29 December 2021

**Mosman Oil and Gas Limited**
**("Mosman" or the "Company")**

**Final Results to 30 June 2021**

Mosman Oil and Gas Limited (AIM: MSMN) the oil exploration, development, and production company, announces its final results for the year ended 30 June 2021.

### Summary

- Gross Project Production 76,673 BOE[1]
- Net Production to Mosman 22,824 BOE[1]
- Revenue $0.82m
- Gross Profit $0.32m
- Net loss for the year of $1.2m

*1,BOE/boe – barrels of oil equivalent based on calorific value as opposed to dollar value*

*2. Gross Project Production – means the production of BOE at a total project level (100% basis) before royalties (where Mosman is the Operator) and where Mosman is not the operator the total gross production for the project*

*3. Net Production – Net to Mosman's Working interest after royalties*

### Post period highlights

- Completed acquisition of Nadsoilco LLC for $1.1m, boosting production base and potential cash flow and providing multiple near term drilling and development opportunities for FY22
- Increased production base through acquisition of additional 25% WI in Falcon lease
- Drilled Winters-2 and Stanley-5 wells as part of ongoing development plans
- Quarter ended 30 September delivered a 77% increase in production to 110 boepd, as a result of Falcon 1 and Nadsoilco acquisition

The Company expects to publish its annual report today which will be posted and made available on the Company's website at www.mosmanoilandgas.com/financial-reports.

**John W Barr, Chairman of Mosman commented: "**Whilst 2021 has undoubtedly continued to be challenging, Mosman remains resolute in delivering on its strategic objectives with a clear plan for 2022, to continue to build the oil and gas production base in the USA and to progress hydrocarbon, helium and hydrogen exploration in Australia. Our determination has been reinforced by the 77% production increase to 110boepd in the September quarter, compared to the previous year. Production results were published in the Annual Report for the year and the September quarter.

"Our lean team remains nimble and have avoided COVID related down time, however some of our suppliers and consultants have been impacted, inevitably slowing progress in our development. Mosman is determined and focused on delivering a more robust performance in the year ahead with the support of our valued partners.

"We would like to take this opportunity to thank shareholders for their continued support whilst reassuring them of our confidence and greater optimism to achieve growth in both production and value for the business."

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# Chairman’s Letter

**Overview of the 2021 financial year**

As we stand today, Mosman can look forward with greater optimism. We have secured an established production base in the US, expanded this base with two acquisitions since year end and continue to build on this, with two new wells drilled, completed and others planned, in parallel with significant exploration progress in Australia.

In the 2021 financial year to 30 June almost $2 million was spent on exploration and development projects. Since our June year end, Mosman has completed a new acquisition of the US Company NADSOILCO LLC, increased its ownership to 75% for the Falcon well, as well as drilled two new wells; Stanley-5 and Winters-2. Achieving this in a pandemic has not been a simple task in multiple jurisdictions, and we appreciate and thank all of our staff and consultants who have helped us achieve this.

2020 was a very challenging year for junior oil and gas companies, and Mosman navigated this by selling the Welch asset and raising capital to fund exploration and strengthen the balance sheet. 2021 was better with stronger commodity prices and the additional production from the Falcon well. Falcon is now producing strongly and has more than replaced the contribution from Welch (in net barrels of oil equivalent or “boe”). The Falcon project production is primarily gas, and has both lower sale price and also lower unit operating costs than Welch.

Mosman’s strategic objectives remain consistent: to identify opportunities which will provide operating cash flow and have development upside, in conjunction with progressing exploration of existing exploration permits.

There is a clear plan for 2022, to continue to build the oil and gas production base in the USA and to progress hydrocarbon, helium and hydrogen exploration in Australia. This is being delivered by continuing to increase the number of wells under production, and continued exploration in the Amadeus Basin in Australia.

Balancing exploration risk with production growth and cost controls are an ongoing management challenge. Alongside our focus on growth, Mosman continues to take its Health and Safety requirements very seriously and to date there are no reported health or wellbeing issues in our team or operations. That said, Mosman is not immune to the effects of the global pandemic and has been affected operationally with the challenge of sourcing contractors which continues to be a challenge, together with travel restrictions. Very recently supply chain demands have also affected the operations.

**USA**

In the United States, Mosman has producing projects.

Net Production attributable to Mosman in the full year to 30 June 2021 was 22,824 boe (barrels of oil equivalent), compared to 23,159 in 2020.

| | **Gross Project Production[2] BOE[1]** | **Net Production to Mosman[3] BOE[1]** |
|---|---|---|
| **Stanley** | 45,309 | 7,296 |
| **Greater Stanley** | 1,588 | 342 |
| **Welch (now sold)** | 5,846 | 4,481 |
| **Arkoma** | 5,033 | 1,257 |
| **Falcon** | 18,897 | 9,448 |
| **Total Production** | **76,673** | **22,824** |

*[1]BOE/boe – barrels of oil equivalent based on calorific value as opposed to dollar value*
*[2]Gross Project Production – means the production of BOE at a total project level (100% basis) before royalties (where Mosman is the Operator) and where Mosman is not the operator the total gross production for the project*
*[3]Net Production – Net to Mosman’s Working interest after royalties*

**Production for the 3 months ended 30 September 2021**

Net Production attributable to Mosman in the September quarter 2021 was 10,157 boe (110 boepd) which compares strongly against the total FY21 production 22,824 boe (62 boepd).

| | Gross Project Production[2] BOE[1] | Net Production to Mosman[3] BOE[1] |
|---|---|---|
| **Stanley** | 6,576 | 2,400 |
| **Stanley Older Leases** | 330 | 66 |
| **Winters** | 176 | 51 |
| **Greater Stanley** | - | - |
| **Arkoma** | 4,255 | 1,063 |
| **Falcon** | 8,854 | 6,577 |
| **Total Production** | **20,191** | **10,157** |

*[1]BOE/boe – barrels of oil equivalent based on calorific value as opposed to dollar value*
*[2]Gross Project Production – means the production of BOE at a total project level (100% basis) before royalties (where Mosman is the Operator) and where Mosman is not the operator the total gross production for the project*
*[3]Net Production – Net to Mosman's Working interest after royalties*

Since year end with the acquisition of Nadsoilco LLC, and a further interest in the Falcon Well, higher net production to Mosman is being achieved. Arkoma is gradually improving but remains for sale if a good price can be achieved.

***Stanley – East Texas***

The Stanley Project has provided valuable production and ongoing exploration experience at a modest working interest. This was recently increased by the Nadsoilco acquisition. It is considered that here is significant oil remaining in multiple zones. The full field redevelopment will progress with operational lessons learnt. For example, the importance of primary cementing to ensure zone isolation will reduce the premature water influx. Sand production remains an issue with some zones, and gravel packs have not been successful. Gas infrastructure will enable production of higher gas zones as is the case in Stanley-4. Operations have been restricted as service companies struggle with covid related issues and crew availability, and the increase in oil price led to a surge in activity with a shortage of equipment and services.

