

QUARTERLY REPORT

Activities for the Quarter Ended 30 June 2010

ABN 56 003 329 084

CORPORATE HIGHLIGHTS

- Mosaic entered into a Scheme Implementation Deed with AGL Energy in regards to AGL's proposed acquisition of all Mosaic shares.
- Mosaic entered into an agreement to sell its Kimu interest for a minimum US\$11million cash payment in the September Quarter.
- Oil/Condensate prices for the Quarter with average price of AUD \$87.37 per barrel.

OPERATIONAL HIGHLIGHTS

- Production decreased by 8% (BOE) from the previous Quarter.
- Additional Churchie-1 production was brought online as a result of fracture stimulation.
- Mosaic was awarded PEP52181 in the Taranaki Basin, New Zealand.
- Planning is well advanced for a 3D seismic survey to be conducted in ATP 1056P "The Taipan Block", Cooper Eromanga Basin, Queensland.

On 14 July 2010, Mosaic entered into a scheme implementation deed with AGL Energy Limited ("AGL") in relation to the proposed acquisition by AGL of all the issued shares in Mosaic. Under the proposed acquisition, Mosaic shareholders will receive consideration of \$0.15 cash per fully paid share or 1.01 AGL shares for every 100 fully paid Mosaic shares. The Mosaic Board of Directors unanimously recommends this proposed acquisition by AGL of all the shares in Mosaic by Scheme of Arrangement, in the absence of a superior proposal and subject to an independent expert's concluding that the Scheme is in the best interests of Mosaic shareholders. Mosaic anticipates dispatching Scheme Booklets containing information related to the proposed acquisition, details of the scheme meeting and reasons for the Board's recommendation to Mosaic shareholders in early September 2010. The proposal is subject to shareholders' vote in October 2010.

The cash consideration of \$0.15 per share represents a premium of 92% to Mosaic's closing price on 30 June 2010, being the day prior to Mosaic's announcement of AGL's incomplete and non-binding proposal.

The June Quarter saw decreases in oil production (5%), gas (8%) and LPG (9%) from the previous Quarter. Production was lower in the June Quarter because of a two week shut down of one of Mosaic's major gas customers and a one week LPG plant shutdown for repairs.

In May, the Company trialled fracture stimulation on its Churchie-1 well in the Surat field. While flow rates did not increase to rates anticipated, the procedure was operationally successful and rates doubled, allowing the Churchie 1 well to be connected to infrastructure for production. Mosaic believes fracture stimulation is appropriate to develop the tight gas reservoirs in the Surat-Bowen basin.

The New Zealand government formerly awarded Mosaic and its joint venture partners the near-shore permit PEP 52181, the Kaheru Block. Subsequent to the award of the permit, the Company and its joint venture partners have applied for an extension of PEP 52181.

The Queensland Government has granted the ATP 1056P Permit, located in southwest Queensland's Cooper-Eromanga Basin, authorising Discovery Geo Corporation with which Mosaic has entered into a farm-in agreement for a 40% interest and Operatorship, access to the land to explore for Petroleum for 12 years.

In the September Quarter, Mosaic's will receive a US\$11 million cash payment for the sale of its interest in Kimu. In addition, Mosaic will receive a contingent cash payment of either US\$0.10 per gigajoule for any prove plus probably (2P) reserve increases prior to 31 December 2012, or choose a firm, fixed amount of US\$2.7 million in cash at any time before an appraisal well is drilled.

PRODUCTION SUMMARY

PRODUCTS	June 10 Quarter	Mar 10 Quarter	June 09 Quarter
Oil/Condensate (bbls)	18,523	19,543	19,616
Gas (GJ)	613,428	669,149	536,688
LPG (tonnes)	893	981	835
Barrels of Oil Equivalent	122,863	133,433	111,347

Compared to the March Quarter, oil production decreased 5%. Gas production decreased 8% and LPG was down 9% from the March Quarter.

Overall, production was lower in the June Quarter because of a two week shut down by one of Mosaic's major gas customers and a one week LPG plant shutdown for repairs.

DEVELOPMENT AND PRODUCTION ACTIVITIES

Churchie (PL 192: Mosaic 100%)

