
- Bells Gulley (2.6 sq km)
- Blair-1 (0.7 sq km)
- Stillwater South (1.0 sq km)
- Stillwater North (1.3 sq km)

Table 3, below, is taken from the SRK report and it notes that the Recoverable Oil Resources are undiscovered, which under the SPE-PRMS definitions are “Prospective Resources”. The definition of prospective resources per SPE-PRMS:

**Prospective resources** are estimated volumes associated with undiscovered accumulations. These represent quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from oil and gas deposits identified on the basis of indirect evidence but which have not yet been drilled. This class represents a higher risk than contingent resources since the risk of discovery is also added. For prospective resources to become classified as contingent resources, hydrocarbons must be discovered, the accumulations must be further evaluated and an estimate of quantities that would be recoverable under appropriate development projects prepared.” (SPE-PRMS)

The table summarises the unrisks resources (i.e. they do not take into account the probability of economic success) for the Cobden Limestone, Intra Stillwater Turbidite Channel Sandstones, Lower Eight Mile Formation and Glacial Sequence by oil initially in place (“OIIP”) and what could eventually be recoverable in the adjacent column. Assuming an accumulation is developed, the P90 resource reflects a 90% probability that quantities actually recovered will exceed the estimate (low estimate), the P50 resource reflects a 50% probability that quantities actually recovered will exceed the estimate, and P10 resource reflects a 10% probability that quantities actually recovered will exceed the estimate (high estimate).

Reservoir	Unrisks OIIP mmstb				Unrisks Recoverable Oil mmstb			
	P90	P50	Mean	P10	P90	P50	Mean	P10
Glacial Sequence	0.1	2.9	64.8	70.4	0.0	0.3	3.3	7.3
Lower Eight Mile Formation	17.4	45.9	61.1	120.7	2.5	6.5	8.4	16.9
Intra Stillwater Turbidite Channel Sandstones	4.9	17.4	28.2	61.1	0.7	2.5	3.7	8.4
Cobden Limestone	7.5	32.7	63.9	143.9	1.5	6.4	11.2	26.7
<b>Total</b>	<b>30.0</b>	<b>98.9</b>	<b>217.9</b>	<b>396.1</b>	<b>4.8</b>	<b>15.6</b>	<b>26.6</b>	<b>59.2</b>

**Table 3: Summary of Recoverable Oil Resources Estimation for PEP 38526 (SRK, November 2013)**

Moyes did not undertake a resource calculation and is comfortable with the standard of work that SRK has undertaken.

### **3.2.5. Petroleum Systems Summary**

Reservoirs are represented in the Tertiary by the Cobden Limestone and overlying clastics, turbidites in the Stillwater Formation, clastics in the lower Eight Mile and Holocene glacial clastics. Additional potential may lie in Cretaceous sandstones of the Paparoa Group. Source rocks in the basin are represented by Cretaceous Paparoa and Eocene – Oligocene Brunner coal measures (as in the productive Taranaki Basin to the north). Marine mudstones may also be present in the Eocene that could offer source potential. In addition, numerous oil and gas seeps are reported confirming an



active hydrocarbon system. Intra-formational shales will provide seals to hydrocarbon migration although the reliability of shallower seals will be a concern. Main trap types are the Kotuku anticline and related structural fault controlled features. SRK identifies 22 prospects and leads within the Permit.

### **3.3. Description of Permit and Work Programmes**

#### **3.3.1. Regulatory Framework and Fiscal Terms**

The Crown Minerals Act 1991 (“CM Act”) sets out the broad legislative framework for the exploration and production of petroleum within New Zealand. The relevant regulations for petroleum permit holders are the Crown Minerals (Petroleum) Regulations 2007, the Crown Minerals (Petroleum Fees) Regulations 2006, and the Crown Minerals (Royalties for Petroleum) Regulations 2013.

New Zealand’s royalty regime stipulates the payment of either an *ad valorem* royalty (VR) or an accounting profits royalty (APR), depending on whichever is the greater in any given year. The royalty rates are either:

- a) 5% AVR, that is 5% of the net revenues obtained from the sale of petroleum, or
- b) 20% APR, that is 20% of the accounting profit of petroleum production.

#### **3.3.2. Mandatory Work Programme**

An amendment to the original work programme was granted in September 2013. The new programme requires:

Stage 1 (Committed Activities):

Within 84 months (seven years) of the commencement date of the Permit, the Permit holder shall (to the satisfaction of the Chief Executive of the Ministry of Business, Innovation and Employment (“Chief Executive”)):

1. Complete the following activities which are all key deliverables for the purposes of the Petroleum Programme:
  - a) Drill and core two (2) exploration wells to a depth of at least 250m true vertical depth (“TVD”) on the Kotuku Dome crest (unless geological or engineering constraints encountered whilst drilling make this unreasonable); and
  - b) Either:
    - i. Notify the Chief Executive in writing of the Permit holder’s commitment to carry out the next stage of the work programme; or
    - ii. Surrender the Permit.
2. Complete the following activities which are all secondary deliverables for the purposes of the Petroleum Programme:
  - a) Complete CRS stack reprocessing and interpretation of a minimum of 4km of existing 2D seismic data within the Permit; and
  - b) Geochemical analysis of core obtained from the exploration wells drilled under condition 1(a) above.

Stage 2 (Contingent Activities):

Within 96 months (eight years) of the commencement date of the Permit, the Permit holder shall (to the satisfaction of the Chief Executive):

3. Complete the following activities which are all key deliverables for the purposes of the Petroleum Programme:
  - a) Acquire, process and interpret a minimum of 40km of 2D seismic data;
  - b) Integrate the data obtained in condition 3(a) above with existing data to update the geological model and prospectivity of the Permit area; and



- c) Either;
  - i. Notify the Chief Executive in writing of the Permit holder's commitment to carry out the next stage of the work programme; or
  - ii. Surrender the Permit.

**Stage 3 (Contingent Activities):**

Within 108 months (nine years) of the commencement date of the Permit, the Permit holder shall (to the satisfaction of the Chief Executive):

- 4. Complete the following activities which are all key deliverables for the purposes of the Petroleum Programmes:
  - a) Drill one exploration well to a deeper target such as the Cobden Limestone or Mawhera Sandstone (unless geological or engineering constraints encountered whilst drilling make this unreasonable); and
  - b) Either;
    - i. Notify the Chief Executive in writing of the Permit holder's commitment to carry out the next stage of the work programme; or
    - ii. Surrender the Permit.

**Stage 4 (Contingent Activities):**

Within 120 months (ten years) of the commencement date of the Permit, the Permit holder shall (to the satisfaction of the Chief Executive):

- 5. Complete the following activities which are all key deliverables for the purposes of the Petroleum Programme:
  - a) Complete a work programme agreed or determined by the Chief Executive in accordance with the Petroleum Programme to achieve timely and effective exploration of the Permit area.

The proposed expenditure is as follows:

Year	Minimum Work Requirements	Estimated Expenditure Constant dollars (indicative only) \$A
2014	2 exploration wells – reprocessing of seismic	A\$ 0.859 million
2015	2D seismic – 40 km	A\$ 0.580 million

**Table 4: Work Programme for PEP 38526**

**3.3.3. Permit Commercial and Fiscal Terms**

PEP 38526

Permit holder:	Petroleum Creek Limited (PCL)
Interest:	100% (20 December 2013)
Area:	143.6 sq km
Date Original Award:	5 September 2007
Extension Granted:	13 September 2013
Expiration Date:	13 September 2017
Fiscal Terms:	
NZ Government:	The greater of:
	(i) 5% until capital costs recovered
	(ii) 20% net accounting profits royalty/tax
Aorere	2% of Royalty on 40% working interest





MOG and Aorere Resources Ltd entered into a farm in agreement in April 2013 whereby MOG would take an initial 60% stake in the permit in its wholly owned subsidiary PCL. Under the terms of the farm in agreement, PCL agreed to fund the cost of work required in the work programme by 5 September 2013.

Settlement of this 60% occurred on 18 December 2013 after Ministerial consent was received for the transfer of 100% of the ownership and operatorship of the PEP to PCL. As a result, the shareholding in PCL was 60% MOG and 40% Aorere with 100% of the PEP being owned by PCL.

MOG exercised its option to acquire the remaining 40% of PCL on 20 December 2013 and now owns 100% PCL. Consideration was the issue of shares in MOG to the value of NZ\$0.9 million and 2% royalty.

### ***3.4. Exploration Plans, Costs and Schedules***

The MOG planned future work programme includes the commitment to drill two wells to a minimum depth of 250m to test shallow oil production on the crest of the Petroleum Creek structure. MOG has allocated NZ\$0.859 million to exploration for the period February through December 2014 to complete the minimum requirements of two wells to 250m for that period.

### ***4. Disclosures***

Moyes is an independent consulting firm based in Dallas and Houston, Texas. The firm provides evaluation and other professional advisory services in the energy sector. No member or employee of Moyes is, or is intended to be a director, officer or other direct employee of the Company. No member or employee of Moyes has, or has had, any shareholding, or the right (whether enforceable or not) to subscribe for securities, or the right (whether legally enforceable or not) to nominate persons to subscribe for securities in the Company.

Moyes considers that the scope of the CPR is appropriate and was prepared to a standard expected in accordance with the AIM guidance note for mining and oil & gas companies.

PPL was previously owned by Mr. Andrew Carroll, a Director of the Company. The other shareholders of APPPL are Mr. Andrew Carroll (25%) and a private company Palatine Energy Pty Ltd (50%). A shareholders agreement between shareholders of APPPL covers the funding and other issues related to APPPL below.

Moyes services have been provided to MOG for a fee based solely on professional time billed to the project and reimbursement of minor incidental expenses. No part of the firm's remuneration is based on MOG being admitted to AIM, being successful in raising funds, nor on any valuation of MOG or its assets. Neither the firm nor any of its employees has any direct or indirect interest in MOG or its assets.