The Stanley-5 well was recently drilled and is now on production.

***Greater Stanley – East Texas***

The interest in Greater Stanley was acquired in 2020, as part of the plan to focus on the East Texas area. The Duff lease is Held By Production. Recently the Winters-2 well was drilled and flow tests are underway at this time.

***Champion – East Texas***

The Falcon-1 well was successfully drilled and brought online in December 2020. Excellent initial production rates were achieved, however, a change in pressure and a significant water influx resulted in the well being recompleted and brought back on production in June 2021. Production is largely gas which is transported to market via an existing close by pipeline owned by another party. The gas in then sold.

***Challenger – East Texas***

The Cinnabar Lease is "Held By Production". Two wells drilled in the Lease have produced significant quantities of oil but are now shut-in. Mosman is the Operator of the Cinnabar Lease. There are four development drilling locations previously identified using 3D seismic on the Cinnabar Lease. Recent reprocessing and re-interpretation of the 3D seismic is providing additional clarity to the geological model and will be used to determine drilling locations. Contract operator services will be provided by a Contour Exploration and Production LLC who has the right to acquire a 12% WI in the Lease.

***Arkoma - Oklahoma***

Arkoma production showed some improvement during the year, and the operator is considering expanding production further. No written proposal has yet been received. Overall the Project continues to be disappointing and will be sold when a realistic price can be achieved.

***Welch***

The sale of Welch was completed in January 2021 for a full settlement of US$420,000 (cA$553,000).

***Other Matters***

***Australia***

Mosman has continued to conduct technical work on its Central Australian exploration projects, focused on the 100% owned EP-145, in the Amadeus Basin.

Post year end, an airborne gravity and gradiometry survey was completed. That survey is a significant step in the exploration programme for EP-145 and is the first time data has been acquired for the whole 818 square km of the permit area.

During the financial year the permit was extended for an additional year. The Central Land Council (CLC) are now expected to complete ground clearance work that is required for the Seismic Survey in the next quarter.

At EPA-155 the permit is subject to a farmout with the next step being completion of Native Title negotiations. Mosman understands that the partner is currently in the process of arranging funding.

**CORPORATE**

**Financial Report**

The Board continues to focus on achieving a cash flow positive position on a Company level. Given the current financial position, the results of recent drilling, recent hydrocarbon pricing trends and the ongoing focus to control costs, this is now becoming an increasingly achievable objective.

Overall, in the year to 30 June 2021, the Company made a loss of $1,355,923.

Of significance, almost $2 million was spent on investing activities on assets in the portfolio during the year, continuing to reflect the Group's growth strategy. Further funds were expended subsequent to year end with two acquisitions (Nadsoil and a further interest in the Falcon well) and two new wells (Winters-2 and Stanley-5).

The net proceeds of funds raised during the year was $5,965,534.

Overhead costs continue to be controlled. Mosman continues to operate with a very small number of Employees and Consultants. The Company operates in three countries and in four-time zones, and the role played by the Employees and Consultants is vital in achieving Mosman's strategic objective. Accordingly, I again express my profound gratitude for everyone's efforts in the year.

**POST YEAR END ACTIVITY**

**Nadsoilco Acquisition**

On 1 July 2021, Mosman completed the acquisition of Nadsoilco LLC ("Nadsoil") for a consideration of US$1.1 million. The Acquisition increased the WI in the Stanley Project from 15-19% to 35-39%; provided a 20% WI in the oil producing Livingston Leases; and a 23.3% WI in oil producing Winters Lease. Mosman also became Operator of these leases, providing more control over day-to-day operations and drilling new wells.

**Working Interest Acquisitions**

In July 2021, Mosman increased its production portfolio in East Texas with the acquisition of an additional 25% working interest in the Falcon lease (including the Falcon-1 well) and 25% of the adjacent Galaxie lease for a cash consideration of US$160,000.

**Outlook**

Whilst 2021 has undoubtedly continued to be challenging, Mosman remains resolute in delivering on its strategic objectives to increase production.

Whilst our lean team remains nimble and have avoided COVID related down time, some of our suppliers and consultants have been impacted, inevitably slowing progress in our development. Mosman is determined and focused on delivering a more robust performance in the year ahead with the support of our valued partners.

We again acknowledge it has been another turbulent year for shareholders and would like to take this opportunity to thank them for their continued support whilst reassuring them of our confidence to achieve growth in both production and value for the business.

**Yours truly,**

**John W. Barr**
**Executive Chairman**
**29 December 2021**

**Consolidated Statement of Financial Performance**
**Year Ended 30 June 2021**
**All amounts are in Australian Dollars**

| | Notes | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|---|
| Revenue | 24 | 816,695 | 1,493,664 |
| Cost of sales | 2 | (491,770) | (782,727) |
| Gross profit | | **324,925** | **710,937** |
| | | | |
| Interest income | | 55 | 28,447 |
| Other income | | 93,072 | 152,809 |
| Gain on sale of oil and gas assets | | 118,067 | - |
| Administrative expenses | | (415,130) | (173,552) |
| Corporate expenses | 3 | (957,713) | (901,576) |
| Directors fees | | (120,000) | (120,000) |
| Exploration expenses incurred, not capitalised | | (21,866) | (71,604) |
| Employee benefits expense | | (62,878) | (55,064) |
| Evaluation and due diligence | | - | (153,493) |
| Finance costs | | (6,362) | (5,177) |
| Amortisation expense | | (171,539) | (102,222) |
| Depreciation expense | | (2,848) | (4,039) |
| Impairment expense | 12 & 13 | - | (4,142,876) |
| Loss on settlement of Director liabilities | 21 | (133,706) | - |
| **Loss from ordinary activities before income tax expense** | | **(1,355,923)** | **(4,837,410)** |
| | | | |
| Income tax expense | 5 | - | - |
| | | | |
| **Net loss for the year** | | **(1,355,923)** | **(4,837,410)** |
| | | | |
| **Other comprehensive profit** | | | |
| Items that may be reclassified to profit or loss: | | | |
| - Gain on financial assets at fair value through other comprehensive income (FVOCI) | 4 | 374,839 | 38,887 |
| - Foreign currency gain/(loss) | 4 | (257,952) | 142,410 |
| **Total comprehensive income attributable to members of the entity** | | **(1,239,036)** | **(4,656,113)** |
| | | | |
| Basic loss per share (cents per share) | 25 | *(0.05) cents* | *(0.50) cents* |
| Diluted loss per share (cents per share) | 25 | *(0.04) cents* | *(0.50) cents* |

The accompanying notes form part of these financial statements.

