



12 October 2009

Dear Shareholder

INVITATION TO PARTICIPATE IN THE MOS SHARE PURCHASE PLAN

THIS LETTER IS IMPORTANT: PLEASE READ IT IN ITS ENTIRETY

I am pleased to advise that your Board of Directors has decided to invite shareholders to participate in the Company's Share Purchase Plan ("the Plan"). The Plan entitles shareholders in the Company, irrespective of the size of their shareholding, to purchase up to \$15,000 worth of shares in the Company at the lower of 11.5 cents per share or a price being a 5% discount to the 5 day Volume Weighted Average Price of the Company's shares at the Plan's closing date.

The issue price of 11.5 cents represents a discount of approximately 13% to the weighted average market price of Mosaic's shares for the 5 days on which the shares were traded up to the Record Date of 7 October 2009. The discount is intended to make the Plan attractive to a broad range of our shareholders, particularly our smaller holders.

This letter and enclosed Terms and Application Form set out the terms and conditions of the offer under the Plan. By accepting the offer to purchase shares under the Plan, you will have agreed to be bound by those terms and conditions.

The maximum allowable subscription under a Plan has recently been increased to \$15,000, pursuant to Australian Securities & Investments Commission ("ASIC") Class Order 09/425. All shareholders with a registered address in Australia or New Zealand as at 7.00pm on Wednesday 7 October 2009 are eligible to participate in the Plan in accordance with the conditions set out in the enclosed Terms.

The Plan is being offered to existing shareholders on terms equal to or better than the recent placement to sophisticated and institutional investors ("Placement"). The Placement raised A\$10.8 million at an issue price of 11.5 cents and was effected by the Board under the 15% capacity permitted under the ASX listing rules.

In considering the total amount raised by the Placement and the Plan together, the Board aimed to balance the desire to minimise the dilutionary effect on existing shareholders with the potential value to be gained by accelerated development of the Company's assets beyond that which cash flow from the Company's existing production operations alone would achieve.

WHAT WILL THE NEW FUNDS BE USED FOR?

The funds raised as a result of the Placement together with the Plan will substantially be applied to accelerate the growth of the Company for the benefit of all shareholders.

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Mosaic has substantial hydrocarbon resources in the Surat basin in Queensland that require further appraisal and development wells to prove up and bring into production. In particular, in the near term the Company intends to concentrate on drilling oil wells (rather than gas wells) that will add to the Company's production revenues and hence the longer term sustainability of the Company.

The Company is also targeting growth through the discovery and development of new projects and in this regard is exploring in a number of additional areas, including the Cooper basin in central Australia and the Taranaki basin in New Zealand. Funds from the Placement and this Plan together will be used to acquire seismic data over prospects in these areas for future drilling.

The funds raised from the Placement together with this Plan will be applied to exploration and evaluation of projects as described above and summarised in the table below. If a sum less than \$11.2 million is raised by this Plan the Company will continue with all of the above activities but at a scaled back level, commensurate with available funding. Priority will be given to the drilling proposed for oil wells, as that is where the most significant new results might be expected. If more than \$11.2 million is raised, any additional funds accepted will be retained as working capital for follow up activities later in 2010 /11 including additional drilling.

Intended Use of Funds FY2010/11	Million \$
Development Drilling Queensland (Oil wells)	6
Churchie 3D + other Queensland Seismic	5
Churchie Development Drilling (Gas wells)**	3
SSUGS Feed / Pilot drilling*	2
Cooper Block / NZ Exploration	3
Fees, Working Capital & New Venture Evaluation	3
	22
* SSUGS may require further capital post project sanction	
** Additional Churchie drilling to be funded by Cash flow / Debt / Farm-out	
Over 20 potential Queensland drilling locations are currently being evaluated	

HOW TO PARTICIPATE

If you would like to participate in the Plan, please read the attached Terms and return your completed Application Form, together with your cheque representing the purchase price for the number of shares applied for. Your Form must be received **on or before 7.00 pm on the Closing Date of Monday, 9 November 2009**. Alternatively, payment can be made by **BPay** (in which case you do not need to return the form) by following the instructions on the enclosed application form. If you pay by **BPay** payment must be received by the Company **by 7.00 pm on Monday, 9 November 2009**.

