MOSMAN OIL AND GAS

LIMITED

ACN 150 287 111

# ANNUAL REPORT
# 30 JUNE 2014

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# Company Directory

## Directors

John W Barr
Andy R Carroll
John A Young

## Company Secretary

Zane R Lewis

## Head Office

Suite 1, Gunshot Alley
Suakin Drive,
Mosman, Sydney, 2088
Australia

## Registered Office

Level 1
981 Wellington Street
West Perth, WA 6005
Australia

## Stock Exchange

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

## Auditors

Somes Cooke
Chartered Accountants

## Nominated Adviser

ZAI Corporate Finance Limited

## Brokers

SI Capital Limited

## Bankers

National Australia Bank

## Lawyers

As to Australian law
Hardy Bowen

As to English law
Ronaldsons LLP

As to New Zealand law
Graeme Alexander

## Registrars

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

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

## Company website

www.mosmanoilandgas.com

# Chairman's Letter

I am pleased to be writing the Chairman's Letter to the shareholders of Mosman to report on Mosman's activities during the past year.

**Corporate Strategy**

The Company's strategy is to build a sustainable mid-size oil company in two to three years by means of organic growth and strategic acquisitions in politically stable countries. This will be accomplished through exploration and hopefully the discovery, development and sale of either production or oil and gas reserves.

**Progress**

Since January 2014, the Company has completed four major corporate transactions resulting in the acquisition of interests in five exploration permits and two exploration permit applications. Consideration for these acquisitions has largely been share based and assuming modest commitments. Initial exploration in New Zealand has provided Discoveries, with additional work currently underway.

**AIM Admission**

One of our major accomplishments during the 2014 financial year was the admission of the Company's shares to trading on AIM in March, 2014. This milestone was the result of a concerted effort on behalf of management and our advisors and I would like to thank all those who contributed to this outcome. The admission provides Mosman with access to one of the world's premier capital markets.

**Staffing**

The Company has been successful in attracting a group of experienced and talented individuals with proven track records. The team has been instrumental in aggregating a geologically and geographically diversified exploration portfolio of oil & gas permits.

**New Zealand**

The Company's first major transaction was to acquire the Petroleum Creek Project on the South Island of New Zealand. This permit includes naturally occurring oil seeps and wells drilled over 100 years ago. This evidence of oil at surface reduces exploration risk, as we know in advance that there is a source of oil, that the oil flows, and the quality of the oil.

Mosman drilled two exploration wells, Crossroads-1 and Crestal-1, which were announced as Oil Discoveries under New Zealand government petroleum definitions. The exploration process continues with seismic acquisition, drilling and flow testing wells, with the objective of establishing early production and cash flow.

Additional applications for Permits in New Zealand have now been lodged as part of the 2014 Block Offer Round. NZPAM will announce awards in December 2014 and March 2015.

**Australia**

In January 2014, Mosman completed the acquisition of a 25% interest in a company that is the preferred bidder for a Licence in the Officer Basin, which covers an area of 22,527 square kilometres. The issue of the Licence is pending conclusion of ongoing land access negotiations. The Officer Basin application offers both conventional and unconventional potential. Previous drilling has demonstrated hydrocarbon potential.

**The Trident Energy Limited and OilCo Pty Ltd Acquisitions**

Subsequent to year end, the Company announced a further two corporate acquisitions increasing the Company's portfolio of permits by adding four permits and rights to a permit application.

**Acquisition of Trident Energy Limited (Trident)**

On 2 July 2014, Mosman announced that it had entered into a binding Bid Implementation Agreement to acquire all of the issued shares in Trident, an Australian unlisted public company with onshore and offshore oil permits in Australia. In August the Company issued the Bidder's Statement to Trident shareholders, and on 17 September 2014, Mosman waived all remaining bid conditions in Section 10.10 of the Bidder's Statement and the Offer was declared unconditional.

Mosman has now received acceptances from over 99% of Trident's shareholders. The remaining shares will be acquired compulsorily on the same terms. Messrs Barr and Carroll have now been appointed to the Board of Trident and Trident's operations are currently being moved to Mosman's head office in Sydney.

Trident has interests in the following oil and gas exploration permits in Australia:

VIC P62 is located offshore Victoria in shallow water in the Otway Basin. Mosman's sole offshore interest covers a considerable area of the Torquay Sub Basin, within the greater Otway Basin. Mosman's view is that this area may have potential for both oil and gas. The JV has acquired a high resolution 3D survey and is currently interpreting it.

EP145 is close to existing infrastructure, including the Mereenie Oil and Gas field (circa 15 km away). The large surface defined anticline that contains Mereenie is on trend with a similar feature within the EP145 boundaries. Already the permit area contains the West Walker-1 Discovery, which flowed 3.5 million cubic feet of gas per day, with a composition similar to that of the gas cap of the Mereenie oil field, and the Tent Hill-1 discovery, which also had hydrocarbon shows.

EP 478 covers a large undrilled structure and other structures on a proven petroleum system. Mosman has the right to farm-in to 17.5% of EP 478 by funding 25% of the next well. If Mosman does not participate in this well it still earns a 7.5% interest in this permit.

**Acquisition of OilCo Pty Ltd (OilCo)**

In August 2014 the Company acquired OilCo which is the holder of one exploration permit and one exploration permit application, both in the Amadeus Basin in Australia.

EP156 is in the North Eastern corner of the Amadeus Basin, and although it is lightly explored, it does have some of the best outcrop in the Basin. The significance of the outcrop is that it simply allows Mosman's technical team to evaluate the permit from the perspective of characterising the key source, seal, reservoir, and trap elements without having to initially spend money on seismic or drilling. The proximity of EP156 to the Dingo gas field near Alice Springs, and relative proximity to potential pipeline routes makes this a priority area for Mosman. The initial exploration program commenced in October.

EP(A)155 is an application area located between the Mereenie and Surprise oilfields. Drilling at Mount Winter 1 and 2 did result in multiple oil shows in the Ordovician section to deep in the Neo Proterozoic. EP(A)155 is subject to Native Title negotiations.

**The Year Ahead**

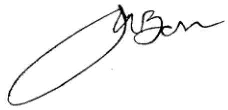
The opening of an office in Sydney is the physical evidence of a maturing company. What may be less obvious is the strong team that has been forged together to manage the Company's assets. This team has all the required capabilities, providing a strong foundation for growth.

Our immediate focus is the Petroleum Creek project in New Zealand where seismic, drilling and flow testing continue. We intend to build on our initial success by drilling the most prospective of over 20 identified prospects and testing of the two existing Oil Discoveries that we believe could lead to commercial production and cash flow in the coming year.

At the same time, Mosman has established a strong exploration portfolio in Australia, and our technical team has commenced detailed work on these permits.

In closing, I would like to take this opportunity to thank you for your confidence in the company. I look forward to a successful year ahead.

**Yours Truly,**



John W. Barr
Executive Chairman
October 23, 2014

**Competent Person's Statement**

The information contained in this letter has been reviewed and approved by Torey Marshall, Australian Exploration Manager for Mosman, who has over 13 years of relevant experience in the oil industry. Mr Marshall has several degrees in Geology culminating in a Masters of Applied Science (Geology) in 2009 from the University of South Australia, Adelaide. Mr Marshall is a member of the American Association of Petroleum Geologists (AAPG) and an Associate member Australasian Institute of Mining & Metallurgy (AusIMM CP) Chartered Professional Member.

# Directors' Report

Your Directors provide hereunder their report as to the results and state of affairs of the Group, being the Company and its controlled and associated entities, for the year ended 30 June 2014. Please note that all amounts quoted are Australian Dollars, unless otherwise stated.

**Operations Overview**

Mosman is a New Zealand and Australia focused oil exploration and development company formed to examine resource opportunities in overlooked and emerging resource areas. Mosman shares were admitted to trading on AIM in March 2014.

The strategic objective of Mosman is to discover economic oil and gas reserves and realise value through the development, joint venture or sale of its oil and gas interests. In 2013, Mosman sourced two opportunities that resulted in the January 2014 acquisition of separate oil and gas projects in New Zealand and Australia. Exploration on the "Petroleum Creek Project" in New Zealand commenced in June 2014 and exploration at the "Officer Basin Project" in Australia will commence subsequent to the conclusion of native title negotiations.

Mosman has now drilled three wells at the Petroleum Creek Project with Oil Discoveries at the first two wells drilled. Further test work is being carried out.

Please refer to "Events Subsequent to the End of the Financial Period" paragraphs (3) and (4) on page 12 of the Directors' Report for details of two corporate acquisitions, OilCo Pty Ltd and Trident Energy Limited, which have augmented the Company's Licence position from one permit and one application in two hydrocarbon basins at 30 June, 2014 to interests in five permits and two applications in five hydrocarbon basins in Australia and New Zealand.

Summary Table of Assets – Oil & Gas Permits and Applications

| Asset | Operator | Mosman Interest | Status | Licence Expiry Date | Area Square Kilometers | Comments |
|---|---|---|---|---|---|---|
| New Zealand, West Coast Basin PEP 38526 | Mosman | 100% | Appraisal | 5 September, 2017 | 143 | Ongoing drilling, seismic and testing |
| Australia, Officer Basin STP-EPA-0071 (Application) | Australian Petroleum Portfolio Pty Ltd | 25% | Exploration | | 22,527 | Issue pending Native Title Negotiations |
| Australia, Otway Basin VIC P62 | Loyz Oil Australia Pty Ltd | 30% | Exploration | 11 July, 2019 | 2,480 | Interpreting results of 247 Km2 2013 3D seismic acquisition |
| Australia, Amadeus Basin EP 145 | Mosman | 100% | Appraisal | 21 August, 2019 | 818 | Priority permit in vicinity of production and infrastructure |
| Australia, Amadeus Basin EPA155 (Application) | Mosman | 100% | Exploration | | 378 | Issue pending Native Title Negotiations |
| Australia, Amadeus Basin EP 156 | Mosman | 100% | Exploration | 6 November, 2016 | 4,164 | Exploration field work commenced October, 2014, Gamma Ray Survey and Field Mapping/Seismic planning |
| Australia, Canning Basin EP 478 | Buru Energy Ltd | 17.5% | Exploration | 31 January, 2016 | 1,772 | Mosman option to participate in next well. |

## New Zealand

### Acquisition of 100% of PEP 38526

In January 2014, Mosman completed the acquisition of a 100% interest in PEP 38526, which covers an area of 143.6 Sq. kms located near Greymouth on the South Island of New Zealand and is referred to as the Petroleum Creek Project.