**Consolidated Statement of Financial Position**
**As at 30 June 2021**
**All amounts are in Australian Dollars**

| | Notes | Consolidated 30 June 2021 | Consolidated 30 June 2020 |
|---|---|---|---|
| | | $ | $ |
| **Current Assets** | | | |
| Cash and cash equivalents | 7 | 2,289,674 | 372,479 |
| Funds held in trust | 8 | 1,197,127 | - |
| Trade and other receivables | 9 | 172,500 | 78,719 |
| Inventory | | - | 44,508 |
| Other financial assets | 10 | - | 93,748 |
| Other assets | 11 | 23,418 | 16,959 |
| Total Current Assets | | 3,682,719 | 606,413 |
| **Non-Current Assets** | | | |
| Property, plant & equipment | 12 | 7,147 | 9,995 |
| Oil and gas assets | 13 | 3,328,029 | 2,061,131 |
| Loans receivable | 11 | - | - |
| Other receivables | | - | 54,820 |
| Capitalised oil and gas exploration | 14 | 706,702 | 301,242 |
| Total Non-Current Assets | | 4,041,878 | 2,427,188 |
| Total Assets | | 7,724,597 | 3,033,601 |
| **Current Liabilities** | | | |
| Trade and other payables | 15 | 377,727 | 358,091 |
| Equity settled liabilities | 16 | - | 191,000 |
| Provisions | 17 | 22,423 | 20,269 |
| Total Current Liabilities | | 400,150 | 569,360 |
| Total Liabilities | | 400,150 | 569,360 |
| **Net Assets** | | **7,324,447** | **2,464,241** |
| **Shareholders' Equity** | | | |
| Contributed equity | 18 | 36,700,381 | 30,691,497 |
| Reserves | 19 | 436,247 | 712,134 |
| Accumulated losses | 20 | (29,812,181) | (28,939,390) |
| **Total Shareholders' Equity** | | **7,324,447** | **2,464,241** |

The accompanying notes form part of these financial statements.

**Consolidated Statement of Changes in Equity**
**Year Ended 30 June 2021**
**All amounts are in Australian Dollars**

| | Accumulated Losses | Contributed Equity | Reserves | Non-Controlling Interest | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Balance at 1 July 2020** | **(28,939,390)** | **30,691,497** | **712,134** | **-** | **2,464,241** |
| *Comprehensive income* | | | | | |
| Loss for the period | (1,355,923) | | | | (1,355,923) |
| Other comprehensive income for the period | - | - | 116,887 | - | 116,887 |
| **Total comprehensive loss for the period** | **(1,355,923)** | **-** | **116,887** | **-** | **(1,239,036)** |
| *Transactions with owners, in their capacity as owners, and other transfers:* | | | | | |
| New shares issued | - | 6,313,678 | - | - | 6,313,678 |
| Cost of raising equity | - | (304,794) | - | - | (304,794) |
| Warrants issued | - | - | 90,358 | - | 90,358 |
| Options expired | 471,818 | - | (471,818) | - | - |
| Reclassification on disposal of financial assets | 11,314 | - | (11,314) | - | - |
| Total transactions with owners and other transfers | 483,132 | 6,008,884 | (392,774) | - | 6,099,242 |
| **Balance at 30 June 2021** | **(29,812,181)** | **36,700,381** | **436,247** | **-** | **7,324,447** |
| | | | | | |
| **Balance at 1 July 2019** | **(24,101,980)** | **30,164,872** | **530,837** | **-** | **6,593,729** |
| *Comprehensive income* | | | | | |
| Loss for the year | (4,837,410) | - | - | - | (4,837,410) |
| Other comprehensive income for the period | - | - | 181,297 | - | 181,297 |
| **Total comprehensive loss for the period** | **(4,837,410)** | **-** | **181,297** | **-** | **(4,656,113)** |
| *Transactions with owners, in their capacity as owners, and other transfers:* | | | | | |
| New shares issued | - | 585,139 | - | - | 585,139 |
| Cost of raising equity | - | (58,514) | - | - | (58,514) |
| Total transactions with owners and other transfers | - | 526,625 | - | - | 526,625 |
| **Balance at 30 June 2020** | **(28,939,390)** | **30,691,497** | **712,134** | **-** | **2,464,241** |

These accompanying notes form part of these financial statements

**Consolidated Statement of Cash Flows**
**Year Ended 30 June 2021**
**All amounts are in Australian Dollars**

| | Notes | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 841,671 | 1,557,395 |
| Interest received & other income | | 93,071 | 114,439 |
| Payments to suppliers and employees | | (1,995,223) | (2,157,505) |
| Bonds refunded | | - | 10,000 |
| Interest paid | | (6,361) | (5,177) |
| **Net cash outflow from operating activities** | 26 | **(1,066,842)** | **(480,848)** |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of assets | | 468,586 | - |
| Payments for oil and gas assets | | (1,689,008) | (469,432) |
| Payments for exploration and evaluation | | (405,459) | - |
| Deposit paid for Company acquisition | | (1,197,127) | - |
| Acquisition of oil and gas production projects | | (158,486) | (236,783) |
| **Net cash outflow from investing activities** | | **(2,981,494)** | **(706,215)** |
| **Cash flows from financing activities** | | | |
| Proceeds from shares issued | | 6,270,330 | 585,138 |
| Payments for costs of capital | | (304,794) | (58,514) |
| Transactions with non-controlling interests | | - | - |
| Proceeds from third party loans | | 141,890 | 67,064 |
| **Net cash inflow from financial activities** | | **6,107,426** | **593,688** |
| **Net decrease in cash and cash equivalents** | | **2,059,090** | **(593,375)** |
| Effects of exchange rate changes on cash and cash equivalents | | (5) | 5 |
| Cash and cash equivalents at the beginning of the financial year | | 230,589 | 823,959 |
| **Cash and cash equivalents at the end of the financial year** | 7 | **2,289,674** | **230,589** |

The accompanying notes from part of these financial statements

**Notes to the Financial Statements**
**Year Ended 30 June 2021**
**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.

*Going Concern*

The Group recognises that its ability to continue as a going concern to meet its debts when they fall due is dependent on the Group raising funds as required to pay its debts as and when they fall due, and the continuation of production which results in a gross profit The directors have reviewed the business outlook and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will achieve this.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

The financial report was authorised for issue by the Directors on 29 December 2021.

### (b) Principles of Consolidation and Equity Accounting

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 29 and 30 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.

Under AASB 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Mosman Oil and Gas Limited has a working interest in various joint operations.

*Joint ventures*

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements.

Interests in joint ventures are accounted for using the equity method (see below), after initially being recognised at cost in the consolidated balance sheet.

