Oil & Gas Research

Non-Independent Research
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Mosman Oil & Gas*

MSMN LN **BUY: TP 0.42p**

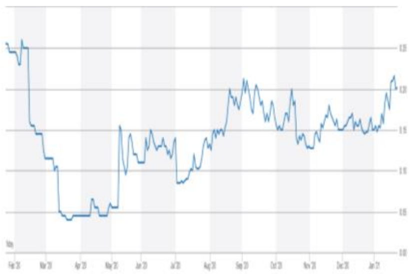
26 January 2020

Stock Data

Ticker	MSMN LN
Share Price:	0.18p
Market Cap:	£6m
Upside from current price:	113%
Source: Bloomberg (prior trading day's close)	

Company Description

Mosman is an AIM listed exploration and production Company operating in the US and Australia. Mosman's portfolio spans a plethora of high margin producing assets in the US complimented by transformational exploration potential in Australia.



High margin production growth strategy

Bucking the trend of many of its peers, Mosman Oil & Gas ('Mosman' or 'the Company') enjoyed a year of operational development in 2020. Against a challenging market backdrop, the Company successfully transitioned into a low cost, high margin producer, exiting the year with a transformed production profile. Recent positive news flow has seen Mosman's share price rally over 30% YTD alone, however we believe there remains considerable running room in the stock for investors. We therefore initiate coverage with a BUY rating, setting a 0.42p/share risked target price.

7x increase in production slated for 2021

Mosman intends to grow its net production base in excess of 7x in 2021 through low risk development drilling across its three core projects. Underlining the cash generative nature of this low-cost production, our model estimates Mosman will exit FY21 with cash of A$2.6m (from FY20 of A$231k), after CAPEX adjustments. The majority of the increase production will stem from wells at Falcon and Galaxie, new wells with limited decline curves and long-term recoverability.

Active, fully funded 2021 drilling campaign in the US

Mosman will embark on an aggressive drilling programme in 2021, with an ambitious target of drilling one well per quarter. This will include further wells on the Champion and Challenger leases in the US, with the intention to replicate the production success at Falcon-1. Following recent asset sales and short dated warrants maturing, Mosman is fully funded for its upcoming drilling commitments.

Australian portfolio represents transformational upside potential

Whilst we have not included Mosman's two interests in the prolific Amadeus Basin in our target valuation due to the early stage nature of these permits, we do recognise the considerable hydrocarbon, hydrogen, and helium potential. Our indicative valuation infers that on a conservatively risked basis, and based on third party verified data, EP 145 alone could be worth in excess of 3x Mosman's current market capitalisation. We also highlight that on an unrisked basis (US£172m), the permit could yield transformational upside for the Company when matured.

We initiate coverage with a BUY rating and 0.42p/share TP

In our view, Mosman's shares offer investors an attractive entry point into a growing producer in an established, mature region underpinned by compelling project economics. First commercial sales from the Falcon-1 well have served to transform the Company's production profile and therefore liquidity position against the backdrop of a commodity price recovery. With further fully funded drilling on material interest projects this year, we initiate coverage with a BUY rating and 0.42p/share TP.

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VALUATION AND RECOMMENDATION

Our sum-of-the-parts valuation illustrates that Mosman's shares trade at a 51% discount to Risked NAV

Our sum-of-the-parts of Mosman infers a risked valuation of 0.42p/shr (c.£13.7m mkt cap.) demonstrating that the Company currently trades at a deep discount to NPV. We highlight that our prudent approach to valuing the Company at this stage does not include recognition of its potentially transformational Australian portfolio, where Mosman has secured two permits (one of which it has successfully farmed out) with considerable hydrocarbon, hydrogen, and helium potential.

SOTP Valuation Matrix

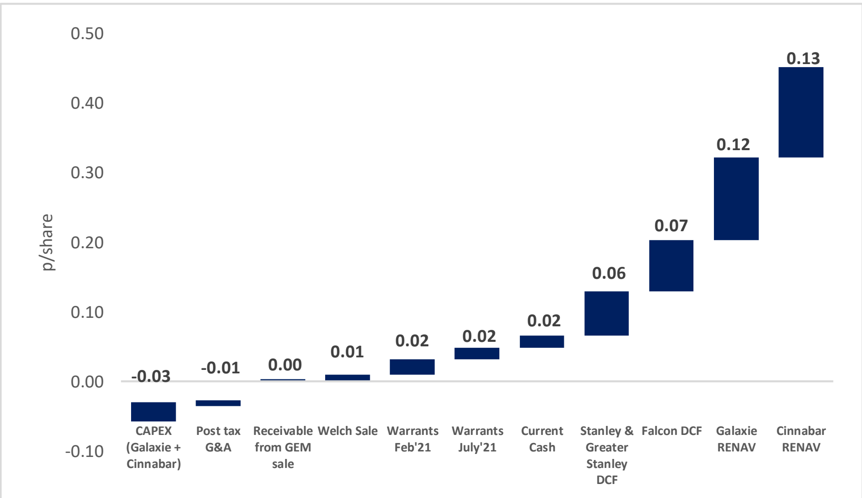
	£m	p/share
Stanley & Greater Stanley DCF	2.07	0.06
Falcon DCF	2.39	0.07
Cinnabar RENAV	4.23	0.13
Galaxie RENAV	3.90	0.12
Current Cash	0.57	0.02
Welch Sale	0.32	0.01
Warrants Feb'21	0.72	0.02
Warrants July'21	0.54	0.02
CAPEX (Galaxie + Cinnabar)	(0.89)	(0.03)
Receivable from GEM sale	0.11	0.00
Post tax G&A	(0.28)	(0.01)
Total NAV	**13.69**	**0.42**

Source: SP Angel estimates

Even on a conservative 'Core Valuation' which comprises a risked calculation of Mosman's discounted net production, discovered fields and its financial assets and liabilities, the Company's share price currently trades at only 48% of this valuation. This is despite the Company being debt free, fully funded for drilling commitments, and enviable high interest acreage positions in the US and Australia.

Our core valuation focuses solely on Mosman's discovered assets in the US

SOTP Waterfall Chart



Source: SP Angel estimates

Mosman will embark on a multi-well development programme in 2021 in order to prove up and place Galaxie and Cinnabar onstream to complement and replicate the success of the Falcon-1 well at its Champion project.

As a result, our risked valuation of Galaxie and Cinnabar yield a significant (35%) proportion of our target price followed by the highly productive Falcon-1 well (17%).