Eligible shareholders may apply for any number of shares up to a **maximum** cost of \$15,000.



No stamp duty or brokerage will apply to shares purchased under the Plan on application. If the exact amount of money for the shares applied for is not tendered with the Application Form, the Company reserves the right to disregard your application and not to allot any shares. The Company may conduct a Share Purchase Plan in the future, but is not obliged to do so.

The Company will pay a stamping fee of 1.5% on successful applications lodged by member corporations of the ASX.

If applications under the Plan substantially exceed the Company's target of \$11.2 million or if the Company believes that the allotment of Shares would contravene any law or rules of the Australian Securities Exchange, on which the Shares are listed the Company reserves the right to issue fewer Shares than an Eligible Member applied for under the Plan (or none at all) at the discretion of the Company.

Before deciding whether to accept the offer, please consider the price at which the Company's shares have been trading on the stock exchange and read the enclosed Terms carefully, including Clause 3.2.

The Company will apply for quotation of the shares to be issued under the Plan on the Australian Securities Exchange on or within 3 business days of the Closing Date. The shares subscribed for will be allotted within 7 business days of the Closing Date. Shareholders will be issued with a holding statement or confirmation shortly after the allotment of the shares.

Please act now if you wish to take advantage of this offer and see our web site www.mosaicoil.com for further information.

Yours faithfully

David Herlihy

David Herlihy
Chairman

**PARTICIPATION IN THE PLAN IS ENTIRELY OPTIONAL.
HOWEVER, SHAREHOLDERS ARE ENCOURAGED TO SUPPORT THEIR COMPANY
AND RENEW ITS GROWTH MOMENTUM, AS THE WORLD
EMERGES FROM THE GLOBAL FINANCIAL CRISIS AND RECESSION, BY
SUBSCRIBING FOR NEW SHARES UNDER THIS SHARE PURCHASE PLAN.**



TERMS OF THE MOSAIC SHARE PURCHASE PLAN

1. DEFINITIONS

In this Plan, unless the context otherwise indicates:

ASX means ASX Limited.

Board means the Board of Directors of the Company.

Closing Date means Monday 9 November 2009 or such later date as may be determined by the Board.

Company/MOS means Mosaic Oil NL ABN 56 003 329 084.

Eligible Members means members of the Company eligible to participate in the Offer as determined under Clause 2.

Offer means a non-renounceable offer of ordinary fully paid shares in the Company to Eligible Members under the Plan.

Plan means the MOS Share Purchase Plan approved by the Board from time to time.

Purchase Price means the lesser of 11.5 cents (\$0.115) per share or a price being a 5% discount to the 5 day Volume Weighted Average Price of the Company's shares at the Plan's Closing Date rounded to the nearest 0.1 of a cent.

Record Date means 7 October 2009

Shares means fully paid ordinary shares in the Company.

2. ELIGIBILITY TO PARTICIPATE

2.1 Those members of the Company who will be eligible to apply for Shares under the Offer ("**the Eligible Members**") are those who:

- Are recorded in the Company's register of members at 7.00pm (AEST) on the Record Date; and
- Have an address (as recorded in the Company's register of members) in Australia or New Zealand (and Papua New Guinea subject to the granting of a Prospectus exemption by the PNG Securities Commission).

Single Holders – If you are the only registered holder of a holding of fully paid ordinary Company shares, but you receive more than one offer under the Plan, you may only apply for up to a maximum amount of \$15,000 of new Shares.