Achievements in the 2014 fiscal year in respect to the Petroleum Creek Project include:

a) Ministerial approval for the ownership and operatorship of the PEP on 12 December, 2013;
b) Acquisition of 100% of the PEP; (as more fully described below)
c) Geological and geophysical work completed; and
d) Drilling of two shallow wells, Crossroads-1 and Crestal-1, both of which resulted in Oil Discoveries.

The permit includes, in the SE corner, the Kotuku oil seeps. Oil seeps are naturally occurring events, where oil has escaped from a sub-surface reservoir and flowed to the surface and may have been occurring for millennia in this location. This proves the existence of a "kitchen" for the generation of oil and the ability of the oil to flow. The area has good logistics and has prior exploration activity including drilling, seismic and a 20 km electric resistivity survey.

Under the terms of the purchase agreement, the PEP was transferred to a new company; Petroleum Creek Limited (PCL) in return for Mosman assuming sole responsibility for funding the imminent work commitments. PCL issued 60% of its issued capital to Mosman. The Company also had an option to acquire the remaining 40% interest for NZ$900,000 payable in either cash, or Mosman shares. The vendor retains a 2% over-riding royalty on production from this Permit.

Mosman approached New Zealand Petroleum & Minerals (NZPAM) to request approval for a change of work commitments on PEP 38526. This variation was approved and in January, 2014 the Company then exercised its option to acquire the remaining 40% of PCL which was settled by the issue of 8,363,700 Shares at an agreed consideration of $0.10 per share.

Subsequently, Mosman met the revised 2013 - 2014 Permit commitment with the drilling of the Crestal-1 and Crossroads-1 exploration wells. Both wells were deemed Oil Discoveries in accordance with NZ government law.

## Australia

### Acquisition of 25% of Exploration Permit Application STP-EPA-0071

Also in January 2014, Mosman completed the acquisition of a 25% interest in Permit Application STP-EPA-0071 for an oil and gas petroleum exploration permit by acquiring all the shares of Petroleum Properties Pty. Ltd., a company owned by A R Carroll, a Mosman Director. The Licence area is located in the Western Australian part of the Officer Basin and covers an area of 22,527 sq. kms.

Consideration for this purchase was the issue of 9,000,000 Shares to A R Carroll at an agreed value of $0.10 per share, being a consideration of $900,000.

The project area is located in one of the more explored parts of the Officer Basin and offers both conventional and unconventional potential with hydrocarbon shows reported. There is currently no production on this permit. This application is an early stage exploration project with a modest initial work program.

The permit will be granted after the Native Title Act requirements are satisfied, which includes matters concerning heritage clearance, land access and other traditional land owner rights. Native title negotiations with respect to the application are continuing.

**Corporate information**

Mosman was first registered as an Australian public company in 2011 and changed its name to "Mosman Oil and Gas Limited" (hereafter referred to as Mosman or the Company) in 2012.

At 30 June 2014, Mosman has three wholly owned Subsidiaries:

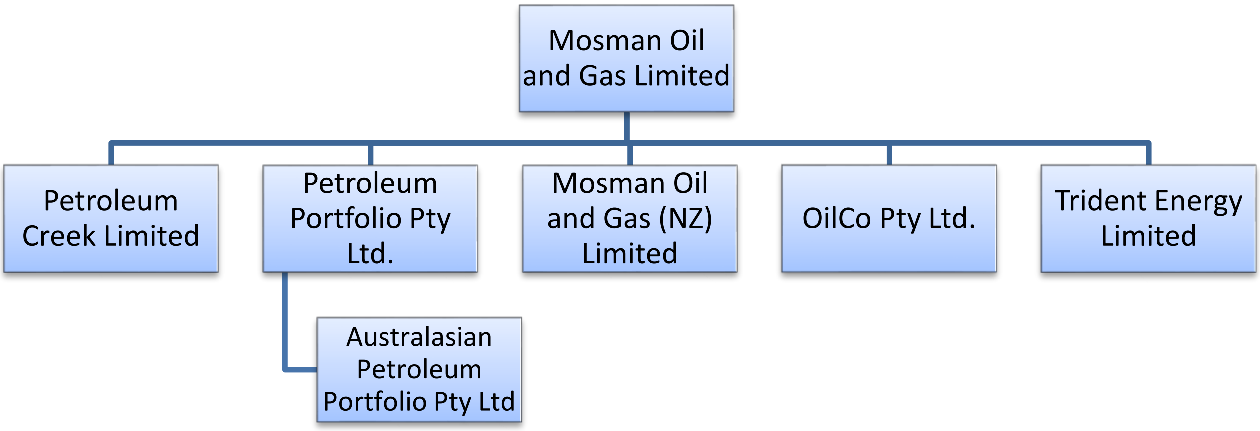
1. Petroleum Creek Limited (a New Zealand incorporated company) which holds 100% of the New Zealand petroleum exploration permit PEP 38526;

2. Petroleum Portfolio Pty Limited (an Australian incorporated company) (PPPL), which owns 25% of the share capital of Australian Petroleum Portfolio Pty Ltd (APPPL) which is the approved applicant for a petroleum exploration permit in the Officer Basin, Western Australia; and

3. Mosman Oil and Gas (NZ) Limited (a New Zealand incorporated company), which recently made applications for additional permits in New Zealand.

Details of these Controlled Entities and an Associated Entity are contained in Notes 20 and 21 to the Financial Statements. Please refer to "Events Subsequent to the End of the Financial Period" paragraphs (3) and (4) on page 12 of the Directors' Report for details of two corporate acquisitions, OilCo Pty Ltd and Trident Energy Limited.

The Company Group structure is:




**Directors**

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

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

**Directors meetings**

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

| Director | Number of meetings held during the time the director held office | Number of meetings attended |
|---|---|---|
| J W Barr | 18 | 17 |
| A R Carroll | 14 | 14 |
| J A Young | 18 | 16 |

**Principal Activities**

The principal activities of the Company during the financial year were to complete the admission on AIM and raise capital under an initial public offering, acquire prospective resource projects and prepare to commence an exploration drilling program in New Zealand.

**AIM Admission**

In March 2014, the Company completed a major milestone with its Admission to AIM after an initial public offering (IPO). This, and subsequent issues on AIM up to 22 October, 2014, are summarized as follows:

| Issue Date | Shares Issued | Issue Price | Gross Proceeds |
|---|---|---|---|
| 20 March 2014 | 18,750,000 | $0.146(IPO) | $2,739,014 |
| 27 May 2014 | 3,500,000 | $0.181 | $632,599 |
| 20 June 2014 | 13,043,474 | $0.416 | $5,421,870 |
| 14 July 2014 | 1,000,000 | $0.200 | $200,000 |
| 14 July 2014 | 100,000 | $0.150 | $15,000 |
| 16 July 2014 | 2,000,000 | $0.050 | $100,000 |
| 15 September 2014 | 6,250,000 | $0.377 | $2,356,250 |
| 14 October 2014 | 2,796,440 | $0.251 | $702,944 |

The consideration for all Share Issues was cash, with the two exceptions:

1. $185,907 to settle Accounts Payable (see Note 9 (v)); and
2. $702,944 being Gross Proceeds of the 14 October 2014 issue of 2,796,440 shares as the consideration for acquiring 13,982,219 Trident Shares, representing 96.66 % of the entire issued capital of Trident.

**Corporate Financial Position**

As at 30 June 2014 the Company had cash reserves and other receivables of $6,556,709 (2013: $450,014).

**Results of Operations**

The net loss of the Company for the year ended 30 June 2014 was $1,863,152 (2013:$712,336). This was mainly due to increased general and administrative expenditure directly related to the AIM admission expenses of $684,890 and share based payments of $328,522.

## Future Developments, Prospects and Business Strategies

The Company proposes to continue its current focus, particularly in respect to New Zealand and Australia.

*Exploration Risk*

Oil and gas exploration and development are high-risk undertakings, and there is no assurance that exploration will result in the discovery of an economic deposit. Even if an apparently viable deposit is identified there is no guarantee that it can be economically exploited.

The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to permitting requirements, availability of appropriate exploration equipment, exploration costs, seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents and many other factors beyond the control of the Company. Much of the Company's Australian exploration acreage is remote and so lack of infrastructure to commercialize any discoveries is always a consideration and impacts economic viability and required capital to develop assets.

## Dividends

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

## Environmental Regulations

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

## Significant Changes

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

## Events Subsequent to the End of the Financial Period

Material transactions arising since 30 June 2014 which will significantly affect the operations of the Company, the results of those operations, or the state affairs of the Company in subsequent financial periods are:

### (1) Exercise of Options

Since 30 June 2014, and up until the date of this report, the following options have been exercised.

| *Option Holder* | *Number of Options Exercised* | *Exercise Price* | *Exercise Date* |
|---|---|---|---|
| MP Bowen | 1,000,000 | 20 cents each | 14 July 2014 |
| Santina Limited | 2,000,000 | 5 cents each | 16 July 2014 |
| Employee | 100,000 | 15 cents each | 14 July 2014 |

### (2) Southbank Agreement

In July 2014, Mosman entered into an agreement with Southbank Capital Pty Ltd (Southbank) pursuant to which Southbank was engaged to act as non-exclusive corporate and financial advisor to Mosman. On 24 September 2014, Mosman paid Southbank $361,350, primarily to assist with the acquisition of Trident Energy Ltd.

**(3) Acquisition of Trident Energy Limited (Trident)**

1. On 2 July 2014, Mosman announced that it had entered into a binding Bid Implementation Agreement to acquire all of the issued shares in Trident, an Australian unlisted public company with onshore and offshore oil permits in Australia.

2. On 22 August 2014, Mosman announced that it had lodged with the Australian Securities and Investments Commission the Bidder's Statement to Trident shareholders in relation to the offer to acquire all of the issued shares of Trident.

3. On 17 September 2014, Mosman announced that it had received acceptances from Trident shareholders totaling 80.06% of the issued capital of Trident. Following this significant acceptance milestone, Mosman notified Trident that the Company waived all remaining bid conditions in Section 10.10 of the Bidder's Statement and that the Offer was declared unconditional.

4. On 30 September 2014, Messrs. Barr and Carroll were appointed to the Board of Trident.

5. On 14 October 2014, Mosman issued 2,796,444 Consideration Shares for 13,982,219 Trident shares, representing 96.66% of the issued capital of Trident.

6. On 17 October 2014, the Offer Closed and the remaining 482,669 Trident shares will be compulsorily acquired by the issue of a further 96,534 Mosman Consideration Shares. Trident's operations are currently being moved to Mosman's head office in Sydney.

