



# QUARTERLY REPORT

Activities for the Quarter Ended 31 December 2009

ABN 56 003 329 084

**Mosaic Oil NL has had a busy quarter with several major initiatives well underway to deliver value to our shareholders. I am pleased to report that both production and revenue have increased significantly compared to the previous quarter. Additionally, we have successfully completed a significant capital raising and the company is in a sound financial position from which to grow.**

Primarily the team have been focussed on work for the 2010 drilling campaign which has three objectives:

1. Increase production from new development wells
2. Test the *fracking* concept and its applicability to Mosaic's Surat fields
3. Delineating the Churchie and Waggamba Fields to support full field development in the coming years

We are continuing to review the current assets for opportunities to trim costs, increase production and enhance the commercial return from our Surat Basin reserves. Mosaic is also working towards the commercialisation of the underground gas storage project (SSUGS), and evaluating a number of new venture opportunities that have the potential to complement our existing business, including opportunities in New Zealand.

I look forward to updating shareholders and the market on Mosaic Oil's 2010 drilling campaign and any deals and new ventures that we are in a position to disclose and that we believe will provide value to our shareholders. It is building up to be an exciting year ahead for Mosaic.

Yours faithfully

Alexander Parks  
Chief Executive Officer

## ***CORPORATE HIGHLIGHTS***

- Successfully raised \$10.9 million by way of a placement of 94.74 million shares at 11.5 cents.
- Mosaic successfully raised \$10.3 million under the Share Purchase Plan (SPP) issuing 93,365,306 shares at an issue price of 11 cents.
- Total funding raised during the quarter was \$20.5 million (net of share issue costs).
- Appointed Chief Commercial Officer.
- Strong Oil/Condensate prices for the quarter with average price of \$AUD \$95.15 per barrel.
- Cash receipts of \$6.374million for the quarter.

## ***OPERATIONAL HIGHLIGHTS***

- Production increased by 39% (BOE) from previous quarter including a 43% increase in gas sales.
- The new Taylor gas wells contributed strongly to the production performance
- Mosaic continued discussions with potential customers for the underground gas storage project (SSUGS).
- Commenced acquisition of a 2D seismic program in PEP 51151, Taranaki Basin, New Zealand.
- Fracture Stimulation studies being carried out for the Waggamba and Churchie fields.

## PRODUCTION SUMMARY

PRODUCTS	Dec 09 Quarter	Sep 09 Quarter	Dec 08 Quarter
Oil/Condensate (bbls)	20,282	18,262	21,502
Gas (GJ)	749,096	523,108	612,933
LPG (tonnes)	1,196	704	1,163
Barrels of Oil Equivalent	148,578	106,759	128,025

Overall production on a BOE basis was up by 39%. New wells contributed to this performance and the previous quarter's production was hindered by shutdowns by one of Mosaic's main gas customers. Gas production for the

quarter was 43% higher, LPG 70% higher and oil/condensate was 11% higher than the Sep quarter. As predicted in the previous report, the new Taylor gas wells contributed strongly to this performance.

