



26 May 2009

ASX ANNOUNCEMENT

Mosaic Oil progresses Underground Gas Storage discussions and technical evaluation

Mosaic Oil NL (ASX: MOS) advises that the Company is in discussions with a number of prospective customers for the utilisation of underground gas storage at the Silver Springs-Renlim gas field.

Commercial negotiations are being progressed following technical work indicating that up to 75 Billion Cubic Feet (BCF) can be stored in the nearly depleted Silver Springs-Renlim gas field. Based on the preliminary results of reservoir modelling work conducted by Irrgang Reservoir Management, an independent consultant, Mosaic Oil is confident that underground gas storage in this high flow capacity reservoir possesses all the characteristics expected by its potential Queensland based customers.

Mosaic Oil's Acting CEO Tim Petersen said that "The Company has been reviewing the underground gas storage opportunity since early 2008, and has identified this as a high value project which could realise a new and significant revenue stream for the company as early as 1Q 2011."

The field could provide suitable storage for ramp-up gas for LNG projects, on-going gas production management, as well as meeting seasonal gas demand and peaking supply for electricity generation. Storage would also provide security in the event of supply interruptions.

Work is now underway to finalise the reservoir modelling and to conduct the necessary geomechanical studies within the second half of 2009. These will underpin the planned conversion of the field to gas storage. Commercial modelling and preliminary facilities design have commenced with the assistance of consultants and are expected to result in a Front End Engineering & Design (FEED) study also within the second half of 2009.

The Company expects to be able to provide shareholders with an update on the business case for the project in the third quarter of 2009.

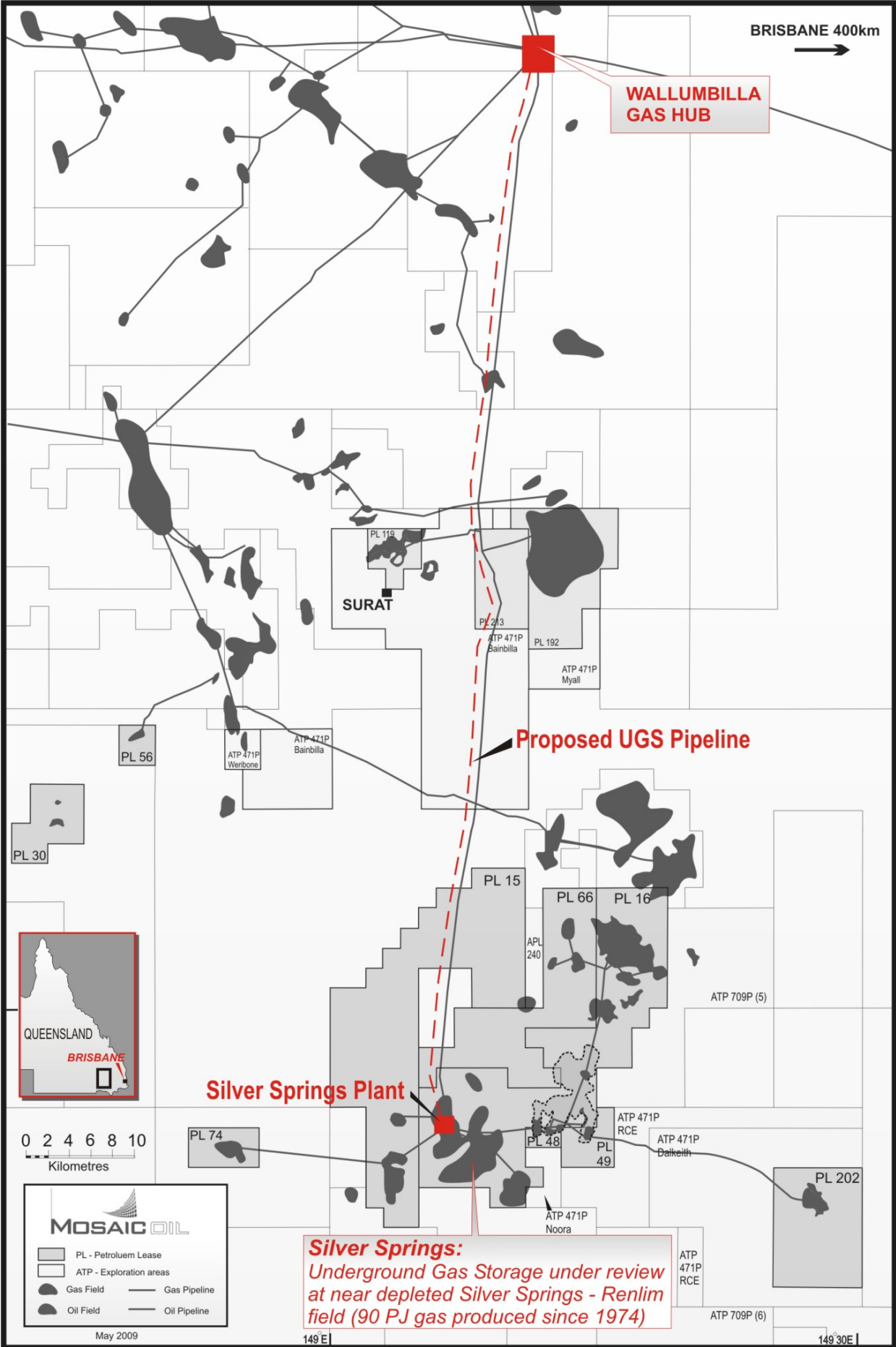
Mosaic Oil owns 100% of the near depleted Silver Springs-Renlim field, which now only produces from one well. The Silver Springs-Renlim field was discovered in 1974 and has produced over 90 BCF of gas. The field is located near the Mosaic Oil owned and operated Silver Springs Plant, and approximately 100km south of the Wallumbilla Gas Hub, the main gas hub in Queensland.

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MOSAIC OIL NL - SILVER SPRINGS UNDERGROUND GAS STORAGE PROJECT