**The transaction is summarized as follows:**

a) Mosman will issue a total of 2,892,978 Consideration Shares to acquire all of the issued share capital of Trident on the basis of one Mosman share for every five Trident shares. 80% of the Consideration Shares, or 2,314,382 Mosman shares, will be subject to a 12-month lock-in period from 17 October, 2014;
b) The directors of Trident (the "Trident Directors") are owed $1,269,156 by Trident for Directors' fees, consulting fees and loans, and have agreed to forebear from requiring payment of 85.7% of these monies until the date that is one year from the end of the Offer Period. Trident Directors have agreed, that in lieu of receiving these monies owing to them by Trident, they will accept, if required by Trident, a total of 2,174,042 Mosman Shares as settlement of $1,088,021 of their amounts due;
c) The remaining amount owing to Trident Directors of $181,135 will be settled in cash within 30 days of the closing of the transaction
d) Trident has agreed with its financial advisor, DDM, that if required by Trident, in lieu of receiving cash fees of $100,000 in respect of the Offer, DDM will accept 200,000 Mosman Shares payable on or before 17 October, 2015;
e) Mosman has also agreed to issue, for and on behalf of Trident, 68,858 shares to a specified third party creditor of Trident in lieu of part of the amount owing to that creditor by Trident; and
f) Mosman and Trident have entered into a loan agreement pursuant to which Mosman has, subsequent to 30 June 2014, advanced Trident $750,000 to utilize to repay certain third party creditors, the Trident Directors' cash payment described in c. above, as well as for general working capital expenses.

**(4) Acquisition of OilCo Pty. Ltd. (OilCo)**

On 27 August, 2014, the Company entered into an agreement to acquire OilCo, a Company with oil & gas interests in the following oil and gas exploration permits in Australia:

1. 100% Interest in Licence EP156 in the Amadeus Basin; and
2. 100% Interest in Licence Application EP(A)155 in the Amadeus Basin.

Consideration for the acquisition is comprised as follows:

a) Mosman will fund the 2014 minimum work commitment estimated to be up to $425,000 which is due for completion by 24 November, 2014;
b) Mosman will refund the $10,000 Deposit with the Minister of Mines and Energy; and
c) Grant the vendor; High Peaks Royalties Ltd (HPR) a 2% Overriding Royalty on any production that results from the acquired permits.

HPR and OilCo are entities affiliated with a Director of the Company, A R Carroll, and as such the acquisition of OilCo was a Related Party Transaction. The remaining Directors, having consulted with the Company's nominated adviser, consider that the terms of the transaction are fair and reasonable insofar as its shareholders are concerned.

**Information on Directors**

| Director | Qualifications, experience & special responsibilities |
|---|---|
| **J W Barr** | **CA FAICD**<br>**Executive Chairman**<br><br>Mr. John W Barr is a Chartered Accountant and Fellow of the Australian Institute of Company Directors and has acted as Director of listed and unlisted companies for over thirty years. He has extensive Australian and international experience with exposure to manufacturing, mining and mineral exploration and development in respect to several commodities.<br><br>Mr. Barr specializes in the management of private and public companies including advice on capital raisings, mergers and acquisitions, negotiating onshore and offshore acquisitions and joint ventures, negotiating commodity based funding, and compliance with corporate and stock exchange requirements. |
| **A R Carroll** | ***MA, BA***<br>***Technical Director***<br><br>Mr. Carroll has over 30 years of oil industry experience, from permit applications and initial exploration operations including drilling, to development, production and marketing of oil and gas. Initially worked at BP and led the E&P division of InterOil Corporation from applying for Permits to discovery of a new petroleum system in Papua New Guinea (PNG) that is now being developed for LNG exports.<br><br>International experience includes UK, Canada, Australia, NZ and PNG. Currently founder and Managing Director of Australasian Energy Pty Ltd and Director of ASX listed High Peak Royalties Ltd. Previous roles include Executive Chairman of Ausam Resources and Managing Director of ASX listed Great Artesian Oil and Gas. |
| **J A Young** | ***B App Sc (Geol), Grad Dip Tech Management, MAUSIMM,***<br>***Non-Executive Director***<br><br>Mr. Young is a geologist with 25 years experience in resource project management and corporate management. He is a Member of the Australian Institute of Mining and Metallurgy and the Australian Institute of Company Directors and has worked on wide variety of mineral and resource projects throughout Australia and overseas. In addition, Mr. Young has held senior management and operational positions. He is currently Exploration Manager of Arunta Resources Limited and Pilbara Minerals Limited both exploration companies listed on the ASX. |
| **Z R Lewis** | **Bachelor of Economics (UWA),**<br>**Company Secretary**<br><br>Mr. Lewis is an associate 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. Mr. Lewis has over 20 years experience and leadership of small cap multinational companies. Mr. Lewis' skillset includes corporate advisory roles with ASX companies and unlisted companies as well as extensive international experience managing the Commtech Wireless Group of software and technical companies in USA, Europe, Hong Kong, China and Australia. |

**Indemnification and insurance of officers**

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

# REMUNERATION REPORT

## 1. Principles of Remuneration

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

**Board Members' Remuneration Policy**

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

## 2. Board of Director's Remuneration Arrangements

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

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

| KMP Fees and Consulting Fees Paid | Year to 30 June 2014 | Year to 30 June 2013 |
|---|---|---|
| J W Barr – Executive Chairman<br>Kensington Advisory Services Pty Ltd | $279,500[1] | $144,000 |
| A R Carroll – Technical Director<br>Australasian Energy Pty Ltd | $253,500[2] | $75,000 |
| J A Young – Non-Executive Director<br>Metallon Resources Pty Ltd | $49,821[3] | $45,000 |
| M P Bowen – Non-Executive Director<br>Hardy Bowen Lawyers | Nil[4] | $44,811 |
| Z R Lewis – Company Secretary<br>Small Cap Corporate | $138,107[5] | $24,249 |
| **Totals** | **$720,928** | **$333,060** |

1. Directors fees of $60,000 and consulting fees of $219,500 were paid and payable to Kensington Advisory Services Pty Ltd;
2. Director fees of $30,000 and consulting fees of $223,500 were paid and payable to Australasian Energy Pty Ltd;
3. Directors fees of $30,000 and consulting fees of $19,821 were paid and payable to Metallon Resources Pty Ltd; and
4. MP Bowen resigned as a Director on 25 February, 2013.
5. Consulting Fees of $138,107 were paid and payable to Z R Lewis' accounting firm, Small Cap Corporate.

**Options**

In addition to the above, during the year to 30 June 2014, Mr. John W Barr and Mr. Carroll both received 1,000,000 incentive options, each valued at $53,371 for a total share based compensation of $106,742. (See Note 22 – Share Based Payments for details of the calculation).

No other fees were paid to Directors during the financial year under review. There is no direct link between remuneration paid to any of the KMP and corporate performance such as bonus payments for achievements of key performance indicators.

### Service Agreements

#### The Executive Chairman, Mr. John W Barr

J W Barr is employed under a contract for services with Kensington Advisory Services Pty Ltd. The Agreement commenced on 30 May 2013.

Under the terms of the present contract:

- The Agreement is for a period of date of commencing 30 May 2013 through to Listing on a recognized stock exchange, 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 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; and

- Kensington Advisory Services Pty Ltd will provide consulting services for which it will be remunerated $1,250 per day worked prior to the 20 March, 2014 AIM Listing, and thereafter $1,250 a day subject to a minimum of $15,000/month.

#### The Technical Director, Mr. Andrew R Carroll

A R Carroll is employed under a contract for services with Australasian Energy Pty Ltd. The Agreement commenced on 21 February 2013.

Under the terms of the present contract:

- The Agreement is for a period of date of commencing 21 Feb 2013 through to Listing on a recognized stock exchange, and thereafter one year after listing and can be terminated by either the Company or Australasian Energy Pty Ltd by giving more than 1 month's written notice. Should notice be given during the 12 months after listing, Australasian Energy will be entitled to the balance of unpaid fees that would have been payable for that 12 months period; and

- Australasian Energy Pty Ltd will provide consulting services for which it will be remunerated $2,000 per day worked prior to the 20 March, 2014 AIM Listing, and thereafter $2,000 a day subject to a minimum of $10,000/month.

#### The Non-Executive Director, Mr. John A Young

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

Under the terms of the present contract:

- Mr. Young provides consultancy services to Mosman pursuant to a consultancy agreement between the Company, Mr. Young's nominee, Metallon Resources Pty Ltd (Metallon), and Mr. Young dated 25 May 2014. In accordance with that agreement, Mr. Young must provide a minimum of eight days per month of service to the Company for a retainer of $100 per hour to a maximum of $1,000 per day.
- This agreement commenced on 1 June 2014 and continues until terminated by either Mosman or Metallon by giving not less than 3 months written notice.

#### The Company Secretary, Mr. Zane R Lewis

Z R Lewis is employed under a contract for services with Small Cap Corporate Pty Ltd.

Under the terms of the present contract:

- Mr. Lewis provides consultancy services to Mosman pursuant to a consultancy agreement between the Company and Mr. Lewis' nominee, Small Cap Corporate Pty Ltd. (Small Cap), dated 3 October 2013. In accordance with that agreement, Mr. Lewis provides Company Secretarial and CFO services for a fee of $250 per hour, with a minimum of 30 hours per month. Hours in excess of 30 per month are billed at $275 per hour, but are capped at $1,600 per day. This agreement commenced on 3 October, 2013 and can be terminated by either party giving not less than 3 months written notice. Mr. Lewis agreed to accept payment of $2,500 per month of his consulting fees by the issue of Company shares. See Note 22 (6) – Share Based Payments.

**Board of Directors' Dealings in Company Securities**

As more fully disclosed in the Financial Statements (Note 9 – Contributed Equity), at 30 June, 2014, the Company had issued 77,927,175 Ordinary Shares (2013 - 21,350,001). The Directors (and their related entities) owned the following shares and options of the Company as at 30 June, 2014, representing 28.4% of the undiluted issued capital of Mosman at that:

| Director | Title | Directors' Interest in Ordinary Shares | Company Ownership | Directors' Interest in Unlisted Options |
|---|---|---|---|---|
| John W Barr | Executive Chairman | 10,100,001 | 13.0% | 2,000,000 [1] |
| Andrew R Carroll | Technical Director | 10,850,000 | 13.9% | 1,000,000 [2] |
| John A Young | Non-Executive Director | 1,150,000 | 1.5% | 1,000,000 [3] |
| **Total Director Holdings** | | 22,100,001 | 28.4% | 4,000,000 |

1. Comprises 1,000,000 Mosman Options having an exercise price of $0.20 and an expiry date of 31 March 2016, issued in a prior financial year and 1,000,000 Mosman Options having an exercise price of $0.15 and an expiry date of 13 January 2019, issued during the current financial period;

2. Mosman Options having an exercise price of $0.15 and an expiry date of 13 January 2019 issued during the current financial period; and

3. Mosman Options having an exercise price of $0.20 and an expiry date of 31 March 2016.

M P Bowen had been issued 1,000,000 options with an exercise price of $0.20 and an Expiry of 31 March 2016 in a prior year. As M P Bowen ceased to be a Director on 25 February, 2013 his options are no longer disclosed in the above table and have been exercised subsequent to the year end.