*Equity method*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 1(q).

### (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 of Exploration and Evaluation Assets**

The ultimate recoupment of the value of exploration and evaluation assets, is dependent on the successful development and commercial exploitation, or alternatively, sale, of the exploration and evaluation assets.

Impairment tests are carried out when there are indicators of impairment in order to identify whether the asset carrying values exceed their recoverable amounts. There is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of judgement and estimation include:

- Recent exploration and evaluation results and resource estimates;
- Environmental issues that may impact on the underlying tenements;
- Fundamental economic factors that have an impact on the operations and carrying values of assets and liabilities.

**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 recognised for all taxable temporary differences.

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

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

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

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

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

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

### (e) Goods and Services Tax

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

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

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

(iii) The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the 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 recognised either in profit or loss, or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(q) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

### (g) 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.

### (h) 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 is continuing.

In the event that an area of interest is abandoned accumulated costs carried forward are written off in the year in which that assessment is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Where a resource has been identified and where it is expected that future expenditures will be recovered by future exploitation or sale, the impairment of the exploration and evaluation is written back and transferred to development costs. Once production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

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

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

Exploration and evaluation assets are assessed for impairment if 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.

### (i) 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.

### (j) 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.

### (k) 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.

### (l) 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.

### (m) Comparative Figures

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

### (n) 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.

### (o) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company determines the classification of its financial instruments at initial recognition.

**Financial assets**
From 1 July 2018, financial assets are classified at initial recognition a (i) subsequently measured at amortised cost, (ii) fair value through other comprehensive income (OCI) or (iii) fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired.

***Financial assets at fair value through profit or loss***
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designed upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if

they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the Income Statement within finance costs. Transaction costs arising on initial recognition are expensed in the Income Statement.

***Financial assets at fair value through other comprehensive income***
The financial asset is held for both collecting contractual cash flows and selling the financial asset. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

The Company's financial assets at fair value through other comprehensive income include it's investment in listed equities.

***Financial assets at amortised cost***
Financial asset at amortised costs are non-derivative financial assets with fixed or determinable payments that re not quoted in an active market.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gain and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include 'trade and other receivables' and "cash and equivalents' in the Balance Sheet.

***Financial liabilities***
Financial liabilities are classified at initial recognition as (i) financial liabilities at fair value through profit or, (ii) loans and borrowings, (iii) payables or (iv) derivatives designated as hedging instruments, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings. These are subsequently measured at amortised cost using the effective interest method. Gain and losses are recognised in the Income Statement when the liabilities are derecognised. Amortisation is included as finance costs in the Income Statement.

***Fair Value***
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models. The expression "fair value" – and derivatives thereof – wherever used in this report bears the meaning ascribed to that expression by the Australian Accounting Standards Board.

***Impairment***

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

### (p) Oil and gas assets

The cost of oil and gas producing assets and capitalised expenditure on oil and gas assets under development are accounted for separately and are stated at cost less accumulated amortisation and impairment losses. Costs include expenditure that is directly attributable to the acquisition or construction of the item as well as past exploration and evaluation costs.

When an oil and gas asset commences production, costs carried forward are amortised on a units of production basis over the life of the economically recoverable reserves. Changes in factors such as estimates of economically recoverable reserves that affect amortisation calculations do not give rise to prior financial period adjustments and are dealt with on a prospective basis.

### (q) 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.

### (r) Employee Entitlements

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

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

### (r) Provisions

Provisions are recognised 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 be the result and that outlay can be reliably measured.

### (s) 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.

### (t) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group’s activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from Joint Operations is recognised based on its share of the sale by joint operation.

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

### (u) Acquisition of Subsidiary Not Deemed a Business Combination

When an acquisition of assets does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial exemption for deferred tax under AASB 12 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

### (v) Foreign Currency Translation

*Functional currency*
Items included in the financial statements of the Group's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency').

The functional currency of the Company and controlled entities registered in Australia is Australian dollars (AU$).

The functional currency of the controlled entities registered in the US is United States dollars (US$).

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

*Presentation currency*
The financial statements are presented in Australian dollars, which is the Group's presentation currency. Functional currency balances are translated into the presentation currency using the exchange rates at the balance sheet date. Value differences arising from movements in the exchange rate is recognised in the statement of comprehensive income.

### (w) Joint operations

A joint arrangement in which the Group has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

### (x) New standards and interpretations

**Account Standard and Interpretation**

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

| | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|
| **2 Cost of sales** | | |
| Cost of sales | 96,600 | 253,271 |
| Lease operating expenses | 395,170 | 529,456 |
| | **491,770** | **782,727** |
| | | |
| **3 Corporate Costs** | | |
| Accounting, Company Secretary and Audit fees | 200,622 | 193,841 |
| Consulting fees – board | 321,000 | 325,000 |
| Consulting fees – other | 193,391 | 116,024 |
| Investor relations & marketing | - | 81,297 |
| NOMAD and broker expenses | 115,684 | 119,264 |
| Legal and compliance fees | 127,016 | 66,150 |
| | **957,713** | **901,576** |
| | | |
| **4 Other comprehensive profit** | | |
| Gain on shares at fair value through other comprehensive income (FVOCI) | 363,525 | 38,887 |
| Foreign currency gain | (257,952) | 142,410 |
| | **105,573** | **181,297** |

## 5 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 (2020 - $NIL).

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

| | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|
| Loss before tax | (1,355,942) | (4,837,410) |
| Income tax calculated at 26% (2020: 27.5%) | (352,540) | (1,330,287) |
| Tax effect of amounts which are deductible/non-deductible | | |
| In calculating taxable income: | | |
| Impairment expense | - | 744,811 |
| Upfront exploration expenditure claimed | (105,419) | (18,310) |
| Other | (26,862) | (64,170) |
| Effects of unused tax losses and tax offsets not recognised as deferred tax assets | 484,821 | 667,956 |
| Income tax expense attributable to operating profit | **NIL** | **NIL** |

## 5 Income Tax (continued)
### (b) Tax Losses

As at 30 June 2021 the Company had Australian tax losses of $13,116,433 (2020: $11,719,814). The benefit of deferred tax assets not brought to account will only be realised if:

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

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

| | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|
| Unbooked deferred tax assets comprise: | | |
| Capital Raising Costs | 57,528 | 60,354 |
| Provisions/Accruals/Other | 121,259 | 51,797 |
| Tax losses available for offset against future taxable income | 3,529,031 | 3,349,052 |
| | **3,707,818** | **3,461,203** |

## 6 Auditors Remuneration

| | | |
|---|---|---|
| *Audit – Elderton Audit Pty Ltd* | | |
| Audit of the financial statements | 32,000 | 31,500 |
| | **32,000** | **31,500** |

