



Arkoma Stacked Pay Project

Mosman's wholly owned US subsidiary Mosman Texas LLC has acquired a 10% interest in the **Arkoma Stacked Pay Project**, located in Okfuskee County, Oklahoma, from Inland Oil & Gas Corporation and Inland Operating Company for a consideration of USD\$500,000.

Inland estimates the gross reserves and resources of the area to be 8.48 Mmboe, based on 3D seismic which was used to identify a significant geological structure and the wells drilled to date have demonstrated multiple reservoir horizons ("Stacked Pay Project"). Mosman has conducted initial technical due diligence and has commissioned an independent reserves and resource report to verify the vendor estimates.

In addition to the Initial Transaction of 10%, Mosman has also agreed the terms of two options with Inland: to acquire a further 20%, should it elect to do so, and if exercised then a further 25% of their interest in Project.

If both options are exercised Mosman will hold a total of 55% of Inland's interest and at this stage would become Operator of the Project. Mosman's Strategic Alliance Partner, Blackstone Oil & Gas, Inc. ("Blackstone") has agreed an option with Inland to then acquire Inland's remaining 45% of the Project. Blackstone has also agreed to pay Mosman a USD\$100,000 Facilitation Fee upon completion of the Initial Transaction.

Importantly Mosman also has a First Right of Refusal on any projects in the 36 square mile 3D seismic data owned by Inland, where five other targets have been identified.

Details of the Arkoma Stacked Pay Project

A 3D seismic survey over a larger area led Inland to focus on the 400 acres forming the Project. The seismic enabled the mapping of an uplifted NE-SW horst block with eight stacked reservoirs. The primary reservoir is the Wilcox sandstone at circa 4,000 feet; additional shallower oil and gas conventional pay zones include the Viola, Cromwell, Union Valley, Gilchrist and Booch sands, and two "tight gas" shales including the Woodford Shale.

The Project includes surface leases, five production wells, a water disposal well, production infrastructure, seismic and other data. The vendor operates the field.

The first deep well in the area, Wise 1-25, was drilled in 2015. Initial flow rates were circa 85 boepd. Production has been constrained as there was no water disposal well, but this well has already produced over 350,000 Boe, and is currently producing circa 20 boepd.

Another well, Wise 3-25, has produced up to 60 boepd from the Wilcox and is currently shut in waiting to test the Woodford shale. Williamson 4-25 production was constrained by the lack of a water disposal well, and is producing 20 boe from three feet of Wilcox sands, with an additional 30 feet of Wilcox pay yet to be perforated and produced. Two other wells have recently been drilled and are expected to be brought into production in shortly. The production equipment and costs associated with installation are included in the Initial Transaction.

There is existing onsite infrastructure which includes roads, pumps, separators, tank batteries, three phase electrical power and a connection to a gas pipeline.

Transaction Details

Mosman acquired 10% of the Vendor's assets for USD\$500,000 which also includes:

1. A first option to acquire a further 20% of the Inland Assets in October 2017 for USD\$1 million (the "First Option");
2. Subject to the First Option being exercised, a second option to acquire a further 25% of the Inland Assets in March 2018 for USD\$425,000 (the "Second Option"); and
3. A right of first refusal for Mosman to participate in any Inland project in the 36 square mile adjacent area which is covered by an existing 3D seismic survey.

The total cost of the 55% acquisition of Inland's interest (if all options are exercised by Mosman) will be USD\$1,925,000.