At the date of this report, the Company had issued 90,073,615 shares and so the Board's ownership of the Company has been reduced to 24.5% from 28.4% at 30 June, 2014.

**Mosman Locked-In Shares**

All Mosman shares and options held by Directors and Aorere are the subject of Lock-In agreements under the AIM Rules until 20 March, 2015, being one year following Admission. 80% of the Trident Consideration Shares are locked-in for a period of one year ending 17 October, 2015.

At the date of this report escrowed shares represent 38.5% of the Company's 90,073,615 ordinary issued shares.

| Shareholder | Holdings Locked-in |
|---|---|
| Mr. J W Barr | **10,100,001** |
| Mr. A R Carroll | **10,850,000** |
| Aorere Resources Limited | **10,238,700** |
| Mr. J A Young | **1,150,000** |
| Trident Consideration Shares | **2,314,382** |
| **Total Shares Locked-In** | **34,653,083** |

**KMP dealings in Ordinary Shares and Options of the Company**

| ORDINARY SHARES | 30 June 2013 Balance | Granted as Consideration Re: Officer Permit Application during the Year | Issued on Exercise of Options during the Year | Other Changes during the Year | 30 June 2014 Balance |
|---|---|---|---|---|---|
| Mr J W Barr | 7,500,001 | - | - | 2,600,000 | 10,100,001 |
| Mr A Carroll[1] | - | 9,000,000 | - | 1,850,000 | 10,850,000 |
| Mr J Young | 1,000,000 | - | - | 150,000 | 1,150,000 |
| Mr Z Lewis | 120,000 | - | - | 321,875 | 441,875 |
| **Totals** | 8,620,001 | 9,000,000 | - | 4,921,875 | 22,541,876 |

1 On 15 January, 2014 Mr Carroll received 9,000,000 shares related to the Company's acquisition of an indirect 25% interest in a Licence application for a permit in the Officer Basin, as more fully disclosed in the Note 12 – Related Party Transactions.

| ORDINARY SHARES | 30 June 2012 Balance | Granted as Remuneration during the Year | Issued on Exercise of Options during the Year | Other Changes during the Year | 30 June 2013 Balance |
|---|---|---|---|---|---|
| Mr J W Barr | 2,000,001 | - | - | 5,500,000 | 7,500,001 |
| Mr A Carroll | - | - | - | - | 0 |
| Mr J Young | 1,000,000 | - | - | - | 1,000,000 |
| Mr M Bowen[1] | 400,000 | - | - | - | 400,000 |
| Mr Z Lewis[2] | - | 120,000 | - | - | 120,000 |
| **Totals** | 3,400,001 | 120,000 | - | 5,500,000 | 9,020,001 |

1 MP Bowen resigned during February 2013.

2 Mr. Lewis is Company Secretary

**KMP Option holdings**

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

| OPTIONS | 30 June 2013 Vested Balance | Granted as Remuner-ation during the Year | Exercised during the Year | Other Changes during the Year | 30 June 2014 Balance | Vested and Exercisable |
|---|---|---|---|---|---|---|
| Mr J W Barr | 1,000,000 | 1,000,000 | - | - | 2,000,000 | 2,000,000 |
| Mr A Carroll | - | 1,000,000 | - | - | 1,000,000 | 1,000,000 |
| Mr J Young | 1,000,000 | - | - | - | 1,000,000 | 1,000,000 |
| Mr Z Lewis | - | 400,000 | - | - | 400,000 | 400,000 |
| **Totals** | 2,000,000 | 2,400,000 | - | - | 4,400,000 | 4,400,000 |

| OPTIONS | 30 June 2012 Balance | Granted as Remuneration during the Year | Exercised during the Year | Other Changes during the Year | 30 June 2013 Vested Balance |
|---|---|---|---|---|---|
| Mr J W Barr | **1,000,000** | **-** | **-** | **-** | **1,000,000** |
| Mr A Carroll | **-** | **-** | **-** | **-** | **0** |
| Mr J Young | **1,000,000** | **-** | **-** | **-** | **1,000,000** |
| Mr M Bowen | **1,000,000** | **-** | **-** | **-** | **1,000,000** |
| **Totals** | **3,000,000** | **-** | **-** | **-** | **3,000,000** |

**OPTIONS**

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

| *Grant Date* | *Number of Options on Issue* | *Exercise Price* | *Expiry Date* |
|---|---|---|---|
| 11 April, 2011 | 2,000,000 | 20 cents each | 31 March 2016 |
| 15 January, 2014 | 3,100,000 | 15 cents each | 13 January 2019 |
| 20 March, 2014 | 1,227,674 | 8 Great Britain Pence | 20 March 2019 |
| **Total Unlisted Options** | **6,427,674** | | |

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

Since 30 June 2014 and up until the date of this report the following options have been exercised.

| *Option Holder* | *Number of Options on Issue* | *Exercise Price* | *Exercise Date* |
|---|---|---|---|
| MP Bowen | 1,000,000 | 20 cents each | 14 July 2014 |
| Santina Limited | 2,000,000 | 5 cents each | 16 July 2014 |
| Employee | 100,000 | 15 cents each | 14 July 2014 |

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

**Amounts outstanding from related parties:**

At 30 June 2014 the Company's 100% owned subsidiary, Petroleum Creek Limited (PCL), owed Mosman Oil and Gas Limited $2,059,954 (2013: $168,041). The Company has executed a Loan Agreement with PCL covering amounts up to $2,000,000 bearing interest at 7% pa and secured by a Fixed and Floating charge over the assets of PCL, as registered with the NZ Ministry of Economic Development Companies Office on 17 April, 2014.

**Loan Facility – J W Barr**

On 8 January 2014, J W Barr advanced $100,000 to the Company, which has since been repaid. On 13 March 2014, J W Barr signed a Loan Agreement with the Company for up to $300,000. At 30 June 2014, no amounts had been drawn down against this facility and this Loan Agreement and the facility has expired. During the current financial year there were no other loans to or from Directors. (2013 - Nil).

**Other Related Party Transactions**

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

1.The Company issued 9,000,000 shares to A R Carroll for the acquisition of Petroleum Portfolio Pty Ltd in order to obtain an indirect 25% interest in the Officer Basin Permit application and;

2. The Company assumed certain Licence commitments, paid cash of $10,000 and issued a 2% overriding royalty as consideration for the acquisition of OilCo Pty Ltd. from High Peaks Royalties Ltd. in order to obtain Licence interests in the Amadeus Basin. A R Carroll is affiliated with both these companies.

**NON AUDIT SERVICES**

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

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

The following fees were paid or payable to Somes Cooke for non-audit services provided during the year ended 30 June 2014:

| | **2014** | **2013** |
|---|---|---|
| | **$** | **$** |
| Taxation services | 2,000 | 1,000 |
| Professional services[1] | 6,485 | 5,000 |
| Total Non Audit Fees | 8,485 | 6,000 |

1- During the year Somes Cooke provided taxation services and professional services to Mosman for the Company's AIM listing and the Trident Takeover Bidders Statement.

**PROCEEDINGS ON BEHALF OF THE COMPANY**

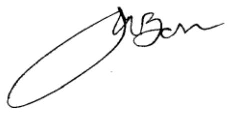
No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of the proceedings.

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

**AUDITOR INDEPENDENCE DECLARATION**

The auditor's independence declaration as required under s307c of the Corp Act 2001 is included in the financial report and forms part of the financial report for the financial year ended 30 June 2014.

Signed in accordance with a resolution of the Directors.



John W. Barr
Executive Chairman

23 October 2014

# Corporate Governance Statement

## CORPORATE GOVERNANCE

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

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

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

The QCA Code sets out a code of best practice for AIM companies. Those 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 A. Young has been established to operate with effect from Admission. The audit committee will determine the application of financial reporting and internal control principles, including reviewing the effectiveness of the Group's financial reporting, internal control and risk management procedures and the scope, quality and results of the external audit. The audit committee will be chaired by John W Barr.

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

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.

**Board of Directors**

**Role of the Board and Management**

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

The Board has sole responsibility for the following:

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

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

**Composition of the Board and New Appointments**

The Company currently has the following Board members:

J W Barr - Executive Chairman
A R Carroll - Technical Director
J A Young - Non-executive Director

Details of the directors, including their qualifications, experience and date of appointment are set out in the Directors' Report. The Company's Constitution provides that the number of Directors shall not be less than three and not more than ten. There is no requirement for any share holding qualification.
The Board considers that J A Young is an Independent Director of the Company.

**Nominated Advisor**

In accordance with the AIM Rules for Companies, ZAI Corporate Finance Limited has been assigned to monitor and approve key actions of the Board of the Company on an ongoing basis. This corporation is referred to as the NOMAD, or Nominated Advisor, whose responsibility is to ensure the interests of AIM and the company's shareholders are protected.

SOMES COOKE
Profit from our Resources

35 Outram St
West Perth
WA 6005

PO Box 709
West Perth
WA 6872

T 08 9426 4500 F 08 9481 5645
W somescooke.com.au
E info@somescooke.com.au

Chartered Accountants (Aus)
Business Consultants
Financial Advisors

# Independent Auditor's Report
# To the members of Mosman Oil and Gas Limited

## Report on the Financial Report

We have audited the accompanying financial report of Mosman Oil and Gas Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the financial period.

*Directors' Responsibility for the Financial Report*

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

*Auditor's Responsibility*

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

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

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

*Independence*

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

*Opinion*

In our opinion:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Somes Cooke

Somes Cooke

Nicholas Hollens

Nicholas Hollens
23 October 2014
Perth

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**
**Year Ended 30 June 2014**
**All amounts are Australian Dollars**

| | Note | Consolidated 30 June 2014 $ | Consolidated 30 June 2013 $ |
|---|---|---|---|
| Interest income | | **2,524** | **2,773** |
| Administrative expenses | | **(57,155)** | **(7,409)** |
| Corporate expenses | | **(1,385,595)** | **(326,009)** |
| Exploration write off | | **(3,015)** | **(305,252)** |
| Employee benefits expense | | **(52,276)** | **(25,686)** |
| Share based payments expense | 22 | **(328,522)** | **(50,000)** |
| Gain/(Loss) on foreign exchange | | **(36,983)** | **-** |
| Depreciation expense | | **(2,130)** | **(753)** |
| **Loss from ordinary activities before income tax expense** | 2 | **(1,863,152)** | **(712,336)** |
| Income tax expense | 3 | **-** | **-** |
| **Net loss for the year** | | **(1,863,152)** | **(712,336)** |
| **Other comprehensive income** | | **-** | **-** |
| **Total comprehensive income attributable to members of the entity** | | **(1,863,152)** | **(712,336)** |
| Basic earnings/(loss) per share (cents per share) | 15 | ***(4.55) cents*** | ***(4.89) cents*** |
| Diluted earnings/(loss) per share (cents per share) | 15 | ***(4.55) cents*** | ***(4.89) cents*** |

The accompanying notes form part of these financial statements.