## DEVELOPMENT AND PRODUCTION ACTIVITIES

### Churchie (PL 192: Mosaic 100%)

#### Churchie rate enhancement

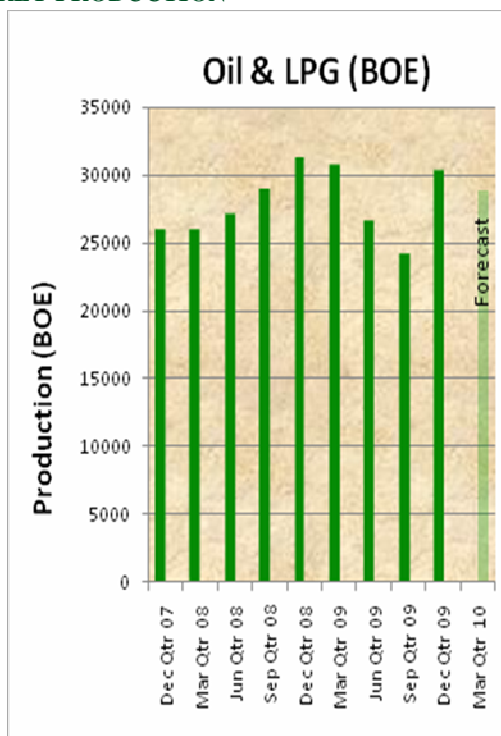
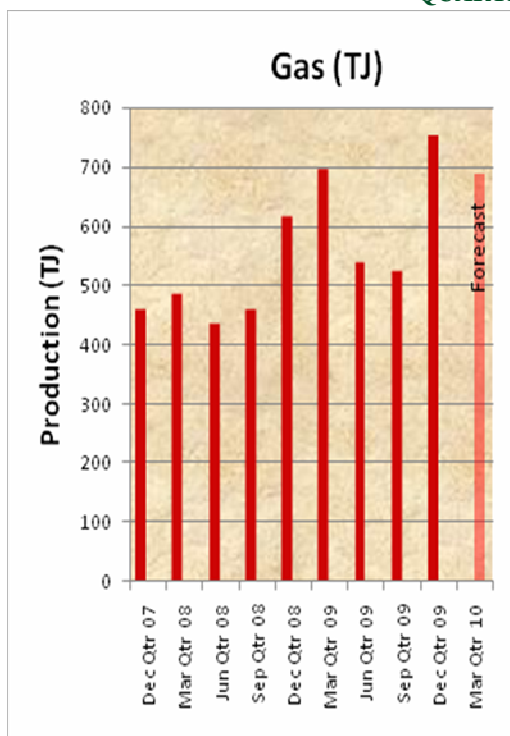
Work commenced on enhancing the gas rate from the Churchie field by fracture stimulation. An experienced consultancy group is reviewing the field with a view to stimulating existing and new wells to improve gas rate and overall recovery from the field.

### Silver Springs (PL 16: Mosaic 100%)

#### Silver Springs underground gas storage (SSUGS)

Discussions with potential customers continued on the underground gas storage project in the Silver Springs-Renlim gas field. Technical work is also continuing on an additional smaller field near Silver Springs that would increase the volume that can be offered for storage or allow a smaller gas storage development

## QUARTERLY PRODUCTION



## EXPLORATION AND APPRAISAL ACTIVITY

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

Exploration activities in Mosaic's operated Surat-Bowen permits in South East Queensland during December 2009 Quarter saw the continuation of technical studies commenced during the previous Quarter. Seismic reprocessing projects were completed during the December Quarter and interpretation of these data was underway at year's end. Evaluation projects being carried out by specialist consultancies on fracture stimulation of the Tinowon reservoir in Waggamba and Churchie fields to improve well productivity were well advanced by the end of the Quarter.

#### **These various projects are being undertaken as a precursor to finalising the Company's 2010 drilling program.**

The Company is also looking at fracing one of its existing wells on the Churchie field with the view of lifting the production. During the quarter a study of the coal seam gas potential within Mosaic's Surat-Bowen acreage was initiated.

Interpretation of the ATP 608P (Stratton) farm-in seismic program failed to identify a suitable location for drilling. Mosaic and the ATP 608P joint venture are currently evaluating the option of further seismic acquisition.

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

Native Title negotiations continued during the Quarter.

### *WA-208-P (Hurricane), Carnarvon Basin: (Mosaic 6%)*

Technical studies continued during the Quarter.

### *PRL-08 (Kimu), PNG: (Mosaic 28.57%)*

During the Quarter, the Operator undertook further evaluation of the seismic data acquired in 2007 over the Kimu gas field as part of a reassessment of the Kimu gas resource.

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

Line surveying for the 72 kilometre Alton 2D seismic survey in PEP 51151 commenced during the December Quarter. Shot hole drilling was delayed into January 2010 due to late arrival in country of explosive charges. Acquisition of this survey is now scheduled to be completed by the end of February, 2010.

The Alton 2D seismic survey is designed to confirm structural closures in the southern sector of the permit, analogous to the shallow Manutahi oil field located in an adjacent permit.

## CORPORATE AND FINANCE

The Company's cash position as at 31 December 2009 was \$21.366 Million. During the December Quarter the Company raised \$20.5 Million net of share issue costs from the successful placement and the Share Purchase Plan.

Net operating cash flow from Operations for the December 09 quarter was \$1.394 million.

The average oil & condensate price for the quarter was US\$86.16 per barrel or AUD\$95.15 (Sept Qtr AUD\$82.71). The average gas price received during the quarter was \$2.90 per GJ.

The cash receipts from our normal operations for the quarter were \$6.374 million. Development expenditure was \$2.268 million which included the expenditure on the seismic reprocessing, the fracture stimulation studies and the payments for the Taylor well completions. Exploration expenditure was \$677,000 for the quarter, which included the seismic acquisition in PEP51151.

Capital expenditure on new plant and equipment was \$489,000 for the December 09 quarter. The Company paid \$660,000 during the quarter in relation to the acquisition of Santos' interest in the Churchie field and other Surat based permits.