## 7 Cash and Cash Equivalents

| | | |
|---|---|---|
| Cash at Bank | 2,289,674 | 230,589 |
| Funds at call[1] | - | 141,890 |
| | **2,289,674** | **372,479** |

1. *Funds received into trust from Blackstone Oil and Gas, Inc and subsequently deposited into the Group's bank account on 7 July 2020.*

## 8 Funds Held in Trust

| | | |
|---|---|---|
| Funds held in Lawyers trust account[2] | 1,197,127 | - |
| | **1,197,127** | **-** |

2. *On 28 June 2021 funds were paid into the Group's lawyers trust for the acquisition of NADSOILCO LLC. The effective acquisition date was 1 July 2021, and the funds were settled on 7 July 2021.*

## 9 Trade and Other Receivables

| | | |
|---|---|---|
| Deposits | 54,875 | - |
| GST receivable | 39,867 | 20,112 |
| Accrued Revenue | 73,768 | 54,235 |
| Other receivables | 3,990 | 4,372 |
| | **172,500** | **78,719** |

## 10 Other Financial Assets

| | | |
|---|---|---|
| Shares in Norseman Silver Inc[3] | - | 93,748 |
| | **-** | **93,748** |

3. *Valued at fair value with gain/loss recorded through other comprehensive income.*

### 11 Other Assets

| | | |
|---|---|---|
| Prepayments | 23,418 | 35,756 |
| | **23,418** | **35,756** |

### 12 Property, Plant and Equipment

| | Office Equipment and Furniture $ | Total $ |
|---|---|---|
| **Cost** | | |
| Balance at 1 July 2020 | 165,710 | 165,710 |
| Additions | - | - |
| Disposals | - | - |
| Effective movement in exchange rates | - | - |
| **Balance at 30 June 2021** | **165,710** | **165,710** |
| | | |
| **Depreciation** | | |
| Balance at 1 July 2020 | 155,715 | 155,715 |
| Depreciation for the year | 2,848 | 2,848 |
| Disposals | - | - |
| Effective movement in exchange rates | - | - |
| **Balance at 30 June 2021** | **158,563** | **158,563** |
| | | |
| **Carrying amounts** | | |
| Balance at 30 June 2020 | 9,995 | 9,995 |
| **Balance at 30 June 2021** | **7,147** | **7,147** |

### 13 Oil and Gas Assets

| | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|
| Cost brought forward | **2,061,131** | **3,905,106** |
| Acquisition of oil and gas assets during the year | 158,486 | 236,783 |
| Disposal of oil and gas assets on sale during the year | (441,384) | - |
| Capitalised equipment workovers during the year | 1,899,759 | 402,901 |
| Amortisation for the year | (170,388) | (103,616) |
| Impairment of oil and gas assets | - | (2,380,043) |
| Impact of Foreign Exchange on opening balances | (179,575) | - |
| Carrying value at end of year | **3,328,029** | **2,061,131** |

### 14 Capitalised Oil and Gas Expenditure

| | | |
|---|---|---|
| Cost brought forward | **301,242** | **1,615,956** |
| Exploration costs incurred during the year | 405,460 | 66,582 |
| Impairment of oil and gas expenditure | - | (1,381,296) |
| Carrying value at end of year | **706,702** | **301,242** |

| | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|
| **15 Trade and Other Payables** | | |
| Trade creditors | 295,243 | 331,972 |
| Other creditors and accruals | 82,484 | 26,119 |
| | **377,727** | **358,091** |

| | | |
|---|---|---|
| **16 Equity Settled Liabilities** | | |
| Unpaid Directors fees and Directors consulting fees | - | 191,000 |
| | **-** | **191,000** |

The amount of $191,000 was outstanding as at 30 June 2020, as the Directors had agreed to not draw on Directors fees, and only half of the contracted amount of Consultancy fees were paid. These liabilities, as well as additional liabilities covering Directors consulting fees to August 2020 (bringing the total equity settled liabilities to $225,000) were subsequently settled by the issue of shares in December 2020, post shareholder approval at the 2020 Annual General Meeting.

| | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|
| **17 Provisions** | | |
| Employee provisions | 22,423 | 20,269 |
| | **22,423** | **20,269** |

## 18 Contributed Equity

**Ordinary Shares:**

Value of Ordinary Shares fully paid

| **Movement in Contributed Equity** | | | **Number of shares** | **Contributed Equity $** |
|---|---|---|---|---|
| Balance as at 1 July 2019: | | | 885,810,968 | 30,164,872 |
| *Date* | *Nature of Transaction* | *Issue Price* | | |
| 14/02/2020 | Shares issued (i) | $0.00293 | 200,000,000 | 585,139 |
| Capital raising costs | | | - | (58,514) |
| Balance as at 1 July 2020: | | | **1,085,810,968** | **30,691,497** |
| 02/07/2020 | Shares issued (i) | $0.00144 | 500,000,000 | 720,813 |
| 09/09/2020 | Shares issued (ii) | $0.00271 | 56,250,000 | 152,467 |
| 17/09/2020 | Shares issued (ii) | $0.00266 | 62,500,000 | 166,015 |
| 23/09/2020 | Shares issued (ii) | $0.00266 | 70,000,000 | 186,278 |
| 20/10/2020 | Shares issued (i) | $0.00228 | 720,000,000 | 1,645,001 |
| 22/12/2020 | Shares issued (iii) | $0.00143 | 52,368,750 | 75,000 |
| 22/12/2020 | Shares issued (iii) | $0.00288 | 52,083,334 | 150,000 |
| 22/12/2020 | Equity adjustment (iv) | - | - | 43,348 |
| 05/02/2021 | Shares issued (ii) | $0.00270 | 37,500,000 | 101,208 |
| 15/02/2021 | Shares issued (ii) | $0.00268 | 10,000,000 | 26,811 |
| 19/03/2021 | Shares issued (i) | $0.00271 | 1,000,000,000 | 2,714,097 |
| 21/05/2021 | Shares issued (ii) | $0.00274 | 37,500,000 | 102,698 |
| 11/06/2021 | Shares issued (ii) | $0.00274 | 70,000,000 | 191,777 |
| 23/06/2021 | Shares issued (ii) | $0.00278 | 13,750,000 | 38,165 |
| Capital raisings costs | | | - | (304,794) |
| **Balance at end of year** | | | **3,767,763,052** | **36,700,381** |

(i) Placements via capital raising as announced
(ii) Shares issued upon conversion of warrants
(iii) Shares issued to settle Director liabilities
(iv) Accounting Based Adjustments based on the timing of the issue of Director Shares and Warrants for the year ended 30 June 2021