**Consolidated Statement of Financial Position**
**As at 30 June 2014**
**All amounts are Australian Dollars**

| | Notes | Consolidated 30 June 2014 | Consolidated 30 June 2013 |
|---|---|---|---|
| | | $ | $ |
| **Current Assets** | | | |
| Cash and cash equivalents | 5 | 6,289,921 | 427,666 |
| Trade and other receivables | 6 | 266,788 | 22,348 |
| Total Current Assets | | 6,556,709 | 450,014 |
| **Non-Current Assets** | | | |
| Property, plant & equipment | | 3,573 | 5,703 |
| Capitalized oil & gas exploration expenditure | 7 | 3,986,591 | 183,973 |
| Total Non-current Assets | | 3,990,164 | 189,676 |
| Total Assets | | 10,546,873 | 639,690 |
| **Current Liabilities** | | | |
| Trade and other payables | 8 | 1,005,936 | 59,065 |
| Provisions | | 4,692 | - |
| Share application monies received in advance | | 15,000 | - |
| Total Current Liabilities | | 1,025,628 | 59,065 |
| **Net Assets** | | 9,521,245 | 580,625 |
| **Shareholders' Equity** | | | |
| Contributed equity | 9 | 11,972,319 | 1,585,000 |
| Option Reserve | 10 | 416,453 | - |
| Accumulated losses | 11 | (2,867,527) | (1,004,375) |
| **Total Shareholders' Equity** | | 9,521,245 | 580,625 |

The accompanying notes form part of these financial statements.

**Consolidated Statement of Changes in Equity**
**Year Ended 30 June 2014**
**All amounts are Australian Dollars**

| | Accumulated Losses $ | Contributed Equity $ | Reserves $ | Total $ |
|---|---|---|---|---|
| **Balance at 1 July 2012** | **(292,039)** | **550,000** | **-** | **257,961** |
| **Comprehensive income** | | | | |
| Profit for the year | **(712,336)** | **-** | **-** | **(712,336)** |
| Other comprehensive income for the year | **-** | **-** | **-** | **-** |
| **Total comprehensive income for the year** | **(712,336)** | **-** | **-** | **(712,336)** |
| **Transactions with owners, in their capacity as owners, and other transfers** | | | | |
| Shares issued to shareholders | **-** | **1,035,000** | **-** | **1,035,000** |
| **Total transactions with owners and other transfers** | **-** | **1,035,000** | **-** | **1,035,000** |
| **Balance at 1 July 2013** | **(1,004,375)** | **1,585,000** | **-** | **580,625** |
| **Comprehensive income** | | | | |
| Profit for the year | **(1,863,152)** | **-** | **-** | **(1,863,152)** |
| Other comprehensive income for the year | **-** | **-** | **-** | **-** |
| **Total comprehensive income for the year** | **(1,863,152)** | **-** | **-** | **(1,863,152)** |
| **Transactions with owners, in their capacity as owners, and other transfers** | | | | |
| Shares issued to shareholders | **-** | **10,921,853** | **-** | **10,921,853** |
| Capital raising costs | **-** | **(534,534)** | **-** | **(534,534)** |
| Options issued | **-** | **-** | **416,453** | **416,453** |
| **Total transactions with owners and other transfers** | **-** | **10,387,319** | **416,453** | **10,803,772** |
| **Balance at 30 June 2014** | **(2,867,527)** | **11,972,319** | **416,453** | **9,521,245** |

These accompanying notes form part of these financial statements

**Consolidated Statement of Cash Flows**
**Period Ended 30 June 2014**
**All amounts are Australian Dollars**

| | Notes | Consolidated June 2014 $ | Consolidated June 2013 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Interest received | | 2,524 | 2,773 |
| Payments to suppliers and employees | | (1,607,485) | (356,324) |
| **Net cash (outflow) from operating activities** | 16 | **(1,604,961)** | **(353,551)** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant & equipment | | - | (6,456) |
| Payments for exploration and evaluation | | (1,246,664) | (403,082) |
| **Net cash (outflow) from investing activities** | | **(1,246,664)** | **(409,538)** |
| **Cash flows from financing activities** | | | |
| Proceeds from shares issued | 9 | 8,949,576 | 985,000 |
| Payments for costs of capital | | (250,696) | - |
| Proceeds from share subscriptions received in advance | | 15,000 | - |
| **Net cash inflow from financial activities** | | **8,713,880** | **985,000** |
| **Net increase in cash and cash equivalents** | | **5,862,255** | **221,911** |
| **Cash and cash equivalents at the beginning of the financial period** | | **427,666** | **205,755** |
| **Cash and cash equivalents at the end of the financial period** | 5 | **6,289,921** | **427,666** |

The accompanying notes from part of these financial statements

**Notes to the Financial Statements**
**30 June 2014**
**All amounts are Australian Dollars**

## 1 Statement of Accounting Policies

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

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

### (a) Basis of Preparation

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

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

The financial report was authorised for issue by the Directors on 22 October, 2014.

### (b) Principles of Consolidation

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

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. Details of Controlled and Associated entities are contained in Notes 20 and 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

### (c) Use of Estimates and Judgements

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

Critical Accounting Estimates and Judgements

Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

Taxation

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

Exploration and evaluation assets

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

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

### (d) Income Tax

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

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

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

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

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

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

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

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

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

### (e) Goods and Services Tax

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

**(i)** Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognized as part of the cost of acquisition of the asset, or as part of the expense item as applicable;

**(ii)** Receivables and payables are stated with the amount of GST included;

**(iii)** The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position;

**(iv)** Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows; and

**(v)** Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(f) Property, Plant and Equipment**

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

**(g) 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 amortized over the life of the area according to the rate of depletion of the economically recoverable reserves.

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

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

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

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

**(h) Accounts Payable**

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

**(i) 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.

**(j) 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.

**(k) Share-Based Payment Transactions**

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

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

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

**(l) Comparative Figures**

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

**(m) Financial Risk Management**

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

**(n) Financial Instruments**

Recognition and Initial Measurement

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

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

Derecognition

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

Classification and Subsequent Measurement

i. Financial assets at fair value through profit or loss

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

ii. Loans and receivables

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

iii. Held-to-maturity investments

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

iv. Available-for-sale financial assets

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

v. Financial Liabilities

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

vi. Impairment

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

**(o) Impairment of Assets**

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

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

### (p) Employee Entitlements

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

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

### (q) Provisions

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

### (r) Cash and Cash Equivalents

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

### (s) Revenue and other Income

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

### (t) Acquisition of subsidiary not deemed a business combination

The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities transferred and the equity interests issued by the group. The consideration transferred also include the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in an asset acquisition, are with limited exceptions, measured initially at their fair values at the acquisition date. The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as deferred exploration expenditure.

### (u) New standards and interpretations Adopted in 2013/14 FY

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013:

AASB 10: Consolidated Financial Statements;
AASB 11: Joint Arrangements;
AASB 13: Fair Value Measurement;
AASB 119: Employee Benefits; and
AASB 127: Separate Financial Statements

**Account Standard and Interpretation**

*AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'*

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and provides a revised definition of "control" such that an investor controls an investee when:

a) it has power over an investee;
b) it is exposed, or has rights, to variable returns from its involvement with the investee; and
c) has the ability to use its power to affect its returns.

All three of these criteria must be met for an investor to have control over an investee. This may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements. There have been no changes to the treatment of investees compared to prior year.

*AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'*

AASB 11 replaces AASB 131 'Interests in Joint Ventures. AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. Application of this standard has not impacted on the financial statements of the Group.

*AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'*

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

*AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'*

AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of AASB 119 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

Application is AASB 119 Employee Benefits has not impacted on the financial statements for the year ended 30 June 2014.

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**v) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- *AASB 9 Financial Instruments* and associated Amending Standards (applicable for annual reporting period commencing 1 January 2017)

  AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The 2010 revisions introduce additional changes relating to financial liabilities.
  The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

  Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

  Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impractical at this stage to provide a reasonable estimate of such impact.

  - *Other standards not yet applicable*
    These standards are not expected to have a material impact on the entity in the current or future reporting periods.

| **Standard/Interpretation** | **Effective for annual reporting periods beginning on or after** | **Expected to be initially applied in the financial year ending** |
|---|---|---|
| AASB 1031 'Materiality' (2013) | 1 January 2014 | 30 June 2015 |
| AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities' | 1 January 2014 | 30 June 2015 |
| AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets' | 1 January 2014 | 30 June 2015 |
| AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting' | 1 January 2014 | 30 June 2015 |
| AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities' | 1 January 2014 | 30 June 2015 |
| AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' | 1 January 2014 | 30 June 2015 |

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| | Consolidated 30 June 2014 $ | Consolidated 30 June 2013 $ |
|---|---|---|
| **2 Expenses include:** | | |
| Contributions to employees superannuation plans | **5,550** | **1,581** |
| Pre-AIM admission costs | **684,890** | **137,155** |

### 3 Income Tax

No income tax is payable by the Group as it has incurred losses for income tax purposes for the year, therefore current tax, deferred tax and tax expense is $Nil (2013 - Nil).