Valuation Methodology

In line with our coverage universe, we value Mosman using a combination of DCF and RENAV valuation techniques

We principally value Mosman using a combination of a Discounted Cash Flow (DCF) model for its three producing fields (Stanley, Greater Stanley, and Falcon), in addition to a Risked Net Asset (RENAV) of the Galaxie and Cinnabar leases in line with our wider coverage universe. At this stage we do not value a plethora of prospects and leads in Australia given the early stage nature of these assets and uncertainty on timing of drilling. We also include a valuation of the Company's financial assets and liabilities.

We have incorporated the following assumptions into our financial model:

Metric	Assumption
Assumed diluted shares in issue (m)	3,270.26
LT exchange $/£	1.30
LT exchange £/A$	1.75
LT exchange US$/A$	1.29
Bcf/Mmboe	5.80
LT WTI Oil Price/bbl	2021: US$45.23/bbl, 2022: US$50/bbl, 2023: US$55/bbl
LT Gas Price/mcf	US$3/mcf
NPV/boe Discount Rate	10%
Inflation	2%
NPV/boe – Cinnabar	US$8.1/boe
NPV/boe – Galaxie	US$4.9/boe

Source: SP Angel estimates

Our Discounted Cash Flow (DCF) analysis takes account of the Company's 10-year production profile for its core producing assets at Stanley, Greater Stanley and Falcon. We have applied a conservative forward output curve; however, we would expect further uplifts in production especially at Falcon as further wells come onstream.

Discounted Cash Flow (DCF) Analysis – Stanley, Greater Stanley, Falcon

	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Stanley & Greater Stanley												
Net Oil Production	11,358.88	9,239.00	10,162.90	11,179.19	12,297.11	11,682.25	11,098.14	10,543.23	10,016.07	9,515.27	9,039.51	8,587.53
Price	38.00	45.00	50.00	55.00	55.00	55.00	55.00	55.00	55.00	55.00	55.00	55.00
Revenue	431,637.56	415,755.00	508,145.00	614,855.45	676,341.00	642,523.95	610,397.75	579,877.86	550,883.97	523,339.77	497,172.78	472,314.14
Gas production	-	-	-	-	-	-	-	-	-	-	-	-
Price	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	431,637.56	415,755.00	508,145.00	614,855.45	676,341.00	642,523.95	610,397.75	579,877.86	550,883.97	523,339.77	497,172.78	472,314.14
Royalty												
Tax	-	-	-	-	-	-	-	-	-	-	-	-
Opex	132,158.00	150,000.00	150,000.00	150,000.00	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00
Capex	-	-	-	-	-	-	-	-	-	-	-	-
FCF	**299,479.56**	**265,755.00**	**358,145.00**	**464,855.45**	**576,341.00**	**542,523.95**	**510,397.75**	**479,877.86**	**450,883.97**	**423,339.77**	**397,172.78**	**372,314.14**
Stanley & Greater Stanley DCF	**2,694,714**											
Falcon-1												
Oil Production	1,906.00	6,379.03	9,481.45	6,596.97	5,502.74	4,590.01	3,828.68	3,193.62	5,327.80	2,222.05	1,853.48	555.06
Price	38.00	45.00	50.00	55.00	55.00	55.00	55.00	55.00	55.00	55.00	55.00	55.00
Revenue	72,428.00	287,056.57	474,072.66	362,833.29	302,650.85	252,450.75	210,577.24	175,649.21	293,029.24	122,212.53	101,941.38	30,528.42
Net Gas production	76,250.00	450,764.00	692,759.16	577,852.56	482,005.29	402,056.02	335,367.78	279,740.99	233,340.90	194,637.11	162,353.03	92,982.43
Price	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Revenue	228,750.00	1,352,292.00	2,078,277.48	1,733,557.68	1,446,015.88	1,206,168.07	1,006,103.35	839,222.97	700,022.71	583,911.32	487,059.10	278,947.30
Total Revenue	301,178.00	1,639,348.57	2,552,350.14	2,096,390.97	1,748,666.73	1,458,618.82	1,216,680.59	1,014,872.17	993,051.94	706,123.84	589,000.47	309,475.72
Tax	13,553.01	73,770.69	114,855.76	94,337.59	78,690.00	65,637.85	54,750.63	45,669.25	44,687.34	31,775.57	26,505.02	13,926.41
Post Tax Reveunue	287,624.99	1,565,577.89	2,437,494.38	2,002,053.38	1,669,976.73	1,392,980.97	1,161,929.96	969,202.93	948,364.60	674,348.27	562,495.45	295,549.31
Profit after Royalty	215,718.74	1,174,183.41	1,828,120.79	1,501,540.03	1,252,482.54	1,044,735.73	871,447.47	726,902.19	711,273.45	505,761.20	421,871.59	221,661.98
Opex	97,254.87	95,953.55	94,671.75	93,409.17	92,165.53	90,940.55	89,733.94	88,545.43	87,374.75	86,221.63	85,085.81	83,967.02
Capex	- 960,000.00	-	-	-	-	-	-	-	-	-	-	-
FCF	**1,078,463.87**	**1,078,229.86**	**1,733,449.04**	**1,408,130.86**	**1,160,317.01**	**953,795.18**	**781,713.53**	**638,356.76**	**623,898.70**	**419,539.57**	**336,785.78**	**137,694.96**
Attributable to Mosman	**539,231.93**	**539,114.93**	**866,724.52**	**704,065.43**	**580,158.51**	**476,897.59**	**390,856.76**	**319,178.38**	**311,949.35**	**209,769.79**	**168,392.89**	**68,847.48**
Falcon DCF	**3,111,582.19**											

The Falcon-1 well commenced production in December 2020

The Falcon-1 well (MSMN 50% WI) at the Champion project commenced commercial production in December 2020 and is currently producing c.180boepd (gross). Mosman's net production is therefore 90boepd which falls to 68boepd after royalties. With regards to gas output, the well is currently producing at an intended lower flow rate of 1000mmbtu/d. This is primarily because the pressure has to be reduced from the wellhead 1900 psi to pipeline 1500 psi, and the related temperature drop is causing hydrates and icing in the connection pipeline. The partners have since installed methanol injection which appears to have resolved the issue.

This is a significant well for Mosman, being both the highest gross production and the highest working interest well in Mosman's portfolio. The net effect is that daily production rates increase significantly, more than doubling net production rates compared to the average daily rate for the six months ended 31 December 2020.

