

COURT APPROVES THE ISSUE OF THE MOSAIC SCHEME BOOKLET AND ORDERS THE CONVENING OF THE SCHEME MEETING

Australian oil and gas producer, Mosaic Oil NL (ASX: MOS) (**Mosaic**) today advised that the Federal Court of Australia has approved the distribution of Mosaic's Scheme Booklet to shareholders and ordered that Mosaic convene a Scheme Meeting for Mosaic shareholders to vote on the scheme of arrangement (the **Scheme**) which if approved and implemented will result in AGL Energy Limited (**AGL**)'s acquiring all of the issued shares of Mosaic.

The Scheme Booklet explains the effect and terms of the Scheme, and the manner in which it will be implemented if it is approved. It provides Mosaic's shareholders with information relevant to their decision as to whether to approve the Scheme at the Scheme Meeting which will be held at 10.00am (Sydney time) on Thursday, 7 October 2010 at the Justice and Police Museum, at the corner Albert and Phillip Streets, Circular Quay, Sydney.

The Scheme meeting will be followed immediately by an Extraordinary General Meeting of Mosaic shareholders at the same location to consider approving an amendment of the terms of the Mosaic Employee Share Scheme. The proposed amendment will remove the transfer restrictions of Mosaic's unlisted, partly paid ordinary shares (Mosaic Ordinary Contributing Shares), subject to the Scheme's becoming effective. This amendment is necessary to enable these shares to be transferred under the Scheme.

The Scheme Booklet has been registered with the Australian Securities and Investments Commission and is attached to this announcement. The Scheme Booklet will be mailed to the registered addresses of all Mosaic shareholders.



Key dates and times for the implementation of the transaction are set out below:

10.00 am on 7 October 2010	Scheme Meeting followed by the Extraordinary General Meeting
11 October 2010	Second Court Date for approval of the Scheme
12 October 2010	New AGL Shares commence trading on the ASX on a deferred settlement basis
7.00pm on 18 October 2010	Record date
20 October 2010	Implementation date of the Scheme
21 October 2010	Commencement of normal trading of New AGL shares on the ASX

For the Scheme to be implemented, the Scheme resolution proposed at the Scheme Meeting must be approved by a majority of shareholders voting (in person or by proxy) and at least 75% of the votes cast. The Mosaic Employee Share Scheme amendment resolution proposed at the Extraordinary General Meeting must be approved as a special resolution by at least 75% of the votes cast by shareholders voting (in person or by proxy).

Unanimous recommendation

The Mosaic Board confirms its previously announced unanimous recommendation that shareholders vote in favour of both the Scheme at the Scheme Meeting in the absence of a superior proposal and also the amendment to the Mosaic Employee Share Scheme at the Extraordinary General Meeting. The Mosaic Board's reasons for this recommendation are set out in detail in Section 4.2 of the Scheme Booklet.

All Mosaic Directors who hold or control Mosaic shares intend to vote in favour of the Scheme in respect of all their Mosaic shares, in the absence of a superior proposal.

The Mosaic Board commissioned PricewaterhouseCoopers Securities Ltd (**PwC**) to provide an independent expert's report in relation to the Scheme. PwC has concluded the Scheme to be in the best interests of Mosaic's fully and partly paid shareholders on the basis that it is fair and reasonable. PwC has assessed the fair market value of Mosaic fully paid shares to be in a range from \$0.128 and \$0.197. The PwC Independent Expert's Report is included in the Scheme Booklet.

Action required

The Mosaic Board strongly believes that this proposal is a matter of importance for all Mosaic shareholders and therefore encourages shareholders to vote on the Scheme





resolution at the Scheme Meeting and the resolution to amend the Mosaic Employee Share Scheme at the Extraordinary General Meeting.

Mosaic shareholders should read the Scheme Booklet carefully and in its entirety as it contains important information about the proposal which shareholders are being asked to consider. Shareholders can then vote by either attending the meetings in person or by proxy if shareholders are unable to attend the meetings. Details on how to vote at the meetings are set out in Section 1 of the Scheme Booklet.

If you have any questions about your Mosaic shares or any other matter in the Scheme Booklet, please call your investment advisor or the Mosaic Information Line on 1800 285 677 (toll free in Australia) or +612 8280 7472 (international) between 9am and 5pm (Sydney time), Monday to Friday.

For further information:

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SCHEME BOOKLET

For a recommended proposal for AGL Energy Limited (ABN 74 115 061 375) to acquire all of your shares in Mosaic Oil N.L. (ABN 56 003 329 084) by way of a Scheme of Arrangement

This document is important and requires your immediate attention. It should be read in its entirety. If you are in doubt as to what you should do or how to deal with this document, you should consult your legal, financial or other professional advisor.

The Mosaic Board unanimously recommends that you
VOTE IN FAVOUR
of the Proposal, in the absence of a superior proposal.

Mosaic Information Line: 1800 285 677 (toll free in Australia) or +61 2 8280 7472 (if overseas) between 9.00am and 5.00pm (Sydney time), Monday to Friday.

If you have recently sold all of your Mosaic Shares, please disregard this document.

Financial Advisor

Legal Advisor

IMPORTANT NOTICE

Purpose of Scheme Booklet

This Scheme Booklet is dated 6 September 2010 and is the explanatory statement required to be sent to Mosaic Shareholders under Part 5.1 of the Corporations Act in relation to the Scheme. The purpose of this Scheme Booklet is to explain the effect and terms of the Scheme and the manner in which it will be implemented (if approved) and to provide information as is prescribed or otherwise materially relevant to the decision of Mosaic Shareholders regarding whether to approve the Scheme.

This Scheme Booklet also contains information about the proposed Employee Share Scheme Amendment Resolution that requires the approval of Mosaic Shareholders at the Extraordinary General Meeting in order for the Scheme to be implemented.

Read entire Scheme Booklet

Mosaic Shareholders are encouraged to read this Scheme Booklet in its entirety before making a decision on whether or not to vote in favour of the resolutions to be considered at the Meetings. If you are in doubt you should consult your legal, financial or other professional advisor.

Glossary and defined terms

A number of terms used in this Scheme Booklet have special meanings. These are listed in the Glossary and the Technical Glossary at the back of this Scheme Booklet. Many of the documents reproduced in some of the Annexures to this Scheme Booklet have their own defined terms, which are sometimes different from those in the Glossary and the Technical Glossary. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this document. All numbers are rounded unless otherwise indicated.

Investment decisions

This Scheme Booklet has been prepared without reference to the investment objectives, financial situation, tax position or particular needs of any Mosaic Shareholder or any other particular person. Other than the Independent Expert's Report and the Investigating Accountants' Report, the information contained in this Scheme Booklet does not constitute financial product advice. This Scheme Booklet should not be relied upon as the sole basis for any investment decision in relation to the Scheme or your Shares. Before making any investment decision in relation to the Scheme or your Shares, including any decision to vote in favour of or against the Proposal, you should consider, with or without the assistance of an appropriate advisor, whether that decision is appropriate in light of your particular investment needs, objectives and financial circumstances. If you are in any doubt about what you should do, you should seek independent financial and taxation advice before making any investment decision in relation to the Scheme or your Mosaic Shares.

Forward looking statements

Certain statements in this Scheme Booklet relate to the future. All statements other than statements of historical fact are, or may be deemed to be, forward looking statements. These statements may sometimes be identified by the use of forward looking words such as "believe", "aim", "expect", "anticipate", "intending", "foreseeing", "likely", "should", "planned", "may", "estimate", "potential" or similar words. Similarly, statements that describe Mosaic's or AGL's objectives, plans, goals or expectations are or may be forward looking statements. All forward looking statements in this Scheme Booklet (other than the AGL Information and Annexures D and E) reflect the current expectations of Mosaic concerning future results and events. All forward looking statements in the AGL Information reflect the current expectations of AGL concerning future results and events.

Any forward looking statements in this Scheme Booklet are made, and reflect views held, only as at the date of this Scheme Booklet. Although AGL believes that the expectations reflected in the AGL Information are reasonable and Mosaic believes that the expectations reflected in any forward looking statements included in this Scheme Booklet (other than the AGL Information and Annexures D and E) are reasonable, Mosaic and AGL make no representation and give no assurance or guarantee that

the occurrence of the events or the achievements of results expressed or implied in such statements will actually occur. You are cautioned not to place undue reliance on any forward looking statements, and all subsequent written or oral forward looking statements attributable to Mosaic or AGL or any person acting on their behalf are qualified by this cautionary statement. Subject to any continuing obligations under law or the ASX Listing Rules or as contemplated in Section 13.7, neither Mosaic nor AGL give any undertaking to update or revise any forward looking statements after the date of this Scheme Booklet, to reflect any changes in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

Responsibility for information

The information contained in this Scheme Booklet other than the AGL Information and Annexures D and E (**Mosaic Information**) has been prepared by Mosaic and its Board and is the responsibility of Mosaic. Neither AGL nor its related bodies corporate, directors, officers or advisors assume any responsibility for the accuracy or completeness of the Mosaic Information or the Annexures.

The AGL Information has been provided by AGL and is the responsibility of AGL. Neither Mosaic nor its related bodies corporate, directors, officers or advisors assume any responsibility for the accuracy or completeness of the AGL Information.

PricewaterhouseCoopers Securities Ltd (**Independent Expert**) has prepared an Independent Expert's Report set out in Annexure D and takes responsibility for that report.

Deloitte Touche Tohmatsu (**Investigating Accountants**) has prepared the Investigating Accountants' Report set out in Annexure E and takes responsibility for that report.

ASIC and ASX

ASIC has reviewed a copy of this Scheme Booklet and this Scheme Booklet has been registered by ASIC on 6 September 2010 in accordance with section 412(6) of the Corporations Act. Neither ASIC nor any of its officers are responsible for the contents of this Scheme Booklet.

Mosaic has asked ASIC to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. ASIC's policy in relation to statements under section 411(17)(b) of the Corporations Act is that it will not provide such a statement until the Second Court Date. This is because ASIC will not be in a position to advise the Court until it has had an opportunity to observe the entire scheme process. If ASIC provides that statement, then it will be produced to the Court on the Second Court Date.

A copy of this Scheme Booklet has been lodged with ASX. Neither ASX nor its officers take any responsibility for the contents of this Scheme Booklet. The fact that ASX may grant official quotation of the New AGL Shares is not to be taken in any way as an indication of the merits of AGL or the Scheme. Mosaic Shares will continue to be quoted on ASX if the Scheme is not approved.

Court

The Court is not responsible for the contents of this Scheme Booklet and, in ordering that the Scheme Meeting be held, the Court does not in any way indicate that the Court has approved or will approve the terms of the Scheme. An order of the Court under section 411(1) of the Corporations Act is not an endorsement of, or any other expression of opinion on, the Scheme or this Scheme Booklet.

Shareholders outside Australia

This Scheme Booklet is subject to Australian disclosure requirements. Financial information in this Scheme Booklet has been prepared in accordance with Australian Accounting Standards and is presented in an abbreviated form and does not contain all of the disclosures that are usually provided in a financial report prepared in accordance with the Corporations Act. Australian disclosure requirements and Australian Accounting Standards may be different from those applicable in other jurisdictions.

Shareholders in jurisdictions outside Australia and its external territories or New Zealand are Ineligible Foreign Shareholders under the Scheme and should refer to Section 3.3. AGL is not obliged to issue New AGL Shares to any Ineligible Foreign Shareholder unless AGL determines that it is lawful and not unduly onerous or impracticable to issue that shareholder with New AGL Shares.

Shareholders who are subject to taxation outside Australia should consult their tax advisor as to the applicable tax consequences of the Scheme.

This Scheme Booklet, the Scheme and the Proposal do not, either individually or in combination, constitute an offer to sell to Mosaic Shareholders or a solicitation of an offer to purchase from Mosaic Shareholders any securities in Mosaic or AGL in any jurisdiction where such an offer or solicitation would be illegal.

The offer to any Mosaic Shareholder in New Zealand of New AGL Shares under the Scheme is made in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2002*. This Scheme Booklet has not been registered, filed with or approved by any New Zealand regulatory authority or under or in accordance with the *Securities Act 1978 (New Zealand)*.

This Scheme Booklet is, therefore, not a prospectus or an investment statement under New Zealand law and may not contain all the information that a prospectus or investment statement under New Zealand law is required to contain. Mosaic Shareholders in New Zealand should seek their own advice and satisfy themselves as to the Australian and New Zealand tax consequences of participating in the Scheme.

Privacy

Mosaic, AGL and their respective share registries may collect personal information in the process of implementing the Proposal. This information may include the names, contact details and security holdings of Shareholders and the names of persons appointed by Shareholders to act as proxy, corporate representative or attorney at the Meetings. The primary purpose of collecting this information is to assist Mosaic in the conduct of the Meetings and to enable the Proposal to be implemented in the manner described in this Scheme Booklet.