## 19 Reserves

| | **Consolidated 2021 $** | **Consolidated 2020 $** |
|---|---|---|
| Options reserve | 90,358 | 471,818 |
| Asset revaluation reserve | - | (363,525) |
| Foreign currency translation reserve | 345,889 | 603,841 |
| | **436,247** | **712,134** |

### Options 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.

## 19 Reserves (continued)

| *Movement in Options Reserve* | **Consolidated 2021 $** | **Consolidated 2020 $** |
|---|---|---|
| Options Reserve at the beginning of the year | **471,818** | **471,818** |
| Options issued | 90,358 | - |
| Options expired | (471,818) | - |
| Options Reserve at the end of the year | **90,358** | **471,818** |

### Foreign Currency Translation Reserve

*Nature and purpose of the Foreign Currency Translation Reserve*

Functional currency balances are translated into the presentation currency using the exchange rates at the balance sheet date. Value differences arising from movements in the exchange rate is recognised in the Foreign Currency Translation Reserve.

| *Movement in Foreign Currency Translation Reserve* | **Consolidated 2021 $** | **Consolidated 2020 $** |
|---|---|---|
| Foreign Currency Translation Reserve at the beginning of the year | 603,841 | 461,431 |
| Current year movement | (257,952) | 142,410 |
| Foreign Currency Translation Reserve at the end of the year | **345,889** | **603,841** |

### Asset Revaluation Reserve

Changes in the fair value of investments classified as fair value through other comprehensive income (FVOCI) financial assets are taken to the available-for-sale investments revaluation reserve.

| *Movement in Asset Revaluation Reserve* | **Consolidated 2021 $** | **Consolidated 2020 $** |
|---|---|---|
| Asset Revaluation Reserve at the beginning of the year | (363,525) | (402,412) |
| Revaluation of FVOCI shares | 363,525 | 38,887 |
| Asset Revaluation Reserve at the end of the year | **-** | **(363,525)**[1] |

1. *The asset revaluation reserve balance related to the accumulated loss on the investment in Norseman Silver Inc recorded in FY2017 and FY2018.*

## 20 Accumulated Losses

| | **Consolidated 2020 $** | **Consolidated 2019 $** |
|---|---|---|
| Accumulated losses at the beginning of the year | **28,939,390** | **24,101,980** |
| Net loss attributable to members | 1,355,923 | 4,837,410 |
| Options expired | (471,818) | - |
| Reclassification on disposal of financial assets | (11,314) | - |
| Accumulated losses at the end of the year | **29,812,181** | **28,939,390** |

## 21 Related Party Transactions

| | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|
| **Key Management Personnel Remuneration** | | |
| Cash Payments to Directors and Management (i) | 507,000 | 511,000 |
| Total | **507,000** | **511,000** |

i. During the year to 30 June 2021:

a. Directors fees of $60,000 and consulting fees of $185,000 were paid or are payable to Kensington Advisory Services Pty Ltd;
b. Director fees of $30,000 and consulting fees of $136,000 were paid or are payable to Australasian Energy Pty Ltd;
c. Directors fees of $30,000 were paid or are payable to J A Young;
d. CFO, Company Secretary and Consulting Fees totalling $66,000 were paid or are payable to J T White's accounting firm, Traverse Accountants Pty Ltd.

| | Issue of Shares $ | Issue of Warrants $ |
|---|---|---|
| Accounting Based Adjustments based on the timing of the issue of Director Shares and Warrants for the year ended 30 June 2021 (FY20: Nil) (i) | 43,348 | 90,358 |
| Total | **43,348** | **90,358** |

Refer to note 16 for further details.

**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.

**Amounts owing to the Company from subsidiaries:**

*Trident Energy Pty Ltd*

At 30 June 2021 the Company's 100% owned subsidiary, Trident Energy Pty Ltd, owed Mosman Oil and Gas Limited $ 3,413,988 (2020: $2,901,011).

*OilCo Pty Ltd*

At 30 June 2021 the Company's 100% owned subsidiary, OilCo Pty Ltd (OilCo), owed Mosman Oil and Gas Limited $776,879 (2020: $776,879).

*Mosman Oil USA, Inc*

At 30 June 2021 the Company's 100% owned subsidiary, Mosman Oil USA, Inc, owed Mosman Oil and Gas Limited $ 7,025,196 (2020: $4,423,121).

## 22 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 2021, total exploration expenditure commitments for the next 12 months are as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| **Entity** | **Tenement** | **$** | **$** |
| Trident Energy Pty Ltd | EP145[1] | - | - |
| Oilco Pty Ltd | EPA155 | - | - |
| | | **-** | **-** |

1. *EP145 is currently under extension until 21 August 2022, therefore there are no committed expenditures as of the date of this report.*

### (b) Capital Commitments

The Company had no other capital commitments at 30 June 2021 (2020: $NIL).

## 23 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 the USA (and previously New Zealand until 2019). 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 and the USA. Unallocated results, assets and liabilities represent corporate amounts that are not core to the reportable segments.

## 23 Segment Information (continued)

### (i) Segment performance

| | United States $ | Australia $ | Total $ |
|---|---|---|---|
| **Year ended 30 June 2021** | | | |
| ***Revenue*** | | | |
| Revenue | 816,695 | - | 816,695 |
| Interest income | - | 55 | 55 |
| Gain on sale of oil and gas assets | 118,067 | - | 118,067 |
| Other income | 40,299 | 52,773 | 93,072 |
| **Segment revenue** | **975,061** | **52,828** | **1,027,889** |
| | | | |
| **Segment Result** | | | |
| Allocated | | | |
| - Corporate costs | (158,979) | (798,734) | (957,713) |
| - Administrative costs | (265,096) | (150,034) | (415,130) |
| - Lease operating expenses | (395,170) | - | (395,170) |
| - Cost of sales | (96,600) | - | (96,600) |
| Segment net profit (loss) before tax | **59,216** | **(884,626)** | **(836,724)** |
| | | | |
| *Reconciliation of segment result to net loss before tax* | | | |
| Amounts not included in segment result but reviewed by the Board | | | |
| - Exploration expenses incurred not capitalised | - | (21,866) | (21,866) |
| - Amortisation | (171,539) | - | (171,539) |
| Unallocated items | | | |
| - Employee benefits expense | | | (182,878) |
| - Depreciation | | | (2,848) |
| - Finance costs | | | (6,362) |
| - Other expense | | | (133,706) |
| Net Loss before tax from continuing operations | | | **(1,355,923)** |