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

| | | |
|---|---|---|
| Loss before tax | **(1,863,152)** | **(712,336)** |
| Income tax calculated at 30% (2013: 30%) | **(558,946)** | **(213,701)** |
| Tax effect of amounts which are deductible/non-deductible In calculating taxable income: | | |
| Share based payments | **98,557** | **-** |
| Capital Raising Costs | **162,778** | **(1,595)** |
| Other | **3,508** | **18,510** |
| Effects of unused tax losses and tax offsets not recognized as deferred tax assets | **294,103** | **196,786** |
| Income tax expense attributable to operating profit | **Nil** | **Nil** |

#### (b) Tax Losses

As at 30 June 2014 the company had Australian tax losses of $1,936,685 (2013: $ 980,236). The benefit of deferred tax assets not brought to account will only be realized if:

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

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

Unbooked deferred tax assets comprise:

| | Consolidated 2014 $ | Consolidated 2013 $ |
|---|---|---|
| Capital Raising Costs | **167,160** | **4,382** |
| Provisions/Accruals/Other | **5,008** | **1,500** |
| Tax losses available for offset against future taxable income | **581,005** | **294,071** |
| | **753,173** | **299,953** |

**All amounts in Australian Dollars** **Annual Report 2014**

| | | Consolidated 2014 $ | Consolidated 2013 $ |
|---|---|---|---|
| **4** | **Auditors Remuneration** | | |
| | *Audit – Somes Cooke* | | |
| | Audit of the financial statements | **16,000** | **5,000** |
| **5** | **Cash and cash equivalents** | | |
| | Cash at Bank | **6,289,921** | **427,666** |
| **6** | **Trade and other receivables** | | |
| | Prepayments | **23,190** | **-** |
| | GST receivable | **243,598** | **22,348** |
| | | **266,798** | **22,348** |
| **7** | **Capitalised Oil & Gas exploration expenditure** | | |
| | Cost brought forward | **183,973** | **74,706** |
| | Acquisition of PEP 38526 (Note 9) | **836,370** | **-** |
| | Acquisition of Petroleum Portfolio Pty Ltd (Note 9) | **900,000** | **-** |
| | Exploration costs incurred during the year | **2,069,263** | **414,519** |
| | Exploration expenditure written off | **(3,015)** | **(305,252)** |
| | Carrying value at end of year (i) | **3,986,591** | **183,973** |

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

**i.** Included in the carrying value of capitalized oil and gas exploration expenditure as at 30 June 2014 is $900,000 relating to the application for a petroleum exploration permit in Western Australia. The issue of the license is pending satisfactory conclusion of ongoing land access negotiations. The Directors have no reason to believe that the license will not be issued nor that the approval process is not progressing. However, if the license is not issued within two years, the Company has a legal remedy to recover the consideration paid.

| | | Consolidated 2014 $ | Consolidated 2013 $ |
|---|---|---|---|
| **8** | **Trade and other payables** | | |
| | Trade creditors | **977,939** | **43,956** |
| | Other creditors and accruals | **27,997** | **15,109** |
| | | **1,005,936** | **59,065** |

Included within trade and other creditors and accruals is an amount of $825,561 (2013- $22,961) relating to exploration expenditure.

**All amounts in Australian Dollars** **Annual Report 2014**

| **9** | **Contributed Equity** | **Consolidated 2014 $** | **Consolidated 2013 $** |
|---|---|---|---|
| | **Ordinary Shares** | | |
| | Value of Ordinary Shares fully paid | **11,972,319** | **1,585,000** |

| **Movement in Contributed Equity** | **Number of shares** | **Contributed Equity $** |
|---|---|---|
| Balance at 1 July 2012 | **11,000,001** | **550,000** |
| Share based payments at $0.10 (i) | **500,000** | **50,000** |
| Capital raisings at $0.10 | **9,850,000** | **985,000** |
| Balance as at 1 July 2013 | **21,350,001** | **1,585,000** |
| Shares issued 27/11/13 at $0.10 (ii) | **3,920,000** | **392,000** |
| Shares issued 20/12/13 at $0.10 (iii) | **8,363,700** | **836,370** |
| Shares issued 15/1/14 at $0.10 (iv) | **9,000,000** | **900,000** |
| Shares issued 20/3/14 at $0.146 (v) | **18,750,000** | **2,739,014** |
| Shares issued 27/5/14 at $0.181 (vi) | **3,500,000** | **632,599** |
| Shares issued 20/6/14 at $0.416 (vi) | **13,043,474** | **5,421,870** |
| Capital raising costs (vii) | **-** | **(534,534)** |
| Balance at end of year | **77,927,175** | **11,972,319** |

(i) 120,000 shares were issued in lieu of company secretarial services. 380,000 shares were issued in lieu of corporate finance fees.

(ii) Comprises:

Capital raise: $332,000
Shares issued to settle Trade and Other Payables: $60,000

(iii) PEP 38526 was initially transferred to the Company's subsidiary, Petroleum Creek Limited ('PCL'), from Aorere Resources Ltd ('Aorere'), in exchange for the Group assuming responsibility for funding the work commitments required to maintain the Permit in good standing and Aorere obtaining a 40% interest in PCL. Subsequently the Group exercised its option to purchase the remaining 40% interest in PCL, which was settled by the issue of 8,363,700 shares to Aorere.

(iv) 9,000,000 shares were issued to A R Carroll, a director of the Company, as consideration for 100% of Petroleum Portfolio Pty Ltd ('PPPL'). PPPL holds 25% of the share capital of Australian Petroleum Portfolio Pty Ltd ('APPPL'), which is the preferred applicant for a petroleum exploration permit in Western Australia. Further details are at Note 12.

(v) Comprises:

IPO capital raise: $2,553,107
Shares issued to settle Trade and Other Payables and Borrowings: $185,907

(vi) Capital raise

(vii) Includes a share based payment to two IPO consultants who were each issued 613,837 options, vesting immediately, for services as brokers of the IPO. See Note 22 Share Based Payments for details.

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## 10 Option Reserve

**Nature and purpose of the Option reserve**

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

**Movement in Option reserve**

| | 2014<br>$ |
|---|---|
| Balance at 1 July 2013 | - |
| UK AIM IPO Consultants Options | 107,601 |
| Consideration paid for the issue of 3,300,000 Options @ $0.0001 per option | 330 |
| Option related Share Based Payments | 308,522 |
| Balance at 30 June 2014 | 416,453 |

See Note 22 for details of the Black & Scholes valuation of these options.

## 11 Accumulated losses

| | Consolidated<br>2014<br>$ | Consolidated<br>2013<br>$ |
|---|---|---|
| Accumulated losses at the beginning of the year | 1,004,375 | 292,039 |
| Net loss attributable to members | 1,863,152 | 712,336 |
| Accumulated losses at the end of the year | 2,867,527 | 1,004,375 |

## 12 Related Party Transactions

**Key Management Personnel Remuneration**

| | Consolidated<br>2014<br>$ | Consolidated<br>2013<br>$ |
|---|---|---|
| Short term employee benefits | 720,928 | 308,811 |
| Share-based payments (i) | 106,742 | - |
| Total | 827,670 | 308,811 |

i. During the year to 30 June 2014, Mr. John W Barr and Mr. Carroll both received 1,000,000 incentive options, each valued at $53,371 for a total of $106,742. (Note 22 - Share Based Payments).

**Movement in Shares and Options**

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

**Acquisition of Petroleum Portfolio Pty Ltd - Officer Basin, Licence Application**

The Company acquired a 25% interest in a permit application from a Director of the Company; details of this Related party transaction are as follows: On 15 January 2014, the Company entered into a share sale agreement (Share Sale Agreement) with A R Carroll pursuant to which the Company acquired 100% of the issued share capital of Petroleum Portfolio Pty. Ltd. (PPPL). A R Carroll was the sole shareholder of PPPL and is a director of the Mosman.

All amounts in Australian Dollars Annual Report 2014

PPPL owns 25% of the issued shares in Australasian Petroleum Portfolio Pty Ltd (APPPL). On 14 March 2013, APPPL was informed by the Department of Mines and Petroleum that it was the preferred applicant for Permit Application STP-EPA-0071, which relates to an area of 22,527 sq. kms within the Officer Basin region of Western Australia. This Licence Application will, on the successful conclusion of ongoing Native Title Act negotiations with Landowners, result in the issue of Officer Basin Permit.

**Share Sale Agreement Terms**

The Share Sale Agreement provided that:

(a) A R Carroll, as vendor, was issued 9,000,000 Mosman shares at an agreed value of $0.10 per share for consideration of $900,000 and;

(b) The 9,000,000 Shares would be subject to an escrow, or Lock In period from the date of their issue to the earlier of the date:

   (i) the Permit is granted; or

   (ii) the date that is two years following completion of the Share Sale Agreement, being 15 January, 2016

In addition, the Lock In period must be no earlier than 18 months from the AIM admission date, being 20 September, 2015, even if the Licence is issued earlier.

**Australasian Petroleum Portfolio Pty. Ltd. Shareholders' Agreement Terms**

The Company's wholly owned subsidiary, PPPL, entered into a shareholders' agreement dated 17 December 2013, with Palatine Energy Pty. Ltd. (Palatine) and A R Carroll to regulate the operation and management of APPPL. Palatine is a company that is not associated with Mosman, or A R Carroll,

Ownership of APPPL is as follows:

| | |
|---|---|
| PPPL (Mosman 100% Subsidiary) | 25% |
| Palatine | 50% |
| A R Carroll | 25% |
| **Total Ownership** | **100%** |

Key terms of the APPPL Shareholders' Agreement are as follows:

i. APPPL shareholders have proposed a work program estimated at $14,540,000 for exploration activities of the Officer Basin Project over the six year Licence period, commencing after the Licence is issued.

ii. In order to maintain its 25% indirect interest in the Officer Basin Project (i.e. its 25% shareholding in APPPL) and avoid having that interest diluted, Mosman will be required to provide 25% of this funding. In the event that an APPPL shareholder is unable to meet their share of the above funding obligation, that APPPL shareholder shall transfer to the other contributing APPPL shareholder(s) 0.625% of the total of their shareholding for every A$100,000 of expenditure obligation incumbent upon them that is met by the other shareholder(s).

**Amounts outstanding from related parties:**

At 30 June 2014 the Company's 100% owned subsidiary, Petroleum Creek Limited (PCL), owed Mosman Oil and Gas Limited $2,059,954 (2013: $168,041). The Company has executed a Loan Agreement with PCL covering amounts up to $2,000,000 bearing interest at 7% pa and secured by a Fixed and Floating charge over the assets of PCL, as registered with the NZ Ministry of Economic Development Companies Office on 17 April, 2014 under the NZ Personal Property Securities Act 1999.

**Loan Facility – J W Barr**

On 8 January 2014, J W Barr advanced $100,000 to the Company, which has since been repaid. On 13 March 2014, J W Barr signed a Loan Agreement with the Company for up to $300,000. At 30 June 2014, no amounts had been drawn down against this facility and this facility has expired. During the current financial year there were no other loans to or from Directors. (2013 - Nil).

## 13 Expenditure Commitments

### (a) Exploration

The Company has certain obligations to perform minimum exploration work on Oil and Gas tenements held. These obligations may vary over time, depending on the Company's exploration programs and priorities. At 30 June 2014, total exploration expenditure commitments on PEP 38526 in New Zealand that have not been provided for in the financial statements and those which cover the following twelve month period amount to $1,080,000 (2013: $780,000).

These obligations are subject to variations by farm-out arrangements, sale of the relevant tenements or seeking expenditure exemption for previous year's expenditure. The Company has the option to elect to not carry out the minimum work program commitments pertaining to a specific permit, in which case the Company will relinquish its interest in the relevant permit, or in the case of the Officer Basin Permit, once issued, accept a dilution in its 25% shareholding in Australian Petroleum properties Limited.