At Stanley, the operator has recently advised that a pump-jack has been installed at Stanley-2 and is now operational serving to increase flow rates. A second pump-jack has also been acquired for Stanley-1 and is expected to be installed imminently.

Based on management's discussions with Mosman's JV partners, it is anticipated that Stanley-5 will be drilled after Stanley-1 is back on production. Subject to funding and other matters the Company is also targeting a sixth well at Stanley towards the end of 2021. Mosman anticipates that future wells at Stanley will have a similar production profile to those already drilled.

Risked Net Asset Valuation

We also include a Risked Net Asset Valuation of the Company's resource base at Cinnabar and Galaxie, both of which will be drilled in 2021 with a view to a swift route to further production.

Net Risked Asset Valuation (RENAV) – Cinnabar, Galaxie

Lease	Maturity	Interest	Gross Oil (Mmbo)	Project CoS	NPV 10% $/boe	Unrisked NPV US$m	Risked NPV US$m	Risked NPV £m	Risked p/share
Cinnibar	Proved Developed	85%	0.85	80%	8.1	5.50	5.50	4.23	0.13
Galaxie	Proved Developed	60%	2.30	75%	4.9	6.76	5.07	3.90	0.12
TOTAL						**12.26**	**10.57**	**8.13**	**0.25**

Source: SP Angel estimates

Financial assets and liabilities

We also include an appraisal of Mosman's financial assets and liabilities. We have split out the Company's cash position to highlight the successful sale of its Welch project and further income expected from the take up of warrants this year.

In addition to the Company's last reported net cash position of c.£570k (0.02p/share), Mosman recently received c.£320k from the sale of the Welch project and is due to receive a further £110k from the sale of its GEM investments.

We have also recognised that the Company has a number of short dated outstanding warrants that are currently in, or close to in the money for investors.

Short dated warrants

Current Shares in issue	2,599,013,052	Price	Cash receivable £	Cash receivable A$
Warrants Feb 2021	311,250,000	0.0023	715,875	1,252,781
Warrants July 2021	360,000,000	0.0015	540,000	945,000
Diluted Shares in issue	**3,270,263,052**		**1,255,875**	**2,197,781**

Source: Company

We have applied the Company's diluted share capital as the denominator in our valuation approach and recognised an additional £1.26m (0.04p/share) in our inferred target SOTP.

We also provide for an NPV10 of the Company's non-field related post tax G&A expenditure.

5-year post-tax G&A

AUD	2020A	2021E	2022E	2023E	2024E	2025E
G&A	(173,552.0)	(177,023.0)	(180,563.5)	(184,174.8)	(187,858.3)	(191,615.4)
Tax	52,065.6	53,106.9	54,169.1	55,252.4	56,357.5	57,484.6
Post tax	(121,486.4)	(123,916.1)	(126,394.5)	(128,922.3)	(131,500.8)	(134,130.8)
	NPV10	**(487,072.0)**				

Source: SP Angel estimates

We initiate coverage with a BUY rating setting a TP of 0.42p/share

We initiate coverage setting a TP of 0.42p/share price target

In our view, Mosman's shares offer investors an attractive entry point into a growing producer in an established, mature region underpinned by compelling project economics. First commercial sales from the Falcon-1 well have served to transform the Company's production profile and therefore liquidity position against the backdrop of a commodity price recovery. With further fully funded drilling on material interest projects this year, we initiate coverage with a BUY rating and 0.42p/share TP.

ASSET OVERVIEW

Mosman's portfolio represents a conducive mix of high margin, cash generative producing assets and low risk undeveloped fields (both US); and high impact exploration targets (Australia). The Company is fully funded for an active drilling campaign in 2021, predominantly in the US where its core strategy is to augment an already healthy production profile.

Mosman benefits from a well-diversified portfolio of production, development, and exploration

Asset profile and stage of development

PRODUCING		
Project	Location	Approx Working Interest
Falcon	Texas	50%
Stanley	Texas	18.5% to 14.85%
Greater Stanley	Texas	20%
Arkoma Stacked Pay	Oklahoma	27% (Held for sale)
UNDEVELOPED		
Project	Location	Approx Working Interest
Galaxie	Texas	60%
Cinnabar	Texas	85% (after JV farmout)
EXPLORATION		
Project	Location	Approx Working Interest
Amadeus Basin	Northern Territory, Australia	100% (EPA145) 30% (EPA 155 - 70% of Working Interest was farmed out to Westmarket Oil & Gas Pty Ltd in June 2020)

Source: Company

USA Portfolio

Mosman has a broad acreage position in the US

Mosman's current core interests in the US include the Champion, Challenger, Stanley, and Greater Stanley projects, all located in Texas. The Company has sold its interest in the Welch project, whilst its interest in the Arkoma project (Oklahoma) is currently held for sale, following a refinement of its successful production led growth strategy.

Recent focus has concentrated on the Stanley and Champion project areas, however 2021 will see further development of the potentially prolific Cinnabar lease which includes the Challenger project area.

Mosman's US acreage position

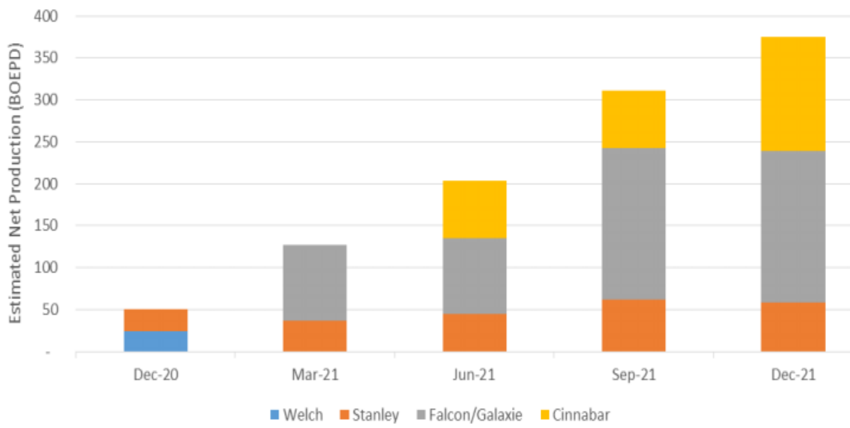
Source: Company

Stanley will see further drilling activity this year

Stanley will also see further drilling activity with the Stanley 5 well currently in planning for Q2 2021, with a view to adding additional high margin production to the Company's output.