The collection of this personal information is authorised by the Corporations Act. Personal information may be disclosed to the Share Registry, to print and mail service providers, to authorised securities brokers, AGL, AGL's share registry and to related bodies corporate of Mosaic and AGL. Shareholders have the right to access personal information that has been collected. They should contact the Share Registry in the first instance if they wish to exercise this right. Shareholders who appoint a named person to act as their proxy, corporate representative or attorney at the Meetings should ensure that they inform that person of the matters outlined above.

Mosaic Information Line

If you have any questions about your Mosaic Shares or any other matter in this Scheme Booklet, please call the Mosaic Information Line on 1800 285 677 (toll free in Australia) or +61 2 8280 7472 (if overseas) between 9.00am and 5.00pm (Sydney time), Monday to Friday.

Websites

Mosaic and AGL maintain internet websites. Any reference in this Scheme Booklet to a website is a textual reference for information only and does not form part of this Scheme Booklet.

References to time

All references to time in this Scheme Booklet are references to the time in Sydney, Australia.

References to currency

References in this Scheme Booklet to A\$ or \$ means a reference to Australian dollars. References in this Scheme Booklet to US\$ means a reference to United States of America dollars.

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CHAIRMAN'S LETTER

6 September 2010

Dear Mosaic Shareholder,

On 14 July 2010, Mosaic Oil N.L. (**Mosaic**) announced that it had entered into a Scheme Implementation Deed with AGL Energy Limited (**AGL**) to effect an acquisition by AGL of all the issued shares in Mosaic (**Mosaic Shares**). The acquisition is proposed to be implemented by way of scheme of arrangement (**Scheme**) under which each Mosaic Shareholder will receive consideration of either:^{1,2}

- \$0.15 cash per Fully Paid Mosaic Share;³ or
- 1.01 AGL shares for every 100 Fully Paid Mosaic Shares.⁴

If you wish to receive the Scrip Consideration, you will need to make a valid scrip Election (see Section 1.11 for further details). If you do not make a valid scrip Election, and the Scheme proceeds, you will receive the Cash Consideration under the Scheme.

If you are an Ineligible Foreign Shareholder or Unmarketable Parcel Shareholder and you make a valid scrip Election, the AGL Shares which you would otherwise receive under the Scheme will be issued to the Sale Agent for sale. Following the sale, you will be provided your proportionate share of net proceeds of sale of all AGL Shares sold by the Sale Agent. There is no assurance as to the price the Sale Agent will receive for the AGL Shares to be sold by it. The sale may result in you receiving an amount greater than or less than \$0.15 per Fully Paid Mosaic Share.

The proposed acquisition by AGL values the total issued Mosaic Shares at approximately A\$130 million.

The transaction also includes an amendment to the Mosaic Employee Share Scheme to remove the restrictions on transfer of Mosaic Ordinary Contributing Shares to enable those shares to be transferred under the Scheme. The amendment to the Mosaic Employee Share Scheme, together with the Scheme, is the **Proposal**.

The Scheme will provide Mosaic Shareholders with a number of important benefits, including:

- A premium of 92% to Mosaic's last closing price of \$0.078 per share on 30 June 2010 (being the last Trading Day prior to the announcement of the non-binding and indicative proposal from AGL) and 86% to the one month volume weighted average price of Mosaic Shares to 30 June 2010 of \$0.081 per share.
- The Scheme gives eligible Mosaic Shareholders the option to participate in AGL's future through the ownership of New AGL Shares under the Scrip Consideration option.
- The Scheme Consideration provides Mosaic Shareholders with a certain and immediate outcome, without taking on the financial, production and market risks inherent in developing and monetising Mosaic's resources.⁵

AGL announced on 1 July 2010 that the key rationale for its proposed investment in Mosaic is the creation of a gas storage business around Mosaic's depleted Silver Springs-Renlim field. According to AGL, this is underpinned by contractual arrangements that AGL has with the BG Group that will support the development of the BG Group's Curtis LNG Project.

In the Mosaic Board's view, this is an endorsement of Mosaic's identification of its depleted Silver Springs-Renlim field as a significant business opportunity to turn into a gas storage facility. AGL has advised that its gas storage services contract with BG Group enables this opportunity to be commercialised due to AGL's unique ability to swap gas supplied to AGL under its existing 2006 gas supply agreement with the BG Group. On this basis, the Mosaic Board notes that the value that AGL can obtain from Mosaic's gas storage project is therefore not necessarily available to other parties.

Board recommendation

The Mosaic Board believes that the Proposal is in the best interests of all Mosaic Shareholders and the Mosaic Board has unanimously recommended that you vote in favour of the Proposal, in the absence of a superior proposal. Each Mosaic Director intends to vote, or procure the voting of, all Mosaic Shares held or controlled by them, in favour of the Scheme, in the absence of a superior proposal.

Independent Expert's conclusion

The Independent Expert, PricewaterhouseCoopers Securities Ltd, has concluded that the acquisition of Mosaic Shares by AGL under the Scheme is fair and reasonable and is in the best interests of Mosaic Shareholders. The Independent Expert has valued Fully Paid Mosaic Shares at between \$0.128 and \$0.197 per Fully Paid Mosaic Share.

Your vote

Mosaic Shareholders will have the opportunity to vote on the Proposal at the Meetings to be held on Thursday, 7 October 2010.

Your vote is important in determining whether or not the Proposal proceeds.

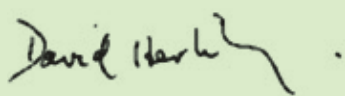
Please read the information in this Scheme Booklet carefully, as it is required to set out the information which is material for you to consider when you decide whether or not to vote in favour of the Proposal. If required, seek your own legal, financial or other professional advice.

It is important that you cast your vote either by:

- (a) attending the Meetings and voting in person or, in the case of corporate Mosaic Shareholders, by corporate representative; or
- (b) completing and returning the green proxy form(s) which accompany this Scheme Booklet in respect of the Meetings in accordance with the instructions on those form(s) or appointing an attorney.

If you have any questions in relation to any part of the Proposal, please contact the Mosaic Information Line on 1800 285 677 (toll free in Australia) or +61 2 8280 7472 (if overseas) between 9.00am and 5.00pm (Sydney time), Monday to Friday.

Yours faithfully,



David Herlihy

Chairman

Mosaic Oil N.L.



Notes:

- 1 Holders of Mosaic Ordinary Contributing Shares will receive Scheme Consideration to reflect the amount unpaid on those shares as set out in Section 3.1(b).
- 2 Please be aware that although the Cash Consideration and the Scrip Consideration were approximately equivalent in value at the time they were determined based on the closing price of AGL Shares on 30 June 2010, the price of AGL Shares may change so that the value of the Cash Consideration and the Scrip Consideration may not be equivalent at the time the Scheme Consideration is provided to Mosaic Shareholders.
- 3 Less any Mosaic dividends and distributions declared or determined between 14 July 2010 and the Implementation Date.
- 4 To be adjusted for any Mosaic dividends and distributions declared or determined between 14 July 2010 and the Implementation Date.
- 5 Those Mosaic Shareholders who Elect to receive the Scrip Consideration will still be exposed to the financial, production and market risks through their shareholding in AGL, including those outlined in Section 8.3.

REASONS TO VOTE IN FAVOUR OF THE PROPOSAL



The Cash Consideration represents a substantial premium to Mosaic's trading price immediately prior to the announcement of the non-binding and indicative proposal from AGL.



The Scheme gives eligible Mosaic Shareholders¹ the option to participate in further potential upside through ownership of New AGL Shares under the all scrip alternative.



The Scheme should allow most Mosaic Shareholders to receive CGT rollover relief through election of the all scrip alternative.



The Scheme Consideration provides Mosaic Shareholders a certain and immediate outcome. There are market, financing and production risks associated with developing and monetising Mosaic's resources.²



The Proposal will allow Mosaic Shareholders to realise value from the potential commercialisation of the gas storage opportunity at Silver Springs.



The Independent Expert has concluded that the Scheme is fair and reasonable and is in the best interests of Mosaic Shareholders.



Since the announcement of the Scheme, no superior proposal has emerged.



The Scheme Consideration is at a premium to recent capital raisings undertaken by Mosaic, namely the raising of \$10.3 million under a share purchase plan in October 2009 at \$0.11 per Fully Paid Mosaic Share, \$10.9 million under placements in late 2009 at \$0.115 per Fully Paid Mosaic Share and \$16.4 million under a rights issue and placement in late 2007 at \$0.12 per Fully Paid Mosaic Share.



The price of Fully Paid Mosaic Shares may fall if the Proposal is not implemented.



No brokerage or stamp duty will be payable on the transfer of your Mosaic Shares to AGL under the Proposal.

Notes:

- 1 Excluding those Mosaic Shareholders who are Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders. Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders are encouraged to read Section 3.3 for details of the consideration they will receive.
- 2 Those Mosaic Shareholders who Elect to receive the Scrip Consideration and are issued New AGL Shares will still be exposed to the financial, production and market risks through their shareholding in AGL, including those outlined in Section 8.3.

POSSIBLE REASONS NOT TO VOTE IN FAVOUR OF THE PROPOSAL



You may disagree with the Mosaic Board and the Independent Expert and believe that the Scheme is not in your best interests.



If the Proposal proceeds you will no longer be a Mosaic Shareholder and you will not participate in any potential upside (such as potential exploration success) that may have resulted from being a Mosaic Shareholder.



You may be of the view that oil and gas prices will increase and your investment in Mosaic could be worth more than the amount offered for your Mosaic Shares under the Scheme.



The tax consequences of the Proposal may not suit your financial position.



You may wish to maintain your current investment profile.

The Mosaic Board unanimously recommends that you vote in favour of the Proposal in the absence of a superior proposal.

Each Mosaic Director intends to vote, or procure the voting of, all Mosaic Shares held or controlled by them, in favour of the Scheme in the absence of a superior proposal.

OVERVIEW OF AGL

AGL is Australia's largest integrated renewable energy utility company

Drawing on over 170 years of experience, AGL operates retail and merchant energy businesses, power generation assets and an upstream gas portfolio.

Investment Highlights

Integrated Energy Producer

- Australia's largest integrated renewable energy utility company, with the largest energy and dual fuel customer base in the country
- An integrated business platform linking upstream electricity generation and gas assets, including long-term contracts, with its strong retail business
- AGL's integrated business model enables it to achieve cost efficiencies and to offer customers a comprehensive range of energy products and related services at competitive prices
- Established energy supply asset position in Australia provides a strong natural hedge to AGL's retail customer base
- Opportunity to grow through further integration upstream. AGL's Upstream Gas group is responsible for finding, developing and contracting AGL's positions in other energy resources. The Upstream Gas group's objective is to advance AGL's position in achieving long term surety of gas supply targeting direct ownership of gas to 2,000PJ (2P) over the medium term. At present, AGL has approximately 2,900PJ of contracted gas and approximately 1,578PJ of equity gas

Large and Diverse Portfolio

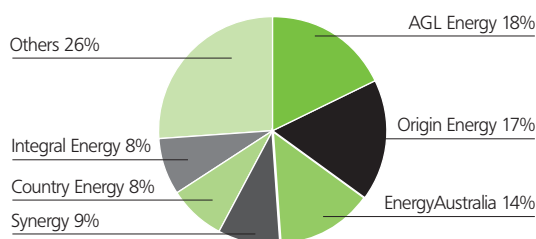
- Earnings and cash flow derived from AGL's different business units namely Retail Energy, Merchant Energy, Upstream Gas and Energy Investments
- Electricity retailing price risk and exposure to wholesale gas price volatility is managed through a number of risk strategies including power purchase agreements with external parties, direct ownership of generation capacity and upstream gas projects and price reset clauses in gas supply agreements
- Power generation portfolio includes base, peaking and intermediate generation plants spread across traditional gas and coal thermal generation as well as renewable sources including hydro, wind, landfill gas and biogas

Leading Retail Market Share

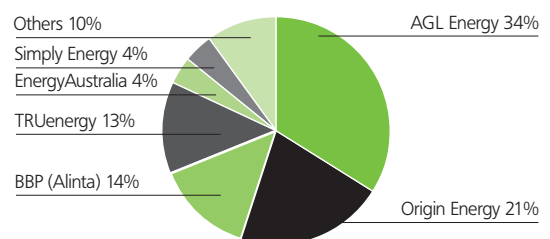
- AGL is the leading energy retailer in Australia, and complements this with operations in power generation and upstream gas developments
- Geographically, AGL maintains energy retailing operations in New South Wales, Victoria, South Australia and Queensland and territories in Australia, and its diversified operations and focus on renewable energy will enable AGL to continue to grow this footprint