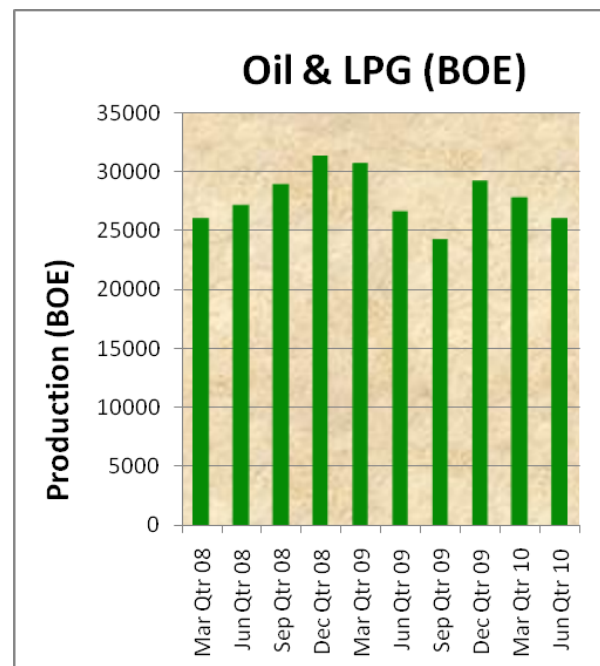
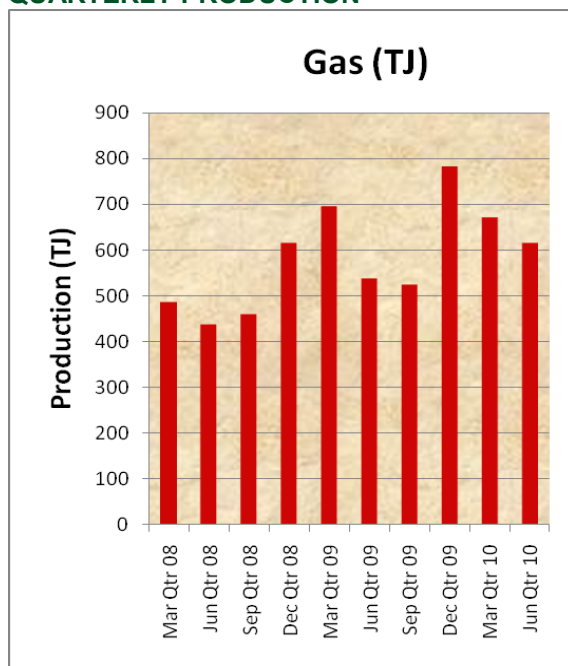
Churchie Rate-Enhancement

Mosaic performed an operationally successful Fracture Stimulation of its Churchie-1 well, located within the Churchie Field, PL 192, in Queensland's Surat-Bowen Basin. The data collected from the hydraulic fracture provides information for planning future operations. The well has been placed on production for sale of its gas and to gather further long term production performance data.

Field Studies

Mosaic has recently concluded a number of field development studies with a focus on increasing production at the Churchie, Taylor and Fairymount fields. These studies have focused on well spacing, production forecasts of assumed new wells as based on existing wells and a reinterpretation of all the drill stem and production testing conducted in the current wells. Potential upside was identified in each of these fields.

QUARTERLY PRODUCTION



EXPLORATION AND APPRAISAL ACTIVITY

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

Mosaic's 2010 drilling program was to include three wells (Churchie-12, Waggamba-6, Waggamba South-1) targeting gas-condensate in the Tinowon Formation reservoir, all of which were to have been fraced to determine the potential for establishing commercial flow rates from these tight gas reservoirs by the application of fracture stimulation technology. However, the 2010 drilling program has been delayed due to the unavailability of a drilling rig capable of safely drilling the proposed Waggamba-6 and Waggamba South-1 wells. The program was also to include several oil exploration and development wells, the latter in the Taylor and Fairymount fields, which Mosaic was seeking to farm-out. In light of the agreement with AGL, farm-out activity has been placed on hold.

ATP 1056P, Cooper-Eromanga Basin: (Mosaic 40%)

ATP 1056P was formally awarded to Discovery Geo for a twelve year term commencing on 1 June 2010. Mosaic is earning a 40% interest in this Permit, to be held in its wholly owned subsidiary Continental Oil Pty Ltd, and will be the joint venture operator. Planning is well advanced for the 600 square kilometre 2010 Togar 3D seismic survey, with line preparation to commence in early August 2010 and recording scheduled to start on 1 September 2010. This survey is expected to be acquired, processed and interpreted by early 2011, with exploration drilling planned for Q2 2011.

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 aimed at defining a drilling location for the 2011 commitment

well continued during the Quarter.

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

Interpretation of the 2010 Alton seismic survey has identified a prospect located immediately east of and of comparable size to the producing Manutahi oilfield (Operator: Origin Energy). The PEP 51151 Operator, L&M Energy, is currently finalising a recommendation to drill this prospect, targeting the reservoir sands that produce in Manutahi field.

PEP 52181, Taranaki Basin, New Zealand: (Mosaic 15%)

This nearshore permit was awarded for an initial five year term on 19th May 2010 to the joint venture comprising Roc Oil (New Zealand) Ltd (Operator, 50%); Mighty River Power Gas Investments Limited (20%), L&M Energy Ltd (15%) and Mosaic (15%). The joint venture partners have since applied for an extension of the permit area. The work program for the first two years comprises reprocessing and interpretation of the Kaheru 3D seismic survey that was acquired in the area now covered by PEP 52181, and pre-drill technical work. An exploration well is scheduled to be drilled in the third permit year.

PEP 51149, Taranaki Basin, New Zealand: (Mosaic 10%)

During the June Quarter, the Operator continued technical studies aimed at enabling the joint venture to make a decision on either drilling an exploration well or undertaking a transition zone seismic survey over the large Pungarehu lead during the forthcoming permit year.