Mosman intends to grow its net production base in excess of 7x in 2021 through low risk development drilling across its three core projects.

Production outlook 2021



Source: Company

Ambitious 7x production uplift will transform cash flows

Our model estimates a significant increase in FY21 cash to A$2.6m (from FY20 of A$231k), after CAPEX adjustments. The majority of production will stem from Falcon/Galaxie which are new wells with limited decline curves and long-term recoverability.

Champion Project

Mosman has a 50% working interest in the 240-acre Champion Project which includes the Falcon-1 producing well and the Galaxie prospect. The Project is located on the border of South East Texas, North East of Houston. The Company's other partners include Baja Oil & Gas and Contour E&P.

The Champion Project has several potential drilling locations identified using the same 3D seismic techniques as the Stanley Project.

Champion project to contribute material production to Mosman

Champion project location

Source: Company

In addition to Falcon and Galaxie, there are several other prospects in the project area that have been mapped by Baja using 3D seismic, including Durango, Corona East and Corona West.

Falcon-1

Falcon-1 represents the first well Mosman has participated in at the Champion Project. The prospects at Champion have been identified through high-quality 3D seismic analysis acquired by Baja.

Gas flaring at Falcon-1

Drilling of the Falcon-1 well was completed in October 2020 and perforated the Frio sandstone to a depth of 7,613-7,618ft. On testing the well, commercially viable volumes of 80bopd of oil and 2.78MMcfd of gas (c.463boepd) were achieved.

On constrained flow, Falcon-1 is now producing at c.180boepd (gross), with Mosman's net production being 90boepd and 68boepd after royalties. With regards to gas output, the well is currently producing at an intended lower flow rate of 1000mmbtu/d. This is primarily because the pressure has to be reduced from wellhead 1900 psi to pipeline 1500 psi, and the related temperature drop is causing hydrates and icing in the connection pipeline. The partners have since installed methanol injection which appears to have resolved the issue.

This is a significant well for Mosman, being both its highest net producing well in which it has a material working interest at 50%. The net effect is that daily production rates increase significantly, more than doubling overall net production rates compared to the average daily rate for the six months ended 31 December 2020.

Importantly, the success of Falcon-1 served to upgrade the other prospects which have been mapped previously, including Galaxie, Durango, Corona East and Corona West.

Galaxie to be developed this year

Mosman will endeavour to develop the Galaxie prospect this year

Mosman has 60% working interest in the Galaxie lease, which encompasses multiple drill ready prospects identified by 3D seismic. The Company is fully funded to drill to the Galaxie-1 well this year (likely Q2) on a structure which detailed mapping indicates an even larger prospect than Falcon.

In the meantime, there remains some preliminary work required to determine the exact surface location based on existing roads and pipelines, and to plan production infrastructure.

In terms of commercialisation, the Company is using the current flow rate from Falcon to indicate the potential flow rates at Galaxie, which are anticipated to be c.180boepd gross.

Stanley Project

The Stanley Project is producing oil and gas from four wells on the prospects in South East Texas. Alongside strategic partner Baja Oil & Gas, Mosman commenced exploring and developing oil and gas reserves at the project in 2018.

The development project is supported by existing production, interpretation of 3D seismic data, and multiple mapped targets along with sub-surface well control data and legacy production information.

Despite a challenging backdrop, Stanley contributed a US$500k profit in 2020

Despite challenging market conditions, FY20 saw the project yield a gross profit of over US$500,000. This year the Company intends to drill Stanley 5 in Q2 and subsequently place on production. Underlining the prolific nature of the field, Stanley has a 100% drilling success rate with oil production from four wells drilled to date

Encouragingly, the Stanley-3 and Stanley-4 wells continue to flow at stabilised rates without artificial lift.

Stanley 1: (Mosman interest: 16.5%)

The first well on the project was drilled at the Livingston Oilfield in Polk County, north, north east of Houston. Gas has been produced since 1998, with 23 wells located on site.

Stanley-1 was drilled in July 2018 and multiple potentially productive hydrocarbon zones were identified. The well has been producing since September 2018 when 190boe of gas was sold. Whilst Stanley-1 is currently shut in, Mosman will place the well on an artificial lift to restart production from this mature location.

Stanley 2: (Mosman interest: 18.5%)

Using information from Stanley-1, 3D seismic data, nearby well data and production history, Stanley-2 targets the Yegua Sands. The well was spudded in March 2019, to a target depth of 5,000ft, adjacent to Stanley-1 on the same well pad area. Due to limited local gas infrastructure, the well was recompleted in an oil zone, with initial flow rates of 63.5bopd. The well has recently been placed on artificial lift (pump-jack) to augment overall Company production.

Stanley 3: (Mosman Interest: 14.85%)

Following success at the first two wells drilled at Stanley, the Company and Baja began drilling Stanley-3 in August 2019. The well was placed on production in September 2019 with an initial flow rate of oil of 115.6bopd gross. Stanley-3 is still producing from the original completion zone in line with Company expectations.

Stanley 4: (Mosman Interest: 16.5%)

The most recent well, Stanley 4 was drilled and placed on production in September 2020. Initial production was c.155bopd from a completion in the Frio sandstone at 4,700ft. Permanent tanks have been installed to handle additional output, with production from the well comingled with oil flowing from the other Stanley wells. An additional tank battery has been recently installed adjacent to the well in order to handle the additional production, and Stanley-4 is currently flowing oil into the new production facilities.

Greater Stanley: (Mosman Interest: 20%)

Greater Stanley remains HBP but will see a greater focus in 2021/22

The Company's interest in Greater Stanley was acquired in 2020, as part of the plan to focus on the East Texas area. The Duff lease is Held By Production (HBP) as there are two wells and nominal production. Initial activity will focus on a workover of one existing well.

The Duff-2 well, which is situated on the lease, is now back in production following completion of a workover, which was required due to a broken rod, caused by a stuck pump. The pump and a broken rod have now been replaced. Whilst production is only c.5bopd, it is sufficient for the Duff lease to be HBP to allow other development options to be matured.

The recent workover at Duff-1 was not able to remove the wellbore obstruction required to recomplete in the target zone, and the well was placed back on production. The joint venture now plans to workover the other producing well in another target zone.