Joint Holders – If you are a joint holder of a holding of Shares, that joint holding is considered to be a single registered holding for the purposes of the Plan, and you are entitled to participate in the Plan in respect of that single holding only. If you are a joint holder and you receive more than one Offer under the Plan, you may only apply for up to a maximum amount of \$15,000 of new Shares.

Custodians – Eligible Members who hold shares as a custodian or nominee ("**Custodian**") on behalf of one or more other persons ("**Beneficiaries**") may apply for up to a maximum amount of \$15,000 new Shares for each Beneficiary, subject to the following:

The Custodian must:

- (i) hold an Australian financial services licence that covers the provision of a custodial or depository service; or
- (ii) includes a condition requiring the holder to comply with ASIC Class Order 02/294, or is exempt under paragraph 7.6.01(1)(k) of the *Corporations Regulations 2001*, or under ASIC Class Order 05/1270 to the extent that it relates to ASIC Class Order 03/184, from the requirement to hold an Australian financial services licence for the provision of a custodial or depository service.

2.2 An Offer does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer.

2.3 The Offer has been made based on ASIC Class Order 09/425. In accordance with the relief Eligible Members may only acquire up to a maximum of fifteen thousand dollars (\$15,000) worth of Shares in any consecutive twelve (12) month period. This maximum amount applies even if an Eligible Member receives more than one Offer or receives the Offer as a joint holder of Shares. If an Offer is received by a member who is expressly noted on the Company's register of members as a Custodian on account of a Beneficiary, then any Shares issued in relation to that Offer will not be included in calculating the maximum number of Shares that may be applied for by that member, but will be included in calculating the maximum number of Shares that can be applied for by the Beneficiary.

2.4 Offers made under the Plan are not renounceable. This means that members cannot transfer their right to purchase Shares under this Offer to another person.

3 PURCHASE PRICE

3.1 Purchase Price is the lower of 11.5 cents (\$0.115) per Share, or a discount of 5% to the weighted average market price of MOS shares for the 5 days prior to the Closing Date rounded to the nearest 0.1 of a cent. Therefore, the maximum price that Eligible Members will pay is 11.5 cents per Share. The Company will announce the final issue price for the Plan after the Offer closes on Monday 9 November 2009.

This pricing mechanism was considered by the Directors to be an appropriate discount devised to promote maximum participation by shareholders.

3.2 By accepting an Offer and applying for Shares under the Plan, each Eligible Member acknowledges that the Shares are a speculative investment and the price of the Shares quoted on ASX may change between the date of the Offer and the

date of issue of the Shares and that the value of Shares received under the Plan may rise or fall accordingly. Accordingly you should seek your own financial advice in relation to this offer and your participation in the Plan.

4 TERMS OF ISSUE OF SHARES

- 4.1 The Board reserves the right to refuse an application if it considers that the applicant is not an Eligible Member or has not otherwise complied with the terms of the Plan or for any other reason. If an application is refused, the application monies received will be refunded without interest.
- 4.2 Subject to clause 4.1, Shares to be issued under the Plan will be allotted within 7 business days of the Closing Date. Shareholders will be issued with a holding statement or confirmation shortly after the allotment of the shares.
- 4.3 Shares allotted under the Plan will rank equally in all respects with all other fully paid ordinary shares in the Company on the date of issue.
- 4.4 The Company will apply to ASX for quotation of the Shares issued under the Plan upon allotment.
- 4.5 ASX Listing Rules 7.2 *Exception 15* and 10.12 *Exception 8* apply such that the total number of shares that may be issued under this Plan share purchase plan must not be greater than 30% of the number of ordinary fully paid shares on issue at the Record Date.
- 4.6 Eligible shareholders may choose any level of acceptance up to a maximum cost of \$15,000.