AGL's Leading Market Position¹

Electricity



Gas

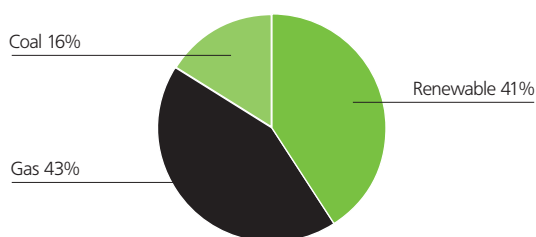


Largest Renewable Energy Utility Company in Australia

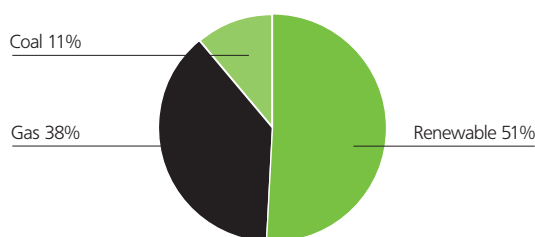
- AGL is committed to reducing the carbon intensity of energy supplied to customers, with renewable energy, either directly owned or under long-term off-take contracts, now accounting for about 35% of AGL's total generation capacity
- AGL plans to increase its renewable energy generation and long-term off-take contracts from 35% to 52% of current generation capacity in the medium term in line with the Australian Government's expanded Renewable Energy Target (RET) scheme, as outlined in the charts below

AGL's Current Generation and Future Generation Targets

Current Generation Breakdown: 3,990 MW²



Future Generation Target: 6,000 MW



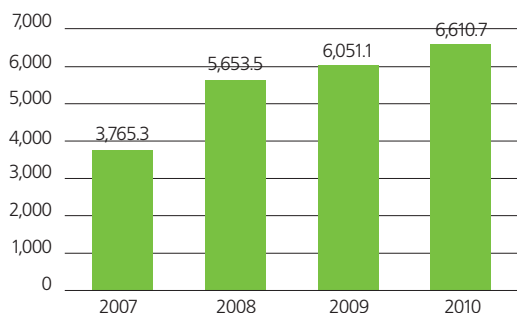
- AGL believes its focus on developing renewable energy has a positive effect on customer retention and differentiates AGL from other retailers

Strong Financial and Operating Performance with a Conservative Balance Sheet

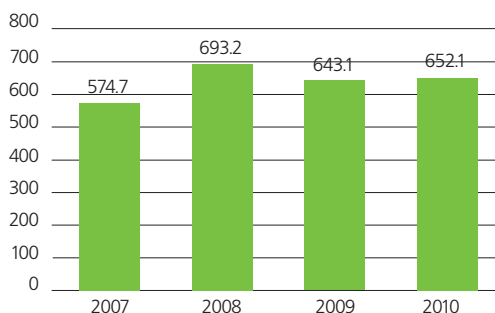
- For the fiscal year ended 30 June 2010, AGL reported total revenue and EBIT of A\$6,610.7 million and A\$652.1 million, respectively

AGL's Historical Revenue and EBIT (A\$m)

Total Revenue³



Total EBIT



- AGL has a conservatively geared balance sheet, with prudent measures taken over the last two years to strengthen the balance sheet

Experienced Management Team

- AGL's senior management team and the AGL Board have extensive experience in their respective areas of responsibility with over 140 years of combined energy industry experience
- The senior management team is led by Managing Director and Chief Executive Officer Michael Fraser, who has established AGL as the country's largest energy retailer, and led the expansion of AGL's upstream energy interests in renewables, thermal power generation and upstream gas exploration and development
- Reporting to Mr Fraser is AGL's Chief Financial Officer Stephen Mikkelsen as well as the group general managers of the various divisions. These individuals have a strong understanding of the operations of AGL and the nuances of the markets and segments in which it operates

Notes:

- AGL's estimates for market share in the Australian Energy Industry – June 2009.
- Includes long-term off-take contracts and generation under construction.
- Includes Revenue for continuing operations and discontinued operations.

WHAT TO DO NEXT

Carefully read this Scheme Booklet

This is an important document and you should read it carefully and in its entirety before making a decision on how to vote at the Meetings.

Vote on the Proposal

If you are a Mosaic Shareholder at 7.00pm on Tuesday, 5 October 2010, you are entitled to vote on whether the Proposal should proceed.

Please refer to the following pages of this Scheme Booklet for details on how to vote at the Meetings including by proxy.

Decide whether you would like to make a scrip Election

If you wish to receive the Scrip Consideration under the Scheme, you will need to make a valid scrip Election (see Section 1.11 for further details). If you do not make a valid scrip Election, and the Scheme proceeds, you will receive the Cash Consideration under the Scheme.

Seek further information

If you have any questions in relation to the Proposal or the number of Mosaic Shares you hold, you can call the Mosaic Information Line on 1800 285 677 (toll free in Australia) or +61 2 8280 7472 (if overseas) between 9.00am and 5.00pm (Sydney time), Monday to Friday.

If you have any doubts as to the actions you should take or you have further questions, please contact your legal, financial or other professional advisor.

Why you should vote

As a Mosaic Shareholder, you have a say in whether AGL will acquire all of the Mosaic Shares. This is your opportunity to play a role in deciding the future of Mosaic.

KEY DATES

Event	Date
Scheme Booklet and Notices of Meetings despatched to Shareholders	7 September 2010
Proxies to be received from Mosaic Shareholders not later than	7.00pm, Tuesday, 5 October 2010
Time and date for determining eligibility to vote at the Meetings	7.00pm, Tuesday, 5 October 2010
Scheme Meeting to be held at The Justice and Police Museum, corner Albert and Phillip Streets, Circular Quay, Sydney	10.00am, Thursday, 7 October 2010
Extraordinary General Meeting to be held at The Justice and Police Museum, corner Albert and Phillip Streets, Circular Quay, Sydney	At the later of 10.30am and the conclusion or adjournment of the Scheme Meeting on, Thursday, 7 October 2010
If the resolutions considered at the Meetings are approved by Mosaic Shareholders:	
Second Court Date for approval of the Scheme	Monday, 11 October 2010
Court order is lodged with ASIC and the Scheme takes effect (Effective Date)	Monday, 11 October 2010
Suspension of Mosaic Shares from ASX trading	Close of trading on Monday, 11 October 2010
New AGL Shares commence trading on ASX on a deferred settlement basis	Tuesday, 12 October 2010
Date for determination of entitlements to receive Scheme Consideration (Record Date)	7.00pm, Monday, 18 October 2010
Scrip Election Forms to be received from Mosaic Shareholders not later than	7.00pm, Monday, 18 October 2010
Implementation of the Scheme, including transfer of Mosaic Shares to AGL, despatch of the holding statements for New AGL Shares and despatch of cheques or EFT transfers (Implementation Date)	Wednesday, 20 October 2010
Last day for deferred settlement trading of New AGL Shares	Wednesday, 20 October 2010
Commencement of normal trading of New AGL Shares on ASX	Thursday, 21 October 2010

Note:

Unless otherwise stated, all times referred to in this Scheme Booklet are references to time in Sydney, Australia. Dates are indicative only. Mosaic reserves the right to vary the times and dates set out above subject to the approval of such variation by AGL, the Court, ASX, and ASIC where required. Any variations to the timetable set out above will be announced through the ASX.

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DETAILS OF THE PROPOSAL AND HOW TO VOTE

1

1.1 Acquisition of Shares by scheme of arrangement

On 14 July 2010, Mosaic and AGL announced a proposal for AGL to acquire all of the issued share capital of Mosaic in accordance with the Scheme Implementation Deed. A summary of the key terms of the Scheme Implementation Deed can be found in Section 10. The Scheme Implementation Deed (excluding annexures) is set out in Annexure A.

Under the Scheme Implementation Deed, the acquisition will be implemented using a members' scheme of arrangement. Under the Scheme, Mosaic Shareholders will receive the Scheme Consideration in exchange for every Mosaic Share held by them on the Record Date. The terms of the Scheme are included in Annexure B.

1.2 What will happen under the Scheme?

If approved by Mosaic Shareholders and the Court (as discussed in Section 1.4), and subject to the conditions described in Section 10.2, all Mosaic Shareholders who hold Mosaic Shares on issue on the Record Date (**Scheme Participants**) will participate in the Scheme, whether or not they voted for the Scheme (and even if they voted against the Scheme).

If approved and implemented, the Scheme will result in:

- (a) each Scheme Participant receiving either \$0.15 for each Fully Paid Mosaic Share held or 1.01 New AGL Shares for every 100 Fully Paid Mosaic Shares held;^{1,2}
- (b) the transfer of all Mosaic Shares to AGL; and
- (c) Mosaic's becoming a wholly-owned subsidiary of AGL and ultimately being delisted from the ASX.

The terms of the Scheme are set out in full in Annexure B. A detailed description of the Scheme is set out in Section 9. In support of its obligations under the Scheme, AGL has executed the Deed Poll in favour of Scheme Participants. A copy of the Deed Poll is included in Annexure C.

1.3 The Scheme Meeting

The Scheme Meeting will be held at 10.00am on 7 October 2010 at The Justice and Police Museum, corner Albert and Phillip Streets, Circular Quay, Sydney.

The business of the Scheme Meeting is to consider and, if thought fit, to approve the Scheme.

This Scheme Booklet includes the Notice of Scheme Meeting in Annexure G and encloses a green Proxy Form for the Scheme Meeting.

1.4 Approval of the Scheme

For the Scheme to take effect, section 411(4) of the Corporations Act requires a meeting of Mosaic Shareholders to be held at which the Scheme must be agreed to by a resolution passed by:

- (a) a majority in number of Mosaic Shareholders present and voting (either in person or by proxy) at the Scheme Meeting; and
- (b) representing in aggregate not less than 75% of the votes cast on the resolution at the Scheme Meeting.

The result of the Scheme Meeting must then be provided to the Court, which will consider whether or not to approve the Scheme.

On 3 September 2010, the Court made the requisite orders that the Scheme Meeting be held.

1.5 Extraordinary General Meeting

The Mosaic Employee Share Scheme provides that the Mosaic Ordinary Contributing Shares are not transferable until they are fully paid and quoted on ASX. To facilitate the implementation of the Proposal, the Mosaic Board has resolved that the terms of the Mosaic Employee Share Scheme be amended to remove, subject to the Scheme becoming Effective and with effect from the Record Date, the restriction on transfers of Mosaic Ordinary Contributing Shares issued under the Mosaic Employee Share Scheme.

For Mosaic Ordinary Contributing Shares issued prior to the 2001 Mosaic Annual General Meeting (held on 28 November 2001), the terms of the Mosaic Employee Share Scheme provides that amendments to the terms require approval by a special resolution of Mosaic Shareholders.

In order to ensure that the Mosaic Ordinary Contributing Shares are transferable to AGL if the Scheme is approved by Mosaic Shareholders and the Court, in accordance with the terms of the Mosaic Employee Share Scheme, a special resolution of Mosaic Shareholders is required at the Extraordinary General Meeting.

The Extraordinary General Meeting will be held at the later of 10.30am and the conclusion or adjournment of the Scheme Meeting on Thursday, 7 October 2010.

The only business at the Extraordinary General Meeting is to consider and, if thought fit, approve the Employee Share Scheme Amendment Resolution.

Notes:

- 1 Each Scheme Participant holding Mosaic Ordinary Contributing Shares will receive \$0.15 minus the amount unpaid on each Mosaic Ordinary Contributing Share or a certain number of New AGL Shares for every Mosaic Ordinary Contributing Share determined in accordance with the formula set out in Section 3.1(b).
- 2 If you are an Ineligible Foreign Shareholder or Unmarketable Parcel Shareholder and you make a valid scrip Election, the AGL Shares which you would otherwise receive under the Scheme will be issued to the Sale Agent for sale. Following the sale, you will be provided your proportionate share of the net proceeds of the sale of all AGL Shares sold by the Sale Agent. There is no assurance as to the price the Sale Agent will receive for the AGL Shares to be sold by it. The sale may result in you receiving an amount greater than or less than \$0.15 per Fully Paid Mosaic Share.

The Mosaic Board unanimously recommends that Mosaic Shareholders vote in favour of the Employee Share Scheme Amendment Resolution at the Extraordinary General Meeting. In making this recommendation, the Mosaic Board note that the amendment to the Employee Share Scheme is required to implement the Scheme and repeat their recommendation that you should vote in favour of the Scheme, in the absence of a superior proposal.

The Mosaic Board are precluded from voting their own Mosaic Shares on the Employee Share Scheme Amendment Resolution.

This Scheme Booklet includes the Notice of Extraordinary General Meeting in Annexure H and encloses a green Proxy Form for the Extraordinary General Meeting.