Challenger Project

The Challenger Project is located on the Cinnabar Lease which covers an area of 348.83 acres. Mosman holds a 97% working interest in the lease after the Company acquired an 80% interest in additional to its 17% interest. The Company acquired the additional interest from Nadsoilco (32.33%), Clendon Claire (32.3% and 16.1% from Baja). Mosman's interest will reduce to 85% when Contour E&P earns a 12% interest on completion of a well, and therefore it is this interest that we apply in our valuation.

Mosman has a significant interest in the Challenger Project

In support of the hydrocarbon potential of the lease, Baja's 3D seismic data and a third-party Competent Persons Report (CPR) was undertaken for Baja in 2017.

The reserves report outlined below indicates the significant proved and probable resource potential on the lease.

Challenger Project CPR

Proved Developed Producing	Proved Developed Behind Pipe	Proved Undeveloped	Total Proved	Total Probable	Total Proved Plus Probable
2	49	614	665	184	849

Source: CPR prepared for Baja Oil & Gas

Drilling of the first re-development well is anticipated during Q2 2021, following further technical work including further 3D seismic interpretation.

There are four drilling locations identified on the Cinnabar lease

Currently, there are four development drilling locations on the Cinnabar Lease identified using nearby wells and 3D seismic methods. These are the same methods used to identify the targets at Stanley and Falcon. There are two wells drilled on the Lease which have previously produced significant quantities of oil but are now shut in. The Operator maintains the Lease as HBP by periodically opening one of the wells to produce to surface.

These two wells have previously produced significant quantities of oil and Mosman will review operations and the possible workover of one or both of the wells to increase production in the near term.

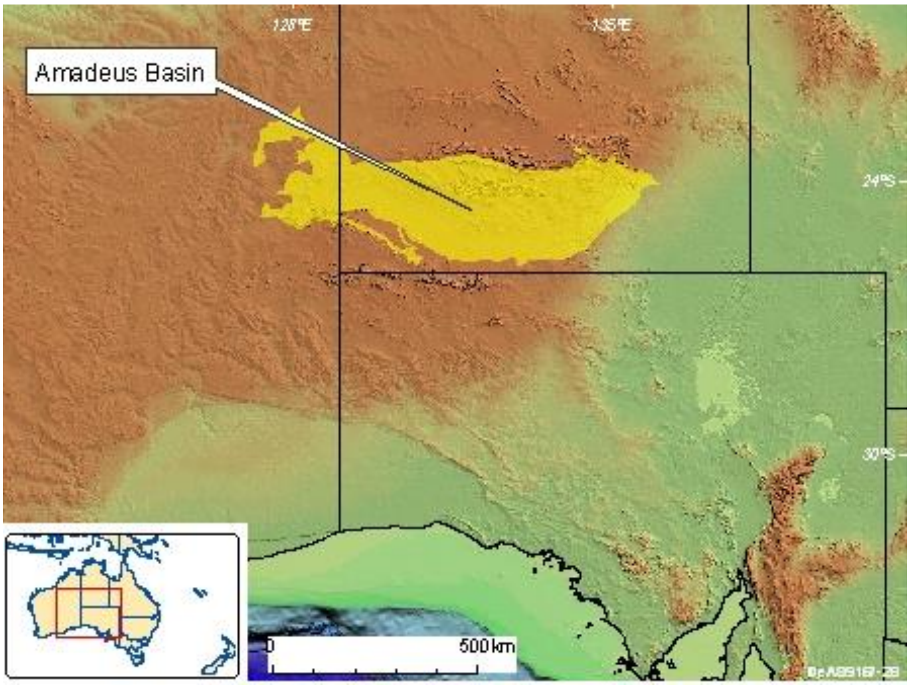
Australian Portfolio

Amadeus Basin

Mosman's interest in the Amadeus Basin could yield transformational upside

To complement the Company's relatively mature acreage position in the US, Mosman holds an exploration permit, EP-145, and an application pending for EPA155 in the Amadeus Basin, located in Southern Central Australia.

Amadeus Basin location



Source: Australian Government, Geoscience Australia

The prolific Amadeus Basin covers 170,000km^2

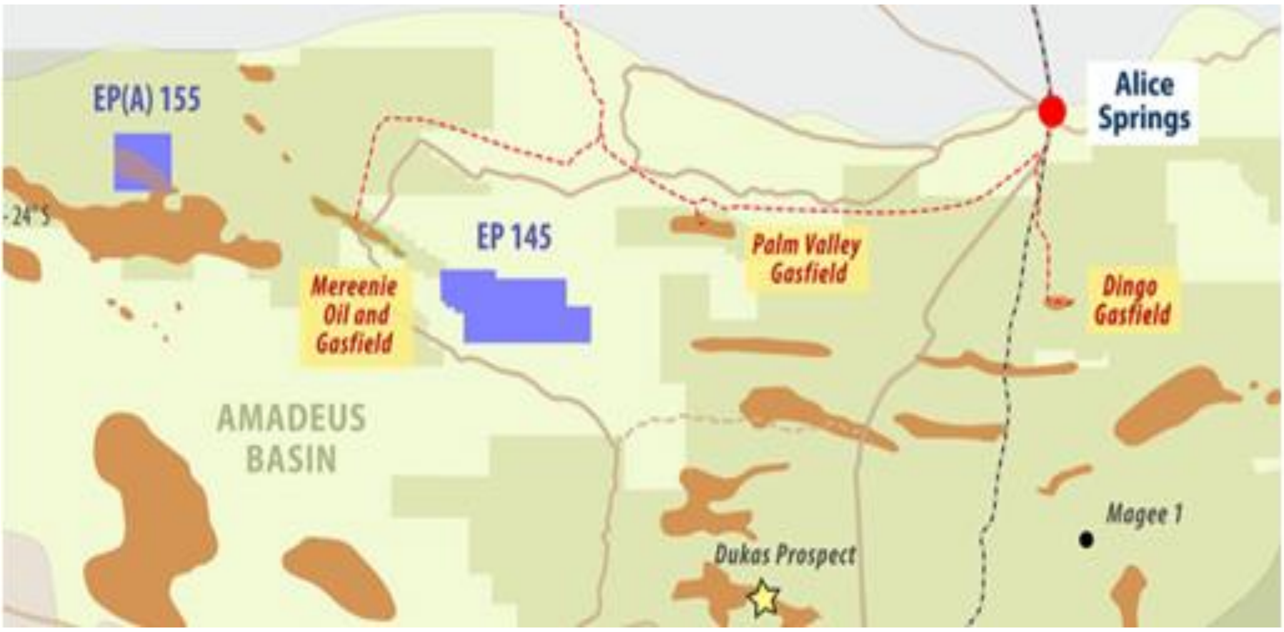
The Amadeus basin covers 170,000km^2 in the Northern Territory of Australia and Western Australia. The basin has been a target of petroleum exploration for 50 years and has been producing since the 1980's with commercial production from four fields: Mereenie, Palm Valley, Sunrise, and Dingo.