## 23 Segment Information (continued)

### (i) Segment performance

| | United States $ | Australia $ | Total $ |
|---|---|---|---|
| **Year ended 30 June 2020** | | | |
| ***Revenue*** | | | |
| Revenue | 1,493,664 | - | 1,493,664 |
| Interest income | 20,578 | 7,869 | 28,447 |
| Other income | 119,773 | 33,036 | 152,809 |
| **Segment revenue** | **1,634,015** | **40,905** | **1,674,920** |
| | | | |
| **Segment Result** | | | |
| Allocated | | | |
| - Corporate costs | (146,873) | (754,703) | (901,576) |
| - Administrative costs | (32,876) | (140,676) | (173,552) |
| - Lease operating expenses | (529,456) | - | (529,456) |
| - Cost of sales | (253,271) | - | (253,271) |
| Segment net profit (loss) before tax | **671,539** | **(854,474)** | **(182,935)** |
| | | | |
| *Reconciliation of segment result to net loss before tax* | | | |
| Amounts not included in segment result but reviewed by the Board | | | |
| - Exploration expenses incurred not capitalised | - | (71,604) | (71,604) |
| - Evaluation and due diligence | (84,790) | (68,703) | (153,493) |
| - Amortisation | (102,222) | - | (102,222) |
| - Impairment | (2,761,580) | (1,381,296) | (4,142,876) |
| Unallocated items | | | |
| - Employee benefits expense | | | (175,064) |
| - Depreciation | | | (4,039) |
| - Finance costs | | | (5,177) |
| Net Loss before tax from continuing operations | | | **(4,837,410)** |

## 23 Segment Information (continued)

| | United States $ | Australia $ | Total $ |
|---|---|---|---|
| **Total assets as at 1 July 2020** | 2,350,564 | 683,037 | 3,033,601 |
| Segment asset balances at end of year | | | |
| - Exploration and evaluation | - | 7,887,620 | 7,887,620 |
| - Capitalised Oil and Gas Assets | 4,885,757 | - | 4,885,757 |
| - Less: Amortisation | (182,811) | - | (182,811) |
| - Less: Expenditure previously capitalised, written off in financial year | (1,374,917) | (7,180,918) | (8,555,835) |
| | **3,328,029** | **706,702** | **4,034,731** |
| *Reconciliation of segment assets to total assets:* | | | |
| Other assets | 1,597,888 | 2,091,978 | 3,689,866 |
| Total assets from continuing operations **As at 30 June 2021** | **4,925,917** | **2,798,680** | **7,724,597** |

| | United States $ | Australia $ | Total $ |
|---|---|---|---|
| **Total assets as at 1 July 2019** | 4,618,616 | 2,571,517 | 7,190,133 |
| Segment asset balances at end of year | | | |
| - Exploration and evaluation | - | 7,482,160 | 7,482,160 |
| - Capitalised Oil and Gas Assets | 4,632,884 | - | 4,632,884 |
| - Less: Amortisation | (191,710) | - | (191,710) |
| - Less: Impairment | (2,380,043) | (7,180,918) | (9,560,961) |
| | **2,061,131** | **301,242** | **2,362,373** |
| *Reconciliation of segment assets to total assets:* | | | |
| Other assets | 289,433 | 381,795 | 671,228 |
| Total assets from continuing operations **As at 30 June 2020** | **2,350,564** | **683,037** | **3,033,601** |

## 23 Segment Information (continued)

### (iii) Segment liabilities

| | United States $ | Australia $ | Total $ |
|---|---|---|---|
| **Segment liabilities as at 1 July 2020** | 87,486 | 481,874 | 569,360 |
| Segment liability increases (decreases) for the year | (58,106) | (111,104) | (169,210) |
| | **29,380** | **370,770** | **400,150** |
| *Reconciliation of segment liabilities to total liabilities:* | | | |
| Other liabilities | - | - | - |
| Total liabilities from continuing operations **As at 30 June 2021** | **29,380** | **370,770** | **400,150** |

| | United States $ | Australia $ | Total $ |
|---|---|---|---|
| **Segment liabilities as at 1 July 2019** | 316,192 | 280,212 | 596,404 |
| Segment liability increases (decreases) for the year | (228,706) | 201,662 | (27,044) |
| | **87,486** | **481,874** | **569,360** |
| *Reconciliation of segment liabilities to total liabilities:* | | | |
| Other liabilities | - | - | - |
| Total liabilities from continuing operations **As at 30 June 2020** | **87,486** | **481,874** | **569,360** |

## 24 Producing assets

The Group currently has 4 producing assets, which the Board monitors as separate items to the geographical and operating segments. The Arkoma, Stanley, Falcon and Duff projects are Oil and Gas producing assets in the United States. The Welch project was sold in December 2020, therefore figures are reported up until the date of sale.

Project performance is monitored by the line items below.

**Project performance**

| | Arkoma<br>$ | Stanley<br>$ | Falcon<br>$ | Duff<br>$ | Welch<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|
| **Year Ended 30 June 2021** | | | | | | |
| *Revenue* | | | | | | |
| Oil and gas project related revenue | 26,607 | 362,556 | 176,017 | 14,056 | 237,459 | 816,695 |
| Producing assets revenue | **26,607** | **362,556** | **176,017** | **14,056** | **237,459** | **816,695** |
| *Project-related expenses* | | | | | | |
| - Cost of sales | (1,755) | (19,218) | (15,412) | (1,384) | (58,831) | (96,600) |
| - Lease operating expenses | (24,626) | (22,536) | (95,191) | (16,761) | (236,056) | (395,170) |
| Project cost of sales | **(26,381)** | **(41,754)** | **(110,603)** | **(18,145)** | **(294,887)** | **(491,770)** |
| *Project gross profit* | | | | | | |
| Gross profit/(loss) | **226** | **320,802** | **65,414** | **(4,089)** | **(57,428)** | **324,925** |

## 24 Producing assets (continued)

**Project performance**

| | Arkoma $ | Stanley $ | Welch $ | Other Projects $ | Total $ |
|---|---|---|---|---|---|
| **Year Ended 30 June 2020** | | | | | |
| *Revenue* | | | | | |
| Oil and gas project related revenue | 17,350 | 635,288 | 841,026 | - | 1,493,664 |
| Producing assets revenue | **17,350** | **635,288** | **841,026** | **-** | **1,493,664** |
| | | | | | |
| *Project-related expenses* | | | | | |
| - Cost of sales | (897) | (29,278) | (223,096) | - | (253,271) |
| - Lease operating expenses | (10,769) | (102,880) | (389,626) | (26,181) | (529,456) |
| Project cost of sales | **(11,666)** | **(132,158)** | **(612,722)** | **(26,181)** | **(782,727)** |
| | | | | | |
| *Project gross profit* | | | | | |
| Gross profit/(loss) | **5,684** | **503,130** | **228,304** | **(26,181)** | **710,937** |

## 25 Earnings/ (Loss) per shares

| | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|
| 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 | **(1,355,923)** | **(4,837,410)** |
| | **Number of shares 2021** | **Number of shares 2020** |
| Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share: | 2,590,321,475 | 960,879,461 |
| Basic loss per share (cents per share) | 0.05 | 0.50 |
| Diluted loss per share (cents per share) | 0.04 | 0.50 |

