



**Financial Report  
for the half year ended 31 December  
2008**

# Mosaic Oil NL and its controlled entities

ABN 56 003 329 084

## Directors Report

Your Directors submit the financial report of the consolidated entity for the half-year ended 31 December 2008.

### Directors

The names of Directors who held office during or since the end of the half-year are:

David Herlihy (Chairman) B.A. University of New South Wales

Andrew Rigg (Deputy Chairman) B.Sc. Sydney University and B.Sc.(Hon) University of Tasmania

Lan Nguyen\* (Managing Director) B.Sc.Baku; M.Sc. (Geology) University of New England

Peter Barrow (Non-Executive Director) FICA; FICD

Peter Reid (Non-Executive Director) B.A.; LLB. Sydney University

\* Mr Nguyen has given notice of his resignation and will cease being a director on 9 May 2009.

### Principal Activities

The principal activities of the consolidated entity during the half year were the production, development and exploring for oil and gas. There was no significant change in the nature of the consolidated entity's activities during the half year.

### Review and results of operations

Total revenue for the half year was \$13,117,000, an increase of 40.1% over the previous corresponding periods' \$9,360,000. Revenue from sales and services for the half were \$12,445,000, an increase of 34.8% (2007: \$9,233,000).

Production increased by 8% for the half-year to 31 December 2008 of 229,229 BOE (barrels of oil equivalent) compared to 211,058 BOE and 198,098 BOE for the previous half-years to 31 December 2007 and to 30 June 2008 respectively.

The half-year result reflects the higher production and sales of natural gas, LPG and Oil/Condensate production and strong sales from the Surat-Bowen Basin operations. Oil/Condensate production for the half year was also up 17.8%.

### Operating Result

The consolidated profit for the half year ended 31 December 2008 was \$3,117,000 (2007 \$2,305,000). Earnings before interest, income tax, depreciation and impairment charges for the half was \$5,304,000 (2007 \$3,806,000) an increase of 39.4%.

### Subsequent events

Since 31 December 2008 no matter or circumstance has arisen which has significantly affected or which may significantly affect the operations of the company or of a related entity.

### Auditor's Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 3 for the half-year ended 31 December 2008.

This report is signed in accordance with a resolution of the Board of Directors.

Sydney, 26<sup>th</sup> February 2009



**Lan Nguyen**  
**Director**



**A D Danieli**  
Chartered Accountants

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**Auditor's Independence Declaration Under Section 307C  
of the Corporations Act 2001  
To the Directors of Mosaic Oil NL**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2008 there have been:

- (a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

**A D Danieli**  
**Chartered Accountants**

**Sam Danieli**  
**Principal**

**Sydney, 24th February 2009**

## Consolidated income statement for the half year ended 31 December 2008

		Consolidated 31-Dec 2008 \$'000	31-Dec 2007 \$'000
	Note		
<b>Revenue from operating activities</b>			
Product sales	2	9,527	7,408
Service revenue	2	2,918	1,825
		12,445	9,233
Other revenue	2	672	127
<b>Total revenue</b>		13,117	9,360
Cost of sales		5,539	3,744
Corporate and administration expenses		2,274	1,810
<b>Earnings before interest, income tax, depreciation and amortisation and impairment charges</b>		5,304	3,806
Depreciation and amortisation expenses		(741)	(563)
Impairment charge for exploration and development assets		(1,446)	(938)
<b>Profit/(loss) from ordinary activities before income tax</b>		3,117	2,305
Income tax expense		-	-
<b>Net profit/(loss) attributable to shareholders of the Company</b>		3,117	2,305
		Cents	Cents
Basic earnings per share		0.49	0.47
Diluted earnings per share		0.49	0.33

The accompanying notes form part of these financial statements.

## Consolidated balance sheet as at 31 December 2008

	<b>Consolidated</b>	
	<b>31-Dec 2008</b>	<b>30-Jun 2008</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current assets</b>		
Cash and cash equivalents	15,270	25,089
Trade and other receivables	3,211	3,754
Inventories	3,681	2,650
<b>Total current assets</b>	<b>22,162</b>	<b>31,493</b>
<b>Non current assets</b>		
Trade and other receivables	501	431
Plant and equipment	8,387	7,310
Exploration and evaluation assets	14,908	13,571
Development and production assets	39,531	35,602
<b>Total non-current assets</b>	<b>63,327</b>	<b>56,914</b>
<b>Total assets</b>	<b>85,489</b>	<b>88,407</b>
<b>Current liabilities</b>		
Trade and other payables	3,526	9,273
Provisions	189	529
Interest bearing loans and borrowings	68	36
<b>Total current liabilities</b>	<b>3,783</b>	<b>9,838</b>
<b>Non current liabilities</b>		
Interest bearing loans and borrowings	144	144
Provisions	4,276	4,266
<b>Total non current liabilities</b>	<b>4,420</b>	<b>4,410</b>
<b>Total liabilities</b>	<b>8,203</b>	<b>14,248</b>
<b>Net assets</b>	<b>77,286</b>	<b>74,159</b>
<b>Equity</b>		
Issued capital	87,932	87,932
Reserves	25	15
Accumulated losses	(10,671)	(13,788)
<b>Total equity</b>	<b>77,286</b>	<b>74,159</b>

The accompanying notes form part of these financial statements.