1.6 Approval of the Employee Share Scheme Amendment Resolution

To be passed as a special resolution, the Employee Share Scheme Amendment Resolution must be passed by at least 75% of the total number of votes cast on the resolution at the Extraordinary General Meeting by Mosaic Shareholders entitled to vote.

If the Scheme is not approved by the requisite majorities, Mosaic Shareholders will not be asked to vote on the Employee Share Scheme Amendment Resolution. If the Scheme is approved and if the Employee Share Scheme Amendment Resolution is not approved by the requisite majority, the Scheme will not proceed and Mosaic Shareholders will retain their Mosaic Shares.

1.7 Who is entitled to vote at the Meetings?

Mosaic has determined, for the purposes of the Corporations Act, that each Mosaic Shareholder who is registered in the Share Register at 7.00pm (Sydney time) on Tuesday, 5 October 2010 is entitled to vote at the Meetings.

Voting at the Meetings will be by way of a poll. On a poll, holders of Fully Paid Mosaic Shares are entitled to one vote each Fully Paid Mosaic Share held by them.

In the case of joint holders of a Mosaic Share, the joint holder who is named first on the Share Register will be entitled to vote to the exclusion of the votes of other joint holders. All joint holders are entitled to attend the Meetings.

On a poll, holders of Mosaic Ordinary Contributing Shares have a fraction of a vote equivalent to the proportion which the amount paid (excluding any amount paid, or credited as paid, in advance of a call) bears to the total issue price of each Mosaic Ordinary Contributing Share held by them.

You can vote at the Meetings:

- (a) in person;
- (b) by proxy;
- (c) by corporate representative (if you are a corporate shareholder); or
- (d) by attorney.

You will be counted as being present at the Meetings if you vote in any of the ways outlined above.

1.8 Voting in person

If you wish to vote in person at the Meetings, please attend the Meetings.

1.9 Voting by proxy or attorney

If you wish to appoint a proxy for the Meetings, you should complete the green Proxy Form and lodge it with the Share Registry, in accordance with the green Proxy Form instructions. Green Proxy Forms, or appointment of attorney (in the event you wish to appoint an attorney to attend and vote at the Meetings) MUST be received at the Share Registry no later than 7.00pm (Sydney time) on Tuesday, 5 October 2010. Green Proxy Forms received after this time will be invalid.

Mosaic Shareholders who return their green Proxy Forms with a direction how to vote and do not nominate the identity of their proxy will be taken to have appointed the chairman of the Meetings as their proxy. The chairman of the Meetings intends to vote all undirected proxies in favour of the Scheme and the Employee Share Scheme Amendment Resolution.

Lodging a proxy form will not preclude personal attendance and voting at the Meetings.

A proxy need not be a Mosaic Shareholder. In selecting a proxy a Mosaic Shareholder may, provided they can cast two or more votes, appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the appointment does not specify the proportion of number of votes each of the two proxies has, each proxy may exercise half of the number of votes of that Shareholder. To request a second green Proxy Form please contact the Mosaic Information Line on 1800 285 677 (toll free in Australia) or +61 2 8280 7472 (if overseas) between 9.00am and 5.00pm (Sydney time), Monday to Friday.

You can return the completed green Proxy Form or appointment of attorney in the reply paid envelope, or by delivering the green proxy form or appointment of attorney to the Share Registry's office at the address below, or by faxing it to the Share Registry or by submitting it online (in the case of the Proxy Form only) as set out below:

Delivery address

Level 7
207 Kent St
Sydney NSW 2000

Postal address

GPO Box 3993
Sydney NSW 2001

Facsimile

+61 2 9279 0664

Online lodgement

www.registries.com.au/vote/mosaicscheme

Where the green Proxy Form is executed under a power of attorney, the power of attorney or a certified copy of the power of attorney MUST be lodged with the green Proxy Form (if you have not already lodged the power of attorney with the Share Registry).

1.10 Corporate Shareholders

Corporate Shareholders may appoint a proxy or alternatively appoint a corporate representative. In order to appoint a corporate representative, corporate shareholders will be required to complete a 'Certificate of Appointment of Representative' form to enable a natural person to attend on its behalf. Please contact the Share Registry on 1300 737 760 (in Australia) or +61 2 9290 9600 (if overseas) for this form.

1.11 How to make a valid scrip Election

If you would like to receive Scrip Consideration, you must complete the enclosed pink Scrip Election Form and deliver it to the Share Registry, Level 7, 207 Kent St, Sydney NSW or post it to the Share Registry, GPO Box 3993, Sydney NSW 2001 on or before 7.00pm on Monday, 18 October 2010. Should you wish to receive the Cash Consideration, you do not need to complete and submit the Scrip Election Form.

If you do not submit a valid pink Scrip Election Form on or before 7.00pm on Monday, 18 October 2010, and the Scheme proceeds, you will receive the Cash Consideration.

Your scrip Election may be withdrawn before 7.00pm on 18 October 2010 by signed written notice, setting out your name, address and Holder Identification Number (HIN) or Securityholder Reference Number (SRN) and your intention to withdraw your Scrip Election Form, to the Share Registry as set out below:

Delivery address

Level 7
207 Kent St
Sydney NSW 2000

Postal address

GPO Box 3993
Sydney NSW 2001

Facsimile

+61 2 9279 0664

If you are an Ineligible Foreign Shareholder or Unmarketable Parcel Shareholder and you make a valid scrip Election, the AGL Shares which you would otherwise receive under the Scheme will be issued to the Sale Agent for sale. Following the sale, you will be provided your proportionate share of the net proceeds of the sale of all AGL Shares sold by the Sale Agent. There is no assurance as to the price the Sale Agent will receive for the AGL Shares to be sold by it. The sale may result in you receiving an amount greater than or less than \$0.15 per Fully Paid Mosaic Share.

1.12 Mosaic Employee Options

As at 3 September 2010, Mosaic had 1,707,818 Mosaic Employee Options on issue.

Each holder of Mosaic Employee Options has entered into a cancellation deed in favour of Mosaic pursuant to which all their options will be cancelled with effect on or shortly after the Implementation Date. Each holder of Mosaic Employee Options will receive as consideration for the cancellation of the options an amount equal to either the intrinsic value or the Black Scholes value of those options.

Details of the terms of the cancellation deeds are set out in Section 12.17.

1.13 Obtaining further information

If you have any questions about the Proposal, or you would like additional copies of this Scheme Booklet, the pink Scrip Election Form or green proxy form, please contact the Mosaic Information Line on 1800 285 677 (toll free in Australia) or +61 2 8280 7472 (if overseas) between 9.00am and 5.00pm (Sydney time), Monday to Friday.

For information about your individual financial or taxation circumstances please consult your financial, tax or other professional advisor.

DETAILS OF THE PROPOSAL AND HOW TO VOTE

**YOUR
QUESTIONS
ANSWERED**

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This Scheme Booklet contains detailed information on the Proposal. This Section provides summary answers to some questions you may have and will assist you to locate further, more detailed information in this Scheme Booklet. You should read this Scheme Booklet in its entirety.

**YOUR QUESTIONS
ANSWERED**

Why have I received this Scheme Booklet?

This Scheme Booklet has been sent to you because as at the date of despatch you are a Mosaic Shareholder and Mosaic Shareholders are being asked to vote on the Proposal which, if approved and implemented, will result in AGL acquiring all Mosaic Shares on issue.

The purpose of this Scheme Booklet is to explain the effect and terms of the Proposal and help you to decide how to vote on the resolution which needs to be passed at the Scheme Meeting as well as the Employee Share Scheme Amendment Resolution which needs to be passed at the Extraordinary General Meeting to allow the Scheme to proceed.

The Mosaic Board recommends that you read the Scheme Booklet and, if necessary, consult your legal, financial or other professional advisor before voting on the resolutions.

What is the Proposal?

On 14 July 2010, Mosaic and AGL announced the Proposal to ASX. Under the Proposal, AGL would acquire each Mosaic Share for either \$0.15 per Fully Paid Mosaic Share or 1.01 New AGL Share for every 100 Fully Paid Mosaic Shares by way of a scheme of arrangement under the Corporations Act.

What is the Employee Share Scheme Amendment Resolution and why is it required?

The terms of the Mosaic Employee Share Scheme state that the Mosaic Ordinary Contributing Shares cannot be transferred until they are fully paid and quoted on ASX. In order to ensure that the Mosaic Ordinary Contributing Shares are transferred to AGL if the Scheme is approved by Mosaic Shareholders and the Court it is proposed to remove the transfer restrictions on the Mosaic Ordinary Contributing Shares under the terms of the Mosaic Employee Share Scheme.

This involves the Employee Share Scheme Amendment Resolution being approved by a special resolution that is passed by at least 75% of the total number of votes cast at the Extraordinary General Meeting by Mosaic Shareholders entitled to vote.

Who is the acquirer of Mosaic under the Scheme?

The acquirer of Mosaic under the Scheme is AGL which is an ASX listed energy company.

AGL is Australia's leading renewable energy company and is Australia's largest private owner, operator and developer of renewable generation assets.

AGL is an S&P/ASX 50 company and it (and its predecessor) has been operating in Australia for 170 years and is one of its earliest listed companies.

AGL has major investments in hydro and wind, as well as ongoing developments in key renewable areas including solar, geothermal, biomass, bagasse (sugar cane pulp) and landfill gas. AGL also operates retail, merchant energy and upstream gas businesses and has more than three million customer accounts.

For more information on AGL please see Section 6.

What is a scheme of arrangement?

A "scheme of arrangement" is a means of implementing an acquisition of shares under the Corporations Act. It requires a vote in favour of the Scheme by certain majorities of Mosaic Shareholders at a meeting of Mosaic Shareholders, and Court approval.

The terms of the Scheme are set out in full in Annexure B.

Where and when will the Scheme Meeting be held?

The Scheme Meeting will be held at 10.00am on Thursday, 7 October 2010 at the Justice and Police Museum, corner Albert and Phillip Streets, Circular Quay, Sydney.

Where and when will the Extraordinary General Meeting be held?

The Extraordinary General Meeting will be held at the later of 10.30am and the conclusion or adjournment of the Scheme Meeting on Thursday, 7 October 2010 at the same location as the Scheme Meeting, the Justice and Police Museum, corner Albert and Phillip Streets, Circular Quay, Sydney.

What is the Scheme Consideration for Fully Paid Mosaic Shares?

Holders of Fully Paid Mosaic Shares will receive either Cash Consideration of \$0.15 for each Fully Paid Mosaic Share held on the Record Date or Scrip Consideration, being 1.01 New AGL Shares for every 100 Fully Paid Mosaic Shares held on the Record Date.^{1,2}

Mosaic Shareholders who wish to receive the Scrip Consideration must complete and return the pink Scrip Election Form by 7.00pm on Monday, 18 October 2010. If you do not make a valid scrip Election, you will receive the Cash Consideration under the Scheme.

What is the Scheme Consideration for Mosaic Ordinary Contributing Shares?

Holders of Mosaic Ordinary Contributing Shares will receive either Cash Consideration of \$0.15 minus the unpaid amount for each Mosaic Ordinary Contributing Share³ held on the Record Date, or Scrip Consideration, being a certain number of New AGL Shares for every Mosaic Ordinary Contributing Share held on the Record Date determined in accordance with the formula set out in Section 3.1(b).^{4,5}

Holders of Mosaic Ordinary Contributing Shares who wish to receive the Scrip Consideration, must complete and return the pink Scrip Election Form by 7.00pm on Monday, 18 October 2010. If you do not make a valid scrip Election, you will receive the Cash Consideration under the Scheme.

What are the premiums to the price of Fully Paid Mosaic Shares leading up to the announcement of AGL's non-binding and indicative proposal?

The Cash Consideration of \$0.15 represents a substantial premium to the price of Fully Paid Mosaic Shares on 30 June 2010, being the last Trading Day prior to the announcement of the non-binding and indicative proposal from AGL. The premiums are as follows:

- a 92% premium to the last closing price of Fully Paid Mosaic Shares on 30 June 2010;
 - an 88% premium to the five day volume weighted average price of \$0.080 per Fully Paid Mosaic Share on 30 June 2010;
 - an 86% premium to the one month volume weighted average price of \$0.081 per Fully Paid Mosaic Share on 30 June 2010; and
 - a 61% premium to the three month volume weighted average price of \$0.093 per Fully Paid Mosaic Share on ASX on 30 June 2010.
-

Who is entitled to participate in the Scheme?

Persons who hold Mosaic Shares on the Record Date will be entitled to participate in the Scheme.

Who can vote at the Scheme Meeting and the Extraordinary General Meeting?

If you are registered on the Share Register as a Mosaic Shareholder at 7.00pm on 5 October 2010, then you will be entitled to attend and vote at the Meetings.

What are the voting rights attached to my Mosaic Shares?