## 26 Notes to the statement of cash flows

| Reconciliation of loss from ordinary activities after income tax to net cash outflow from operating activities: | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|
| Loss from ordinary activities after related income tax | (1,355,923) | (4,837,410) |
| Depreciation and amortisation | 174,387 | 106,261 |
| Impairment | - | 4,142,876 |
| Fixed assets disposed of during the year | (118,067) | - |
| Other non-cash items | 133,706 | - |
| Decrease/(increase) in trade and other receivables | (38,962) | 104,090 |
| Increase in inventory | 44,509 | 33,452 |
| Change in value of NCI | - | - |
| Increase/(decrease) in trade and other payables | (175,669) | (7,606) |
| Unrealised FX | 269,177 | (22,511) |
| Net cash outflow from operating activities | **(1,066,842)** | **(480,848)** |

## 27 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.

### (i) 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:

## 27 Financial Instruments (continued)

| Consolidated 2021 | 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 | 7 | **3.80%** | 2,289,674 | - | - | 2,289,674 |
| Trade and other Receivables | 8 | | - | - | 172,500 | 172,500 |
| Other assets | 10 | | - | - | 1,220,545 | 1,220,545 |
| Total Financial Assets | | | **2,289,674** | **-** | **1,393,045** | **3,682,719** |
| Financial Liabilities | | | | | | |
| Trade and other Payables | 16 | | - | - | 377,252 | 377,252 |
| Provisions | 17 | | - | - | 22,898 | 22,898 |
| Total Financial Liabilities | | | **-** | **-** | **400,150** | **400,150** |
| Net Financial Assets/(Liabilities) | | | **2,289,674** | **-** | **992,895** | **3,282,569** |

| Consolidated 2020 | 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 | 7 | **3.80%** | 372,479 | - | - | 372,479 |
| Trade and other Receivables | 8 | | - | - | 78,719 | 78,719 |
| Other Financial Assets | 9 | | | | 93,748 | 93,748 |
| Other assets | 10 | | - | - | 16,959 | 16,959 |
| Total Financial Assets | | | **372,479** | **-** | **189,426** | **561,905** |
| Financial Liabilities | | | | | | |
| Trade and other Payables | 15 | | - | - | 358,091 | 358,091 |
| Equity Settled Liabilities | 16 | | | | 191,000 | 191,000 |
| Provisions | 17 | | - | - | 20,269 | 20,269 |
| Total Financial Liabilities | | | **-** | **-** | **569,360** | **569,360** |
| Net Financial Assets/(Liabilities) | | | **372,479** | **-** | **(379,934)** | **(7,455)** |

## 27 Financial Instruments (continued)

### (ii) 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.

### (iii) 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.

### (iv) 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.

## 28 Contingent Liabilities

There were no material contingent liabilities not provided for in the financial statements of the Company as at 30 June 2021.

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

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Financial position | | |
| Assets | | |
| Current assets | 2,000,046 | 292,130 |
| Non-current assets | 9,694,257 | 6,180,398 |
| **Total assets** | **11,694,303** | **6,472,528** |
| | | |
| Liabilities | | |
| Current liabilities | 370,770 | 380,276 |
| **Total liabilities** | 370,770 | **380,276** |
| **Net assets** | **11,323,534** | **6,092,252** |
| | | |
| Equity | | |
| Contributed equity | 36,699,711 | 30,690,829 |
| Reserves | 90,358 | 108,295 |
| Accumulated losses | (25,466,535) | (24,706,872) |
| **Total Equity** | **11,323,534** | **6,092,252** |
| | | |
| Financial Performance | | |
| Loss for the year | (1,231,482) | (1,197,064) |
| Other comprehensive income | | |
| **Total comprehensive loss** | **(1,231,482)** | **(1,197,064)** |

## 30 Controlled Entities

Investments in group entities comprise:

| Name | Principal activities | Incorporation | Beneficial percentage held by economic entity 2021 % | 2020 % |
|---|---|---|---|---|
| Mosman Oil and Gas Limited | Parent entity | Australia | | |
| Wholly owned and controlled entities: | | | | |
| OilCo Pty Limited | Oil & Gas exploration | Australia | **100** | **100** |
| Trident Energy Pty Ltd | Oil & Gas exploration | Australia | **100** | **100** |
| Mosman Oil USA, INC. | Oil & Gas operations | U.S.A. | **100** | **100** |
| Mosman Texas, LLC | Oil & Gas operations | U.S.A. | **100** | **100** |
| Mosman Operating, LLC | Oil & Gas operations | U.S.A. | **100** | **100** |

Mosman Oil and Gas Limited is the Parent Company of the Group, which includes all of the controlled entities. See also Note 32 Subsequent Events for additional corporate activity in progress subsequent to the 30 June 2020 year end.

## 31 Share Based Payments

| | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|
| Basic loss per share (cents per share) | 0.05 | 0.50 |

A summary of the movements of all company option issues to 30 June 2021 is as follows:

| Company Options | 2021 Number of Options | 2020 Number of Options | 2021 Weighted Average Exercise Price | 2020 Weighted Average Exercise Price |
|---|---|---|---|---|
| Outstanding at the beginning of the year | 301,659,091 | 101,659,091 | $0.0062 | $0.0103 |
| Expired | (300,909,091) | - | - | - |
| Exercised | (357,500,000) | - | - | - |
| Granted | 1,500,452,084 | 200,000,000 | | $0.0041 |
| Outstanding at the end of the year | 1,143,702,084 | 301,659,091 | | $0.0062 |
| Exercisable at the end of the year | 1,143,702,084 | 301,659,091 | | $0.0062 |

## 32 Events Subsequent to the End of the Financial Year

Subsequent to balance date the company notes the following material developments to the group:
There have been no significant events subsequent to reporting date other than stated above.

- On 1 July 2021, Mosman completed the acquisition of Nadsoilco LLC ("Nadsoil") for a consideration of US$1.1 million. The Acquisition increased the WI in the Stanley Project from 15-19% to 35-39%; provided a 20% WI in the oil producing Livingston Leases; and a 23.3% WI in oil producing Winters Lease. Mosman also becams Operator of these leases, providing more control over day-to-day operations and drilling new wells.
- In July 2021, the airborne survey was completed for the EP-145 permit.
- In July 2021, Mosman increased its production portfolio in East Texas with the acquisition of an additional 25% working interest in the Falcon lease (including the Falcon-1 well) and 25% of the adjacent Galaxie lease for a cash consideration of US$160,000.
- The Winters-2 well was drilled.
- The Stanley-5 well was drilled and has been placed on production.