



QUARTERLY REPORT

Activities for the Quarter Ended 31 December 2008

ABN 56 003 329 084

Continued Production Increases

Mosaic Oil NL (ASX: MOS) remains on-track to implement the Company's strategy of accelerated growth with consistent production increases recorded during the December 08 Quarter. Despite the impact of lower oil prices, increased production in the Surat-Bowen Basin has helped the Company to deliver another strong quarterly result.

- Time adjusted cash receipts of \$7.0 million which is the second highest quarterly receipts for the Company
- Mosaic realised an average oil price for the Quarter of US\$60.69/bbl or A\$89.19/bbl (Sept 08 Quarter - A\$154.82/bbl).
- Cash at the end of the Quarter was \$15.27 million.
- Overall production was 26% higher (on a BOE basis) than the previous quarter.
- Gas production increased by 35% due production from Taylor-19.
- Mosaic continued to evaluate domestic and international exploration and production opportunities.

Mosaic Oil will continue to focus on unlocking shareholder value through an accelerated drilling campaign for the 2009-2010 period. While pricing for oil declined materially during the quarter, Mosaic Oil is confident that improved gas markets will continue to allow the Company to deliver sound financial results.

KEY POINTS IN THIS REPORT

December 2008 Quarter achievements:

- Production commencement at Taylor-19.
- Time adjusted cash receipts of \$7.0 million for the Quarter.
- An average oil price for the Quarter of US\$60.69/bbl or A\$89.19/bbl.
- Cash at the end of the Quarter of \$15.27 million.

EXPLORATION AND DEVELOPMENT ACTIVITY

Surat-Bowen Basin:

- Freneau-1 test program confirmed presence of hydrocarbons in Tinowon Sandstone but unsuccessful in establishing commercial flow rates.
- ATP 608P Stratton Block farm-in seismic program planning underway, with recording to commence February 2009.
- Continue to progress studies and discussions with potential customers on the potential underground gas storage opportunity in the Silver Springs gasfield



PRODUCTION SUMMARY

PRODUCTS	Dec 08 Quarter	Sep 08 Quarter	Dec 07 Quarter
Oil/Condensate (bbls)	21,254	20,542	18,156
Gas (GJ)	618,697	458,650	456,186
LPG (tonnes)	1,091	992	934
Barrels of Oil Equivalent	128,079	101,275	97,992

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 and Waggamba area increased gas production by 35%, LPG production by 10% and oil production by 3.5% compared to the previous quarter. The high

production was achieved despite a 5 day production interruption in late December at the Wallumbilla LPG Plant that significantly affected condensate and LPG production. Successful wells from the 2008 drilling campaign will continue to add to Mosaic Oil's overall production throughout 2009.