Moyes has given consent to the Company to use this Report as part of the Admission Document to be published in connection with an application for all the issued share capital of the Company to be admitted to trade on AIM, and to reference this Report in any applicable disclosure document, provided that no portion be used out of context or in such a manner as to convey a meaning which differs from that set out in the whole.

The principal author of this report is Ian Cross.

Ian Cross is a Managing Director of Moyes & Co. He has 30 years of industry experience with companies which include Elf, IEDS, IHS and Moyes & Co. This included 13 years based in Southeast Asia. Ian has held a number of technical and management positions including Vice President of Global Business Intelligence for IHS. He read Geology at Cardiff University where he received his B.Sc (Hons) degree and later a Diploma in Oil & Gas Law from Robert Gordon University, Aberdeen. He is a member of the American Association of Petroleum Geologists (AAPG), the South East Asia Petroleum Exploration Society (SEAPEX), the Petroleum Society of Great Britain (PESGB), the Association of International Petroleum Negotiators (AIPN), and is a Fellow of the Geological Society of London.



### **Standard applied**

In compiling this report we have used the definitions and guidelines set out in the SPE Petroleum Resources Management System, 2007, and prospective resources have only been estimated for PEP 38526.

### **No material change**

We confirm that there has been no material change of circumstances or available information since the CPR was compiled and we are not aware of any significant matters arising from our evaluation that are not covered by the CPR which might be of a material nature.

### **Reliance on source data**

This report is based on data and materials provided by MOG and by public domain research carried out by the authors. The information provided by MOG consisted of background information, a copy of their business plan, copies of license and applications and maps, extensive technical reports, prepared by SRK who has been retained by MOG, data including seismic and well logs, drilling reports.

MOG's interests in the two licenses were acquired in industry trades with entities that held or had submitted the successful application for the permit. We have examined MOG's information and interviewed MOG's management. We have carried out appropriate due diligence and have critically examined the data provided, but cannot vouch for its accuracy and completeness. MOG has provided us with an indemnity compensating us for any liability arising from our use of information provided by MOG which is materially inaccurate or incomplete. Further, MOG has advised us that all of the data provided to us is either in the public domain or is proprietary to MOG, and that MOG has approved the disclosure of proprietary data in the preparation of this report.

Moyes has not carried out a site visit to any of the properties, nor was it deemed necessary to prepare the evaluation herein of such properties. Sufficient data is available from public sources and MOG's files to prepare this report.

Where Moyes considered it necessary, information provided was supplemented by information to be found in the public domain, by contact with service companies conducting operations in these plays, and from internal sources. Public domain information consisted largely of State records, the 2013 New Zealand Petroleum Exploration data base available from the New Zealand Petroleum & Minerals Department.

For the purposes of paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omissions likely to affect its import. This declaration is included in the Admission Document in compliance with paragraph (a) of Schedule Two of the AIM Rules.

### **Conclusions**

The MOG projects are comprised of exploration activities in the stable nations of Australia and New Zealand. The combined area of the two onshore projects is 22,670.6 sq km, with the Australian Application Area STP-EPA-0071 covering 22,527 sq km, while PEP 38526 in New Zealand is 143.6 sq km in size. Both projects are at an early stage in their exploration cycles with modest work programmes. STP-EPA-0071 is considered lightly explored and offers conventional and unconventional hydrocarbon potential, while PEP 38526 is recognised as being a lower risk conventional project.

**STP-EPA-0071** is situated in the western part of the Officer Basin with scant seismic coverage and the venue of only six wells. A number of structural leads have been mapped in the Application Area and it is considered the area has all the elements of a petroleum system being present. The presence of salt is an important factor as the rock will provide a good seal to any hydrocarbons being generated and also influence trapping types. The key source rocks in the petroleum system also act as



an unconventional reservoir target in the Application Area. Previous operators in the area mapped a series of northwest to southeast trending leads and prospects in the northern portion of the Application Area. Similar age rocks to those found in the Officer Basin are productive in the Amadeus Basin in Northern Territories and in basins in Oman and Russia.

**PEP 38526** is located in the Westland Basin with modest seismic coverage and ten wells drilled within the Permit and a number in the immediate vicinity. However, many of these wells were extremely shallow by modern day standards and a large percentage drilled prior to 1940 without the use of seismic data. While the results of a significant number of these wells provide little indication of the true potential of the Permit, what is encouraging is the oil shows reported, which compliment oil and gas seeps recorded on the surface. The Permit has the necessary ingredients to suggest that accumulations of oil could be present, particularly at deeper levels. The Permit is dominated by the Kotuku anticline and 22 leads and prospects have been mapped over the feature. The shallow nature of many of the structures mapped is favourable for cost effective drilling.

Yours faithfully,

Ian M. Cross



***APPENDIX A – REFERENCES***

- Apak, SN, Ghori, KAR, Carlsen, GM and Stevens, MK 2002, Basin development with implications for petroleum trap styles of the Neoproterozoic Officer Basin, Western Australia
- Apak, SN and Moors, HT 2000a, Basin development and petroleum exploration potential of the Yowalga area, Officer Basin, Western Australia: Geological Survey of Western Australia
- Apak, SN and Moors, HT 2000b, A sequence stratigraphic depositional model of Neoproterozoic strata, Yowalga area, Officer Basin, Western Australia
- Beggs, J.M., Ghisetti, F. C., and Tulloch A. J., 2008: Basin And Petroleum Systems Analysis Of The West Coast Region, South Island, New Zealand
- Carlsen, GM and Grey, K 1998, GSWA Empress 1A and petroleum evaluation of the western Officer Basin
- Carlsen, GM, Simeonova, AN and Apak, SN 2003, Petroleum systems and exploration potential in the Officer Basin, Western Australia
- Carr, LK, Korsch, RJ, Mory, AJ, Hocking, RM, Marshall, SK, Costelloe, RD, Holzschuh, J and Maher, JL 2012, Structural and stratigraphic architecture of Australia's frontier onshore sedimentary basins: the western Officer and southern Carnarvon Basins, Western Australia
- Evaluation of Hydrocarbon Potential in Officer Basin – Rodinia Oil, August 2008
- Geological Survey of Western Australia website [www.dmp.wa.gov.au](http://www.dmp.wa.gov.au)
- Geology and Petroleum Potential of State Acreage Release Areas L13-4 and L13-5 in the Officer Basin – Geology Survey of Western Australia, 2013
- Geoscience Australia website [www.ga.gov.au/](http://www.ga.gov.au/)
- Ghori, KAR 1998, Petroleum source rock potential and thermal history of the Officer Basin, Western Australia: Geological Survey of Western Australia
- Hocking, RM, 2003, Drillhole WMC NJD 1, western Officer Basin, Western Australia: Stratigraphy and petroleum geology: Geological Survey of Western Australia
- IHS scouting material for Australia and New Zealand
- Jackson, MJ and van de Graaff, WJE 1981, Geology of the Officer Basin, Western Australia: Australia Bureau of Mineral Resources
- Kotuku NZ Oil Resource and Lead Inventory, PEP 38526 – SRK Consulting, November 2013
- Mosman Oil & Gas Application Report – 2013
- Mosman Oil & Gas Corporate Presentation – August 2013
- Mosman Oil & Gas New Zealand Flyer
- New Zealand Petroleum and Minerals website [www.nzpam.govt.nz](http://www.nzpam.govt.nz)
- Production Well Design and Pump Options for a Shallow Oil Well – AZTECH September 2013
- Relinquishment Report, PEP 38526 – EXCEL, March 2013
- Results of Year One Exploration Work for PEP 38526 – Geosphere, 2008



Request to Extend Duration of Exploration Permit – EXCEL, August 2012

Seismic Interpretation Report, PEP 38526 – Geosphere Ltd, September 2012

Simeonova, AP and Iasky, RP 2005, Seismic mapping, salt deformation, and hydrocarbon potential of the central western Officer Basin, Western Australia: Geological Survey of Western Australia

SPE Petroleum Resources Management System Guide for Non-Technical Users –  
<http://www.spe.org/spe-app/spe/industry/reserves/index.htm>.

Townson, WG 1985, The subsurface geology of the western Officer Basin – results of Shell’s 1980-1984 petroleum exploration campaign

Widespread-1/1A Final Well Report – KWEL, April 2010



**APPENDIX B – GLOSSARY**

A	Australia (ie A\$ Australian dollars)
APP	Australian Petroleum Portfolio Pty Limited
APPL	Application Petroleum Prospecting Licence
APR	Accounting Profits Royalty
km	Kilometer
m	Metre
MMSTB	Millions of Stock Tank Barrels
MOG	Mosman Oil & Gas Ltd
Moyes	Moyes & Co
NZ	New Zealand
OIIP	Oil Initially In Place
PEP	Petroleum Exploration Permit
PTD	Planned Total Depth
TVD	True Vertical Depth
TD	Total Depth
VAT	Value Added Tax
VR	Valorem Royalty
%	Percent
\$	Dollars

## PART 8

### ADDITIONAL INFORMATION

#### 1. Responsibility Statement

The Company and the Directors, whose names appear on page 10 of this document, accept individual and collective responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. In connection with this document and/or the Placing, no person is authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised.

#### 2. The Company

- 2.1. The Company was incorporated and registered in Australia, where it remains domiciled, under the Corporations Act on 6 April 2011 with registered Australian Company Number 150 287 111 as a limited public company with the name Mosman Minerals Limited. The Company changed its name to Mosman Oil and Gas Limited on 5 December 2012.
- 2.2. The liability of the members of the Company is limited to the amount paid and due to be paid on the shares held by them.
- 2.3. On Admission, the Company's principal activity is that of a holding company whilst the principal activities of its wholly owned subsidiaries by shares will be as follows:

<b>Company</b>	<b>Principal activity</b>
Petroleum Portfolio Limited	Oil and gas exploration and development
Petroleum Creek Limited	Oil and gas exploration and development
Mosman Oil and Gas (NZ) Limited	Dormant

- 2.4. The principal legislation under which the Company operates is the Corporations Act and the regulations made thereunder.
- 2.5. The Company's registered office is at Level 1, 981 Wellington Street, West Perth, Western Australia. The telephone number of the Company is +61 8 6555 2949. The Company's Website is at <http://mosmanoilandgas.com>.
- 2.6. The accounting reference date of the Company is 30 June and will remain so on Admission.
- 2.7. The Company's auditors during the period covered by the accountants' reports set out in Part 4 of this document were Somes Cooke whose principal office is at 1304 Hay Street, West Perth, Western Australia and who are members of the Institute of Chartered Accountants Australia.