Voting on the resolutions at the Meetings will be by way of a poll.

On a poll, holders of Fully Paid Mosaic Shares are entitled to one vote for each Fully Paid Mosaic Share held by them.

On a poll, holders of Mosaic Ordinary Contributing Shares have a fraction of a vote equivalent to the proportion which the amount paid (excluding any amount paid, or credited as paid, in advance of a call) bears to the total issue price of each Mosaic Ordinary Contributing Share held by them.

Notes:

- 1 Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders who validly Elect to receive the Scrip Consideration will have the AGL Shares (which would otherwise have been issued to them under the Scheme) issued to the Sale Agent for sale. Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders are encouraged to read Section 3.3 for details of the sale process and the consideration they will receive.
- 2 Please be aware that although the Cash Consideration and the Scrip Consideration were approximately equivalent in value at the time they were determined based on the closing price of AGL Shares on 30 June 2010, the price of AGL Shares may change so that the value of the Cash Consideration and the Scrip Consideration may not be equivalent at the time the Scheme Consideration is provided to Mosaic Shareholders.
- 3 If \$0.15 minus the unpaid amount for each Mosaic Ordinary Contributing Share results in no amount or a negative amount payable, the consideration will be \$0.001 per Mosaic Ordinary Contributing Share.
- 4 Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders who validly Elect to receive the Scrip Consideration will have the AGL Shares (which would otherwise have been issued to them under the Scheme) issued to the Sale Agent for sale. Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders are encouraged to read Section 3.3 for details of the sale process and the consideration they will receive.
- 5 Please be aware that although the Cash Consideration and the Scrip Consideration were approximately equivalent in value at the time they were determined based on the closing price of AGL Shares on 30 June 2010, the price of AGL Shares may change so that the value of the Cash Consideration and the Scrip Consideration may not be equivalent at the time the Scheme Consideration is provided to Mosaic Shareholders.

Does the Mosaic Board recommend the Proposal?

Yes. The Mosaic Board unanimously recommends that you vote in favour of the Proposal, in the absence of a superior proposal.

The reasons for the Mosaic Board's unanimous recommendation are set out on page 4 and in detail in Section 4.2.

Each Mosaic Director intends to vote or procure the voting of, all Mosaic Shares held or controlled by them, in favour of the Scheme in the absence of a superior proposal.

What is the Independent Expert's opinion on the Scheme?

The Mosaic Board has commissioned PricewaterhouseCoopers Securities Ltd to provide an Independent Expert's Report including an opinion as to whether the Scheme is in the best interests of Mosaic Shareholders.

A complete copy of the Independent Expert's Report is contained in Annexure D of this Scheme Booklet. Mosaic Shareholders are encouraged to read the Independent Expert's Report in full.

In summary, the Independent Expert has concluded the Scheme is fair and reasonable and in the best interests of all Mosaic Shareholders.

Why might I choose to vote against the Proposal?

There are a number of reasons as to why you may choose to vote against the Proposal including:

- you may disagree with the Mosaic Board and the Independent Expert and believe that the Scheme is not in your best interests;
- if the Scheme proceeds you will no longer be a Mosaic Shareholder and you will not participate in any potential upside (such as potential exploration success) that may have resulted from being a Mosaic Shareholder;
- you may be of the view that oil and gas prices will increase and your investment in Mosaic could be worth more than the amount offered for your Mosaic Shares under the Scheme;
- the tax consequences of the Scheme for you may not suit your financial position; and
- you may wish to maintain your current investment profile.

For more information on the reasons why you would vote against the Scheme, see Section 4.3.

What are the prospects of receiving a superior proposal?

Since the Scheme was announced on 14 July 2010, no superior proposal has emerged. Mosaic has undertaken discussions with alternative purchasers in the oil and gas sector as well as other companies such as utilities. These discussions examined alternative control and asset sale corporate transactions.

As at the date of this Scheme Booklet, the Mosaic Board has no basis for believing that a superior proposal will be forthcoming.

Note that Mosaic has agreed to certain exclusivity and break fee provisions in favour of AGL, which are detailed in Section 10.

What is the break fee?

A break fee is a fee of \$1.3 million that will become payable by Mosaic to AGL if at any time prior to 30 November 2010:

- a Competing Proposal of any kind is announced; or
- a third party, who at the date of the Scheme Implementation Deed does not have voting power of 10% or more in Mosaic, comes to have such voting power;

and, within six months after that occurring, the third party or an associate of that third party:

- completes in all material respects a transaction of the kind referred to in paragraphs (a), (c) or (d) of the definition of Competing Proposal; or
- without limiting the above, has a relevant interest in at least 35% of Mosaic Shares.

The break fee is not payable simply because Mosaic Shareholders or the Court does not approve the Proposal.

What are the risks associated with the Proposal?

For Mosaic Shareholders who Elect to receive the Scrip Consideration and are subsequently issued New AGL Shares, there will be a number of risks associated with the AGL Group and its operations which those persons will be exposed to as shareholders in AGL which they are not currently exposed to as Mosaic Shareholders. Those risks are described in Section 8.3.

When will I be provided the Scheme Consideration?

Provided the Scheme becomes Effective, Mosaic Shareholders on the Register on the Record Date are expected to be provided the Scheme Consideration on the Implementation Date which is anticipated to be 20 October 2010.

Can I sell my Fully Paid Mosaic Shares now?

You can sell your Fully Paid Mosaic Shares on-market at the prevailing market price at any time before the close of trading on ASX on the Effective Date. However, if you do so you will not be entitled to the Scheme Consideration and you may be required to pay brokerage fees.

Are there any conditions which must be satisfied before the Proposal is implemented?

Yes. In particular:

- the resolution proposed at the Scheme Meeting must be passed by a majority of Shareholders (present and voting (either in person or by proxy)) at the Scheme Meeting and by not less than 75% of the votes cast;
- the Employee Share Scheme Amendment Resolution must be passed as a special resolution at the Extraordinary General Meeting;¹ and
- the Court must approve the Scheme for the purposes of section 411(4)(b) of the Corporations Act.

The conditions are summarised in Sections 4.6 and 10.2 and set out in full in the Scheme Implementation Deed (a summary of which is included in Section 10 and a copy of which is included in Annexure A). The Board is not aware of any reason why these conditions should not be satisfied.

What happens if these conditions are not satisfied or the Scheme is not approved at the Scheme Meeting or by the Court?

If the conditions are not satisfied or, where applicable, waived:

- Mosaic will remain an ASX listed company;
- the Scheme will not proceed;
- no Mosaic Shares will be acquired by AGL as contemplated by the Proposal;
- you will not receive the Scheme Consideration;
- the Mosaic Employee Options will not be cancelled; and
- the Mosaic Employee Share Scheme will not be amended.

Mosaic Shareholders should also be aware that if the Scheme does not proceed Shareholders will be exposed to the risks set out in Section 8.4 including that Fully Paid Mosaic Shares may trade at prices lower than those at which they have traded since Mosaic announced the Proposal on 14 July 2010.

If the Proposal is not implemented will Mosaic have the cash reserves to cover the costs of the Proposal?

Mosaic has incurred certain transaction costs in connection with the entry into the Scheme Implementation Deed and the preparation of this Scheme Booklet and will incur further costs in connection with the Meetings. Mosaic will be responsible for these costs regardless of whether the Proposal is implemented or not. If the Proposal is not implemented Mosaic expects these costs to be approximately \$2.4 million. If the Proposal is implemented Mosaic expects these costs to be approximately \$2.9 million.

While not a cost of the transaction itself, as a consequence of the Mosaic Board's recommendation of the Scheme, Mosaic's obligation to pay its former Managing Director his special allowance amount of \$2,056,255 (less applicable taxes) in accordance with his 2008 Services Agreement was accelerated. Mosaic has made the net payment to Mr Nguyen of \$1,126,546.53 in accordance with that agreement. See Section 12.11 for further information.

If the Proposal is not implemented, Mosaic has put in place certain employee retention arrangements. Amounts payable under the employee retention arrangements are set out in Sections 7.2(e) and 12.9. Mosaic expects these payments to be in the range of \$750,000 to \$900,000.

In addition, a break fee may be payable in certain circumstances.²

Mosaic will have sufficient cash reserves to meet these payments (particularly in light of the recent sale of its Kimu interest) such that these costs will not materially adversely affect Mosaic's business. The cash balance remaining after paying these costs is adequate to fund Mosaic's exploration and development plans. However, these costs will reduce Mosaic's statutory profit.

What happens if I do not vote, or I vote against the Proposal?

The Proposal may not be approved at the Meetings by the requisite majorities. If this occurs the Scheme will not proceed, you will not receive the Scheme Consideration, and you will remain a Mosaic Shareholder.

However, if the Proposal is approved and the Scheme is implemented, all of your Mosaic Shares will be transferred to AGL under the Scheme and you will receive the Scheme Consideration for each Mosaic Share held on the Record Date, even if you did not vote or voted against the resolutions at the Meetings.

Note :

1 For further information see Section 1.6.

2 See Section 10.4.

Will I have to pay brokerage fees or stamp duty?

No, you will not have to pay any brokerage or stamp duty in connection with the transfer of your Mosaic Shares to AGL under the Scheme.

How do I make a scrip Election?

If you would like to receive Scrip Consideration, you must complete the enclosed pink Scrip Election Form and return it to Registries Limited, Level 7, 207 Kent St, Sydney NSW (by delivery) or GPO Box 3993, Sydney NSW 2001 (by post) on or before 7.00pm on Monday, 18 October 2010. Should you wish to receive the Cash Consideration, you do not need to complete and submit the pink Scrip Election Form.

If you do not submit a valid pink Scrip Election Form on or before 7.00pm on Monday, 18 October 2010, and the Scheme proceeds, you will receive the Cash Consideration.

What if I make a valid scrip Election and I am an Ineligible Foreign Shareholder or Unmarketable Parcel Shareholder?

If you are an Ineligible Foreign Shareholder or Unmarketable Parcel Shareholder and you make a valid scrip Election, the AGL Shares which you would otherwise receive under the Scheme will be issued to the Sale Agent for sale.

Following the sale, you will be provided your proportionate share of the proceeds (net of any sale costs and applicable taxes or charges) of the sale of all AGL Shares sold by the Sale Agent.

There is no assurance as to the price the Sale Agent will receive for the AGL Shares to be sold by it.

The sale may result in you receiving an amount greater than or less than the Cash Consideration.

Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders are encouraged to read Section 3.3 for details of the sale process and the consideration they will receive.

Can I receive a mix of the Scrip Consideration and Cash Consideration?

No.

What if I do not own an exact multiple of 100 Mosaic Shares and I Elect to receive the Scrip Consideration?

This does not matter. The ratio is 1.01 AGL Shares for every 100 Fully Paid Mosaic Shares, or 0.0101 AGL Shares for each Fully Paid Mosaic Share.

If the number of New AGL Shares which would be issued to you (assuming you are not an Ineligible Foreign Shareholder or Unmarketable Parcel Shareholder) is not a whole number, the processes dealing with rounding in Section 3.1(e) will apply.

What are the tax consequences of the Scheme for me?

The taxation consequences of the Scheme for Mosaic Shareholders will depend on the personal taxation and financial circumstances of each Mosaic Shareholder. However, general information about the likely Australian tax consequences of the Scheme is set out in Section 11.

What choices do I have?

As a Mosaic Shareholder you have the following choices:

- **You can vote in person, by proxy, (in the case of corporations) by corporate representative or by attorney at the Meetings.** The Board believes that the Proposal is important to all Mosaic Shareholders and the Board unanimously recommends that you vote in favour of the Proposal, in the absence of a superior proposal. Full details of how to vote and how to lodge a green proxy form, body corporate representative appointment or power of attorney are set out in Section 1; or
- **You can elect not to vote at the Meetings.** Voting is not compulsory. The Proposal may still be approved, even if you do not attend or vote at the Meetings; or
- **If you are a holder of Fully Paid Mosaic Shares you can sell your Fully Paid Mosaic Shares on ASX.** If you sell your Fully Paid Mosaic Shares on ASX you may incur brokerage costs.

You should read this Scheme Booklet in its entirety before deciding how to proceed. If necessary, consult your legal, financial or other professional advisor before voting on the resolutions at the Meetings.

What if I want further information?

If you have any questions about the Proposal, or you would like additional copies of this Scheme Booklet, the green proxy forms or the pink Scrip Election Form please contact the Mosaic Information Line on 1800 285 677 (toll free in Australia) or +61 2 8280 7472 (if overseas) between 9.00am and 5.00pm (Sydney time), Monday to Friday.

For information about your individual financial or taxation circumstances please consult your financial, tax or other professional advisor.

