



# QUARTERLY REPORT

Activities for the Quarter Ended 30 June 2008

ABN 56 003 329 084

## Record financial performance for Quarter and excellent results from the 2008 Drilling Campaign

Mosaic Oil NL (ASX: MOS) is well positioned to deliver on the Company's strategy of accelerated growth following the successful drilling and completion of two Waggamba horizontal wells and Taylor-18 during the June 08 Quarter. These wells have laid the foundations for further increases in production.

- Cash receipts were a record of \$10.3 million for the Quarter.
- Mosaic realised an average oil price for the Quarter of US\$128.74/bbl or A\$133.63/bbl (March 08 Quarter - A\$106.15/bbl).
- Cash at the end of the Quarter was \$25 million.
- Overall production was 5% lower (on a BOE basis) than the previous quarter due to well downtime.
- Oil/condensate production increased by over 7% due to a contribution by Waggamba-4H and Taylor-18 late in the quarter.
- Mosaic continued to evaluate domestic and international acreage opportunities.

Mosaic Oil remains focused on implementing its strategy of unlocking shareholder value through an accelerated drilling campaign for the 2008-2010 period. The Company is benefiting from the high oil and LPG price environment and improved gas markets.

## KEY POINTS IN THIS REPORT

- June 2008 Quarter delivers:
  - Drilling success at Taylor-18 and Waggamba-4H .
  - Record cash receipts of \$10.3 million for the Quarter.
  - An average oil price for the Quarter of US\$128.74/bbl or A\$133.63/bbl.
  - Cash at the end of the Quarter of \$25 million.

## EXPLORATION AND DEVELOPMENT ACTIVITY

- Surat-Bowen Basin:
  - Multi-well 2008 drilling program continued and number of drilling targets expanded
  - Waggamba-4H and Taylor-18 were successful gas and oil/condensate wells
  - Coal seam gas test progressed
  - Farm out to Bow 25% of PL 15 Farmout Block
  - Farmin to Bow's Boxvale Sandstone oil exploration trend



## PRODUCTION SUMMARY

PRODUCTS	June 08 Quarter	March 08 Quarter	June 07 Quarter
Oil/Condensate (bbls)	19,521	18,129	16,624
Gas (GJ)	442,548	483,900	469,047
LPG (tonnes)	937	937	815
Barrels of Oil Equivalent	97,237	102,373	97,500

Mosaic Oil continued to supply gas from the Churchie, Downlands, Silver Springs and Waggamba areas to existing sales contracts and spot contracts. A strong performance from the Silver

Springs/Waggamba area increased oil production by 7% compared to the previous quarter while gas production was 8% lower than the previous quarter.

## DEVELOPMENT AND PRODUCTION ACTIVITIES

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

### Higher Oil Production

Oil production increased by 12% from the Silver Springs/Waggamba area due to the contribution from Waggamba-4H and Taylor-18 late in the quarter. Mosaic's oil production from this area increased from 72 BOPD in April to 185 BOPD in June.

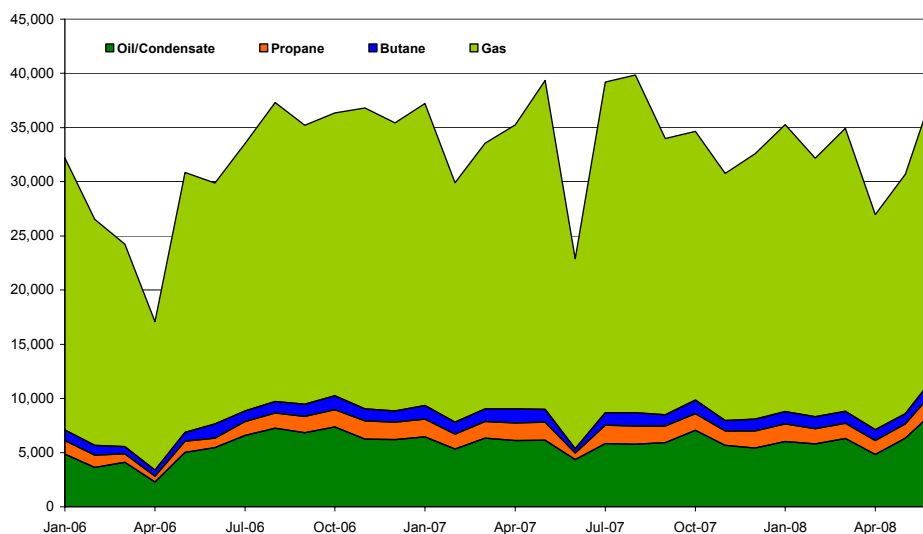
Waggamba-4H was put on line on 29 May following production testing and Taylor-18 was put on line on 11 June. Both of these wells were connected to Mosaic's gathering system less than a month after drilling was completed.

Oil and gas production were adversely affected by downhole mechanical problems with Taylor-16 and East Glen-1 wells. These problems were rectified in early July.

### Churchie Field (PL 192: Mosaic 49%)

A workover was completed on the Noorindoo-1 well to allow pumping of this rich gas/condensate well to restart. Churchie field production declined by 5.6% compared to the last quarter.

## MONTHLY PRODUCTION IN BARRELS OF OIL EQUIVALENT (BOE)



## EXPLORATION AND APPRAISAL ACTIVITY

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

#### **2008 accelerated drilling program continues:**

The Mosaic Oil 2008 drilling program commenced on 11<sup>th</sup> March with one well successfully drilled and completed by the end of that Quarter. During the June Quarter, four wells have been drilled with three completed for production. The Waggamba-4H and 5H horizontal development wells (100% funded by CS Energy) were both completed as Tinowon gas-condensate producers with 4H currently on production and 5H due to be tested in late July. The Taylor-18 development well was completed as a Showground Sandstone gas-condensate producer and has been placed on production. The Armstrong-1 exploration well was plugged and abandoned (P & A) as a dry hole.