#### 3. Securities Being Admitted

- 3.1. The Ordinary Shares are ordinary shares of no par value in the capital of the Company and were issued in Australian dollars.
- 3.2. The Ordinary Shares may be held in certificated form or, through DIs in the manner described in Part 1 of this document, under the CREST system. CREST is a paperless settlement procedure enabling securities to be evidenced and transferred, otherwise than by a written instrument in accordance with the CREST Regulations. The Registrars are responsible for keeping the Company's register of members
- 3.3. The Ordinary Shares have no redemption or conversion provisions.

#### 4. Share Capital

- 4.1. The Ordinary Shares are in registered form and are capable of transfer in both certificated form and uncertificated form through DIs in the manner described in Part 1 of this document. The register of members for the Company is maintained by



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

- 4.2. The Company does not have an authorised share capital.
- 4.3. On incorporation the Company had one Ordinary Share in issue. The following Ordinary Shares have been issued since incorporation:
  - 4.3.1. on 20 May 2011 11,500,000 Ordinary Shares were issued at a price of A\$0.05 per share;
  - 4.3.2. on 15 August 2012 500,000 Ordinary Shares were issued at a price of A\$0.10 per share;
  - 4.3.3. on 6 February 2013 6,150,000 Ordinary Shares were issued at a price of A\$0.10 per share;
  - 4.3.4. on 30 May 2013 3,200,000 Ordinary Shares were issued at a price of A\$0.10 per share;
  - 4.3.5. on 27 November 2013 3,920,000 Ordinary Shares were issued at a price of A\$0.10 per share;
  - 4.3.6. on 20 December 2013 8,363,700 Ordinary Shares were issued in consideration for 40% of the issued share capital of PCL;
  - 4.3.7. on 15 January 2014 the 9,000,000 PPL Consideration Shares were issued.
- 4.4. Subject to any rights and restrictions attached to a class of Shares, the Company may allot and issue unissued Shares and grant options over unissued Shares on any terms, at any time and for any consideration, as the Directors resolve.
- 4.5. The Constitution does not provide for rights of pre-emption for existing shareholders on issue of Shares in the Company.
- 4.6. The Company may issue any Shares as preference Shares including preference Shares which are liable to be redeemed in a manner permitted by the Corporations Act and preference Shares in accordance with the Constitution.
- 4.7. On 30 June 2013 (the date to which the last accounts were made up), there were 21,350,001 Ordinary Shares in issue.
- 4.8. As at 13 March 2014 (the latest practicable date prior to the date of this document), there were 42,633,701 Ordinary Shares in issue.
- 4.9. The issued share capital of the Company immediately following Admission, assuming that none of the outstanding Options are exercised, will be 61,383,701 Ordinary Shares.
- 4.10. As at 13 March 2014 (the latest practicable date prior to the date of this document), there were outstanding Options over a total of 8,300,000 Ordinary Shares representing approximately 11.9% of the Enlarged Share Capital on Admission, as enlarged by the Options. The Options are exercisable by notice in writing to the Company. Details of the Options are set out below:

<b>Option Holder</b>	<b>Date of Grant</b>	<b>Expiry Date</b>	<b>Number of Options granted and unexercised</b>	<b>Exercise price per share</b>
John W Barr	6 April 2011	31 March 2016	1,000,000	A\$0.20
John A Young	6 April 2011	31 March 2016	1,000,000	A\$0.20
Michael P Bowen	6 April 2011	31 March 2016	1,000,000	A\$0.20
John W Barr	15 January 2014	13 January 2019	1,000,000	A\$0.15
Andrew Carroll	15 January 2014	13 January 2019	1,000,000	A\$0.15
Employees and consultants	15 January 2014	13 January 2019	1,300,000	A\$0.15
Santina Ltd	6 February 2014	15 February 2017	2,000,000	A\$0.05

- 4.11. Pursuant to the terms of the engagement letter with ZAI and SI Capital, the Company has agreed to issue 613,837 Options to ZAI and 613,837 Options to SI Capital on the terms of the option deeds further details of which are set out in paragraph 14.1.5 below.

- 4.12. No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 4.13. The Company has not issued any convertible loan notes.
- 4.14. Save as disclosed in paragraphs 4.10 and 4.11 above and the Ordinary Shares proposed to be issued pursuant to the Placing:
  - 4.14.1. no share or loan capital of the Company or its subsidiaries has been issued or been agreed to be issued fully or partly paid, either for cash or for consideration other than cash and no issue is now proposed; and
  - 4.14.2. neither the Company nor its subsidiaries has granted any options, warrants or convertible loan notes over its shares or loan capital which remains outstanding or has agreed, conditionally or unconditionally, to grant any such options, warrants or convertible loan notes.
- 4.15. The Placing Shares will be allotted in registered form and may be held in either certificated or through DIs, in the manner described in Part 1 of this document, in uncertificated form. Application will be made to the London Stock Exchange for the Enlarged Share Capital (including the Placing Shares) to be admitted to trading on AIM. All the Ordinary Shares (including the Placing Shares) may be transferred to the Depositary in exchange for the issue of DIs in CREST in the manner described in Part 1 of this document, for which there will be no charge to stamp duty or SDLT on the transfer (unless made for consideration).
- 4.16. The Placing Shares were created under and are subject to the provisions of the Corporations Act and are issued in Australian dollars.
- 4.17. The Placing Shares will, on issue, rank for all dividends and other distributions (if any) declared or made or paid in respect of Ordinary Shares after the date of issue and will otherwise rank *pari passu* in all respects with the existing Ordinary Shares.
- 4.18. Save as disclosed in this document, there are no Ordinary Shares in the Company which are held by, or on behalf of, the Company and none of the Company's subsidiary undertakings holds any shares in the Company.
- 4.19. Save for the Placing Shares to be issued pursuant to the Placing, the issue of up to 8,300,000 Ordinary Shares to option holders referred to in paragraph 4.10 of this part 8 and the issue of up to 613,837 Ordinary Shares to each of ZAI and SI Capital pursuant to the options described at paragraph 4.11 of this Part 8, there is no present intention to issue any of the authorised but unissued share capital of the Company and there are no agreements or undertakings pursuant to which the Company has agreed to issued Ordinary Shares.
- 4.20. Save as disclosed in paragraph 4.10 and 4.11 above, no person has any rights to purchase any unissued share capital of the Company.
- 4.21. On completion of the Placing the issued share capital of the Company shall be increased by 44 per cent resulting in an immediate dilution of 31 per cent in aggregate excluding the exercise of the Options referred to in paragraph 4.10 and 4.11 of this Part 8.
- 4.22. All the Ordinary Shares rank *pari passu* and no shareholders in the Company enjoy different or enhanced voting rights.
- 4.23. More than 10% of the capital of the Company has been paid for with assets other than cash within the period covered by the historical financial information set out in Part 4 of this document.

## 5. Subsidiary Undertakings

5.1. On Admission the Company will have three subsidiary undertaking, the details of which are as follows:

Subsidiary	Country of registration	Registration number	Registered address	The Company's beneficial ownership & voting interest
Petroleum Portfolio Pty Ltd	Australia	159 032 881	Level 1, 981 Wellington St., West Perth WA 6005	100%
Petroleum Creek Limited	New Zealand	4433120	86 Inglis Road, Okuku, New Zealand	100%
Mosman Oil and Gas (NZ) Limited	New Zealand	4671199	86 Inglis Road, Okuku, New Zealand	100%

## 6. Constitution

In summary, the Constitution includes provisions to the following effect:

### 6.1. Objects

There are no restrictions on the objects of the Company contained in the Constitution or in Australian law.

### 6.2. Shares

6.2.1. The issue of Shares and options by the Company is under the control of the Directors, subject to the Corporations Act and any rights attached to any special class of Shares.

### 6.3. Preference Shares

6.3.1. The Corporations Act requires certain rights of preference shares to be either set out in the Constitution or approved in general meeting by special resolution before preference shares are issued.

6.3.2. The Constitution sets out a framework of rights for preference share issues from which the Board can determine to issue preference shares, without the need to obtain further Shareholder approval every time an allotment of preference shares is proposed. There are no preference shares currently in issue.

### 6.4. Reductions of Capital and Buy-Backs

6.4.1. Subject to the Corporations Act the Company may:

- reduce its share capital; and
- buy-back shares in itself, on any terms and at any time.

Section 256B(1) of the Corporations Act provides that a company may reduce its share capital in a way that is not otherwise authorised by the Corporations Act if the reduction:

- is fair and reasonable to the company and members as a whole; and
- does not materially prejudice the company's ability to pay its creditors; and
- is approved by members in accordance with section 256C of the Corporations Act.

The distribution of any reduction or buy-back in respect of the share capital of the Company may include any or all of the payment of chase, the issue of shares or other securities, the grant of options and the transfer of assets.

### 6.5. Liens

6.5.1. If the Company issues partly paid Shares and a call made on those shares is unpaid, the Company will have a lien over the shares on which the call is unpaid. The lien may be enforced by a sale of those shares.

