Strawn Oil Project

Mosman has acquired 50% of the **Strawn Oil Project** located in Texas for a consideration of USD$75,000.

The Project is operated as a joint venture with Mosman's Strategic Alliance Partner Blackstone Oil & Gas, Inc. ("Blackstone"). Mosman acts as operator on the Project.

Details of the Strawn Oil Project Acquisition

The Project is located in Young and Archer Counties, Texas, approximately 200 km west of Dallas. The Project consists of 27 existing wells most of which are not currently in production due to oil prices and historic low levels of maintenance. The Project is some 1,300 acres spread over 7 established leases which are documented in accordance with local requirements. The leases do not currently have a resource identified though production on the leases by the vendor has been occurring since 2003.

Mosman has commenced a detailed programme of maintenance and workovers to order to significantly increase the current rate of oil production (approximately five barrels per day). Local staff and a workover company have been contracted, with work scheduled now underway.

The Project has previously produced at rates of over 600 barrels per day and has production facilities in place. This includes equipment such as pump jacks, small tank farms and other infrastructure which are included in the acquisition price.

The total acquisition price for 100% of the project is USD$150,000 (which Mosman is sharing with its Strategic Alliance Partner; Blackstone, with each having a 50% joint venture interest.)

Initial estimates are that approximately USD$150,000 will be spent in the next six months on the maintenance and site workover plan (such costs to be split with Blackstone).

In order to assess the resource potential on the leases, Mosman's technical team will examine aspects of the Project by applying a number of modern exploration techniques, which had not previously been exploited.

Project Life and Abandonment Liabilities

The leases are "held by production". Typically, these projects continue as long as revenue exceeds operating cost, which is mainly a function of oil price. Based on current production, Mosman anticipates the field will produce for the foreseeable future.

The established regulatory system in Texas requires that 10% of inactive wells need to be restored to production, or abandoned. Mosman intends to meet this obligation by restoring wells to production. The hypothetical total (for both joint venturers) cost of an immediate full abandonment of the Asset is estimate to be USD$364,000 but as noted above Mosman does not expect this to be applicable to the field in the foreseeable future.

The regulator currently holds a bond for USD$50,000 on behalf of the Vendor which Mosman Operating LLC has lodged.

Royalties and Taxes

Royalties vary for each lease and average 20%, which is in the normal range for leases in the area.

A state severance tax of 4.6% applies to the market value of oil produced in Texas. In addition, any profits resulting from oil production will be subject to US income tax.

Risks

The Acquisition was completed in May 2017.

Mosman has in the ordinary course of business accepted certain historic information from the vendor as being fact, and has not attempted to independently verify each statement, rather it has focussed on key facts which have been subject to due diligence both internally and using external consultants.

As is usual in the oil industry, the Asset has subsurface, reserve and production risk.

A number of assumptions have been made in determining the operational targets, production rates and expected cost reductions possible that may not be achieved or may be influenced negatively by factors outside Mosman's control.

Hydrocarbon prices in the world environment remain volatile.

Exchange rates are volatile.