5. GENERAL

- 5.1 The Plan will be administered by the Board or a committee of the Board that will have absolute discretion to:
 - (a) determine appropriate procedures for administration of the Plan consistent with these Terms;
 - (b) resolve conclusively all questions of fact or interpretation arising in connection with the Plan or these Terms; and
 - (c) delegate to any one or more persons, for such period and on such conditions as they may determine, the exercise of their powers or discretions under the Plan or these Terms.
- 5.2 The Plan and these Terms may be suspended, terminated or amended at any time by the Board. In particular the Board may waive compliance with any provision of these terms and conditions, or vary these terms and conditions if required to comply with the ASX Listing Rules;
- 5.3 If applications under the Plan substantially exceed the Company's target of \$11.2 million or if the Company believes that the allotment of Shares would contravene any law or rules of the Australian Securities Exchange, on which the Shares are listed the Company reserves the right to issue fewer Shares than an Eligible Member applied for under the Plan (or none at all) at the discretion of the Company.
- 5.4 These Terms are governed by and construed in accordance with the laws for the time being in force in the State of New South Wales.
- 5.5 The Directors of the Company are eligible to participate in the Plan and to the extent that they do so, the Company will rely upon the exemption afforded by ASX Listing Rule 10.12 *Exception 8*.

6 DECLARATION AND ACKNOWLEDGEMENT

- 6.1 By forwarding and completing the application form, each member/Custodian;
 - (a) acknowledges that they have read and understood the terms and conditions of the Plan and they agree to be bound by those terms and conditions and by the Constitution of the Company;
 - (b) acknowledges that the Company has reserved the right to scale back applications under the Plan and as such the aggregate number of shares which may be allotted to them under the Plan may be fewer shares than the number applied for under the Plan;
 - (c) certifies that (except where Shares are held as a Custodian on account of a Beneficiary which is expressly noted on the Company's register of members) the aggregate of the application price for
 - (i) the Shares or interests the subject of the application; and
 - (ii) any other Shares or interests in the class applied for by, or on your behalf, or on your behalf by a Custodian, the shareholder under the Plan or any similar plan operated by the Company in the 12 months prior to the application, does not exceed A\$15,000; and
 - (d) certifies that where Shares are held as Custodian on account of one or more other Beneficiaries who have instructed you to apply for shares under the Plan, the aggregate of the application price for:
 - (i) the Shares or interests the subject of the application; and
 - (ii) any other Shares or interests in the class applied for by, or on behalf of, the Beneficiary under the Plan or any similar plan operated by the Company in the 12 months prior to the application, does not exceed A\$15,000.

A Custodian should also provide the Company with a list and certify the number, name and address of each Beneficiary and the number of shares held on their behalf and dollar amount for which an application is made.

Any Custodian forwarding and completing an application form also certifies that it holds an Australian financial services licence that covers the provision of a custodial or depository service, or includes a condition requiring the holder to comply with ASIC Class Order 02/294; or is exempt under paragraph 7.6.01(1)(k) of the *Corporations Regulations 2001*, or under ASIC Class Order 05/1270 to the extent that it relates to ASIC Class Order 03/184, from the requirement to hold an Australian financial services licence for the provision of a custodial or depository service.

MOS may settle in any manner it thinks fit, any dispute or anomalies which may arise in connection with or by reason of the operation of the Plan, whether generally or in relation to any applicant or application for shares. The decision of MOS will be conclusive and binding on all persons to whom the determination relates. MOS reserves the right to waive compliance with any provision of the Plan terms and conditions, or to vary those terms and conditions if required to comply with the ASX Listing Rules.

7 TIMETABLE

Event	Date	Description
Record Date	Wednesday 7 October 2009 (7.00pm Sydney time)	Date for determining Eligible Members
Cleansing Notice	14 October 2009	ASIC Class Order 09/425, paragraph 7(f)(ii)
SPP Offer Opens	14 October 2009	Date SPP Offer despatched to shareholders with Terms and Application Form
Closing Date	9 November 2009 (7:00 pm Sydney time)	Date SPP Offer closes
Quotation Date	13 November 2009	Date shares are expected to be traded on ASX
Issue/Allotment Date	16 November 2009	Dates shares under the SPP are issued/allotted