## Consolidated statement of changes in equity for the half year ended 31 December 2008

Consolidated	Share capital \$'000	Accumulated losses \$'000	Reserves \$'000	Total \$'000
<b>Balance at 1 July 2007</b>	70,712	(17,922)	-	52,790
Shares issued during the year	15,742	-	-	15,742
Profit/(loss) attributable to members of parent entity	-	2,305	-	2,305
<b>Balance at 31 December 2007</b>	<b>86,454</b>	<b>(15,617)</b>	<b>-</b>	<b>70,837</b>
<b>Balance at 1 July 2008</b>	87,932	(13,788)	15	74,159
Share payment expense	-	-	10	10
Profit/(loss) attributable to shareholders of the Company	-	3,117	-	3,117
<b>Balance at 31 December 2008</b>	<b>87,932</b>	<b>(10,671)</b>	<b>25</b>	<b>77,286</b>

The accompanying notes form part of these financial statements.

## Consolidated cash flow statement for the half year ended 31 December 2008

	<b>Consolidated</b>	
	<b>31 Dec 2008</b>	<b>31 Dec 2007</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers *	14,117	7,437
Payments to suppliers and employees *	(10,986)	(7,427)
Interest received	672	128
<b>Net cash provided by/(used in) operating activities</b>	<u>3,803</u>	<u>138</u>
<b>Cash flows from investing activities</b>		
Payments for development and production assets	(9,371)	(557)
Payment for exploration & evaluation assets	(2,782)	(2,001)
Payments for security deposits	-	(57)
Payments for plant & equipment	(1,512)	(866)
<b>Net cash used in investing activities</b>	<u>(13,665)</u>	<u>(3,481)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares	-	16,422
Fund raising expenses	-	(680)
Proceeds from interest bearing liabilities	43	-
<b>Net cash provided by financing activities</b>	<u>43</u>	<u>15,742</u>
<b>Net increase/(decrease) in cash</b>	(9,819)	12,399
<b>Cash at beginning of half year</b>	<b>25,089</b>	<b>3,726</b>
Effect of exchange rates on cash holdings in foreign currencies	-	(6)
<b>Cash at balance date</b>	<u><b>15,270</b></u>	<u><b>16,119</b></u>

\* inclusive of GST.

The accompanying notes form part of these financial statements.

## **Notes to the financial statements for the half year ended 31 December 2008**

### **1. Statement of significant accounting policies**

The half year consolidated financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report also complies with the International Financial Reporting Standards (IFRS) and interpretations adopted by the International Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by Mosaic Oil N.L. during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The half year report does not include full disclosures of the type normally included in an annual financial report.

The accounting policies used to prepare this half year financial report are the same as used in the annual financial report for the year ended 30 June 2008.

#### *Reporting basis and conventions*

This half year financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

#### **(a) Principles of consolidation**

A controlled entity is any entity Mosaic Oil NL has the power to control the financial and operating policies of so as to obtain benefits from its activities. All controlled entities have a June financial year end.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

#### **(b) Comparative figures**

Where necessary comparative information has been reclassified and repositioned for consistency with the current year disclosures.

#### **(c) Rounding of amounts**

The Company is of a kind referred in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

### **Critical accounting estimates and judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

### **Estimates of reserves**

The estimated quantities of proven and probable hydrocarbon reserves reported by the Company are integral to the calculation of depletion and amortisation expense and to the assessments of possible impairment of assets. Estimated reserve quantities are based upon interpretations of geological and geophysical models and assessments of the technical feasibility and commercial viability of producing the reserves.

**Notes to the financial statements for  
the half year ended 31 December 2008**

	<b>Consolidated</b>	
	<b>31-Dec-08</b>	<b>31-Dec-07</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>2. Revenue</b>		
<b>Operating revenue</b>		
<b>Product sales</b>		
Oil sales	4,637	3,153
Gas sales	3,091	3,071
LPG sales	1,799	1,184
	<u>9,527</u>	<u>7,408</u>
<b>Service revenue</b>		
Tariff income	877	859
Operator revenue	638	-
Equipment and labour hire	546	440
Management services	857	526
Total services revenue	<u>2,918</u>	<u>1,825</u>
	<u>12,445</u>	<u>9,233</u>
<b>Other revenue</b>		
Interest - other persons	672	127
<b>Total revenue</b>	<u><u>13,117</u></u>	<u><u>9,360</u></u>

**3. Segment information**

The consolidated entity operates in one business segment being the oil and gas industry and in two geographical regions, namely Australia and New Zealand, and Papua New Guinea.

