



Company Announcement

6 April 2009

MOSAIC OIL SIGNS AGREEMENT WITH SANTOS TO ACQUIRE THE REMAINING INTEREST IN THE CHURCHIE FIELD IN THE SURAT-BOWEN BASIN

The key metrics of this acquisition are:

- **A significant increase in 2P & 3P gas reserves;**
- **A significant increase in Profit and Revenue**
- **An acquisition which is EPS positive for Mosaic Oil from day one;**
- **An attractively priced acquisition when compared with other recent transactions;**
- **Increases the development options for Mosaic Oil.**

Australian Oil and Gas producer, Mosaic Oil N.L. (ASX: MOS) has today signed an agreement with Santos Ltd (ASX: STO) to acquire Santos' interest in several production licences with the associated pipeline licences, production facilities, gas sales contracts and exploration permits in the southern Surat-Bowen Basin. The agreement has an effective date of 1 January 2009. All production licences, pipeline licences and exploration permits involved in this transaction are currently operated by Mosaic Oil.

Mosaic Oil's Managing Director Lan Nguyen said the acquisition was of both commercial and strategic value to the Company.

"The Surat-Bowen Basin is of vital importance to Mosaic Oil and this is an exciting deal for the Company. Having full control of the Churchie Field extends our project pipeline potential. The Churchie Field has only been partially developed and there is significant upside potential for Mosaic Oil to appraise and further develop the existing gas/condensate producing upper Tinowon Sandstone reservoir together with the proven but non-producing gas/condensate reservoirs in the Permian lower Tinowon Sandstone and Triassic Rewan Formation."

"The acquisition will be earnings per share accretive from day one and has significant upside for the shareholders of Mosaic Oil. The transaction represents an effective price of 9.8 cents per GJ for 3P reserves which compares very favourably to other acquisitions of Queensland onshore gas reserves transacted in the last 12 months." Mr Nguyen said.

Outright ownership of the Churchie and the Churchie West Fields will allow Mosaic Oil to control the development of these fields and this greatly increases the development options for the Company. The current daily production from the interest being acquired is about 2.0 TJ/d of gas and 25 bbl/d of oil/condensate.



The total estimated 3P (Proven plus Probable and Possible) reserves to be acquired are approximately 64 PJ of sales gas and 1.1 MM bbls of associated oil/condensate which comprises approximately 29 PJ of sales gas and 0.57 MM bbls of oil/condensate in 2P (Proven plus Probable) reserves.

Total consideration for these assets is \$7.0 million which comprises

- a \$3 million upfront payment; and
- monthly payments totalling \$4 million to September 2010;

The purchase considerations will be paid from the existing cash reserves of Mosaic Oil together with its ongoing cash flow. There will be no equity raising or bank debt required to complete this transaction. Under the agreement Mosaic Oil will be entitled to all production revenue from the acquired assets from 1 January 2009.

Details of Mosaic Oil's interests in the production licences and their production facilities, pipeline licences and exploration permits being acquired from Santos are:

| Area of Interest | Interest being acquired (%) | Final Mosaic Oil interest (%) |
|---|-----------------------------|-------------------------------|
| Churchie PL192 + Churchie pipeline PPL 87 and plant | 51.00 | 100.00 |
| Churchie West PL213 | 16.667 | 100.00 |
| Downlands PL119 + Downlands pipeline PPL 58 | 12.5423* | 75.252 |
| Downlands East PL119 | 21.7079* | 75.252 |
| Myall Block ATP471P | 51.00 | 100.00 |
| Bainbilla Block ATP471P | 12.5423* | 75.252 |
| Santos' Net Profits Interest & overriding royalty in MOS operated acreage | 100.00 | 100.00 |

*These interests are subject to pre-emptive rights by the relevant joint venturers.

Santos is entitled to receive a contingency payment of \$1.5 million if and when sales gas production from PL 192 (Churchie)/Myall Block from 1 January 2009 reaches 8 PJ.

Mosaic Oil will now accelerate the appraisal and development activities of the Churchie Field by drilling the Churchie-11 gas/condensate development well in mid 2009.

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