- 6.6. Transfer of Shares
- 6.6.1. The Company may participate in any clearing and settlement facility provided under any applicable law. The Company will not charge any fee for registering a transfer of shares. The Directors may refuse to register a transfer of shares in the circumstances permitted or required under the applicable law including the Corporations Act and the AIM Rules.
- 6.7. Proportional Takeovers
- 6.7.1. Section 618 of the Corporations Act allows offers for securities to be made under an off-market bid for a specified proportion of the securities in the bid class. In accordance with section 618(1) of the Corporations Act, the proportion of the securities must be the same for all holders of securities in the bid class.
- Section 648D(1) of the Corporations Act allows a company to include a provision in its constitution prohibiting the registration of any transfer giving effect to the acceptance of an offer under a proportional off-market takeover bid without approval by way of resolution passed by the holders of the relevant securities. The Corporations Act requires that the level of approval required by the relevant provision in the constitution for the proportional bid must not exceed 50%.
- 6.7.2. To comply with the Corporations Act, the proportional takeover provisions must be renewed by Shareholders in general meeting at least every 3 years to remain in place.
- 6.8. Alterations of share capital
- 6.8.1. The Constitution provides that Shares may be converted or cancelled with Shareholder approval and the Company's share capital may be reduced in accordance with the requirements of the Corporations Act.
- In accordance with Section 254H(1) of the Corporations Act, a company may, by an ordinary resolution passed in general meeting, convert all or any of its shares into a larger or smaller number of shares. Any amount unpaid on shares being converted is to be divided equally among the replacement shares. The resolution takes effect on the day that it is passed or any later date specified in the resolution. The Company must lodge a copy of the resolution with ASIC within one month after it has passed.
- 6.9. Disposal of less than a Marketable Parcel
- 6.9.1. For the sake of avoiding excessive administration costs, the Constitution contains provisions enabling the Company to procure the disposal of Shares where the Shareholder holds less than a marketable parcel of shares (being a parcel of shares with a market value of less than \$500). To invoke this procedure, the Directors must first give notice to the relevant Shareholder holding less than a marketable parcel of shares, who may then elect not to have his or her shares sold by notifying the Directors.
- 6.9.2. The Company may sell or dispose of any Shares at any time:
- using a financial services licensee on the basis that person obtains the highest possible price for the sale of the Shares; or
  - in any other manner and on any terms as the Directors resolve.
- The Company may:
- exercise any powers permitted under the applicable law to enable the sale or disposal of the unmarketable parcel of Shares;
  - receive the purchase money or consideration for the unmarketable parcel of Shares;
  - appoint a person to sign a transfer of unmarketable parcel of Shares; and
  - enter in the register the name of the person to whom the unmarketable parcel of Shares are sold or disposed.

The remedy of any person aggrieved by a sale or disposal of an unmarketable parcel of Shares is in damages only and against the Company exclusively.

6.10. DTR Disclosure Requirements

6.10.1. For so long as the Shares are admitted to trading on the AIM, the provisions of the United Kingdom Financial Conduct Authority's Disclosure and Transparency Rules Sourcebook (DTR) or any successor regime (whether statutory or non-statutory) governing the disclosure of interests in shares in the United Kingdom by issuers who have their registered office in the United Kingdom, which relates to the requirement of shareholders to disclose their total proportion of voting rights (as defined in the DTR) (Relevant DTR Provisions), shall be deemed to be incorporated into this Constitution and shall bind the Company and the Shareholders (save that any provision exempting any person from complying with any Relevant DTR Provisions by reason of the location of an issuer's registered office shall not be deemed incorporated into this Constitution) and references to an "issuer" (or similar expression) in such Relevant DTR Provisions shall be deemed to be references to the Company.

6.11. Variation of class rights

6.11.1. Class rights attaching to a particular class of shares may be varied or cancelled with the consent in writing of holders of 75% of the shares in that class or by a special resolution of the holders of shares in that class.

6.12. No Prohibition on Foreign Ownership

6.12.1. The Constitution provides that it will not have the effect of limiting or restricting the ownership of any securities of the Company by foreign persons except where such limits or restrictions are prescribed by Australian law.

6.13. Meetings of Shareholders

6.13.1. Directors may call a meeting of Shareholders whenever they think fit. Shareholders may call a meeting as provided by the Corporations Act. Under section 249D of the Corporations Act, members with at least 5% of the votes that may be cast at the general meeting, or at least 100 members who are entitled to vote at the general meeting, may request that the Directors of the Company call and arrange to hold a general meeting. Alternatively, in accordance with section 249F of the Corporations Act, members with at least 5% of the votes that may be cast at a general meeting of the Company may call, and arrange to hold, a general meeting.

6.13.2. The Constitution contains provisions prescribing the content requirements of notices of meetings of Shareholders and all Shareholders are entitled to a notice of meeting. Consistent with the new Corporations Act provisions, a meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of Shareholders is 2 eligible voters.

6.13.3. The Company will hold annual general meetings in accordance with the Corporations Act. In accordance with section 250N of the Corporations Act, a public company must hold an annual general meeting at least once in each calendar year and within five months after the end of its financial year.

6.14. Voting of Shareholders

6.14.1. Resolutions of Shareholders will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. On a poll each eligible Shareholder has one vote for each fully paid share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share.

6.15. Proxies

6.15.1. An eligible Shareholder may appoint a proxy to attend and vote at the meeting on the Shareholder's behalf. The Constitution contains provisions specifying the manner of lodgement of proxy instruments. A Shareholder may appoint an individual or corporation to act as its representative.

- 6.16. Directors
- 6.16.1. Unless changed by the Company in general meeting, the minimum number of directors is 3 and the maximum is 10. The existing directors and the Company may appoint a new Director to fill a casual vacancy or as an addition to the Board. Any such Director must retire at the next following annual general meeting of the Company (at which meeting he or she may be eligible for election as director). No Director other than the Managing Director may hold office for longer than 3 years without submitting himself or herself for re-election.
- 6.17. Powers of Directors
- 6.17.1. The business of the Company is to be managed by or under the direction of the Directors.
- 6.18. Remuneration of Directors
- 6.18.1. The Company may pay Directors a maximum of the total amount as determined by the Shareholders in General Meeting and such sum must not be paid by way of commission on, or percentage of, profits or operating revenue.
- 6.18.2. The remuneration of executive Directors will be subject to the provisions of any contract between each of them and the Company and may be by way of commission on, or percentage of, profits of the Company, but will not be by way of commission on, or percentage of, operating revenue.
- 6.19. Execution of documents
- 6.19.1. In accordance with the recent amendments to the Corporations Act, the Constitution provides for execution of documents by the Company without the use of the Company's company seal.
- 6.20. Dividends
- 6.20.1. Subject to and in accordance with the Corporations Act, the rights of any preference Shares and to the rights of the holders of any Shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare dividend to be paid to the shareholders entitled to the dividend. The Directors may fix the amount, the time for payment and the method of payment of a dividend. Subject to any special rights attaching to shares (such as preference shares), dividends will be paid proportionately. The Company is not required to pay any interest on dividends.
- 6.21. Indemnities and insurance
- 6.21.1. To the extent permitted by law, the Company indemnifies every person who is or has been a Director or secretary of the Company against a liability incurred by that person in his or her capacity as a Director or secretary provided that the liability does not arise out of conduct involving a lack of good faith (otherwise referred to as an excluded liability). A similar indemnity is provided in respect of legal proceedings. The Company may also pay the premiums on directors' and officers' liability insurance.
- 6.22. Capitalisation of profits
- 6.22.1. The Directors may capitalise any profits of the Company and distribute that capital to the Shareholders, in the same proportions as the Shareholders are entitled to a distribution by dividend.
- 6.23. Winding up
- 6.23.1. Subject to any rights or restrictions attached to a class of shares, on a winding up of the Company, any surplus must be divided among the shareholders in the proportions which the amount paid (including amounts credited) on the shares of a shareholder is of the total amounts paid and payable (including amounts credited) on the shares of all shareholders. Subject to any rights or restrictions attached to a class of shares, on a winding up of the Company, the liquidator may, with the sanction of a special resolution of the shareholders: (i) distribute among the shareholders the whole or any part of the property of the Company;



and (ii) decide how to distribute the property as between the shareholders or different classes of shareholders.

## 7. Directors' and other Interests

7.1. The interests of each of the Directors in the ordinary share capital of the Company (all of which are beneficial) which have been or will be required to be notified by the Company pursuant to Rule 17 of the AIM Rules, or which are interests of a related party of any of the Directors (within the meaning of the AIM Rules) and the existence of which is known to the Directors or could with reasonable diligence be ascertained by them as at 13 March 2014 (being the last date practicable prior to the publication of this document) are as set out below:

Name	Number of Ordinary Shares as at the date of this document	% of the issued Ordinary Share Capital as at the date of this document	Number of Ordinary Shares on Admission	% of the issued Ordinary Share Capital on Admission	Number of Options
John W Barr <sup>1</sup>	8,400,001	19.70%	10,100,001	16.35%	2,000,000
Andrew R Carroll <sup>2</sup>	10,750,000	25.21%	10,850,000	17.68%	1,000,000
John A Young <sup>3</sup>	1,050,000	2.46%	1,150,000	1.87%	1,000,000
<b>Total</b>	<b>20,200,001</b>	<b>47.38%</b>	<b>22,100,001</b>	<b>36.00%</b>	<b>4,000,000</b>

Notes:

1. 9,900,000 of the Ordinary Shares John William Barr is interested in are held by Kensington Consulting Pty Ltd, a related party of John W Barr; 200,000 of the Ordinary Shares John W Barr is interested in are held by Kensington Advisory Services Pty Ltd, a related party of John W Barr; and 1 Ordinary Share is held by John W Barr;
2. 1,750,000 of the Ordinary Shares Andrew Robert Carroll is interested in are held by Rae Carroll Nominees Pty Ltd as trustee for Carroll Superannuation Plan, a related party of Andrew Carroll; 100,000 of the Ordinary Shares Andrew Carroll is interested in are held by Australasian Energy Pty Ltd a related party of Andrew Carroll; and 9,000,000 Ordinary Shares are held by Andrew Carroll; and
3. 1,050,000 Ordinary Shares John Alexander Young is interested in are held by J and C K Young as trustees of the Forever Young Family alc, a related party of John Young; and 100,000 of the Ordinary Shares John Young is interested in are held by Metallon Resources Pty Ltd, a related party of John W Young.