WHAT WILL YOU
RECEIVE UNDER
THE SCHEME

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3.1 Scheme Consideration

(a) Fully Paid Mosaic Shares

Holders of Fully Paid Mosaic Shares as at the Record Date will receive either:

- **Cash Consideration** – \$0.15 in cash (less any Mosaic dividends and distributions declared or determined between 14 July 2010 and the Implementation Date) for each Fully Paid Mosaic Share held; or
- **Scrip Consideration** – 1.01 New AGL Shares for every 100 Fully Paid Mosaic Shares held (to be adjusted for any Mosaic dividends and distributions declared or determined between 14 July 2010 and the Implementation Date).

Holders of Fully Paid Mosaic Shares may Elect to receive the Scrip Consideration. If you are an Ineligible Foreign Shareholder or an Unmarketable Parcel Shareholder, you are encouraged to read Section 3.3 for details of the consideration you will receive if you Elect to receive the Scrip Consideration. For holders of Fully Paid Mosaic Shares who Elect to receive the Scrip Consideration and are subsequently issued New AGL Shares, there will be a number of risks associated with being a shareholder in AGL including those outlined in Section 8.3.

The pink Scrip Election Form is enclosed with this Scheme Booklet. Unless you make a valid Election by 7.00pm on Monday, 18 October 2010, you will receive the Cash Consideration under the Scheme.

Should you wish to receive the Cash Consideration, you do not need to complete or submit the pink Scrip Election Form.

The effects of rounding are set out in Section 3.1(e) below.

(b) Mosaic Ordinary Contributing Shares

Holders of Mosaic Ordinary Contributing Shares as at the Record Date will receive either:

- **Cash Consideration** – \$0.15 in cash (less any Mosaic dividends and distributions declared or determined between 14 July 2010 and the Implementation Date) minus the unpaid amount on that share, provided that if this results in no amount or a negative amount payable, the Cash Consideration for that share is \$0.001; or
- **Scrip Consideration** – a certain number of New AGL Shares (to be adjusted for any Mosaic dividends and distributions declared or determined between 14 July 2010 and the Implementation Date) for every Mosaic Ordinary Contributing Share determined in accordance with the following formula:

$$A = (B/C) \times D$$

where:

A = the number of New AGL Shares to be issued for every one such Mosaic Ordinary Contributing Share;

B = C, minus the unpaid amount (if any) on that share as at the Record Date, provided that if this results in no amount or a negative amount payable, then B is \$0.001;

C = 0.15; and

D = the scrip ratio, 0.0101.

Holders of Mosaic Ordinary Contributing Shares may Elect to receive the Scrip Consideration. If you are an Ineligible Foreign Shareholder or an Unmarketable Parcel Shareholder, you are encouraged to read Section 3.3 for details of the consideration you will receive if you Elect to receive the Scrip Consideration. For holders of Mosaic Ordinary Contributing Shares who Elect to receive the Scrip Consideration and are subsequently issued New AGL Shares, there will be a number of risks associated with being a shareholder in AGL including those outlined in Section 8.3.

The pink Scrip Election Form is enclosed with this Scheme Booklet. Unless you make a valid Election by 7.00pm on Monday, 18 October 2010, you will receive the Cash Consideration under the Scheme.

Should you wish to receive the Cash Consideration, you do not need to complete or submit the pink Scrip Election Form.

The effects of rounding are set out in Section 3.1(e) below.

(c) Value of the Scrip Consideration

As at 3 September 2010, being the last practicable date prior to the finalisation of this Scheme Booklet, the implied value of the Scrip Consideration was \$0.1555 per Fully Paid Mosaic Share.

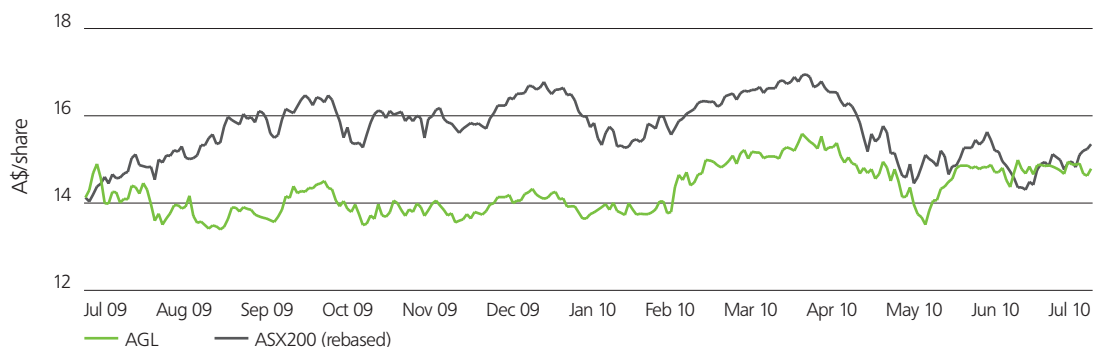
Please be aware that although the Cash Consideration and the Scrip Consideration were approximately equivalent in value at the time they were determined based on the closing price of AGL Shares on 30 June 2010, the price of AGL Shares may change so that the value of the Cash Consideration and the Scrip Consideration may not be equivalent at the time the Scheme Consideration is provided to Mosaic Shareholders.

(d) New AGL Shares

The New AGL Shares to be issued by AGL as Scrip Consideration will rank equally with all existing AGL Shares on issue and will be issued free from encumbrances.

AGL Shares are quoted on ASX. Up to date information on the price of AGL Shares can be found on the ASX website (www.asx.com.au). Under the Scheme Implementation Deed, AGL is required to apply for official quotation on ASX of the New AGL Shares to be issued in accordance with the Scheme. The chart below provides an indication of the historical trading price of AGL Shares on ASX against the performance of the S&P/ASX 200 index.

AGL share price performance



Source: IRESS

(e) Effects of rounding

Where the calculation of the number of New AGL Shares to be issued to a particular Mosaic Shareholder would result in the issue of a fraction of a New AGL Share, the entitlement will be rounded down to the nearest whole number of New AGL Shares. In relation to any fractional entitlement which is lost through rounding down, AGL will pay the shareholder who would otherwise have received that fraction of a New AGL Share a cash amount equal to the value of that fraction (calculated by reference to the exchange ratio under the Scheme and the Cash Consideration). This provision does not apply to the AGL Shares to be issued to the Sale Agent as nominee for Ineligible Foreign Shareholders or Unmarketable Parcel Shareholders.

For example, if a Mosaic Shareholder holds 13,750 Fully Paid Mosaic Shares on the Record Date and has made an Election to receive the Scrip Consideration, that shareholder would, prior to rounding, be entitled to receive 138.875 New AGL Shares. After rounding, that shareholder would be entitled to receive 138 New AGL Shares plus a cheque or EFT of \$12.92. The \$12.92 is calculated by dividing the fractional entitlement of 0.87 New AGL Shares (after rounding down to two decimals) by 0.0101 (the scrip ratio under the Scheme) and then multiplying that result by \$0.15¹ (less any Mosaic dividends and distributions declared or determined between 14 July 2010 and the Implementation Date).

3.2 Payment of Scheme Consideration

(a) Cash Consideration

For each Scheme Participant who has elected to receive the Cash Consideration, Mosaic will arrange for a pre-printed cheque in the name of the Mosaic Shareholder or an EFT for Mosaic Shareholders who have nominated a bank account by written notice to Mosaic on or before the Record Date, in each case for the amount equal to the number of Mosaic Shares held by the Scheme Participant multiplied by the Cash Consideration. Cheques will be sent to each Scheme Participant on the Implementation Date by pre-paid post to their registered address.

Where any Mosaic Shares are held in joint names the whole of the Cash Consideration payable in respect of those Mosaic Shares will be sent to the joint holder whose name appears first in the register of members of Mosaic.

To ensure funds are available for the purposes of meeting its obligations, AGL is obliged to deposit the Cash Consideration into a special purpose trust account in cleared funds on the Implementation Date.

(b) Scrip Consideration

Each Scheme Participant (other than Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders) who has validly Elected to receive the Scrip Consideration will be issued their New AGL Shares on the Implementation Date.

Deferred settlement trading of New AGL Shares is expected to commence at the start of trading on Tuesday, 12 October 2010, the first Trading Day after the Effective Date, with trading on a normal settlement basis expected to commence on Thursday, 21 October 2010, the first Trading Day after the Implementation Date.

New AGL Shareholders who sell their New AGL Shares before receipt of the holding statements to confirm their uncertificated holdings do so at their own risk. It is the responsibility of each New AGL Shareholder to confirm their holding before trading in New AGL Shares to avoid the risk of selling shares they do not own. Holding statements for New AGL Shares are expected to be despatched on the Implementation Date.

Where any Mosaic Shares are held in joint names the Scrip Consideration will be issued to and registered in the names of the joint holders.

Fractional entitlements to cash amounts to be paid to Scheme Participants who validly elect to receive the Scrip Consideration will be paid in accordance with the timeframes as described in Section 3.2(a).

Note:

1 Fractions of a cent are rounded down to the nearest cent.

3.3 Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders

Ineligible Foreign Shareholders

Mosaic Shareholders whose address shown on the Share Register on the Record Date is a place outside of Australia and its external territories or New Zealand are Ineligible Foreign Shareholders for the purposes of the Scheme, unless AGL determines that it is lawful and not unduly onerous or impracticable to issue that shareholder New AGL Shares.

Unmarketable Parcel Shareholders

An Unmarketable Parcel Shareholder is a Mosaic Shareholder whose holding of Mosaic Shares on the Record Date is such that, if they made a valid scrip Election, the total number of New AGL Shares which that shareholder would otherwise be entitled to receive as Scrip Consideration would be an Unmarketable Parcel.

An Unmarketable Parcel is defined as the number of AGL Shares which is less than a "marketable parcel" under the market rules of the ASX (currently, a parcel of less than \$500), calculated based on the highest closing price for AGL Shares on ASX during the period between the date of this Scheme Booklet and the Record Date. For example, based on the closing price for AGL Shares on 3 September 2010 of \$15.40, being the last Trading Day before registration of this Scheme Booklet with ASIC, an Unmarketable Parcel of AGL Shares will be less than 33 AGL Shares. This is calculated by dividing \$500 by \$15.40, rounded up to the nearest whole number. The number of AGL Shares which make up an Unmarketable Parcel will change based on the trading price of AGL Shares on ASX during the period between the date of the Scheme Booklet and the Record Date.

Following on from the example, given the scrip ratio (0.0101), the value of one Fully Paid Mosaic Share is \$0.1555. This is calculated by multiplying \$15.40 by the scrip ratio of 0.0101. On this basis, a Mosaic Shareholder will need to hold at least 3,268 Fully Paid Mosaic Shares to avoid being an Unmarketable Parcel Shareholder. This is calculated by dividing \$508.20 (being 33 AGL Shares multiplied by \$15.40) by \$0.1555, rounded up to the nearest whole number.

Sale facility

Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders who make valid scrip Elections (**Sale Facility Participants**) will not be issued New AGL Shares under the Scheme. Instead, the aggregate number of AGL Shares that would otherwise have been issued to those Sale Participants will be issued to the Sale Agent, as nominee for sale, on the Implementation Date.

The Sale Agent will no more than 5 Business Days after the Implementation Date, sell those AGL Shares on ASX in one or more lots, at such price or prices and on such other terms as the Sale Agent determines in good faith. The Sale Agent will (within 3 Business Days of the last sale of such shares being completed) pay the sale proceeds, net of any sale costs or applicable taxes or charges (**Net Sale Proceeds**) to the Share Registry in trust for the Sale Facility Participants. Within 3 Business Days of the Sale Agent doing so, AGL will cause the Share Registry to pay each Sale Facility Participant their pro rata share of the Net Sale Proceeds (subject to any applicable rounding).

None of Mosaic, AGL, the Sale Agent or the Share Registry gives any assurances as to the price that will be achieved for the sale of AGL Shares as described above. The market price of AGL Shares is subject to change from time to time. The sale of AGL Shares as described above will be at the risk of the Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders who make a valid scrip Election. The proportion of the Net Sale Proceeds that a Sale Facility Participant receives (pro-rata) may be more or less than the current market value of AGL Shares as at the date of this Scheme Booklet, may be more or less than the Cash Consideration they may have otherwise received had they not made a valid scrip Election and may be more or less than the actual price received by the Sale Agent for certain AGL Shares sold through the sale facility.

Sale Facility Participants are advised that it will take up to 11 Business Days after the Implementation Date before their pro rata share of the Net Sale Proceeds will be distributed to them. In comparison, Mosaic Shareholders who have not made a scrip Election will, if the Scheme proceeds, have cheques for their Cash Consideration despatched to them on the Implementation Date.

Full details of this sale facility are contained in clause 5.7 of the Scheme (which is set out in Annexure B).