### (b) Capital Commitments

The Company had no capital commitments at 30 June 2014 (2013 - $Nil).

## 14 Segment Information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board to make decisions about resources to be allocated to the segments and assess their performance.

Operating segments are identified by the board based on the Oil and Gas projects in Australia, and New Zealand. Discrete financial information about each project is reported to the board on a regular basis.

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

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

**All amounts in Australian Dollars** **Annual Report 2014**

**(i) Segment performance**

| | New Zealand | Papua New Guinea | Australia | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Year ended 30 June 2014** | | | | |
| ***Revenue*** | | | | |
| Interest revenue | **14** | **-** | **2,510** | **2,524** |
| Total segment revenue | **14** | **-** | **2,510** | **2,524** |
| Segment net profit/(loss) before tax | **14** | **-** | **2,510** | **2,524** |
| *Reconciliation of segment result to net loss before tax* | | | | |
| Amounts not included in segment result but reviewed by the Board | | | | |
| - Exploration expenditure written off | | | **(3,015)** | **(3,015)** |
| Unallocated items | | | | |
| - Corporate Costs | | | | **(1,385,595)** |
| - Employee Benefits Expense | | | | **(52,276)** |
| - Administrative Costs | | | | **(57,155)** |
| - Share based payments | | | | **(328,522)** |
| Depreciation | | | | **(2,130)** |
| Foreign Exchange Loss | | | | **(36,983)** |
| Net loss before tax from continuing operations | | | | **(1,863,152)** |

| **Year ended 30 June 2013** | New Zealand | Papua New Guinea | Australia | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| ***Revenue*** | | | | |
| Interest revenue | **-** | **-** | **2,773** | **2,773** |
| Foreign exchange gain | **-** | **-** | **-** | **-** |
| Total segment revenue | **-** | **-** | **-** | **-** |
| Segment net profit/(loss) before tax | **-** | **-** | **2,773** | **2,773** |
| *Reconciliation of segment result to net loss before tax* | | | | |
| 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)** |

**All amounts in Australian Dollars** **Annual Report 2014**

### (ii) Segment assets

| | New Zealand $ | Papua New Guinea $ | Australia $ | Total $ |
|---|---|---|---|---|
| **As at 30 June 2014** | | | | |
| Segment assets as at 1 July 2013 | **183,973** | **-** | **-** | **183,973** |
| Segment asset increases for the year | | **-** | | |
| - Exploration and evaluation | **2,833,959** | **-** | **968,660** | **3,802,619** |
| | **3,017,932** | **-** | **968,660** | **3,986,592** |
| *Reconciliation of segment assets to total assets:* | | | | |
| Other assets | **-** | **-** | **6,560,281** | **6,560,281** |
| Total assets from continuing operations | **3,017,932** | **-** | **7,528,941** | **10,546,873** |

| **As at 30 June 2013** | New Zealand $ | Papua New Guinea $ | Australia $ | Total $ |
|---|---|---|---|---|
| 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** |
| | **183,973** | **-** | **-** | **183,973** |
| *Reconciliation of segment assets to total assets:* | | | | |
| Other assets | | | | **455,717** |
| Total assets from continuing operations | | | | **639,690** |

### (iii) Segment liabilities

| | New Zealand $ | Papua New Guinea $ | Australia $ | Total $ |
|---|---|---|---|---|
| **As at 30 June 2014** | | | | |
| Segment liabilities as at 1 July 2013 | **9,676** | **-** | **49,389** | **59,065** |
| Segment liability increases/(decreases) for the year | **788,658** | **-** | **177,905** | **966,563** |
| | **798,334** | **-** | **227,294** | **1,025,628** |
| *Reconciliation of segment liabilities to total liabilities:* | | | | |
| Other liabilities | **-** | **-** | **-** | **-** |
| Total liabilities from continuing operations | **798,334** | **-** | **227,294** | **1,025,628** |

**All amounts in Australian Dollars** **Annual Report 2014**

| | New Zealand $ | Papua New Guinea $ | Australia $ | Total $ |
|---|---|---|---|---|
| **As at 30 June 2013** | | | | |
| Segment liabilities as at 1 July 2012 | - | - | 22,500 | 22,500 |
| Segment liability increases/(decreases) for the year | 9,676 | - | 26,889 | 36,565 |
| | 9,676 | - | 49,389 | 59,065 |
| *Reconciliation of segment liabilities to total liabilities:* | | | | |
| Other liabilities | | | | - |
| Total liabilities from continuing operations | | | | 59,065 |

## 15 Earnings/ (Loss) per shares

| | Consolidated 2014 $ | Consolidated 2013 $ |
|---|---|---|
| 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 | (1,863,152) | (712,336) |
| | **Number of shares 2014** | **Number of shares 2013** |
| Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share: | 40,935,782 | 14,572,056 |
| Basic loss per share (cents per share) | 4.55 | 4.89 |

## 16 Notes to the statement of cash flows

| Reconciliation of loss from ordinary activities after income tax to net cash outflow from operating activities: | Consolidated 2014 $ | Consolidated 2013 $ |
|---|---|---|
| (Loss) from ordinary activities after related income tax | (1,863,152) | (712,336) |
| Exploration expenses written off | 3,015 | 305,252 |
| Depreciation | 2,130 | 753 |
| Share based payments | 328,522 | 50,000 |
| Decrease / (Increase) in trade and other receivables | (244,440) | (22,348) |
| (Decrease) / Increase in trade and other payables relating to operating activities | 168,964 | 25,128 |
| Net cash outflow from operating activities | (1,604,961) | (353,551) |

All amounts in Australian Dollars Annual Report 2014

**Non-cash investing and financing activities:**

Non-cash investing and financing activities are outlined at Note 9.

## 17. Financial Instruments

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

### (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:

**Consolidated 2014**

| | Note | Weighted Average Effective Interest % | Funds Available at a Floating Interest Rate $ | Fixed Interest Rate $ | Assets/ (Liabilities) Non Interest Bearing $ | Total $ |
|---|---|---|---|---|---|---|
| Financial Assets | | | | | | |
| Cash and Cash Equivalents | 5 | **2.4%** | **6,289,921** | **-** | **-** | **6,289,921** |
| Other Receivables | 6 | | **-** | **-** | **266,788** | **266,788** |
| Total Financial Assets | | | **6,289,921** | **-** | **266,788** | **6,556,709** |
| Financial Liabilities | | | | | | |
| Payables | 8 | | **-** | **-** | **(1,025,628)** | **(1,025,628)** |
| Total Financial Liabilities | | | **-** | **-** | **(1,025,628)** | **(1,025,628)** |
| Net Financial Assets | | | **6,289,921** | | **(758,840)** | **5,531,081** |

**Consolidated 2013**

| | Note | Weighted Average Effective Interest % | Funds Available at a Floating Interest Rate $ | Fixed Interest Rate $ | Assets/ (Liabilities) Non Interest Bearing $ | Total $ |
|---|---|---|---|---|---|---|
| Financial Assets | | | | | | |
| Cash and Cash Equivalents | 5 | **2.6%** | **427,666** | **-** | **-** | **427,666** |
| Other receivables | 6 | | **-** | **-** | **22,348** | **22,348** |
| Total Financial Assets | | | **427,666** | **-** | **22,348** | **450,014** |
| Financial Liabilities | | | | | | |
| Payables | 8 | | **-** | **-** | **(59,065)** | **(59,065)** |
| Total Financial Liabilities | | | **-** | **-** | **(59,065)** | **(59,065)** |
| Net Financial Assets | | | **427,666** | **-** | **(36,717)** | **390,949** |

**All amounts in Australian Dollars** **Annual Report 2014**

### (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.

## 18. Contingent Liabilities

There were no material contingent liabilities not provided for in the financial statements of the Company as at 30 June 2014.

## 19 Mosman Oil and Gas Limited - Parent Entity Disclosures

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Financial position | | |
| Assets | | |
| Current Assets | **5,854,806** | **615,166** |
| Non-Current Assets | **3,908,481** | **5,703** |
| **Total Assets** | **9,763,287** | **620,869** |
| | | |
| Liabilities | | |
| Current Liabilities | **(227,293)** | **(49,389)** |
| **Total Liabilities** | **(227,293)** | **(49,389)** |
| **Net Assets** | **9,535,994** | **571,480** |
| | | |
| Equity | | |
| Contributed equity | **11,972,319** | **1,585,000** |
| Reserves | **416,453** | **-** |
| Accumulated losses | **(2,852,778)** | **(1,013,520)** |
| **Total Equity** | **9,535,994** | **571,480** |
| | | |
| Financial Performance | | |
| Loss for the year | **(1,839,258)** | **(721,481)** |
| Other comprehensive income | **-** | **-** |
| **Total comprehensive income** | **(1,839,258)** | **(721,481)** |

**All amounts in Australian Dollars** **Annual Report 2014**

## 20 Controlled Entities

Investments in group entities comprise:

| Name | Principal activities | Incorporation | Beneficial percentage held by economic entity 2014 % | 2013 % |
|---|---|---|---|---|
| Mosman Oil and Gas Limited | Parent entity | Australia | | |
| Wholly owned and controlled entities: | | | | |
| Petroleum Creek Limited | Oil & Gas exploration | New Zealand | **100** | **100** |
| Mosman Oil and Gas (NZ) Limited | Oil & Gas exploration | New Zealand | **100** | **0** |
| Petroleum Portfolio Pty. Ltd | Oil & Gas exploration | Australia | **100** | **0** |

Mosman Oil and Gas Limited is the Parent Company of the Group, which includes all of the controlled entities. See also Note 23 Subsequent Events for additional corporate activity in progress and concluded subsequent to the 30 June 2014 year end.

During the year to 30 June 2014, the Company acquired 100% of Petroleum Creek Limited (‘PCL’), as outlined in Note 12. The fair value of net assets acquired was $900,000, comprising solely of the license application (Note 7). The acquisition has been accounted for as an asset acquisition.

During the year to 30 June 2014, the Group incorporated Mosman Oil and Gas (NZ) Limited.

## 21 Associated Entity

| Name | Principal activities | Incorporation | Beneficial percentage held by Group 2014 % | 2013 % |
|---|---|---|---|---|
| Australasian Petroleum Portfolio Pty. Ltd. | Holds interest in Officer Basin Licence Application - Oil & Gas exploration | Australia | **25** | **0** |

Australasian Petroleum Portfolio Pty Ltd (‘APPPL’) holds a 100% interest in the Officer Basin License Application and is 25% owned by Petroleum Portfolio Pty. Ltd., itself a 100% owned subsidiary of the Group as detailed in Note 20. The carrying value of assets and liabilities accounted for in APPPL is not material to the Group. Commitments associated with the Officer Basin License are outlined at Note 12.