7.2. Save as disclosed in this document, none of the Directors has or will have any interest in the ordinary share capital or loan capital of the Company following Admission nor does any related party of the Directors have any such interest whether beneficial or non-beneficial.

7.3. Save as disclosed in this document, none of the Directors is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company and remains in any respect outstanding or unperformed.

7.4. There are no outstanding loans made or guarantees granted or provided by the Company to or for the benefit of any Director.

7.5. No Director nor any member of a Director's family has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares.

## 8. Substantial Shareholders

8.1. As at 13 March 2014 (being the last practicable date prior to the date of this document), save as set out in the table below or in paragraph 7.1 above the Company was not aware of any person, who, directly or indirectly, had an interest representing 3 per cent or more of the issued ordinary share capital.

<b>Name</b>	<b>Number of Ordinary Shares as at the date of this document</b>	<b>% of the issued Ordinary Share Capital as at the date of this document</b>	<b>Number of Ordinary Shares on Admission</b>	<b>% of the issued Ordinary Share Capital on Admission</b>
Aore Resources Limited	8,363,700	19.62%	10,238,700	16.68%
Santina Ltd	3,000,000	7.04%	3,000,000	4.89%
Clariden Capital Ltd	2,000,000	4.69%	2,000,000	3.26%
Alfriston Group Limited	2,000,000	4.69%	2,000,000	3.26%

8.2. Save as disclosed in this document and in particular paragraphs 7.1 and 8.1, the Directors are not aware of any person who directly, or indirectly, jointly or severally, exercises or could exercise control over the Company.

8.3. The Company's shareholders listed in paragraphs 7.1 and 8.1 of this Part 8 do not have voting rights preferential to other holders of Ordinary Shares.

8.4. The Directors are not aware of any arrangements in place or under negotiation which may, at a subsequent date, result in a change of control of the Company.

## 9. Additional Information on the Directors

9.1. Other than directorships of the Company, the Directors have held the following directorships or been partners in the following partnerships within the five years prior to the date of this document:

<b>Name</b>	<b>Current Directorships and Partnerships</b>	<b>Past Directorships and Partnerships</b>
John W Barr	Alfriston Australia Pty Ltd Cavendish Corporation Pty Ltd Farbarr Nominees Pty Ltd Kensington Advisory Services Pty Ltd Kensington Consulting Pty Ltd Kensington Capital Pty Ltd Mosman Mining Ltd	Connaught Mining NL Enigma Mining Ltd Hatches Creek Pty Ltd Manbarrum Mining Pty Ltd Roper River Irone Ore Pty Ltd Sherwin Iron Limited Tennant Creek Gold (NT) Pty Ltd TNG Energy Pty Ltd TNG Limited
Andrew Carroll	Australasian Energy Pty Ltd Phoenix Oil and Gas Ltd Australian Petroleum Portfolio Pty Ltd	Carpathian Resources Petroleum Exploration Australia Pty Ltd Discovery Energy SA Limited Ausam Resources Limited Great Artesian Oil and Gas Ltd
John Young	Metallon Resources Pty Ltd Mosman Mining Ltd	Hale Energy Ltd Hatches Creek Pty Ltd Molyhil Mining Pty Ltd Sturt Resources Ltd Thor Mining plc

9.2. None of the Directors has:

9.2.1. any unspent convictions in relation to indictable offences;

- 9.2.2. had any bankruptcy order made against him or entered into any voluntary arrangements;
  - 9.2.3. been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he had ceased to be a director of that company;
  - 9.2.4. been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement, whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
  - 9.2.5. been the owner of any asset which has been placed in receivership or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
  - 9.2.6. been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
  - 9.2.7. been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.
- 9.3. Save as disclosed in this document, there are no potential conflicts of interest between any duties to the Company of the Directors and their private interests or their other duties.
- 9.4. Save as disclosed in this document, no Director has or has had any interest in any transaction which is or was significant in relation to the business of the Company and which was effected during the current or immediately preceding financial period or which was effected during an earlier financial period and remains outstanding or unperformed.

#### **10. Directors' and Others' Share Dealings**

Save as set out below, no Director or recent director has dealt in the Ordinary Shares, Options or any other securities in the Company:

- on 31 May 2013 John W Barr purchased 1,000,000 Shares from another Shareholder at a price of A\$0.05 per Share;
- on 20 August 2013 Andrew Carroll purchased 600,000 Shares from another Shareholder at a price of A\$0.05 per Share;
- on 20 December 2013 Alfriston Australia Pty Ltd sold 500,000 Shares to Kensington Consulting Pty Ltd at a price of A\$0.10 per Share and Kensington Capital Pty Ltd sold 1,000,000 Shares to Kensington Consulting Pty Ltd at a price of A\$0.10 per Share. Each of Alfriston Australia Pty Ltd, Kensington Capital Pty Ltd and Kensington Consulting Pty Ltd are related parties of John W Barr;
- Kensington Consulting Pty Ltd will subscribed for cash for 1,500,000 Placing Shares on Admission as part of the Placing at the Placing Price;
- 200,000 Placing Shares will be issued to Kensington Advisory Services Pty Ltd at the Placing Price on Admission by way of subscription of £16,000 of the directors fees due to Kensington Advisory Services Pty Ltd, a related party of John W Barr;
- 100,000 Placing Shares will be issued to Australasian Energy Pty Ltd at the Placing Price on Admission by way of subscription of £8,000 of the directors fees due to Australasian Energy Pty Ltd, a related party of Andrew Carroll;
- 100,000 Placing Shares will be issued to Metallon Resources Pty Ltd at the Placing Price on Admission by way of subscription of £8,000 of the directors fees due to John Young, Metallon Resources Pty Ltd is a related party of John Young; and

- The Directors have agreed to subscribe, on a quarterly basis, the balance of the annual director's fees due in 2014, being a total of A\$88,000, for Ordinary Shares at the then current middle market price on the date of issue.

## 11. Directors' and Key Personnel Service Contracts and Remuneration

11.1. Save as referred to in this document, there are no service agreement or letters of appointment, existing or proposed between any Director and the Company that have been entered into or varied within six months prior to the date of this document. There are no existing or proposed service agreements or letters of appointment between the Company and any of the Directors which do not expire or are not determinable by the Company without payment of compensation within 12 months immediately preceding the date of this document.

### 11.1.1. John W Barr

Mr Barr was appointed as a director of the Company on 6 April 2011 and he holds the position of Executive Chairman. Mr Barr's services as an executive are contracted pursuant to an agreement between the Company and Kensington Advisory Services Pty Ltd dated 30 May 2013. In accordance with that agreement Mr Barr must provide a minimum of 12 days per month to the company 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.

This agreement is for a period of commencing 30 May 2013 through to listing on an internationally recognised stock exchange, including AIM, and thereafter one year after listing and can be terminated by either the Company or Kensington Advisory Services Pty Ltd by giving more than 1 month's written notice.

Should notice be given to terminate the agreement during the 12 months after listing, Kensington will be entitled to the balance of unpaid fees that would have been payable for that 12 months period.

In addition Mr Barr receives an annual fee for acting as Chairman of A\$60,000 payable quarterly. Mr Barr's appointment as a Director is subject to the Constitution and the usual rules on the rotation of directors. His removal, cessation or retirement in accordance with the constitution of the Company will not give him any right to compensation or damages and no fee will be payable to him for any period after such removal, cessation or retirement.

### 11.1.2. Andrew R Carroll

Mr Carroll was appointed as a director of the Company on 25 February 2013, and he holds the position of Technical Director. Mr Carroll's services as an executive are contracted pursuant to an agreement between the Company and Australasian Energy Pty Ltd dated 21 February 2013. In accordance with that agreement Mr Carroll must provide a minimum of five days per month to the company 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 Agreement is for a period commencing 21 February 2013 through to Admission, and thereafter one year after Admission and can be terminated by either Mosman or Australasian Energy Pty Ltd by giving more than 1 months written notice. Should notice be given during the 12 months after listing, Australasian will be entitled to the balance of unpaid fees that would have been payable for that 12 months period.

In addition Mr Carroll receives an annual fee for holding the position of director of A\$30,000 payable quarterly. Mr Carroll's appointment as a Director is subject to the Constitution and the usual rules on the rotation of directors. His removal, cessation or retirement in accordance with the constitution of the Company will not give him any right to compensation or damages and no fee will be payable to him for any period after such removal, cessation or retirement.

#### 11.1.3. John A Young

Mr Young was appointed as Non-Executive Director on 6 April 2011. A letter from Mosman to Mr Young dated 14 June 2011 states that his fees will be A\$40,000 per annum payable quarterly in arrears commencing 1 July 2011 and this was subsequently agreed to be reduced to A\$30,000.

Mr Young's appointment is subject to the Company's constitution and the usual rules on the rotation of directors. His removal, cessation or retirement in accordance with the constitution of the Company will not give him any right to compensation or damages and no fee will be payable to him for any period after such removal, cessation or retirement.

- 11.2. Under the arrangements currently in force, the aggregate remuneration paid and value of benefits provided by the Company to the Directors in respect of the financial period ending 30 June 2013 was A\$308,811 (based on the last audited accounts).
- 11.3. The amounts payable to the Directors by the Company under the arrangements in force at the date of this document in respect of the financial year ending 30 June 2014 are estimated to be A\$420,000.

## 12. Employees

As at the date of this document, in addition to the Executive Directors, the Company has one part time employee located in Perth, Western Australia.

## 13. Principal Establishments

The Company's head office, principal place of business and principal establishment is at Level 1, 981 Wellington Street, West Perth, WA 6005.

## 14. Material Contracts

- 14.1. The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company within the two years immediately preceding the date of this document and are, or may be material:

#### 14.1.1. Placing Agreement

The Placing Agreement dated 13 March 2014 between the Company (1), the Directors (2), ZAI (3) and SI Capital (4) pursuant to which and conditional upon, *inter alia*, Admission taking place on or before 8.00 a.m. on 20 March 2014 (or such later date as the Company, ZAI and SI Capital may agree, being not later than 17 April 2014, SI Capital has agreed as agent for the Company to use reasonable endeavours to procure subscribers for the Placing Shares proposed to be issued by the Company at the Placing Price.