3.4 What happens if the Scheme is not approved?

If the Scheme is not approved or all relevant conditions are not satisfied or waived, then the Scheme will not proceed, the Mosaic Employee Options will not be cancelled and the Mosaic Employee Share Scheme will not be amended.

In that case Mosaic Shareholders would not receive the Scheme Consideration but would retain their Mosaic Shares.

WHAT WILL YOU
RECEIVE UNDER
THE SCHEME

REASONS FOR AND AGAINST THE PROPOSAL

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4.1 Board recommendation

The Mosaic Board at the date of this Scheme Booklet is David Herlihy (Non Executive Chairman), Andrew Rigg (Non Executive Deputy Chairman), Peter Barrow (Non Executive Director) and Peter Reid (Non Executive Director).

The Mosaic Board unanimously recommends that Mosaic Shareholders vote in favour of the Proposal and each Mosaic Director intends to vote, or procure the vote of, all Mosaic Shares held or controlled by them, in favour of the Scheme in the absence of a superior proposal.

The Mosaic Board are precluded from voting their own Mosaic Shares on the Employee Share Scheme Amendment Resolution.

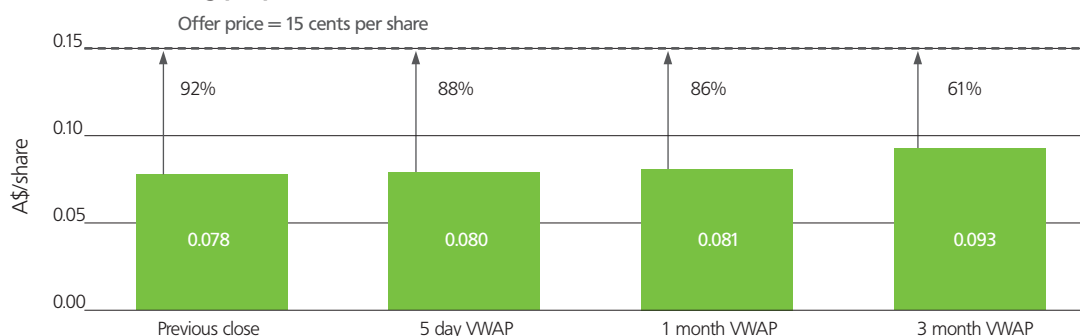
4.2 Reasons for recommendation and advantages of the Proposal

The Cash Consideration represents a substantial premium to Mosaic's trading price immediately prior to the announcement of the non-binding and indicative proposal from AGL.

The Cash Consideration of \$0.15 cash per Fully Paid Mosaic Share represents a substantial premium to the price of Fully Paid Mosaic Shares on 30 June 2010, being the last Trading Day prior to the announcement of the non-binding and indicative proposal from AGL. The premiums are as follows:

- a 92% premium to the last closing price of Fully Paid Mosaic Shares on 30 June 2010;
- an 88% premium to the five day volume weighted average price of \$0.080 per Fully Paid Mosaic Share on 30 June 2010;
- an 86% premium to the one month volume weighted average price of \$0.081 per Fully Paid Mosaic Share on 30 June 2010; and
- a 61% premium to the three month volume weighted average price of \$0.093 per Fully Paid Mosaic Share on 30 June 2010.

Scheme premium to Mosaic Share price on 30 June 2010, the day prior to the announcement of the non-binding proposal from AGL



The Cash Consideration of \$0.15 per Mosaic Share also represents an increase to the value discussed in preliminary and non-binding discussions between Mosaic and AGL which occurred earlier in 2010.

Prior to the receipt of AGL's indicative and non-binding proposal on 30 June 2010, Mosaic had previously been in preliminary and non-binding discussions with AGL about various asset sales and whole of company transactions (earlier in 2010). Following these preliminary and non-binding discussions, AGL formalised and increased its offer terms to the level announced on 1 July 2010.

The Scheme gives eligible Mosaic Shareholders¹ the option to participate in further potential upside through ownership of New AGL Shares under the all scrip alternative.

New AGL Shareholders will participate in ownership of the combined Mosaic and AGL assets through their ownership of AGL. Consequently, New AGL Shareholders will also participate in any potential commercialisation of the Gas Storage Operation at Silver Springs under AGL's ownership.

Note:

¹ Excluding those Mosaic Shareholders who are Ineligible Foreign Shareholders or Unmarketable Parcel Shareholders. Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders are encouraged to read Section 3.3 for details of the consideration they will receive.

The Scheme should allow most Mosaic Shareholders to receive CGT rollover relief through Election of the all scrip alternative.

Deloitte Touche Tohmatsu Ltd has prepared the tax guide at Section 11 where they state that Mosaic Shareholders who Elect to receive the Scrip Consideration may be eligible for scrip for scrip rollover relief. For Australian resident Mosaic Shareholders, this rollover relief may allow any capital gain that would otherwise have been made on the disposal of the Mosaic Shares, to be deferred until the time they dispose of the New AGL Shares they receive under the all scrip alternative. For further details on the Australian tax implications of the Scheme, please refer to Section 11.

The Scheme Consideration provides Mosaic Shareholders a certain and immediate outcome. There are market, financing and production risks associated with developing and monetising Mosaic's resources.

The Queensland gas market is currently over supplied, with large volumes of gas predicted to become available over the next three to four years as volumes of coal seam gas increase prior to production of CSG to LNG. These increased volumes of gas make the sale of gas from Mosaic's production and prices for such sales uncertain. Further, there are production risks inherent to any oil and gas production that may or may not materialise.

In addition, Mosaic's Cooper-Eromanga Acreage and Taranaki Basin Acreage carry risks associated with exploration, regulation and potentially production and operation.

The Scheme Consideration represents a certain and immediate value for Mosaic Shareholders, and one which the Mosaic Board believes represents a fair value outcome for Mosaic Shareholders. New AGL Shareholders will still be exposed to the financial, production and market risks through their shareholding in AGL. New AGL Shareholders should refer to Section 8.3, which sets out a summary of the risks associated with a shareholding in AGL.

The Proposal will allow Mosaic Shareholders to realise value from the commercialisation of the gas storage opportunity at Silver Springs

Throughout the last eighteen months, Mosaic has been investigating the different ways in which Mosaic Shareholders could realise value from the commercialisation of its gas storage project at Silver Springs. Options explored included developing the facility on a sole risk basis, developing the facility in partnership with other companies and an asset sale of Silver Springs. Due to the high capital expenditure commitments required by Mosaic to develop the facility in its own right, as well as the complexity and long time horizon of developing and successfully commercialising the Silver Springs facility, the Mosaic Board believes that Mosaic Shareholders will realise the greatest value from the gas storage opportunity under the Proposal.

The Independent Expert has concluded that the Scheme is fair and reasonable and is in the best interests of Mosaic Shareholders.

The Mosaic Board has appointed PricewaterhouseCoopers Securities Ltd to prepare an Independent Expert's Report including an opinion as to whether the Scheme is fair and reasonable to, and therefore in the best interests of, all Mosaic Shareholders.

The Independent Expert has concluded that the Scheme is in the best interests of holders of Fully Paid Mosaic Shares and holders of Mosaic Ordinary Contributing Shares on the basis that the Scheme is fair and reasonable. The Independent Expert has assessed a value range for Mosaic of \$0.128 to \$0.197 per Fully Paid Mosaic Share.

The Independent Expert's Report is included in Annexure D of this Scheme Booklet. The Mosaic Board encourage Mosaic Shareholders to read that report in full.

Since the announcement of the Scheme, no superior proposal has emerged.

Since the announcement of the Proposal on 14 July 2010 and up to the date of this Scheme Booklet, no superior proposal has emerged. However, it is possible that a more attractive proposal for Mosaic Shareholders could materialise. As at the date of this Scheme Booklet, the Mosaic Board has no basis for believing that a superior proposal will be forthcoming.

The Mosaic Board considers that the Scheme will deliver greater benefits to Mosaic Shareholders than any other alternative currently available, including continuing as a stand alone entity.

Note:

1 Fractions of a cent are rounded down to the nearest cent.

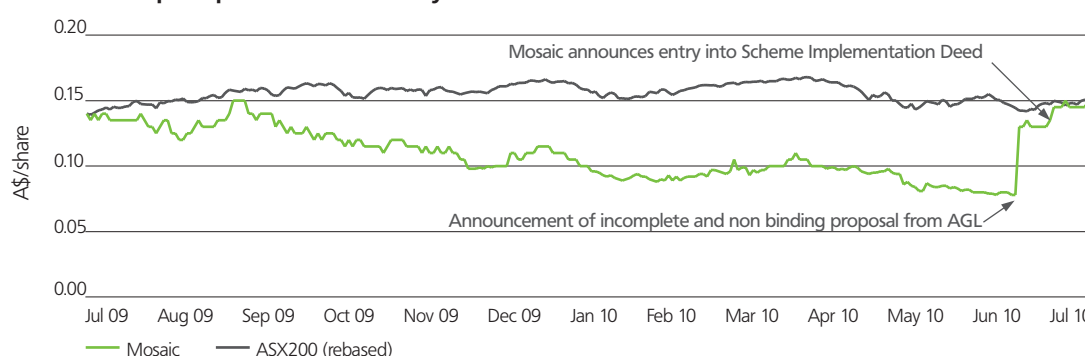
The Scheme Consideration is at a premium to recent capital raisings undertaken by Mosaic, namely the raising of \$10.3 million under a share purchase plan in October 2009 at \$0.11 per Fully Paid Mosaic Share, \$10.9 million under placements in late 2009 at \$0.115 per Fully Paid Mosaic Share and \$16.4 million under a rights issue and placement in late 2007 at \$0.12 per Fully Paid Mosaic Share.

The Cash Consideration of \$0.15 per Fully Paid Mosaic Share represents a 25–36% premium to the price at which Mosaic Shareholders were offered Fully Paid Mosaic Shares under the Share Purchase Plan in October 2009 and the Rights Issue in 2007. This implies that Mosaic Shareholders who subscribed for Fully Paid Mosaic Shares under the Share Purchase Plan at \$0.11 per Fully Paid Mosaic Share or for Fully Paid Mosaic Shares under the Rights Issue at \$0.12 have made a 25–36% gain through the purchase of such Fully Paid Mosaic Shares.

The price of Fully Paid Mosaic Shares may fall if the Proposal is not implemented.

If the Proposal is not implemented, Fully Paid Mosaic Shares will remain quoted on the ASX. In this event, it is possible that Fully Paid Mosaic Shares will trade at prices possibly lower than the prices at which Fully Paid Mosaic Shares were trading prior to 1 July 2010, being the date the incomplete and non-binding proposal from AGL was announced by Mosaic to ASX. Mosaic closed at \$0.078 on 30 June 2010.

Recent share price performance of Fully Paid Mosaic Shares



Source: IRESS

No brokerage or stamp duty will be payable on the transfer of your Mosaic Shares to AGL under the Proposal.

You will not incur any brokerage or stamp duty on the transfer of your Mosaic Shares to AGL pursuant to the Scheme.

4.3 Reasons why Mosaic Shareholders may consider voting against the Proposal and disadvantages of the Proposal

Although the Mosaic Board unanimously recommends that you vote in favour of the Scheme and Employee Share Scheme Amendment Resolution in the absence of a superior proposal, and although the Independent Expert has concluded that the Scheme is in the best interests of Mosaic Shareholders in the absence of a superior proposal, factors which may lead Mosaic Shareholders to vote against the Scheme include:

You may disagree with the Mosaic Board and the Independent Expert and believe that the Scheme is not in your best interests.

Despite the view of the Mosaic Board and the Independent Expert, you may take a different view and you may believe that the Scheme is not in your best interests or that of other Mosaic Shareholders.

If the Scheme proceeds, you will no longer be a Mosaic Shareholder and you will not participate in any potential upside (such as potential exploration success) that may have resulted from being a shareholder in Mosaic.

If the Proposal is implemented you will no longer be a Mosaic Shareholder. This will mean that you will not participate in any potential upside that may have resulted from being a Mosaic Shareholder (except as an AGL shareholder, if you receive the Scrip Consideration). This may include the right to share in upside potential in Mosaic's assets, and any potential future dividends on Mosaic Shares. You will also cease to have the right to influence the future direction of Mosaic through your voting rights as a Mosaic Shareholder and AGL will have the right to determine who is appointed to the Mosaic Board and will have the right to determine the future direction of Mosaic.

You may be of the view that oil and gas prices will increase and your investment in Mosaic could be worth more than the amount offered for your Mosaic Shares under the Scheme.

If the prices of gas and/or oil increase, your investment in Mosaic may be worth more than the amount offered for your Mosaic Shares under the Scheme. However, commodity prices are subject to fluctuations and therefore there can be no assurances as to the future price of such commodities.

The tax consequences of the Proposal may not suit your financial position.