**Geographical Segments**

<b>31 December 2008</b>	<b>Australia &amp; New Zealand \$'000</b>	<b>Papua New Guinea \$'000</b>	<b>Total \$'000</b>
Revenue	13,117	-	13,117
Expenses	(7,810)	(4)	(7,814)
Depreciation and amortisation	(740)		(740)
Impairment charges for exploration and development assets	(1,446)		(1,446)
Segment result	<u>3,121</u>	(4)	<u>3,117</u>
Capital expenditure	8,522	56	8,578
<b>Assets</b>			
Current assets	22,162		22,162
Plant & equipment	8,387		8,387
Exploration and evaluation assets	13,043	1,865	14,908
Development and production assets	39,531		39,531
Other non current assets	501		501
Total assets	<u>83,624</u>	1,865	<u>85,489</u>
Current liabilities	3,783		3,783
Non current liabilities	4,420		4,420
<b>Net assets</b>	<u><u>75,421</u></u>	1,865	<u><u>77,286</u></u>

**Notes to the financial statements for  
the half year ended 31 December 2008**

<b>31 December 2007</b>	<b>Australia &amp; New Zealand \$'000</b>	<b>Papua New Guinea \$'000</b>	<b>Total \$'000</b>
Revenue	9,360		9,360
Expenses	(5,547)	(7)	(5,554)
Depreciation and amortisation	(563)		(563)
Impairment charges for exploration and development assets	(938)		(938)
Segment results	2,312	(7)	2,305
Capital expenditure	2,786	1,157	3,943
<b>Assets</b>			
Current assets	24,550	33	24,583
Plant and equipment	7,175		7,175
Exploration and evaluation assets	12,041	1,530	13,571
Development and production assets	31,564		31,564
Other non current assets	397	-	397
Total assets	75,727	1,563	77,290
Current liabilities	2,312	6	2,318
Non current liabilities	4,135		4,135
Net assets	69,280	1,557	70,837

### **Business segments**

The consolidated entity operates in one business being the oil and gas industry.

### **4. Contingent liabilities**

There has been no change in contingent liabilities since the last annual reporting date. As disclosed in the 2008 annual report, a special allowance is payable to the Managing Director, Mr Nguyen under his employment contract notwithstanding Mr Nguyen's resignation. The total outstanding amount payable is \$2,266,254. This allowance is payable in annual instalments between \$200,000 and \$700,000, subject to certain conditions, calculated with reference to the Company's after tax profit performance.

### **5. Events subsequent to reporting date**

Since 31 December 2008 no matter or circumstance has arisen which has significantly affected or which may significantly affect the operations of the company or of a related entity.

### **6. Contributed equity**

	<b>31-Dec-08 Number</b>	<b>30-Jun-08 Number</b>	<b>31-Dec-08 \$'000</b>	<b>30-Jun-08 \$'000</b>
Fully paid ordinary shares at balance date	631,418,515	631,418,205	87,738	87,738
Employee contributing shares at balance date	19,235,000	19,235,000	194	194
Total shares of all classes at balance date	650,653,515	650,653,205	87,932	87,932

**Notes to the financial statements for  
the half year ended 31 December 2008**

During the half year the following employee options were issued pursuant to the Employee Incentive plan:

	<b>Number</b>	<b>Exercise price \$</b>	<b>Expiry date</b>
Employee options	777,818	0.104	30-Jun-11
Employee options	250,000	0.119	8-Sep-11

Balance of outstanding options at balance date:

Listed options	75,017,739	0.18	31-May-09
Employee options	1,180,000	0.176	30-Jun-10
Employee options	250,000	0.176	21-Feb-11
Employee options	777,818	0.104	30-Jun-11
Options	4,000,000	0.2	31-Dec-09
Employee options	<u>250,000</u>	0.119	8-Sep-11
Total options on issue	<u><u>81,475,557</u></u>		

## **Directors' declaration**

In the opinion of the directors

1. the financial statements and notes, as set out on pages 4 to 11, are in accordance with the Corporations Act 2001:
  - (a) comply with Accounting Standard AAB134 Interim Financial Reporting and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the group's financial position as at 31 December 2008 and of the performance for the half year ended on that date.
2. As at the date of this declaration there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Sydney, 26<sup>th</sup> February 2009.



**Lan Nguyen**  
**Director**



## **Independent Review Report**

**to the members of**

**Mosaic Oil NL ABN 56 003 329 084**

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Mosaic Oil NL and Controlled Entities (the consolidated entity) which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

### **Directors' responsibility for the Half-Year Financial Report**

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Mosaic Oil NL and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



**A D Danieli**  
Chartered Accountants

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## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Mosaic Oil NL and Controlled Entities on 24 February 2009, would be in the same terms if provided to the directors as at the date of this auditor's review report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mosaic Oil NL and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

**A D DANIELI**  
Chartered Accountants  
**Sam Danieli**  
Principal

Sydney, 26<sup>th</sup> February 2009