DEVELOPMENT AND PRODUCTION ACTIVITIES

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

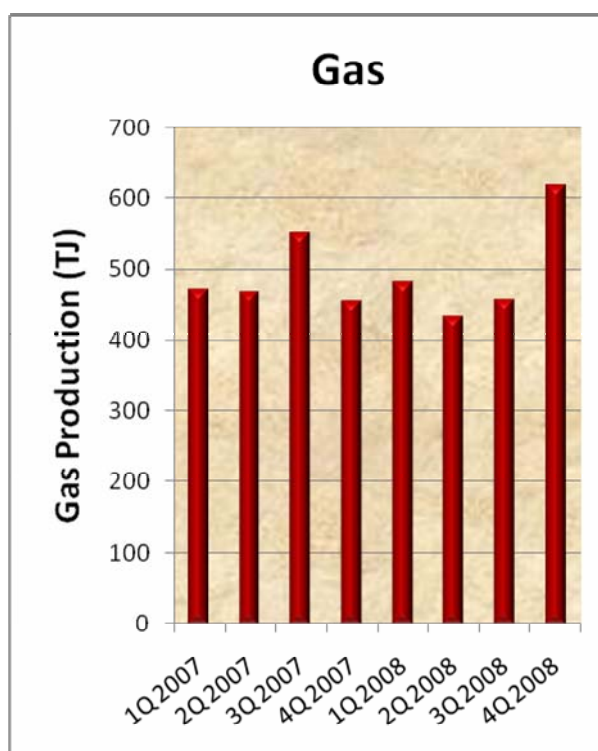
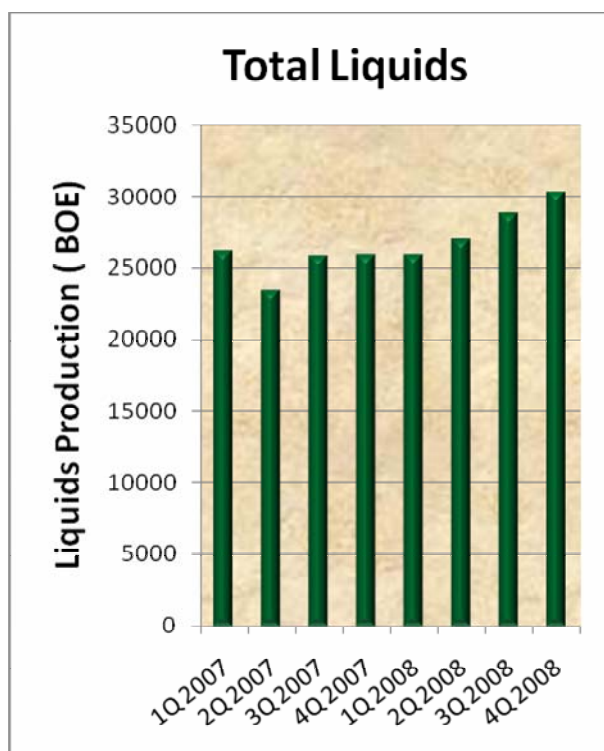
Higher Gas Production

Gas production from the Silver Springs/Waggamba area increased by 68% compared to the September 08 Quarter due to the contribution from Waggamba-4H and Taylor-19.

Silver Springs underground gas storage

Technical and commercial work continued on underground gas storage in the almost depleted Silver Springs gas field. There is significant interest in this project in the marketplace as it will allow users to store CSM ramp-up gas, protect gas supplies, and even-out gas supply.

QUARTERLY PRODUCTION



EXPLORATION AND APPRAISAL ACTIVITY

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

2008 drilling program – Freneau-1 testing:

Testing of three zones in the Freneau-1 exploration well drilled in ATP 709P in September 2008 was carried out during the quarter. A weak gas flow with a minor oil recovery was obtained from the Tinowon Sandstone while a weak gas flow with a recovery of formation water and minor quantities of oil was recorded from the basal Rewan Formation. The Wallabella Sandstone test was unsuccessful. The results of this test program will be evaluated prior to further exploration activity in this area, with the focus on identifying both an up-dip location at basal Rewan level and areas of improved Tinowon sandstone reservoir development.

2009 drilling program

In preparation for the Company's 2009 drilling program, Mosaic has recently completed a comprehensive safety system audit of MB Century Drilling Rig #7 and is in the process of finalising contract negotiations. The recent marked decline in oil price has led to an economic review of those wells proposed for drilling in 2009 with the program currently being revised to focus more on appraisal and development drilling.

ATP 608P Stratton farm-in seismic program:

Planning for the ATP 608P Stratton Block 116 km 2D seismic program commenced during the report period. This survey will be recorded during February, 2009. This seismic program is designed to define drilling locations for a farm-in exploration well, to be drilled later this year and targeting oil in Jurassic Evergreen and Boxvale sandstone reservoirs. Mapping by Mosaic has identified 20 prospects and leads within the Stratton Block, 6 of which will be addressed by the proposed seismic program.

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

No update.

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

WA-208-P has been renewed for a further five year term with effect from 14th January 2009.

PRL-08 – Kimu (PNG) (Mosaic 28.57%)

Mosaic has completed an independent reprocessing of the 2007 Guavi River seismic survey data and selected historical seismic data recorded over the Kimu structure. The reprocessed data will be interpreted and mapped, to allow Mosaic to conduct an independent assessment of the Kimu gas

resource and assess its options for this asset. The permit operator, Oil Search Limited, has recently made a number of public announcements and presentations regarding the PNG LNG project and the possible role of Kimu gas in this or alternative projects.

