



QUARTERLY REPORT

Activities for the Quarter Ended 31 March 2009

ABN 56 003 329 084

Full ownership of Churchie Field caps off another good quarter for Mosaic Oil

Mosaic Oil NL (ASX: MOS) has increased production in the Surat-Bowen Basin and has delivered another strong quarterly result, despite the lower prices currently being achieved for oil.

- Cash receipts of \$6.7 million (excluding revenue from Santos' Churchie field interest acquisition) which is the second highest quarterly receipts for the Company
- Mosaic realised an average oil price for the Quarter of US\$48.81 per barrel or A\$74.59 (Dec 08 Quarter US\$60.69/bbl or A\$89.19/bbl).
- Cash at the end of the Quarter was \$15.08 million.
- Overall production was 14% higher (on a BOE basis) than the previous quarter.
- Gas production increased by 17% due to the acquisition of a 51% interest of the Churchie field.
- Mosaic Oil acquired Santos' interests in several production licences with the associated pipeline licences, production facilities, gas sales contracts and exploration permits in the southern Surat-Bowen Basin.
- Mosaic Oil continues to evaluate other domestic and international exploration and production opportunities.
- Pre-FEED Technical and commercial work continued on the underground gas storage project in the Silver Springs-Renlim gas field.
- New drill campaign launched at end of quarter.

With its recently announced drilling program, Mosaic Oil will continue to focus on unlocking shareholder value through an accelerated drilling campaign for 2009-2010 designed to move 2P and 3P gas into commercial production.

KEY POINTS IN THIS REPORT

- **March 2009 Quarter achievements:**
 - Acquisition of Santos' interests in Churchie and other production and exploration assets.
 - Cash receipts of \$6.7 million for the Quarter.
 - An average oil price for the Quarter of US\$48.81 per barrel or A\$74.59 per barrel.
 - Cash at the end of the Quarter of \$15.08 million.

EXPLORATION AND DEVELOPMENT ACTIVITY

- **Surat-Bowen Basin:**
 - 2009 drilling program expected to commence 1st week of May
 - Churchie-11 announced as first target well for Phase 1.
 - Low risk targets the focus of the new drilling program
 - ATP 608P Stratton Block farm-in 2D seismic program underway.
 - Continue to progress pre-FEED studies and discussions with potential customers for the underground gas storage project opportunity in the Silver Springs-Renlim gas field

PRODUCTION SUMMARY

PRODUCTS	Mar 09 Quarter	Dec 08 Quarter	Mar 08 Quarter
Oil/Condensate (bbls)	22,590	21,254	18,129
Gas (GJ)	725,495	618,697	483,900
LPG (tonnes)	1,023	1,091	937
Barrels of Oil Equivalent	145,973	128,079	102,373

Mosaic Oil continued to supply gas from the Churchie, Downlands, Silver Springs and Waggamba areas to existing sales contracts. The acquisition of producing assets from Santos, particularly 51% of the

Churchie field (effective 1 January 2009) lifted gas and condensate production (17% and 6% respectively above the previous quarter, and 50% and 25% above the March 08 Quarter).

DEVELOPMENT AND PRODUCTION ACTIVITIES

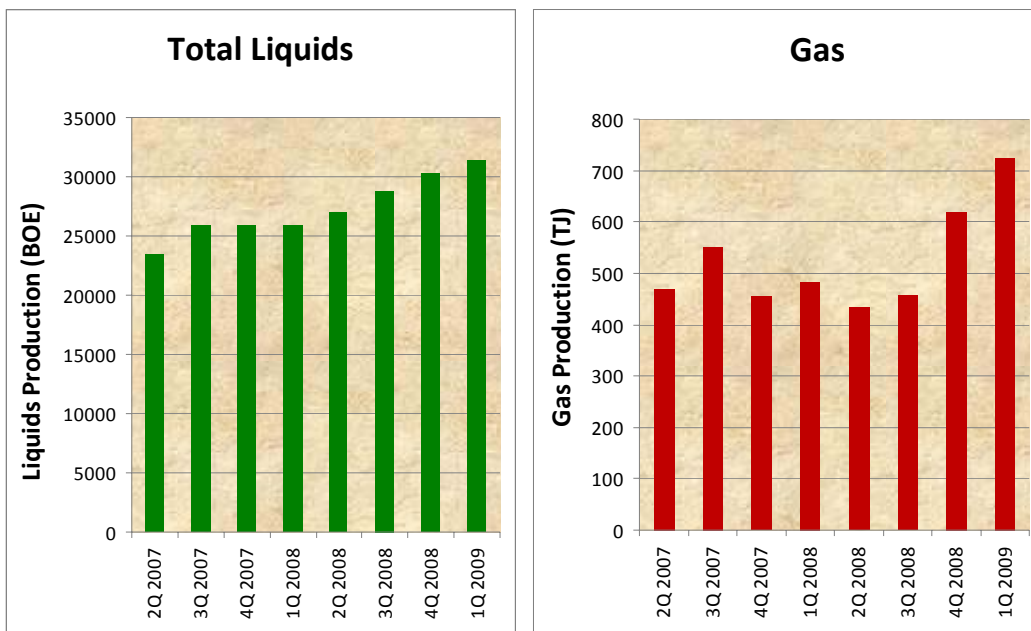
Silver Springs/Waggamba (PL 16/202: Mosaic 100%; Waggamba 4H Mosaic 50% (Gas) 65% (Oil))