New Ventures

Continuing to build on its Taranaki Basin acreage, Mosaic has submitted an application for the Taranaki Basin's Kahili Block (Mosaic 75% and Operatorship).

CORPORATE

On 14 July 2010, Mosaic and AGL Energy Limited announced that they have entered into a Scheme Implementation Deed, under which AGL proposes to acquire all of the issued shares in Mosaic by way of Scheme of Arrangement.

The Board of Mosaic unanimously recommends that Mosaic shareholders vote in favour of the scheme in the absence of a superior proposal and subject to the independent expert's concluding that the Scheme is in the best interests of Mosaic shareholders.

INDICATIVE KEY DATES OF THE PROPOSAL

7 September 2010	Scheme Booklet containing information about the proposal dispatched to Mosaic Shareholders
7 pm on 5 October 2010	Deadline for receipt of proxy forms for Scheme Meeting
7pm on 5 October 2010	Deadline for determining eligibility to vote at Scheme Meeting
7 October 2010	Scheme Meeting
8 October 2010	Date for Court to consider approval of the Scheme
8 October 2010	Effective Date of the Scheme
7pm on 15 October 2010	Scheme Record Date; if the Scheme is approved, only shareholders on the register at this time will receive the Scheme Consideration
18 October 2010	Implementation Date

In the interim, Mosaic will continue to conduct its business in the ordinary and proper course.

FINANCE

At 30 June 2010, the Company's cash position was \$18.1 million and, in addition, Mosaic has a receivable of US\$11 million in early August 2010 from the sale of its interest in Kimu.

Net operating cash flow from Operations for the June 2010 Quarter was \$0.99 million.

The average oil & condensate price for the Quarter was US\$77.13 per barrel or AUD\$87.37 (March Qtr AUD\$81.16). The average gas price received during the Quarter was \$2.89 per GJ.

The cash receipts from our normal operations for the Quarter were \$6.1 million. During the Quarter the Company farmed into ATP 1056P Taipan and paid \$2.7 million as part of its farm-in obligation to earn its 40% interest.

Development expenditure was \$212,000 and exploration expenditure was \$186,000 for the Quarter.

Capital expenditure on new plant and equipment was \$83,000 for the June 2010 Quarter.

CORPORATE REPORTING SCHEDULE

Full Yearly Financial Report 10 August 2010

Annual Report 2010 and September Quarterly Report End of October 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, 01/06/10.

Name of entity

MOSAIC OIL N.L.

ABN

56 003 329 084

Quarter ended ("current Quarter")

30 June 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	6,102	25,876
1.2 Payments for (a) Production - suppliers and employees	(3,827)	(15,554)
(b) Corporate and administration	(1,536)	(6,546)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	249	763
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	988	4,539
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	(3,304)	(8,750)
(b) development	(212)	(8,909)
(c) exploration & evaluation	(186)	(1,732)
(d) plant & equipment	(83)	(1,398)
other fixed assets		
1.9 Proceeds from sale of: (a) prospects		
(b) equity investments		
(c) plant & equipment	-	69
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(3,785)	(20,720)
1.13 Total operating and investing cash flows (carried forward)	(2,797)	(16,181)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(2,797)	(16,181)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		21,350
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	-	301
1.17	Repayment of borrowings	(28)	(207)
1.18	Dividends paid		
1.19	Other (share issue costs)	-	(833)
	Net financing cash flows	(28)	20,611
	Net increase (decrease) in cash held	(2,825)	4,431
1.20	Cash at beginning of quarter/year to date	21,010	13,754
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	18,185	18,185

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'000
1.23	Aggregate amount of payments to the parties included in item 1.2	58
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Directors' fees for the June 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

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

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		

+ See chapter 19 for defined terms.

3.2	Credit standby arrangements		
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Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	3,500
4.2	Development	450
4.3	Production	4,000
4.4	Corporate and Administration	1,200
Total		9,150

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	3,081	4,144
5.2	Deposits	15,104	16,866
5.3	Bank overdraft		
5.4	Other (provide details)		
Total: cash at end of Quarter (item 1.22)		18,185	21,010

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	PRL08 (Kimu) Interest in Retention licence	28.6%	Nil
6.2	Interests in mining tenements acquired or increased	ATP1056P Interest in Exploration Licence	-	40%
		PEP51149 Interest in Exploration Licence	-	10%

+ See chapter 19 for defined terms.

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 <i>(description)</i>				
7.2 Changes during Quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	821,710,775	821,710,775		
	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 (a) Increases through issues (b) Decreases through returns of capital, buy-backs	365,850 -	365,850 -	8.2 cents	8.2 cents
7.5 +Convertible debt securities <i>(description)</i>				

+ See chapter 19 for defined terms.

7.6	Changes during Quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options			Exercise price	Expiry date
	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				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

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 ~~/does not*~~ (*delete one*) give a true and fair view of the matters disclosed.

Sign here:

Date: 30 July 2010

Print name: David Herlihy
Chairman

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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+ See chapter 19 for defined terms.