The Placing Agreement contains indemnities and warranties from the Company in favour of ZAI and SI Capital in relation to, among other things, the accuracy of the information contained in this document and the application for Admission as well as the working capital position of the Group together with provisions which enable ZAI and SI Capital to terminate the Placing Agreement in circumstances prior to Admission including where any warranties are found to be untrue or inaccurate in any material respect.

Under the terms of the Placing Agreement, the Company is to pay ZAI and/or SI Capital (depending upon the source of funds invested pursuant to the Placing) commission of 5 per cent in aggregate of the gross proceeds of the Placing. The Company has also agreed to reimburse ZAI and SI for all reasonable costs and expenses, including the fees of ZAI's and SI Capital's legal and other professional advisers, incurred in connection with Admission. In addition, the Company agreed pursuant to the Placing Agreement to grant to each of ZAI and SI Capital an option to subscribe for 613,837 Shares (representing one per cent. of the entire issued Enlarged Share Capital of the Company immediately following the Placing) at an exercise price per Share equal to the Placing Price.

#### 14.1.2. Nomad Agreement

A nomad agreement dated 13 March 2014 between the Company (1) and ZAI (2) pursuant to which the Company appointed ZAI to act as its nominated adviser for the purposes of the AIM Rules. Pursuant to this agreement the Company agreed to pay ZAI an ongoing nominated advisory fee of £50,000 per annum from Admission payable quarterly in advance on each quarter day (24 March, 25 June, 29 September and 25 December), the first such fee being due on the signature of this Nomad Agreement and covering the period to the first quarter date, *pro-rata*. The retainer fee shall be subject to annual review. The agreement contains standard warranties, undertakings and indemnities given by the Company to ZAI. The agreement is terminable by either party on giving to the other not less than three months' notice in writing not to expire before the date falling 12 months after the date of Admission. The agreement also contains a list of various events which entitle each party to terminate the appointment forthwith on written notice.

#### 14.1.3. Broker Agreement

A broker agreement dated 3 December 2013 between the Company (1) and SI Capital (2) pursuant to which the Company appointed SI Capital to act as its broker for the purposes of the AIM Rules. Pursuant to this agreement the Company agreed to pay SI Capital an ongoing broker fee of £15,000 per annum, a commission of 5 per cent of funds raised by SI Capital and a commission of 1 per cent on all other capital raisings for cash. The agreement is terminable by either party on giving to the other not less than 90 days' notice in writing, such notice not to be given by either party prior to the first anniversary of the engagement. The agreement also contains a list of various events which entitle each party to terminate the appointment forthwith on written notice.

#### 14.1.4. Lock-in deeds

A lock-in agreement dated 13 March 2014 entered into between the Directors (other than Andrew Carroll) (1), the Company (2), ZAI (3) and SI Capital (4) pursuant to which the Directors have agreed with the Company, ZAI and SI Capital, conditional upon Admission, not to dispose of Ordinary Shares held by them for a period of 12 months from the date of Admission except in certain limited circumstances permitted by the AIM Rules for Companies. The deed also contains certain orderly market provisions which apply for a further 12 month period after the expiry of the lock-in period.

A lock-in agreement dated 13 March 2014 entered into between Andrew Carroll (1), the Company (2), ZAI (3) and SI Capital (4) pursuant to which Mr Carroll has agreed with the Company, ZAI and SI Capital, conditional upon Admission, not to dispose of PPL Consideration Shares held by him for a period of 18 months from the date of Admission except in certain limited circumstances permitted by the AIM Rules for Companies and not to dispose of any other Ordinary Shares held by him for a period of 12 months from the date of Admission except in certain limited circumstances permitted by the AIM Rules for Companies. The deed also contains certain orderly market provisions which apply for a further 12 month period after the expiry of the lock-in periods.

A lock-in agreement dated 13 March 2014 entered into between Aorere (1), the Company (2), ZAI (3) and SI Capital (4) pursuant to which Aorere has agreed with the Company, ZAI and SI Capital, conditional upon Admission, not to dispose of Ordinary Shares held by it for a period of 12 months from the date of Admission except in certain limited circumstances permitted by the AIM Rules for Companies.

#### 14.1.5. Nomad and Broker Option Agreements

An option agreement dated 13 March 2014 between the Company (1) and ZAI (2) pursuant to which the Company granted to ZAI an option to subscribe for 613,837 Shares (representing one per cent. of the entire issued share capital of the Company immediately following the Placing) at an exercise price per Share equal to the Placing Price pursuant to the terms of the Placing Agreement, such



options to be exercisable by ZAI at any time during a period of five years commencing on Admission.

An option agreement dated 13 March 2014 between the Company (1) and SI Capital (2) pursuant to which the Company granted to SI Capital an option to subscribe for 613,837 Shares (representing one per cent. of the entire issued share capital of the Company immediately following the Placing) at an exercise price per Share equal to the Placing Price pursuant to the terms of the Placing Agreement, such options to be exercisable by SI Capital at any time during a period of five years commencing on Admission.

#### 14.1.6. Loan Facility and Loan Agreement with John W Barr

A loan facility letter agreement dated 1 October 2013 between the Company and John W Barr pursuant to which John W Barr made a loan facility of A\$300,000 available to the Company repayable on demand. Interest will accrue on outstanding advances at the rate of 8% per annum and the loan is repayable on demand. A\$100,000 of the loan facility has been drawn down the Company to date. The Directors intend to repay the A\$100,000 drawn down following Admission.

Upon Admission this facility will be terminated and replaced by a loan agreement dated 13 March 2014 between the Company and John W Barr pursuant to which John W Barr made a loan facility of up to A\$300,000 available to the Company. Interest will accrue on outstanding advances at the rate of 7 per cent per annum and the loan is repayable on or before the date 24 months from the date of the agreement or earlier in the event that the Company undertakes a capital raising during the term of the agreement.

#### 14.1.7. PPL Share Sale Agreement

On 12 December 2013 the Company has entered into the Share Sale Agreement with Mr Andrew Carroll pursuant to which the Company agreed to acquire the entire issued share capital of PPL. Andrew Carroll was the sole shareholder of PPL and is a director of the Company.

PPL is the owner of 25% of the issued shares in APPPL. Andrew Carroll directly owns 25% of the issued shares in APPPL.

The Share Sale Agreement provides that:

Andrew Carroll (and/or his nominee), as vendor of the sole share in PPL would be issued the PPL Consideration Shares for the sale of the entire issued share capital of PPL; and

The PPL Consideration Shares will be subject to an escrow arrangement described below from the date of issue of the PPL Consideration Shares to the earlier of the date:

- (a) the PEPA STP-EPA-0071 permit is granted; or
- (b) the date that is two years following completion of the Share Sale Agreement.

In the event the permit is not granted by 15 January 2016 or notification that the permit will not be granted is received, Andrew Carroll will pay the sum of A\$900,000 to the Company or return the PPL Consideration Shares by share buy-back subject to Shareholder approval or, if such approval is not passed by the Shareholders, the PPL Consideration Shares will be sold on-market and the proceeds paid to the Company.

The Share Sale Agreement was conditional on the following conditions precedent, which have been satisfied:

- (a) the Company obtaining all necessary shareholder approvals required to issue the Consideration Shares; and
- (b) the execution of the Shareholders' Agreement (refer to paragraph 14.3.1 below).

#### 14.1.8 Farm-in Agreement

Farm-in Agreement dated 8 July 2013 between Aorere, the Company and PCL (the “Farm-in Agreement”) and associated call option pursuant to which Aorere transferred a 100% interest in PEP 38526 to PCL in consideration for 8,363,700 Shares and a cash payment of A\$50,000 and an overriding royalty on revenue of 2% on any gas or oil gained from the Permit. The Farm-in Agreement contains warranties given by Aorere in relation to, *inter alia*, the Permit and warranties, *inter alia*, in respect of the Shares issued as consideration by the Company.

#### 14.1.9 Settlement Agreement

On 6 February 2014, the Company entered into a settlement agreement with Santina Ltd (“Santina”) pursuant to which it agreed to grant 2 million Options at an exercise price of A\$0.05 exercisable until 15 February 2017 to Santina in consideration for Santina’s withdrawal and release from all claims it has or may have against the Company and confirmation that the subscription was irrevocable. Further details of the dispute are set out in paragraph 21.1 of this Part 8 of the document.

14.2. The following contract, not being contract entered into in the ordinary course of business, has been entered into by Petroleum Creek Limited within the two years immediately preceding the date of this document and is, or may be material:

14.2.1. Royalty Grant Deed dated 20 December 2013 between PCL and Aorere pursuant to which PCL granted an overriding royalty of 2% on net sales revenue on petroleum obtained under PEP 38526 pursuant to the Farm-in Agreement.

14.3 The following contract, not being a contract entered into in the ordinary course of business, has been entered into by Petroleum Portfolio Pty Limited within the two years immediately preceding the date of this document and is, or may be material:

14.3.1 APPPL Shareholders Agreement dated 17 December 2013 between Palatine Energy, PPL and Andrew Carroll (the “Shareholders’ Agreement”) which regulates the operation and management of APPPL, and includes, amongst other things:

- that Andrew Carroll will vote his personal shares in APPPL in accordance with PPL’s instructions while he is a director of the Company;
- that APPPL shareholders will negotiate in good faith and endeavour to agree upon a business plan for APPPL. The business plan will include details of the proposed marketing plans, financial systems, capital expenditures and activities together with such other matters as the directors consider appropriate;
- the requirement for the APPL shareholders to contribute on a pro-rata basis to the contribution to the funding of a business plan in relation to the exploration activities of the Officer Basin project (together with accompanying dilution provisions which will apply in the event that an APPL shareholder does not contribute to such funding); and
- that the parties will take all steps and do all things necessary to ensure that the APPPL carries on its business in a normal, proper and efficient manner and in the ordinary course, including but not limited to, ensuring that APPPL is adequately funded so as to maintain the Officer Basin permit in good standing and to ensure that APPL remains solvent.