Mosaic Oil continues to work over shut-in and lower rate wells in the fields around Silver Springs to increase production. Sucker rod pumps were installed at Sirrah-2 and Tinker-2 to assess the oil and gas potential in these wells.

Silver Springs underground gas storage

Pre-FEED Technical and commercial work continued on the underground gas storage project in the Silver Springs-Renlim gas field. Technical work is confirming the suitability of this field for gas storage, and discussions have been held with a number of potential customers. This facility will allow users to store CSM ramp-up gas, and smooth gas supply.

QUARTERLY PRODUCTION



EXPLORATION AND APPRAISAL ACTIVITY

Surat-Bowen Basin Petroleum Leases and Exploration ATPs: (Mosaic varying percentage interests)

2009 drilling program

Preparations for Mosaic Oil's 2009 drilling program were completed during the Quarter. The first phase of drilling, comprising four wells, is scheduled to commence on 1st May 2009 with the Churchie-11 development well. After this well, MB Century rig #7 will be moved to the Waggamba 05H well for a work-over to clean out an interpreted blockage in the horizontal section which has adversely affected the well production performance. Following this work-over, two gas development wells are to be drilled in the Taylor field.

ATP 608P Stratton farm-in seismic program:

The ATP 608P Stratton Block 2D seismic program totalling 116 km commenced on 7th April. This seismic program is designed to define drilling locations for a farm-in exploration well, to be drilled later this year and targeting oil in Jurassic Evergreen and Boxvale sandstone reservoirs. Mapping by Mosaic Oil has identified 20 prospects and leads within the Stratton Block, 6 of which will be addressed by the proposed seismic program.

ATP 934P Application Area, Cooper-Eromanga Basin: (Mosaic 20%)

The Operator continues to carry out data collation and interpretation of the existing seismic data base within the permit as a precursor to the design and layout of a new seismic program whilst awaiting the completion of Native Title negotiations.

WA-208-P: Hurricane-2 (Mosaic 6%)

Seismic interpretation will be conducted by the Operator with the objective of updating the permit prospect and lead inventory during Permit Year One of the third Renewal Period.

PRL-08 – Kimu (PNG) (Mosaic 28.57%)

No update.

PEP 51151, Taranaki Basin, New Zealand (Mosaic 50%)

The Operator continued its technical studies on this permit during the Quarter as a precursor to seismic acquisition in late 2009/early 2010.

CORPORATE AND FINANCE

Net operating cash flow from Operations for the March 09 Quarter was \$1.2 million. The average price received for Oil & Condensate sold during the quarter was \$US48.81 per barrel (AUD\$74.59).

Development expenditure was \$1.062 Million and Exploration expenditure was \$111,000 for the quarter.

Capital expenditure on new equipment was \$223,000 for the March 09 quarter.

The cash receipts from our normal operations for the quarter were \$6.7 million.

These cash receipts do not include any receipts from the acquisition of Santos' interests in several production licences in the southern Surat-Bowen Basin which was announced by the Company on 6 April 2009, as this was after the end of the quarter.

It is expected that there will be an adjustment in the June quarter which will include receipts from the interest acquired from Santos, effective from 1 January 2009.

Upon completion of this acquisition, Mosaic Oil will have a 100% interest in highly prospective Churchie, Churchie West and Noorindoo fields.