The Company appointed Mr Peter Fox as Chief Commercial Officer in January 2010.

## NEW VENTURES

Mosaic reviewed a number of New Venture opportunities during the December Quarter. The Company is in the process of finalising farm-in documentation on a project in the Taranaki Basin in New Zealand and also participated in an application for a further, offshore permit in this basin. The result of this application is as yet not known.

This expansion of the Company's New Zealand position will see Mosaic participating in a number of wells targeting oil and gas in different plays in New Zealand during 2011-2012.

## CORPORATE REPORTING SCHEDULE

The corporate reporting schedule is expected to be as follows:

Item	Expected Date
Half Yearly Accounts	End of February 2010
March 2009 Quarterly Report	End of April 2010
June 2009 Quarterly Report	End of July 2010
Full Yearly Financial Report	End of August 2010

# 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

56 003 329 084

### Quarter ended ("current quarter")

31 December 2009

### Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from sales and related debtors	6,374	12,957
1.2	Payments for		
	(b) production – suppliers and employees	(3,690)	(7,342)
	(c) corporate & administration – suppliers and employees	(1,475)	(3,136)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	185	258
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other – Sundry income	-	-
<b>Net Operating Cash Flows</b>		<b>1,394</b>	<b>2,737</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a) prospects	(660)	(4,730)
	(b) development	(2,268)	(9,043)
	(c) exploration & evaluation	(677)	(1,140)
	(d) equity investments	-	-
	(e) Plant & equipment	(489)	(815)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) plant & equipment	69	69
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other	-	-
<b>Net investing cash flows</b>		<b>(4,025)</b>	<b>(15,659)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(2,631)</b>	<b>(12,922)</b>

1.13	Total operating and investing cash flows (brought forward)	<b>(2,631)</b>	<b>(12,922)</b>
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	21,349	21,349
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	180	180
1.17	Repayment of borrowings	(149)	(162)
1.18	Dividends paid	-	-
1.19	Other (Share Issue Costs)	(833)	(833)
	<b>Net financing cash flows</b>	<b>20,547</b>	<b>20,534</b>
	<b>Net increase (decrease) in cash held</b>	<b>17,916</b>	<b>7,612</b>
1.20	Cash at beginning of quarter/year to date	3,450	13,754
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	<b>21,366</b>	<b>21,366</b>

### 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	68,750
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 December 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	600
4.2 Development	1,800
<b>Total</b>	<b>2,400</b>

## 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	4,555	2,277
5.2 Short term bank deposits	16,811	1,173
5.3 Bank overdraft	-	-
5.4 Other (Security Deposits)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>21,366</b>	<b>3,450</b>

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 (cents)
7.1 <b>Preference<sup>+</sup> securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+ Ordinary securities</b> <b>Fully Paid Ordinary</b>	821,344,925	821,344,925		
<b>Employee Contributing Shares</b>				
	350,000	-	25.0	21.5
	650,000	-	25.0	19.5
	300,000	-	25.0	16.0
	800,000	-	25.0	11.0
	100,000	-	25.0	10.0
	510,000	-	25.0	1.0
	200,000	-	28.0	1.0
	130,000	-	38.0	1.0
	3,310,000	-	17.5	1.0
	870,000	-	12.5	1.0
	905,000	-	16.5	1.0
	700,000	-	23.5	1.0
	6,100,000	-	23.5	0.1
	100,000	-	22.5	0.1
	140,000	-	23.0	0.1
	170,000	-	19.5	0.1
	60,000	-	20.5	0.1
	120,000	-	14.5	0.1
	1,320,000	-	18.0	0.1
	2,280,000	-	15.0	0.1
	60,000	-	16.5	0.1
	60,000	-	16.0	0.1
7.4 Changes during quarter <b>Fully Ordinary Paid</b>				
Shares issued		-		
Placement	94,745,167	94,745,167	11.5	Fully paid
Share purchase plan	93,365,306	93,365,306	11.0	Fully paid
To Directors	1,600,000	1,600,000	11.5	Fully paid
<b>Contributing Shares</b>				
<b>Contributing Shares</b>				
7.5 <b>+ Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b>			<b>Exercise price</b>	<b>Expiry date</b>
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
Employee options	250,000	-	11.9	8/09/11
Employee options	180,000	-	7.0	24/02/12
Employee options	250,000	-	9.3	31/03/12
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	4,000,000	-	20.0	31/12/09
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

## 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: David Herlihy  
Chairman

Date: 29 January 2010

## 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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