Since the end of the Quarter, the Jawsone-1 exploration well (PL 15) has been drilled. This well was partially funded under a farm-in agreement with Bow Energy whereby Bow earned a 25% interest in PL 15 (excluding the Boxleigh sub-lease area) for funding 50% of the well cost. Jawsone-1 was P&A as a dry hole. Century Rig #7 is expected to spud the next well in the program, West Boggo Creek-1, by the end of July.

Following the completion of operations at West Boggo Creek-1, Century Rig #7 will then move to the Taylor-19 or Freneau-1 wildcat location, following which additional development wells are expected to be drilled on Waggamba and Taylor fields.

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

Avery Resources (Australia) Pty. Ltd (Operator) continued the Native Title clearance process during the Quarter, required to be completed before exploration activities are able to commence.

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

No update

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

The PRL-08 joint venture (Operator: Oil Search Ltd) completed interpretation of the 72 kilometres of 2D seismic data acquired over the Kimu gas field in mid-2007. This survey has been carried out as a precursor to the possible drilling of an appraisal well or wells for the certification of gas reserves, necessary to move forward the development of Kimu gas.

A decision on options for exploitation of the Kimu gas field and the timing of further drilling has yet to be made.



*Waggamba-4H Clean-up Flow Flare*

## CORPORATE AND FINANCE

Cash flows from Operations for the June Quarter were \$6.3 million before Exploration and Development Expenditure of \$4.7 million. Exploration and development expenditure mainly related to the drilling of a number of wells including Fairymount 9, Taylor-18, Armstrong-1 and Waggamba-4H.

Cash receipts for the June Quarter were \$10.3 million which is a record for the company. The cash receipts did include a payment from CS Energy of \$3.5 million which is assisting the Company funding the drilling at Waggamba-5H. The cash receipts from our normal operations for the quarter were \$6.8 million, which is also a record for the Company.

In the next quarter we expect our revenues will continue to grow as we benefit from higher production and the high price of oil. We will also continue to fund an extensive exploration and development program over the remainder of the calendar year with the aim of driving further increases in our 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.

During the June Quarter, Mosaic Oil entered into a farm-in agreement with the ATP 608P Stratton Block permit holders to earn a 35% interest in this permit in return for funding 70% of the cost of a seismic program and 46.667% of the cost of an exploration well. The seismic program is planned to be acquired in late 2008. In addition, Mosaic will earn an option to earn a 35% interest in ATP 608P Rookwood Block and a 50% interest in any or all of ATP 7065P, 805P Southern Blocks and 807P Western Blocks by carrying out a seismic reprocessing project. The exploration programs in these areas will target oil in Jurassic Evergreen and Boxvale sandstones reservoirs.

# 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
<b>MOSAIC OIL N.L.</b>

ABN	Quarter ended ("current quarter")
<b>56 003 329 084</b>	<b>30 June 2008</b>

### 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 sales and related debtors	10,313	27,358
1.2 Payments for (a) production – suppliers and employees (b) corporate & administration – suppliers and employees	(2,673) (1,760)	(10,180) (4,540)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	438	876
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>6,318</b>	<b>13,514</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) development (c) exploration & evaluation (d) equity investments (e) Plant & equipment	- (3,235) (1,444) - (12)	- (5,844) (3,212) - (1,183)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) plant & equipment	- - -	- - -
1.10 Loans to other entities	-	(1)
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
<b>Net investing cash flows</b>	<b>(4,690)</b>	<b>(10,239)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>1,628</b>	<b>3,275</b>

1.13	Total operating and investing cash flows (brought forward)	<b>1,628</b>	<b>3,275</b>
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	1	18,010
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Share Issue Costs)	-	(790)
	<b>Net financing cash flows</b>	<b>1</b>	<b>17,220</b>
	<b>Net increase (decrease) in cash held</b>	<b>1,629</b>	<b>20,495</b>
1.20	Cash at beginning of quarter/year to date	23,470	4,604
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	<b>25,099</b>	<b>25,099</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	175,613
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 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

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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	800
4.2 Development	3,800
<b>Total</b>	<b>4,600</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	3,153	1,651
5.2 Short term bank deposits	21,946	21,819
5.3 Bank overdraft	-	-
5.4 Other (Security Deposits)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>25,099</b>	<b>23,470</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 (see note 3) (cents)
7.1 <b>Preference<sup>+</sup> securities</b> (description)				
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>	631,418,205	631,418,205		
<b>Employee Contributing Shares</b>				
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 <b>Fully Ordinary Paid</b> Conversion of options <b>Contributing Shares</b>	2,680	2,680	18.0	18.0
-	-	-		
Decreases through returns of capital, buy-backs <b>Contributing Shares</b>	-	-		
7.5 <b>+Convertible debt securities</b> (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b>			<i>Exercise price</i>	<i>Expiry date</i>
Listed options	75,018,205	75,018,205	18.0	31/05/09
Employee options	1,180,000	-	17.6	30/06/10
Employee options	250,000	-	17.6	21/02/11
Options	4,000,000	-	20.0	31/12/09
7.8 Issued during quarter Options				
7.9 Exercised during quarter	2,680	2,680	18.0	31/05/09
7.10 Expired during quarter				
7.11 <b>Debentures</b> (totals only)				
7.12 <b>Unsecured notes</b> (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: 31 July 2008

## 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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