Mereenie and Palm Valley were discovered in the 1960's while Dingo was discovered in 1981. Despite this, the area remains relatively underexplored, with the majority of basin considered greenfield.

The Amadeus Basin is an east-west trending sedimentary basin composed of up to 9,100m of late Proterozoic and Palaeozoic sediments.

Five petroleum intervals have been identified in the basin with exploration drilling focused near the Central ridge on the Ordovician plays. Older petroleum systems related to the Neoproterozoic sources are associated with the gas field at Dingo operated by Central Petroleum.

EP 145 and EP 155 locations



Source: Australian Government, Geoscience Australia

EP145 is an exploration permit which with the pending EPA155 application covers an area of 1,183km^2 including the 'West Walker' anticline, 30kms long.

EP 145

SRK Consulting estimates significant conventional and unconventional potential at EP 145

Mosman acquired the EP145 permit in 2014 via the acquisition of Trident Energy Limited. Two wells have been drilled on the permit, West Walker-1 drilled in 1982 and Tent Hill-1 drilled in 1984. The former flowed wet gas to the surface at a rate of 3.5MMscf/d from the Pacoota Sandstone, on trend with the main producing reservoir in the Mereenie Field. Tent Hill-1 was located to the south east of the same anticline was considered unsuccessful.

In 2016 SRK Consulting (SRK) reported on the prospective resources on EP145. SRK reported 12.44Bcf of P50 Conventional Recoverable Gas and 456Bcf of P50 Unconventional Recoverable Gas.

This report was followed by a reprocessing of 1980 seismic data in 2018 which delivered better definition than originally anticipated confirming a shallow multi-payzone anticline similar to those at the nearby Mereenie Field.

Pacoota Sandstone beds that form the reservoir at the Mereenie Field, Stairway Sandstone that forms the reservoir at the Palm Valley Field and the Horn Valley formation are all visible at the surface in the EP 145 permit area.

Underlining the significant upside potential of EP 145 alone, we have undertaken a RENAV of SRK's estimated prospective resource base at the permit. Our indicative valuation infers that on a conservatively risked basis, EP 145 could be worth in excess of 3x Mosman's current market capitalisation, and on an unrisked basis (US£172m) could yield transformational upside for the Company. Given the early stage nature of these permits, we do not currently include in our valuation.

Permit	Hydrocarbon type	Interest	Gross Gas (Bcf)	Gross Mmboe	Net Mmboe	Project CoS	NPV 10% $/boe	Unrisked NPV US$m	Risked NPV US$m	Risked NPV £m	Risked p/share
EP 145	Conventional	100%	12.44	2.14	2.14	40%	3.2	6.86	2.75	2.11	0.06
EP 145	Unconventional	100%	456.00	78.62	78.62	15%	2.1	165.10	24.77	19.05	0.58
			468.44	**80.77**	**80.77**			**171.97**	**27.51**	**21.16**	**0.65**

In July 2020 Mosman received an extension to the work program for EP-145 out to 21 August 2023. The permit is located close to the Northern East Gas Connector Pipeline which runs from Tennant Creek in the Northern Territory to Mount Isa in Queensland.

This pipeline came online in January 2019 and has a capacity of 92TJ/d through the 12-inch diameter pipe and provides access to the east coast gas market. Local infrastructure includes gas processing facilities at Warrego and Mount Isa. Access is provided to all shippers on commercial terms. Further infrastructure is planned in the area including pipelines connecting Amadeus to Moomba which would provide access to the South Australian Gas Market.

EP 155

Mosman successfully farmed out a 70% working interest in EP155

Mosman farmed out a 70% interest in the EPA155 license in May 2020 to Westmarket Oil & Gas, a wholly owned subsidiary of Georgina Energy PLC, who also became operator of the permit.

Westmarket is responsible for Native title negotiations required for approval of the permit and technical work as part of the work programme. When a well is drilled the Farminee may choose to carry Mosman through the costs of the well in which case they would receive an additional 15% interest.

FINANCIAL MODEL

Income Statement

AUD$	2019A	2020A	2021E	2022E	2023E
To 30 June					
Revenue	1,106,095	1,794,842	2,280,781	3,336,485	3,029,453
Cost of sales	(821,000)	(782,727)	(684,234)	(1,000,945)	(908,836)
Gross Profit	**285,095**	**1,012,115**	**1,596,546**	**2,335,539**	**2,120,617**
Interest Income	39,715	28,447	18,447	205,636	312,416
Other income	43,320	152,809	155,865	158,982	162,162
Administrative Expenses	(180,688)	(173,552)	(177,023)	(180,564)	(184,175)
Corporate Expenses	(771,506)	(901,576)	(919,608)	(938,000)	(956,760)
Director Expenses	(120,000)	(120,000)	(120,000)	(120,000)	(120,000)
Exploration Expenses	(8,125)	(71,604)			
Employee benefits expense	(69,392)	(55,064)	(55,615)	(56,171)	(56,732)
Evaluation and due diligence	(162,447)	(153,493)	(156,563)	(159,694)	(162,888)
Loss on foreign exchange	(3,953)	-	-	-	-
Loss on sale of assets	(156,105)	-	-	-	-
Amortisation Expense	(82,958)	(102,222)	(105,289)	(108,447)	(111,701)
Depreciation expense	(5,765)	(4,039)	(3,918)	(3,800)	(3,686)
Impairment Expense	-	(4,142,876)	-	-	-
Finance expense	(2,250)	(5,177)	-	-	-
Cost of abandoned projects	(13,777)	-	-	-	-
Loss on financial assets	-	-	-	-	-
Pre-acquisition costs	-	-	-	-	-
Capitalised costs written off	-	-	-	-	-
Loans to associated entities forgiven	-	-	-	-	-
Share of net profit from joint operation	-	-	-	-	-
Share based payments	-	-	-	-	-
Profit/(Loss) before tax	**(1,208,836)**	**(4,536,232)**	**232,844**	**1,133,482**	**999,254**
Income tax expense		-	-	-	-
Profit/(Loss) after tax	**(1,208,836)**	**(4,536,232)**	**232,844**	**1,133,482**	**999,254**
Other comprehensive income					
Fair value loss on available for sale financial assets	-	38,887	-	-	-
Exchange difference arising on translation of foreign operations	109,977	142,410	-	-	-
Total Comprehensive Income attributable to members of the entity	**(1,098,859)**	**(4,354,935)**	**232,844**	**1,133,482**	**999,254**
EPS					
Basic (p)	-0.19	-0.45	0.01	0.03	0.03
Diluted (p)	-0.19	-0.45	0.01	0.03	0.03
Weighted Average Number of Shares	**590,422,674**	**960,879,461**	**3,270,263,052**	**3,270,263,052**	**3,270,263,052**