**All amounts in Australian Dollars** **Annual Report 2014**

## 22 Share Based Payments Expense

| | 2014 $ | 2013 $ |
|---|---|---|
| Black & Scholes Option Valuation (See second table below) | 308,522 | - |
| Services Provide in lieu of Share (See (6) Below) | 20,000 | 50,000 |
| Share Based Payments Expense | 328,522 | 50,000 |

The following share based payment arrangements existed at 30 June 2014:

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

(1) On 11 April 2011, 3,000,000 Options were issued to Directors to take up ordinary shares of the Company at an exercise price of $0.20 each. The options are exercisable on or before 31 March, 2016.
(2) On 15 January 2014, 1,100,000 Options were issued to consultants, an employee and others to take up ordinary shares of the Company at an exercise price of $0.15 each. The options are exercisable on or before 13 January, 2019.
(3) On 15 January 2014, 2,400,000 Options were issued to KMP to take up ordinary shares of the Company at an exercise price of $0.15 each. The options are exercisable on or before 13 January, 2019.
(4) On 6 February 2014, 2,000,000 Options were issued to Santina Limited to take up ordinary shares of the Company at an exercise price of $0.05 each. The options are exercisable on or before 15 February, 2017.
(5) On 20 March 2014, 1,227,674 Options were issued to UK consultants involved in the AIM IPO to take up ordinary shares of the Company at an exercise price of $0.146 (8 GB pence) each. The options are exercisable on or before 20 March, 2019.
(6) During the current financial year, two consultants provided services to the Company and accepted payment in the form of 600,000 Company shares in lieu of $60,000 of billings. $20,000 of this amount was recorded as a Share Based Payment

A summary of the movements of all company option issues to 30 June, 2014 is as follows:

| Company Options | 2014 Number of Options | 2013 Number of Options | 2014 Weighted Average Exercise Price | 2013 Weighted Average Exercise Price |
|---|---|---|---|---|
| Outstanding at the beginning of the year | 3,000,000 | 3,000,000 | $0.20 | $0.20 |
| Granted (see Table below) | 6,527,674 | - | $0.12 | |
| Forfeited | - | - | | |
| Exercised | - | - | | |
| Expired | - | - | | |
| Outstanding at the end of the year | 9,527,674 | 3,000,000 | $0.14 | $0.20 |
| Exercisable at the end of the year | 9,527,674 | 3,000,000 | $0.14 | $0.20 |

The weighted average remaining contractual life of the 9,527,674 options exercisable at 30 Jun 2014 was 5 years 10 months (2013 - 2 years 9 months). The exercise price of the options ranged from $0.05 to $0.20.

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The Company uses the Black and Scholes (B&S) method of valuing the cost of options issued during the current financial year, which is expensed as Share Based Payments, or debited against Contributed Equity, if they relate to capital raising costs, and credited to Shareholders Equity. Inputs and assumptions included in B&S valuation model are listed in the last five columns of the following table. In addition, the expected dividend yield used in the B&S calculation was nil. The weighted average B&S value of Options issued during the year was $0.06 and the Weighted Average Exercise price was $0.12.

Options Granted during the year ended 30 June, 2014 and expensed to Share Based Payments:

| Options Granted During the Current Year | Number Issued | Black & Scholes Valuation | Stock Price | Exercise Price | Risk-free rate | Option Life | Expected Volatility |
|---|---|---|---|---|---|---|---|
| Santina Limited | 2,000,000 | $132,399 | $0.10 | $0.05 | 3.25% | 3 years | 70% |
| J W Barr | 1,000,000 | $53,371 | $0.15 | $0.15 | 3.25% | 5 years | 70% |
| A R Carroll | 1,000,000 | $53,371 | $0.15 | $0.15 | 3.25% | 5 years | 70% |
| Other Holders | 1,300,000 | $69,381 | $0.10 | $0.15 | 3.25% | 5 years | 70% |
| Sub-Total Black & Scholes Option Valuation | 5,300,000 | $308,522 | | | | | |
| Options Granted During the Current Year and Debited Against Contributed Equity | | | | | | | |
| UK AIM IPO Consulting firms (issued at 8 Pence) | 1,227,674 | $107,601 | $0.146 | $0.146 | 3.25% | 5 years | 70% |
| Total Options Granted during the year | 6,527,674 | $415,583 | Weighted Average Exercise Price $0.12 | | | | |

## 23 Subsequent Events

Material transactions arising since 30 June 2014 which will significantly affect the operations of the Company, the results of those operations, or the state affairs of the Company in subsequent financial periods are:

### (1) Exercise of Options

Since 30 June 2014, and up until the date of this report, the following options have been exercised. The weighted average exercise price was $0.10.

| ***Option Holder*** | ***Number of Options Exercised*** | ***Exercise Price*** | ***Exercise Date*** |
|---|---|---|---|
| MP Bowen | 1,000,000 | 20 cents each | 14 July 2014 |
| Santina Limited | 2,000,000 | 5 cents each | 16 July 2014 |
| Employee | 100,000 | 15 cents each | 14 July 2014 |
| Total Options Exercised | 3,100,000 | | |

### (2) Southbank Agreement

In July 2014, Mosman entered into an agreement with Southbank Capital Pty Ltd (Southbank) pursuant to which Southbank was engaged to act as non-exclusive corporate and financial advisor to Mosman. On 24 September 2014 Mosman paid Southbank $361,350, primarily to assist with the acquisition of Trident Energy Ltd.

### (3) Acquisition of Trident Energy Limited (Trident)

1. On 2 July 2014, Mosman announced that it had entered into a binding Bid Implementation Agreement to acquire all of the issued shares in Trident, an Australian unlisted public company with onshore and offshore oil permits in Australia.

2. On 22 August 2014, Mosman announced that it had lodged with the Australian Securities and Investments Commission the Bidder's Statement to Trident shareholders in relation to the offer to acquire all of the issued shares of Trident.

3. On 17 September 2014, Mosman announced that it had received acceptances from Trident shareholders totaling 80.06% of the issued capital of Trident. Following this significant acceptance milestone, Mosman notified Trident that the Company waived all remaining bid conditions in Section 10.10 of the Bidder's Statement and that the Offer was declared unconditional.

4. On 30 September 2014, Messrs. Barr and Carroll were appointed to the Board of Trident.

5. On 14 October 2014, Mosman issued 2,796,440 Consideration Shares for 13,982,219 Trident shares, representing 96.66% of the issued capital of Trident.

7. On 17 October 2014, the Offer Closed and the remaining 482,669 Trident shares will be compulsorily acquired by the issue of a further 96,534 Mosman Consideration Shares. Trident's operations are currently being moved to Mosman's head office in Sydney.

**The transaction is summarized as follows:**

a. Mosman will issue a total of 2,892,978 Consideration Shares to acquire all of the issued share capital of Trident on the basis of one Mosman share for every five Trident shares. 80% of the Consideration Shares, or 2,314,382 Mosman shares, will be subject to a 12 month lock-in period from 17 October, 2014;

b. The directors of Trident (the "Trident Directors") are owed $1,269,156 by Trident for Directors' fees, consulting fees and loans, and have agreed to forbear from requiring payment of 85.7% of these monies until the date that is one year from the end of the Offer Period. Trident Directors have agreed with Trident that, in lieu of receiving these monies owing to them by Trident, they will accept, if required by Trident, a total of 2,174,042 Mosman Shares as settlement of $1,088,021 of their amounts due;

c. The remaining amount owing to Trident Directors of $181,135 will be settled in cash within 30 days of the closing of the transaction.

d. Trident has agreed with its financial advisor, DDM, that if required by Trident, in lieu of receiving cash fees of $100,000 in respect of the Offer, DDM will accept 200,000 Mosman Shares payable on or before 17 October, 2015;

e. Mosman has also agreed to issue, for and on behalf of Trident, 68,858 shares to a specified third party creditor of Trident in lieu of part of the amount owing to that creditor by Trident; and

f. Mosman and Trident have entered into a loan agreement pursuant to which Mosman has, subsequent to 30 June 2014, advanced Trident $750,000 to utilize to repay certain third party creditors, the Trident Directors' cash payment described in c. above, as well as for general working capital expenses.

### (4) Acquisition of OilCo Pty. Ltd. (OilCo)

On 27 August, 2014, the Company entered into an agreement to acquire OilCo, a Company with oil & gas interests in the following oil and gas exploration permits in Australia:

1. 100% Interest in Licence EP156 in the Amadeus Basin; and
2. 100% Interest in Licence Application EP(A)155 in the Amadeus Basin.

Consideration for the acquisition is comprised as follows:

a) Mosman will fund the 2014 minimum work commitment estimated to be up to $425,000 which is due for completion by 24 November, 2014;
b) Mosman will refund the $10,000 Deposit with the Minister of Mines and Energy; and
c) Grant the vendor; High Peaks Royalties Ltd (HPR) a 2% Overriding Royalty on any production that results from the acquired permits.

HPR and OilCo are entities affiliated with a Director of the Company, A R Carroll, and as such the acquisition of OilCo was a Related Party Transaction (See Note 23). The remaining Directors, having consulted with the Company's nominated adviser, consider that the terms of the transaction are fair and reasonable insofar as its shareholders are concerned.

### (5) Issue of Shares

On 15 September 2014, the Company raised $2,356,250 by way of the placing of 6,250,000 new ordinary shares in the capital of the Company at $0.377 per share to fund the continuing expansion of activities.

**Directors Declaration**

The Directors of the Company declare that:

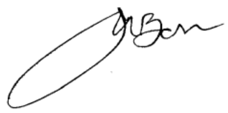
1. The financial statements and notes, as set out on pages 29 - 52, are in accordance with the Australian Corporations Act 2001:

   (a) comply with Accounting Standards, which, as stated in Note 1 - Statement of Accounting Policies to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   (b) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the Group.

2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



**John W Barr**
**Executive Chairman**

Dated this 23 day of October, 2014

SOMES COOKE
Profit from our Resources

35 Outram St
West Perth
WA 6005

PO Box 709
West Perth
WA 6872

T 08 9426 4500 F 08 9481 5645
W somescooke.com.au
E info@somescooke.com.au

Chartered Accountants (Aus)
Business Consultants
Financial Advisors

## Auditor's Independence Declaration

To those charged with the governance of Mosman Oil and Gas Limited

As auditor for the audit of Mosman Oil and Gas Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

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

Somes Cooke

Somes Cooke

Nicholas Hollens

Nicholas Hollens
Partner

Perth

23 October 2014