### 15. Significant Contracts Entered into in the Ordinary Course of Business of the Group

Save as set out in this document none of the companies within the Group has entered into any significant contracts in the ordinary course of their business.

### 16. Related Party Transactions

Save as disclosed in this document, there were no related party transactions nor are there contemplated any related party transactions to which the Company was or will be a party.

## **17. Takeover Offers by Third Parties for the Company's Shares**

The Company is subject to the takeover provisions contained in Chapter 6 of the Corporations Act. The Corporations Act contains a general rule that a person must not acquire a relevant interest in issued voting shares of a company as a result of a transaction in relation to securities entered into by or on behalf of the person if, because of the transaction, a person's voting power in the company:

- (a) increases from 20 per cent or below to more than 20 per cent; or
- (b) increases from a starting point which is above 20 per cent but less than 90 per cent.

A person's voting power is deemed to be that of that person and his/her Associates. Certain acquisitions of relevant interests are exempt from the above rule including, among others, acquisitions under takeover bids, acquisitions approved by Shareholders, acquisitions of less than three per cent in any six month period, rights issues, dividend reinvestment schemes and underwritings.

If a person wishes to acquire more than 20 per cent of a company, or increase a holding which is already beyond 20 per cent, the person must do so under one of the exemptions (as noted above) which includes undertaking a takeover bid in accordance with the Corporations Act.

A person who holds more than 90 per cent of the shares in a company may conduct a compulsory acquisition of all remaining shares under the Corporations Act. There is no provision under the Corporations Act for minority shareholders to require a person who holds more than 90 per cent of the shares in a company to buy them out.

## **18. Foreign Investment**

In Australia, foreign investment in, and ownership of, companies and property is regulated by the Foreign Acquisitions and Takeovers Act 1975 (Cth) ("FATA"), which is administered by the Foreign Investment Review Board ("FIRB"), a division of the Treasury department of the Australian federal government. FIRB's functions are advisory only, and responsibility for making decisions on proposals rests with the Treasurer of the Australian federal government. FATA provides a notification and approval process for proposed investments in Australia by "foreign persons" (individuals, corporations or trusts), which may result in foreign control or ownership of Australian businesses or companies. Small proposals are generally exempt from notification, and larger proposals are approved unless judged contrary to the national interest.

The threshold requirements for notification vary according to the nature of the business to be acquired and the aggregate Australian land holdings of that business. Generally, FATA only requires a foreign person to notify FIRB where:

- (a) a single foreigner (and any Associates), proposes to acquire a 15 per cent or more interest in an Australian corporation or business; or
- (b) several foreigners (and any Associates), propose to acquire an aggregate interest of 40 per cent or more in an Australian corporation or business,  
and either:
- (c) the total value of the assets of such Australian corporation or business exceeds A\$231 million; or
- (d) the proposal values the business of such Australian corporation or corporate group at over A\$231 million.

## **19. Working Capital**

The Directors are of the opinion that, having made due and careful enquiry and taking into account the net proceeds of the Placing and the existing facilities available to the Group, the Group has sufficient working capital for its present requirements that is at least 12 months from the date of Admission.

## **20. Principal Investments**

Save as disclosed in this document there are no principal investments of the Company that are in progress or on which the Company has made any firm commitment.

## **21. Legal and Arbitration Proceedings**

- 21.1. On 24 October 2013, the Company received a letter from a law firm acting for Santina Ltd ("Santina"), a Shareholder, which made an allegation of misrepresentation against

the Company and sought rescission of Santana's January 2013 share subscription for 3,000,000 Ordinary Shares at a price of A\$0.10 per Shares, raising A\$300,000. On 6 February 2014, the Company entered into a settlement agreement with Santana pursuant to which it agreed to grant 2 million Options at an exercise price of A\$0.05 exercisable until 15 February 2017 to Santana in consideration for Santana's withdrawal and release from all claims it has or may have against the Company and confirmation that the subscription was irrevocable.

- 21.2 Save as set out above, there are no governmental, legal or arbitration proceedings in which any member of the Group is involved or of which any member of the Group is aware, pending or threatened by or against the Company or any of the Subsidiaries which may have or have had in the past twelve months preceding the date of this document a significant effect on the Group's financial position.

## **22. Taxation**

### **22.1 Summary of Taxation Implications**

The following comments are intended to provide a general summary of the Australian and UK taxation implications that may arise for certain Shareholders in respect of holding and disposing of Ordinary Shares.

As taxation laws are complex, the following comments are intended as a general guide to the Australian and UK tax implications only. Shareholders should not rely on these comments as advice in relation to their own affairs but should consult their own tax adviser applicable to their own needs and circumstances.

The comments are based on the law and understanding of the practice of the tax authorities in Australia and the UK at the date of this document.

### **22.2 Tax residence of the Company**

It is expected that the Company will be "effectively managed" in Australia. Accordingly, it should be treated as being resident in Australia under the Australian/United Kingdom double tax treaty and consequently not resident in the United Kingdom for most purposes of the United Kingdom's domestic law.

### **22.3 UK Taxation**

The following information is intended only as a general guide to the position under current UK taxation law and H M Revenue and Customs practice as at the date of this document. It is intended for Shareholders who are beneficial owners of shares, who are resident or ordinarily resident in the UK for UK tax purposes and who holds Shares as an investment and not as securities to be realised as an asset in the course of a financial trade. The guidance is not exhaustive and does not consider reliefs or exemptions. This is not a substitute for professional advice. Its applicability will depend upon the particular circumstances of Shareholders and in particular may not apply to Shareholders who are also employees of the Company or persons who may be subject to taxation in a jurisdiction other than the UK. Any person who is in any doubt as to their tax position should consult their own professional adviser immediately.

#### **22.3.1 Dividends**

Dividends paid to a UK resident individual will be liable to UK Income Tax and the effective rate on dividends received will be 25 per cent for a higher rate taxpayer and zero per cent for a basic rate tax payer. Dividends paid to a UK resident Company will not be liable to UK Corporation Tax.

#### **22.3.2 Chargeable gains**

A chargeable gain may accrue to a person who disposes of Shares. The amount of the gain is the difference between the proceeds from the disposal and the cost of the Shares disposed of. The cost of the Shares disposed for this purpose is a proportion of the aggregate cost of all Shares of the same class held by the same person in the same capacity prior to the disposal, the proportion being equal to the number of Shares disposed divided by the total number of Shares held prior to the disposal. A gain

realised by an individual is taxed at 28% if the individual is a higher (or additional) rate taxpayer. Otherwise, they are taxed at 18% to the extent that the gains do not exceed the amount of the individual's unused basic rate band and at 28% to the extent that they exceed the amount of the unused basic rate band. A gain realised by a company is included as part of that company's profits chargeable to corporation tax and charged to Corporation Tax at the rate at which the company is charged for the accounting period in which the gain arose. A company may benefit from indexation allowance which broadly increases the amount of the cost in accordance with the retail prices index.

Losses incurred on a disposal of shares by individual shareholders may be offset against other capital gains arising to them in the same tax year or may be carried forward to offset against future capital gains. Corporate investors may offset a loss arising on a disposal of their investment against other chargeable gains arising in the same accounting period or also carry the loss forward to offset against future chargeable gains. Indexation allowance for a company will not create nor increase a loss.

### **22.3.3 Stamp Duty and Stamp Duty Reserve Tax**

No stamp duty or stamp duty reserve tax ("SDRT") will generally be payable on the issue of the new Ordinary Shares. Stamp duty and SDRT treatment will be as follows:

- in relation to Ordinary Shares, no liability to stamp duty or SDRT will arise on their issue or on the issue of definitive share certificates by the Company (provided that the Ordinary Shares are not issued to, or to a nominee or agent for, a person whose business is or includes the provision of clearance services or issuing depository receipts- however please see below for a recent development);
- from 28th April 2014 the government intends to abolish stamp duty and SDRT on shares quoted on growth markets such as the Alternative Investment Market and the ISDX Growth Market.
- before 28th April 2014, the transfer of Ordinary Shares outside the CREST system will generally be liable to stamp duty on the instrument of transfer at the rate of 0.5 per cent. of the amount or value of the consideration given (rounded up to the nearest multiple of £5). Stamp duty is normally paid by the purchaser or transferee of the Ordinary Shares. An agreement to transfer Ordinary Shares will generally be subject to SDRT at 0.5 per cent. of the agreed consideration. If however, within the period of six years of the date of the agreement or, in the case of a conditional agreement, the date on which it becomes unconditional, an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to SDRT will be repaid or cancelled. SDRT is normally the liability of the purchaser or transferee of the Ordinary Shares;
- no stamp duty or SDRT will arise on a transfer of Ordinary Shares into CREST for conversion into uncertified form, unless such transfer is made for a consideration in money or money's worth, in which case a liability to stamp duty or SDRT will arise, usually at the rate set out above;
- a transfer of Ordinary Shares effected on a paperless basis within CREST will generally be subject to SDRT at the rate of 0.5 per cent. of the amount or value or the consideration. CREST is obliged to collect SDRT from the purchaser of the Ordinary Shares on relevant transactions settled within the system;
- where Ordinary Shares are issued or transferred: (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services; or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depository receipts, stamp duty (in the case of a transfer only to such persons) or SDRT may be payable at a rate of 1.5 per cent. Of the amount or value of the consideration payable or, in certain circumstances, the value of the Ordinary Shares or, in the case of an issue to such persons, the issue price of the Ordinary Shares.

Following the case of *HSBC Holdings and Vidaros Nominees Ltd v HMRC* (case C-569/07) shares issued to a European Union depository or clearance system are outside the scope of a stamp duty or SDRT charge. Although not specifically covered by this case,



the position in respect of issues to non EU depositaries or clearance systems and on transfers of existing shares into depositaries or clearance systems may be open to question. Operators of depositaries and clearance systems should seek specific professional advice on this matter.