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

Technical studies on this permit commenced during the Quarter as a precursor to seismic acquisition in late 2009/2010.

CORPORATE AND FINANCE

Cash flow from Operations for the December Quarter was \$1.2 million.

Development expenditure was \$3.3 Million and Exploration expenditure was \$877,000 for the quarter.

Capital expenditure on new equipment was \$1,064,000 for the December quarter.

The cash receipts from our normal operations for the quarter were \$6.3 million, which is down from the record September quarter (\$8.4 Million September 08 quarter). This was due in part to falling oil prices and a delay in the receipt of the November oil sales of \$654,000 which were not received until early January 2009.

Accordingly, allowing for this timing adjustment the December 2008 quarter would be \$7.0 million, which is the second highest quarterly cash receipts by the Company.

Despite a drop of 42% in the average Australian Dollar Oil price we receive in the quarter our cash receipts have declined by only 17%. This is due to the fact the Company has diversified revenue streams from gas (long term contracts), LPG, tariff and tolling income, as well as oil. As a result, the revenue base is far more stable than some other companies in the sector.

In the next quarter, Mosaic Oil will benefit from higher production but the prices likely to receive for oil and LPG are currently expected to be down from the prices received in the December quarter.

The Company will also continue to fund an extensive exploration and development program 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.

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	Quarter ended ("current quarter")
56 003 329 084	31 December 2008

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from sales and related debtors	6,062	14,034
1.2	Payments for (a) production – suppliers and employees	(4,016)	(7,416)
	(b) corporate & administration – suppliers and employees	(1,085)	(2,724)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	265	672
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other – Sundry income	-	-
Net Operating Cash Flows		1,226	4,566
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) development	(3,339)	(9,506)
	(c) exploration & evaluation	(877)	(3,417)
	(d) equity investments	-	-
	(e) Plant & equipment	(1,064)	(1,507)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) plant & equipment	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other	-	-
Net investing cash flows		(5,280)	(14,430)
1.13	Total operating and investing cash flows (carried forward)	(4,054)	(9,864)

1.13	Total operating and investing cash flows (brought forward)	(4,054)	(9,864)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	1	44
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Share Issue Costs)	-	-
	Net financing cash flows	1	44
	Net increase (decrease) in cash held	(4,053)	(9,820)
1.20	Cash at beginning of quarter/year to date	19,322	25,089
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	15,269	15,269

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	168,250
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	750
4.2 Development	2,000
Total	2,750

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	7,191	4,187
5.2 Short term bank deposits	8,078	15,135
5.3 Bank overdraft	-	-
5.4 Other (Security Deposits)	-	-
Total: cash at end of quarter (item 1.22)	15,269	19,322

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 Preference⁺ securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities Fully Paid Ordinary	631,418,515	631,418,515		
Employee Contributing Shares	350,000	0	25.0	21.5
	650,000	0	25.0	19.5
	300,000	0	25.0	16.0
	800,000	0	25.0	11.0
	100,000	0	25.0	10.0
	510,000	0	25.0	1.0
	200,000	0	28.0	1.0
	130,000	0	38.0	1.0
	3,310,000	0	17.5	1.0
	870,000	0	12.5	1.0
	905,000	0	16.5	1.0
	700,000	0	23.5	1.0
	6,100,000	0	23.5	0.1
	100,000	0	22.5	0.1
	140,000	0	23.0	0.1
	170,000	0	19.5	0.1
	60,000	0	20.5	0.1
	120,000	0	14.5	0.1
	1,320,000	0	18.0	0.1
	2,280,000	0	15.0	0.1
	60,000	0	16.5	0.1
	60,000	0	16.0	0.1
7.4 Changes during quarter Fully Ordinary Paid Conversion of options Contributing Shares	-	-	-	-
Decreases through returns of capital, buy-backs Contributing Shares	-	-		
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options			Exercise price	Expiry date
Listed options	75,017,739	75,017,739	18.0	31/05/09
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
Options	4,000,000	-	20.0	31/12/09
Employee options	250,000	-	11.9	8/09/11
7.8 Issued during quarter Options				
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (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: 29 January 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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