Cash flow Statement

AUD$	2019A	2020A	2021E	2022E	2023E
To 30 June					
Cash flows from operating activities					
Receipts from customers	1,134,767	1,557,395	2,052,703	3,002,836	2,726,508
Interest received & other income	83,034	114,439	174,312	364,618	474,578
Payments to suppliers and employees	(2,166,978)	(2,157,505)	(1,941,755)	(1,747,579)	(1,572,821)
Bonds Refunded	71,807	10,000	-	-	-
Interest paid	-2249	(5,177)	-	-	-
Net cash flow from operating activities	**(879,619)**	**(480,848)**	**285,260**	**1,619,876**	**1,628,265**
Cash flows from investing activities					
Sale of Property, Plant & Equipment	-	-	-	-	-
Proceeds from the sale of JV assets	106,944	-	553,000	-	-
Payments for property, plant and equipment	(777,586)	(469,432)	(352,074)	(264,056)	(198,042)
Payments for exploration and evaluation	(124,937)	-	(936,000)	-	-
Payments for Shares in GEM International Limited	-	-	-	-	-
Deposit paid for acquisition	(641)	-	-	-	-
Acquisition of oil and gas production projects	(883,151)	(236,783)	-	-	-
Payments for abandoned projects	0	0	-	-	-
Net cash outflow from investing activities	**(1,679,371)**	**(706,215)**	**(735,074)**	**(264,056)**	**(198,042)**
Cash flows from financing activities					
Proceeds from shares issued	2,266,306	585,138	2,824,781	-	-
Transactions with non-controlling interests	-	-	-	-	-
Repayments of borrowings	-	-	-	-	-
Loans to third parties	(60,201)	67,064	-	-	-
Payments of costs of capital	(146,238)	(58,514)	(35,108)	(21,065)	(12,639)
Net cash inflow from financial activities	**2,059,867**	**593,688**	**2,789,673**	**(21,065)**	**(12,639)**
Net increase/(decrease) in cash and cash equivalents	(499,123)	(593,375)	2,339,859	1,334,755	1,417,584
Exchange rate adjustment	(2)	5	-	-	-
Cash and cash equivalents at the beginning of the financial year	1,323,084	823,959	230,589	2,570,448	3,905,203
Cash and cash equivalents at the end of the financial year	**823,959**	**230,589**	**2,570,448**	**3,905,203**	**5,322,788**

Balance Sheet

AUD$ to 30 June	2019A	2020A	2021E	2022E	2023E
Current Assets					
Cash and cash equivalents	823,959	372,479	2,570,448	3,905,203	5,322,788
Trade and other recievables	330,160	78,719	179,484	228,078	333,648
Available for sale financial assets	-	-	-	-	-
Inventory	77,961	44,508	53,410	48,069	43,262
Other financial assets	-	93,748	93,748	93,748	93,748
Other assets	35,756	16,959	16,959	16,959	16,959
Total Current Assets	**1,267,836**	**606,413**	**2,914,049**	**4,292,057**	**5,810,405**
Non-Current Assets					
Property, plant & equipment	14,034	9,995	10,995	12,094	13,303
Oil and gas assets	3,905,106	2,061,131	2,997,131	3,296,844	3,626,529
Loans recievable	337,201	-	-	-	-
Other receivables	50,000	54,820	54,820	54,820	54,820
Capitalised oil and gas exploration	1,615,956	301,242	301,242	301,242	301,242
Total Non-Current Assets	**5,922,297**	**2,427,188**	**3,364,188**	**3,665,000**	**3,995,894**
Total Assets	**7,190,133**	**3,033,601**	**6,278,237**	**7,957,057**	**9,806,299**
Current Liabilities					
Trade and other payables	569,234	358,091	411,805	473,575	544,612
Equity settled liabilities	-	191,000	-	-	-
Provisions	27,170	20,269	22,296	24,525	26,978
Total Current Liabilities	**596,404**	**569,360**	**434,101**	**498,101**	**571,590**
Total Liabilities	**596,404**	**569,360**	**434,101**	**498,101**	**571,590**
Net Assets	**6,593,729**	**2,464,241**	**5,844,136**	**7,458,956**	**9,234,709**
Shareholders' Equity					
Contributed equity	30,164,872	30,691,497	39,898,946	39,898,946	39,898,946
Reserves	530,837	712,134	712,134	712,134	712,134
Accumulated losses	(24,101,980)	(28,939,390)	(34,766,944)	(33,152,124)	(31,376,371)
Equity attributable to shareholders	**6,593,729**	**2,464,241**	**5,844,136**	**7,458,956**	**9,234,709**
Non-controlling interest	-	-	-	-	-
Total Shareholders' Equity	**6,593,729**	**2,464,241**	**5,844,136**	**7,458,956**	**9,234,709**

APPENDIX 1: DIRECTORS AND MANAGEMENT

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

Mr Barr is a Chartered Accountant and Fellow of the Australian Institute of Company Directors, a director of listed and unlisted companies for over twenty-five years. He specialises 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.

Andy Carroll, BA, MA (Engineering) Cambridge, Technical Director

Mr Carroll is a mechanical engineer by background and has spent his career in the oil industry. He is currently founder and Managing Director of Australasian Energy Pty Ltd and Chairman of ASX listed High Peak Royalties Ltd. 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.

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

Mr Young is a geologist with 25 years' experience in resource project and corporate management. He is a Member of the Australian Institute of Mining and Metallurgy and has worked on a wide variety of mineral and resource projects throughout Australia and overseas. In addition, Mr. Young has held senior management and operational positions, and currently, holds directorships with Bardoc Gold Limited and Trek Metals.