These fields will provide the Company with relatively low risk gas and condensate appraisal and development opportunities for faster growth in production and 2P (Proven plus Probable) reserves in the next few years.

The Company will in the June quarter commence a drilling program aiming to increase production and revenue.

NEW VENTURES

Mosaic Oil continues its strategy to evaluate both domestic and international new venture opportunities for diversification and medium to long term growth.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity	
MOSAIC OIL N.L.	
ABN	Quarter ended ("current quarter")
56 003 329 084	31 March 2009

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter SA'000	Year to date (9 months) SA'000
1.1 Receipts from sales and related debtors	6,698	20,732
1.2 Payments for (a) production – suppliers and employees	(4,202)	(11,617)
(b) corporate & administration – suppliers and employees	(1,426)	(4,151)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	147	819
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Sundry income	-	-
Net Operating Cash Flows	1,217	5,783
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) development	(1,062)	(10,568)
(c) exploration & evaluation	(111)	(3,528)
(d) equity investments	-	-
(e) Plant & equipment	(223)	(1,730)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) plant & equipment	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
Net investing cash flows	(1,396)	(15,826)
1.13 Total operating and investing cash flows (carried forward)	(179)	(10,043)

1.13	Total operating and investing cash flows (brought forward)	(179)	(10,043)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	44
1.17	Repayment of borrowings	(8)	(8)
1.18	Dividends paid	-	-
1.19	Other (Share Issue Costs)	-	-
	Net financing cash flows	(8)	36
	Net increase (decrease) in cash held	(187)	(10,007)
1.20	Cash at beginning of quarter/year to date	15,269	25,089
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	15,082	15,082

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A
1.23	Aggregate amount of payments to the parties included in item 1.2	157,750
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Salary and director fees for the March Quarter.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	750
4.2 Development	3,000
Total	3,750

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	4,575	7,191
5.2 Short term bank deposits	10,507	8,078
5.3 Bank overdraft	-	-
5.4 Other (Security Deposits)	-	-
Total: cash at end of quarter (item 1.22)	15,082	15,269

Note the Company is no longer counts security deposits lodged with government agency as cash for the purpose of the Consolidated statement of cash flow or in its financial statements.

Changes in interests in mining tenements

	Tenement reference	Nature of interest note (2)	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in mining tenements acquired or increased	-	-	-

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference⁺ securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities Fully Paid Ordinary	631,418,515	631,418,515		
Employee Contributing Shares				
350,000	350,000	0	25.0	21.5
650,000	650,000	0	25.0	19.5
300,000	300,000	0	25.0	16.0
800,000	800,000	0	25.0	11.0
100,000	100,000	0	25.0	10.0
510,000	510,000	0	25.0	1.0
200,000	200,000	0	28.0	1.0
130,000	130,000	0	38.0	1.0
3,310,000	3,310,000	0	17.5	1.0
870,000	870,000	0	12.5	1.0
905,000	905,000	0	16.5	1.0
700,000	700,000	0	23.5	1.0
6,100,000	6,100,000	0	23.5	0.1
100,000	100,000	0	22.5	0.1
140,000	140,000	0	23.0	0.1
170,000	170,000	0	19.5	0.1
60,000	60,000	0	20.5	0.1
120,000	120,000	0	14.5	0.1
1,320,000	1,320,000	0	18.0	0.1
2,280,000	2,280,000	0	15.0	0.1
60,000	60,000	0	16.5	0.1
60,000	60,000	0	16.0	0.1
7.4 Changes during quarter Fully Ordinary Paid Conversion of options Contributing Shares	-	-	-	-
Decreases through returns of capital, buy-backs Contributing Shares	-	-		
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options			<i>Exercise price</i>	<i>Expiry date</i>
Listed options	75,017,739	75,017,739	18.0	31/05/09
Employee options	1,180,000	-	17.6	30/06/10
Employee options	250,000	-	17.6	21/02/11
Employee options	777,818	-	10.4	30/06/11
Options	4,000,000	-	20.0	31/12/09
Employee options	250,000	-	11.9	8/09/11
7.8 Issued during quarter				
Employee options	180,000	-	7.0	24/02/12
Employee options	250,000	-	9.3	31/03/12
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Lan Nguyen
Managing Director

Date: 29 April 2009

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 Issued and quoted securities. The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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