## **22.4 Australian Taxation**

The following comments are based on the provisions of the Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1997.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor, and no representations are made with respect to the Australian income tax consequences to any particular investor. Accordingly, prospective purchasers of shares in the Company should consult their own tax advisors for advice with respect to their particular circumstances. Investors should also be cognisant that any changes to the legislation or judicial interpretation of the legislation may affect their investment. You should also note that taxation is only one of the matters that you need to consider when making a decision on a financial product.

### **22.4.1 Taxation of Future Share Disposals**

#### *Australian Resident Shareholders*

The taxation treatment on the disposal of Ordinary Shares will depend upon whether the shares are held on revenue or capital account.

Australian resident Shareholders who trade in Ordinary Shares as part of the ordinary course of their business would hold their shares on revenue account. These Shareholders will be required to include the profit arising from the disposal of their Ordinary Shares in their assessable income. Conversely, a loss arising from the disposal of Ordinary Shares on revenue account may be allowed as a deduction from assessable income.

Generally, all other Australian resident Shareholders will hold their Ordinary Shares on capital account. These Australian resident Shareholders should consider the impact of Australian capital gains tax rules on the disposal of their Ordinary Shares.

A Shareholder acquires an Ordinary Share on the date the Ordinary Share is issued or transferred. The cost base of an Ordinary Share acquired is generally the amount the Shareholder pays to acquire the Ordinary Share plus any associated costs incurred, including, for example, brokerage.

An Australian resident Shareholder will derive a capital gain where the proceeds received on disposal exceed the cost base of an Ordinary Share for capital gains tax purposes.

Similarly, a Shareholder will incur a capital loss on the disposal of an Ordinary Share where the disposal proceeds received are less than the reduced cost base of the Ordinary Share for capital gains tax purposes. Capital losses can only be used to offset current year capital gains or carried forward to offset future capital gains. They cannot be used to reduce non capital income.

Any net capital gain (after recoupment of capital losses) is included in the Shareholder's assessable income. The applicable tax payable on the net capital gain will be dependent on the type of Shareholder. An Australian tax resident individual Shareholder will be taxed at their marginal rate. Alternatively, an Australian resident company Shareholder will be subject to tax at the corporate rate of 30% of taxable income.

Where an Australian resident Shareholder has held the Ordinary Share as a capital asset for at least 12 months the capital gain may be reduced by the general CGT discount concession for particular Shareholders. The discount percentage for individual and trusts is 50%, and for complying superannuation funds and life insurance companies 33%. This means generally only 50% (for individuals and trusts) and 67% (for complying superannuation funds) of the capital gain is included in the Shareholder's assessable income after the offset of any capital losses. Corporate Shareholders are not eligible for the general CGT discount concession.



### ***Non-Australian Resident Shareholders***

Where Non-Australian resident Shareholders hold Ordinary Shares on revenue account, the profits on the sale of the Ordinary Shares may be required to be included in the Shareholder's assessable income. This is subject to the application of any double tax treaty relief which may exclude such profits from Australian taxation.

Generally, all other Non-Australian resident Shareholders will hold their Ordinary Shares on capital account. These Non-Australian resident Shareholders should consider the impact of Australian capital gains tax rules on the disposal of their Ordinary Shares.

Non-Australian resident shareholders are only subject to Australian capital gains tax where those shareholders are disposing of shares in an Australian company if the company predominately holds interests in land within Australia.

Prospecting rights and mining leases situated in Australia are deemed to be an interest in land and considered Taxable Australian real property. Non Australian resident shareholders will be liable for capital gains tax where the direct and indirect shareholding is greater than 10% and the principal asset test (greater than 50% of the value of the test entity's (the Company) assets are attributable to Australian real property) is met.

Non-Australian resident shareholders will need to seek specific advice in respect of their particular circumstances with respect to Australian capital gains tax on the disposal of shares in the Company at the time of any disposal.

### ***Dividends***

Broadly, dividends paid on Ordinary Shares may be "franked" or "unfranked". Franked dividends have franking credits attached. These credits represent underlying Australian corporate tax that has been paid on the profits distributed. To the extent a dividend is "unfranked" no franking credits are attached.

Depending on the residency status of the Shareholder and whether a dividend is franked or unfranked will have different income tax implications as set out below.

### ***Australian Resident Shareholders***

Australian resident Shareholders will include dividends received together with any attached franking credits in their assessable income. A tax offset will be allowed equal to the amount of franking credits attached to the dividend.

Generally, to be eligible for the franking credit or franking offset, the Shareholder must have held the shares at risk for 45 days (not counting the day of acquisition or disposal). However, for natural persons this rule should not apply where the tax offset entitlement does not exceed A\$5,000 in respect of all dividends received during the income year in which the dividend is paid.

Individual Shareholders and Complying Superannuation Funds may receive a tax refund if the franking credits attached to the dividend exceed their tax liability for the income year.

Where the Shareholder is a corporate entity, the Shareholder will be entitled to a franking tax offset. Where the franking tax offset is greater than the tax payable by the company in an income year, the balance of the franking tax offset may be grossed up and carried forward as a tax loss that can be used to reduce taxable income in the future years. The receipt of a franked dividend will also generally give rise to a credit in the corporate entity's franking account to the extent the dividend is franked.

### ***Non-Australian Resident Shareholders***

Fully franked dividends, and dividends to the extent they are credited with franked dividend account credits, paid to Non-Australian Resident Shareholders are generally not subject to Australian withholding tax.

Unfranked dividends paid to Non-Australian Resident Shareholders will be subject to withholding tax at a rate of 30% on the unfranked component of the dividend paid. The withholding tax rate is generally reduced to 15% (lower for certain other countries) where there is an applicable double tax treaty. Where a withholding tax applies the

Company will be required to deduct the appropriate amount of withholding tax prior to making the dividend payment.

#### *Australian Stamp Duty*

There is no liability for stamp duty in Australia on the issue of Ordinary Shares by the Company. Similarly, there will be no liability for stamp duty in Australia if the Ordinary Shares are disposed of by a Shareholder.

This is on the understanding that the Company does not hold an interest in land in Australia in excess of A\$1 million and the value of land exceeds 60% of the assets of the Company.

#### *Other Matters*

Australian Resident Shareholders will generally be required to notify the Company of their tax file number (or Australian Business Number if carrying on an enterprise) in respect of Ordinary Shares held. Failure to do so may result in the Company being required to withhold tax at the top marginal individual rate including Medicare levy (currently 46.5%). The Shareholder will however be entitled to a credit or refund in their tax returns to the extent of the tax withheld.

### **23. General**

- 23.1. Save as disclosed in Parts 4 and 5 of this document, there has been no significant/material change in the trading or financial position of the Group since 30 June 2013 the date to which the last audited accounts were produced.
- 23.2. The total expenses payable by the Company in connection with the Placing and Admission are estimated to amount to approximately £366,000 (excluding VAT). The net proceeds of the Placing will be £1.13 million.
- 23.3. ZAI Corporate Finance Limited which is authorised and regulated by the Financial Conduct Authority, has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear. ZAI is acting exclusively for the Company in connection with the Placing and Admission and not for any other persons. ZAI will not be responsible to any persons other than the Company for providing the protections afforded to customers of the Company or for advising any such person in connection with the Placing and Admission.
- 23.4. SI Capital which is authorised and regulated by the Financial Conduct Authority, has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear. SI Capital is acting exclusively for the Company in connection with the Placing and Admission and not for any other persons. SI Capital will not be responsible to any persons other than the Company for providing the protections afforded to customers of the Company or for advising any such person in connection with the Placing and Admission.
- 23.5. Kingston Smith has given and not withdrawn its written consent to the inclusion in this document of the reports set out in Parts 4, 5 and 6 and its name and the references thereto in the form and context in which they appear.
- 23.6. Save for the remuneration payable to Kingston Smith in respect of its role as reporting accountants and tax adviser to the Company and for the fees payable to Kingston Smith for its reports, Kingston Smith does not have any financial interest in the Company.
- 23.7. Moyes & Co has given and not withdrawn its written consent to the inclusion in this document of the report set out in Part 7 and its name and the references thereto in the form and context in which they appear.
- 23.8. Where information has been sourced from a third party, it is confirmed that this information has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

- 23.9. Save as set out in this document, there are no patents or intellectual property rights, licences or industrial, commercial or financial contracts which are of material importance to the Company's business or profitability.
- 23.10. Save as set out in this document, as far as the Directors are aware, there are no environmental issues that may affect the Company's utilisation of its tangible fixed assets.
- 23.11. There are no employee share incentive arrangements involving a share in the capital of the Company in place at the date of this document.
- 23.12. No person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:
- 23.12.1. received, directly or indirectly, from the Company within the 12 months preceding the date of this document; or
- 23.12.2. entered into any contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:
- (a) fees totalling £10,000 or more;
- (b) securities of the Company where these have a value of £10,000 or more calculated by reference to the Placing Price; or
- (c) any other benefit with the value of £10,000 or more at the date of this document.
- 23.13. The Ordinary Shares have not been sold, nor are they available, in whole or in part, to the public in connection with the application for Admission.
- 23.14. Save as set out in this document, there are no significant trends in relation to the Group's business since 30 June 2013 and there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the year ending 30 June 2014.
- 23.15. Save as disclosed in this document, the Directors are not aware of any exceptional factors which have influenced the Company's activities.

#### **24. Availability of Admission Document**

Copies of this document containing full details about the Company and the admission of its securities to trading on AIM will be available free of charge during normal business hours on any week day (Saturdays, Sundays and public holidays excepted) until the date following one month after the date of Admission at the registered office of the Company and at the offices of ZAI Corporate Finance Limited at 1 Hobhouse Court Suffolk St London SW1Y 4HH.

This document will also be available on the Company's website at [www.mosmanoilandgas.com](http://www.mosmanoilandgas.com) following Admission.

Dated: 13 March 2014