Howard McLaughlin, US Operations

Throughout his career, Mr McLaughlin has operated at the highest level of expertise and governance. He is an experienced oil and gas operator and formally was a senior BHP executive involved in projects in a diverse range of countries and operations.

Jarrod White, Chief Financial Officer and Company Secretary

Mr White is a Chartered Accountant and Director of Traverse Accountants Pty Ltd, a Corporate Advisory and Chartered Accounting Firm. In conjunction with his Corporate Advisory roles at Traverse he has been appointed Company Secretary and Chief Financial Officer of several other companies listed on the Australian Stock Exchange and has a strong knowledge of corporate governance and compliance.

Julie Daws, Australian Oil and Gas Consultant

Ms Daws has over 25 years' experience in the Oil and Gas Industry, including acting in senior positions in exploration projects for independent oil and gas companies with operations across Europe, Africa, SE Asia, Caspian Sea and Australia. Julie received her PHD from Aberdeen University, UK in Sedimentology and reservoir characterisation. Ms Daws is a vital member of the Mosman team and is particularly focused on the Amadeus Basin.

Exploration and production risks

There is no assurance that Mosman's exploration and appraisal activities will be successful or, if they are successful, that commercial quantities of oil and/or gas can be recovered from the Company's licensed areas. No assurance can be given that, if commercial reserves are discovered, the Company will be able to realise such reserves as intended. Negative results from initial exploration programmes may result in downgrading their prospectivity. An area may therefore be considered not to merit further investment and licences could be surrendered (subject to the approval of the licensing authority) prior to the drilling of any exploratory wells.

Regulatory changes

The Company's strategy has been formulated in the light of the current regulatory environment and likely future changes. The regulatory environment may change in the future and such changes may have a material adverse effect on Mosman.

Licences and contractual risks

Mosman's activities are dependent upon the grant and maintenance of appropriate licence concessions, leases, permits and regulatory consents which may not be granted or may be withdrawn or made subject to limitations. Unforeseen circumstances or circumstances beyond the control of the Company may lead to commitments given to licensing authorities not being discharged on time. Although the Company believes that the authorisations will be renewed following expiry or grant (as the case may be), there can be no assurance that such authorisations will be renewed or granted or as to the terms of such grants or renewals.

Operational and environmental risks

Drilling, appraisal, exploration, construction, development and production activities may involve significant risks and operational hazards and environmental, technical and logistical difficulties. These include, inter alia, the possibility of uncontrolled hydrocarbon emissions, fires, earthquake activity, extreme weather conditions, coastal erosion, explosions, blowouts, cratering, over-pressurised formations, unusual or unexpected geological conditions, unpredictable drilling-related problems, equipment failure, labour disputes and the absence of economically viable reserves. These hazards may result in delays or interruption to production, cost overruns, substantial losses and/or exposure to substantial environmental and other liabilities. Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner, which could limit or curtail production or development.

Non-achievement of anticipated timetables

Drilling rigs or other equipment may not be available at the time envisaged (due to, for example, delays in making appropriate modifications, adverse weather conditions, insolvency of the owners or total loss) or may fail to perform in accordance with the Board's expectations in regard to the timetable. There is no guarantee that replacement equipment will be available on reasonable commercial terms or at all. Failure to meet the expected timetables may result in the Company being unable to generate cash from those assets. This would have a material adverse effect on the Company's business, prospects, financial condition and operations. The Company's anticipated timetables for all of its current and expected operations are Board estimates based on a number of variables not all of which are under the Company's direct control. The Company is dependent upon the operators of its assets to act in accordance with agreed plans in respect of each of the assets but the Company has no control over such persons save under contractual terms which may be costly and time consuming to enforce. If the timetable estimates prove to be wrong or the operators or any of them do not take the actions in relation to maintaining or developing the assets then it may lead to delays or further problems which may have a material adverse effect on the Company's business, prospects, financial condition and operations.

Early-stage licence development with no proven reserves

Certain of the operations in which Mosman has an interest are at an early stage of development and future success will depend on the Company's ability to successfully manage the current projects and to take advantage of further opportunities which may arise. There can be no guarantee that the Company can or will be able to, or that it will be commercially advantageous for the Company to, develop any acreage subject to any tenement, permits or licences in which the Company has or may acquire an interest.

Reserve and resource estimates

Any future reserve and/or resource figures for projects in which the Company may invest, or may acquire, will be estimates and there can be no assurance that the oil, gas and hydrocarbons are present, will be recovered or that they can be brought into profitable production. Reserves and resources estimates may require revisions based on actual production experience. Furthermore, a decline in the market price for oil and gas that may be discovered could render oil and gas reserves containing relatively low volumes of hydrocarbons uneconomic to recover and may ultimately result in a restatement of reserves.

Environmental regulation

Environmental and safety legislation in jurisdictions in which the Company operates may change in a manner that may require stricter or additional standards than those now in effect, a heightened degree of responsibility for companies and their directors and employees, and more stringent enforcement of existing laws and regulations. There may also be unforeseen environmental liabilities resulting from oil and gas activities, which may be costly to remedy. In particular, the acceptable level of pollution and the potential clean-up costs and obligations and liability for toxic or hazardous substances for which the Company may become liable as a result of its activities, may be impossible to assess against the current legal framework and current enforcement practices of the various jurisdictions in which the Company operates, or in which it may operate in the future.

Market risk

In the event of successful exploration and development of oil and gas reserves, the marketing of the Company's prospective production of oil and gas from such reserves will be dependent on market fluctuations and the availability of processing and refining facilities and transportation infrastructure, including access to ports, shipping facilities, pipelines and pipeline capacity at economic tariff rates, over which the Company may have limited or no control. Pipelines may be inadequately maintained and subject to capacity constraints and economic tariff rates may be increased with little or no notice and without taking into account producer concerns.

Increase in drilling and production costs, and availability of drilling equipment

The oil and gas industry historically has experienced periods of rapid cost increases. Increases in the cost of exploration, production and development would affect the Company's ability to invest in prospects and to purchase or hire equipment, supplies and services. In addition, the availability of drilling rigs and other equipment and services is affected by the level and location of drilling activity around the world.

Volatility of commodity prices

The demand for, and price of, oil and gas are highly dependent on a variety of factors, including international supply and demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments. International oil and gas prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future.

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