

ASX and Media release

AGL confirms proposal to acquire Mosaic at a final price of 15 cents per share²

1 July 2010

AGL Energy Limited ("AGL") today confirmed that it has made an indicative non-binding proposal to acquire all of the issued shares¹ in Mosaic Oil N.L. ("Mosaic") by way of a scheme of arrangement.

The consideration would be either cash of 15 cents per share² or 1.01 AGL shares per 100 Mosaic shares, at the shareholder's election.²

AGL has entered into agreements with some of Mosaic's largest shareholders to support a scheme or accept a takeover bid by AGL³ at the price of 15 cents per Mosaic share² which has been proposed by AGL to Mosaic. Those agreements are conditional on the Mosaic board agreeing prior to 14 July 2010 to unanimously recommend such a scheme or takeover bid. As a result of these agreements AGL now has a relevant interest of 12.8% of the shares on issue in Mosaic⁴.

The proposed price represents a 92% premium to Mosaic's closing price of 7.80 cents on 30 June 2010 and an 86% premium to Mosaic's 30-day volume weighted average price of 8.08 cents. The price will be adjusted for any unpaid amount and for any dividends declared or return of capital to be paid prior to close of the transaction.

Commenting on the proposal, AGL's Managing Director Michael Fraser said "AGL has a very disciplined approach to capital allocation and investment return requirements and accordingly the proposal that is being made to Mosaic at 15 cents per share² is final as to price. This proposal delivers compelling value to Mosaic's shareholders.

"The underpinning rationale for this investment is the creation of a gas storage business as part of AGL's integrated strategy underpinned by contractual arrangements with the BG Group that will support the development of their Curtis LNG Project."

¹ Includes Mosaic fully paid ordinary shares and existing Mosaic partly paid ordinary shares.

² Less any amount remaining unpaid on the share and adjusted for any dividends or return of capital declared or paid prior to close.

³ AGL's proposal to Mosaic has been to acquire Mosaic by way of scheme of arrangement. AGL has not proposed any takeover bid of Mosaic at this time. . Ineligible foreign shareholders and holders who would otherwise receive a non-marketable parcel will receive the cash consideration

⁴ AGL has lodged a copy of the agreement with the ASX today with its substantial holder notice.

Acquisition Rationale

The acquisition would support a Gas Storage Project Development Agreement entered into between AGL and Queensland Gas Company Limited ("QGC", a BG Group Company), involving the development by AGL of a gas storage project at Mosaic's depleted Silver Springs gas fields in the Surat Basin in central Queensland.

Under the gas storage services agreement:

- AGL will manage and fund the development, installation and operation of a gas storage facility at the Silver Springs / Renlim Gas fields. The facility is anticipated to be operational by April 2011. QGC will make a capital contribution to AGL to support development of the gas storage facility; and
- AGL will provide QGC with gas storage services over a period of up to 7 years;
- AGL will deliver gas to QGC from storage by swapping gas at Berwyndale with an equal amount of gas which QGC is required to deliver to AGL under AGL's existing long term gas sale agreement with QGC.

After the expiry of the contract, AGL will have exclusive use of the gas storage facility, which is located near Wallumbilla, providing AGL with flexibility and optionality over the use of its wholesale gas portfolio.

This gas storage services agreement is subject to a number of conditions, including that AGL acquires 100% of Mosaic (or the ability to compulsorily acquire outstanding shares in Mosaic so as to move to 100%) by certain dates.

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About AGL

AGL is one of Australia's leading integrated energy companies and is taking action toward creating a sustainable energy future for our investors, communities and customers. Drawing on over 170 years of experience, AGL operates retail and merchant energy businesses, power generation assets and an upstream gas portfolio. AGL has Australia's largest retail energy and dual fuel customer base. AGL has a diverse power generation portfolio including base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources including hydro, wind, landfill gas and biomass. AGL is Australia's largest private owner and operator of renewable energy assets and is looking to further expand this position by exploring a suite of low emission and renewable energy generation development opportunities.