Implementation of the Proposal may trigger taxation consequences for Mosaic Shareholders. In particular, if you elect to receive your consideration in cash, you may realise a capital gain to the extent the Scheme Consideration received by you exceeds the tax cost base of your Mosaic Shares. Mosaic Shareholders should read the taxation considerations outlined in Section 11 and seek professional taxation advice with respect to their individual tax situation.

You may wish to maintain your current investment profile.

Mosaic Shareholders may wish to maintain an investment in Mosaic in order to have an investment in a publicly listed company with the specific characteristics of Mosaic such as industry, operational profile, size and geography. Implementation of the Proposal may represent a disadvantage for those Mosaic Shareholders who do not want a change in investment profile. Mosaic Shareholders wishing to maintain the same portfolio risk profile for their investment will need to seek an alternative investment. They may find it difficult to find an investment with a similar profile to that of Mosaic and they may incur transaction costs in undertaking any new investment.

4.4 Independent Expert

The Independent Expert, whose report is contained in Annexure D, has concluded that the Scheme is fair and reasonable and in the best interests of Mosaic Shareholders.

4.5 If the Proposal does not proceed

If the Scheme is not approved or all relevant Scheme Conditions are not satisfied or waived, then the Proposal will not proceed. In that case, Mosaic Shareholders would not receive the Scheme Consideration and Mosaic would continue to be operated as an independent company.

4.6 What conditions must be satisfied for the Scheme to proceed?

Implementation of the Scheme remains conditional on:

- (a) the Independent Expert not changing its opinion or withdrawing the Independent Expert's Report prior to 8.00am on the Second Court Date;
- (b) Mosaic Shareholders' approval of the Scheme at the Scheme Meeting by the requisite majorities in accordance with section 411(4)(a) of the Corporations Act;
- (c) Court approval of the Scheme in accordance with section 411(4)(b) of the Corporations Act;
- (d) the Employee Share Scheme Amendment Resolution being approved at the Extraordinary General Meeting;
- (e) no restraints or prohibitions issued by any judicial authority or government agency preventing implementation of the Scheme;
- (f) no Mosaic Material Adverse Change and no Mosaic Prescribed Occurrence taking place (unless waived by AGL);
- (g) no AGL Material Adverse Change and no AGL Prescribed Occurrence taking place (unless waived by Mosaic); and
- (h) each Mosaic Representation and Warranty and each AGL Representation and Warranty (as that term is defined in the Scheme Implementation Deed) remaining true and correct at 8.00am on the Second Court Date (or if only given on an early date, at that date).

The Scheme will become binding on Mosaic and each Scheme Participant upon the Court making an order under section 411(4)(b) of the Corporations Act and that order being lodged with ASIC and becoming effective under section 411(10) (that is, on the Effective Date).

MOSAIC
INFORMATION

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5.1 Overview of Mosaic

Mosaic is an Australian listed public company primarily involved in the exploration for and development of oil and conventional gas in Queensland. Mosaic was established in 6 July 1987 and was admitted to the ASX on 23 February 1989 and has also been trading on PoMSOX since 1999. Mosaic is registered as a no liability company under the Corporations Act.

Mosaic's principal activities are the production of, and development and exploration for oil and gas.

AGL announced on 1 July 2010 that the key rationale for its proposed investment in Mosaic is the creation of a gas storage business around Mosaic's depleted Silver Springs-Renlim field. According to AGL, this is underpinned by contractual arrangements that AGL has with the BG Group that will support the development of the BG Group's Curtis LNG Project.

In the Mosaic Board's view, this is an endorsement of Mosaic's identification of its depleted Silver Springs-Renlim field as a significant business opportunity to turn into a gas storage facility. AGL has advised that its gas storage services contract with BG Group enables this opportunity to be commercialised due to AGL's unique ability to swap gas supplied to AGL under its existing 2006 gas supply agreement with the BG Group. On this basis, the Mosaic Board notes that the value that AGL can obtain from Mosaic's gas storage project is therefore not necessarily available to other parties.

Mosaic's main producing assets are based in the Surat-Bowen Basin in southeast Queensland. Mosaic operates fields and discoveries in 10 petroleum leases, owns and operates the Silver Springs Processing Facility, and holds a 50% interest in the Wallumbilla LPG plant and the associated pipelines. The proximity of Mosaic's oil and gas prospects to Mosaic's pipeline and processing infrastructure (within 30km) facilitates early commercialisation of new development wells.

Mosaic's Churchie and Waggamba fields produce gas from Permian reservoirs that benefit from enhanced drilling techniques or stimulation of the production wells to enhance profitability. Mosaic has recently performed a trial fracture stimulation of its Churchie-1 well in the Surat-Bowen Basin, with limited success. The use of this technology, which has proven successful in the US, could increase a well's gas flow rates. As announced on 9 June 2010, while the gas rate is lower than targeted, trialling the technology in an old well has been cost effective and a good data gathering exercise. Mosaic believes that fracture stimulation could be an appropriate technology to develop the tight gas reservoirs throughout its Surat-Bowen Acreage.

Mosaic has entered into a Farm-In agreement with Discovery Geo Corporation, Tamark Pty Limited and CG Operating Inc to earn in a 40% interest in ATP 1056P, "Taipan", located in the Cooper-Eromanga Basin in southwest Queensland. Mosaic's focus on Queensland involves evaluation of potential drilling activities in mid-2011.

Mosaic also has interests in the near-shore and onshore exploration projects in New Zealand, and in one offshore Australian asset in Western Australia's North West Shelf region.

In New Zealand, Mosaic has concentrated on acquiring Acreage within the Taranaki Basin, which has an established gas market and well developed infrastructure. Taranaki is New Zealand's sole petroleum-producing basin with an expected ultimate recovery from existing fields and discoveries under development of approximately 7 trillion cubic feet of gas and more than half a billion barrels of oil and condensate. Mosaic's exploration focus is in two well-defined prospective trends in the onshore and near-shore Taranaki Basin: the Eocene coastal reservoir fairway and the Eastern Margin trend, with drilling not expected to commence until 2011.

On the Northwest Shelf, the Santos-operated joint-venture, WA-208-P (Mosaic 6%) holds the Hurricane gas discovery. The Hurricane-2 well was spudded in June 2007, and in July 2007 Mosaic Oil and Santos announced that drilling had encountered a column of oil and gas. The Joint Venture is reviewing options, including an exploration well in 2011, for future exploration of this permit. At some point, the Hurricane discovery may be tied into nearby facilities, but currently Hurricane is considered to be economically marginal as a stand alone project.



5.2 Operations

(a) Surat-Bowen Basin

Since the 1990s, Mosaic has been building its core asset area in Queensland's Surat-Bowen Basin. Mosaic has an Acreage position covering the Permo-Triassic oil and gas trend within the depth range of 1,900 to 2,700 metres. This area covers more than 2000 km² and runs from near the town of Surat to the Silver Springs area, 30km to the south.

Mosaic operates oil and gas-condensate production from 14 fields and discoveries in 10 petroleum leases, including 33 gas wells and 13 oil wells that produce approximately 7.5 TJs, 203 barrels and 10 tonnes of LPG per day.

Mosaic wholly owns the Silver Springs, Taylor, Churchie & Churchie West, Tinker and Fairymount fields. An extensive review of the area's tight reservoirs has determined that the gas rates could be enhanced through fracture stimulation. After extensive core work, a trial of the Churchie-1 well was performed in May with encouraging results. While additional fracs may be necessary to achieve optimum design, Mosaic believes the successful stimulation, if applied to appropriate wells throughout the region, could increase gas rates several fold.

The newly established production in Mosaic's permits is derived from an emerging gas and oil province in the deeper and older, Permian sandstones. This production is obtained from the small Downlands gas fields (Mosaic 75.25%), the large Churchie gas-condensate field (Mosaic 100%) and the Waggamba gas-condensate and oil field (Mosaic 100%). Mosaic has arranged an off-take and participation agreement with CS Energy at Waggamba, where CS Energy pays 50% of well costs for 50% of gas and 35% of free oil and condensates.

Mosaic also holds interests ranging from 75.25% to 100% in a number of large exploration blocks adjoining these fields and covering this prospective Permian sandstone trend, including ATP709P, ATP471P (the Rocky Creek East Block), ATP471P (the Dalkeith Block), and ATP471P (the Bainbilla and Myall Blocks).

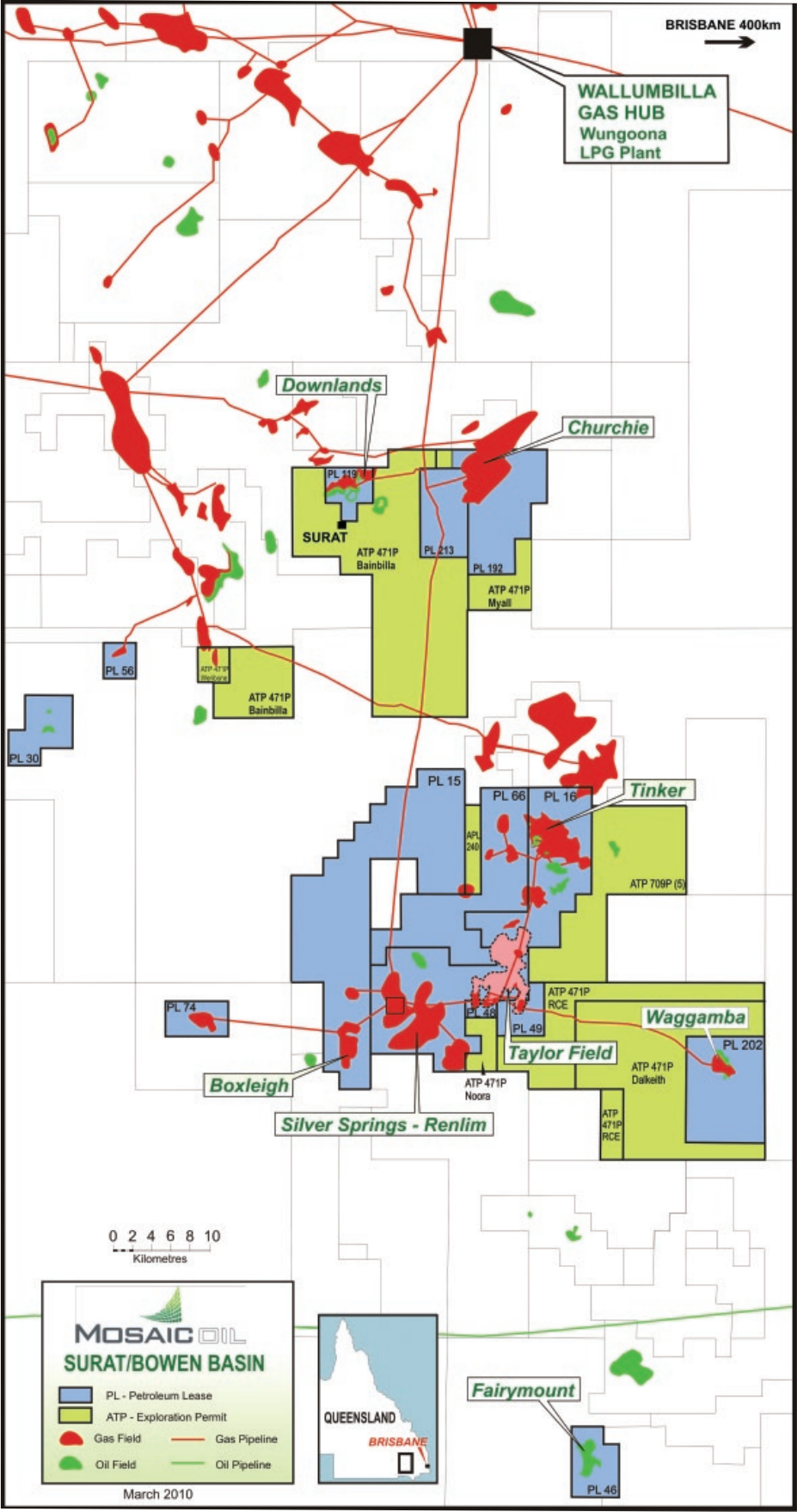
Wholly owned by Mosaic, the Silver Springs Central Processing Facility separates water and oil from the gas. Built to dehydrate gas and compress it to main trunklines, the plant can treat up to 14 million cubic feet of gas per day, store more than 6,000 barrels of oil, and compress gas to send through the pipeline to Wallumbilla.

The 100km, eight-inch diameter pipeline from Silver Springs to Wallumbilla is owned by Mosaic and Santos (50:50, under the name Wungoona). The gas hub for Queensland, Wallumbilla is the meeting point for pipelines from Moomba to the west, Gladstone to the north and Brisbane to the east.

The Mosaic/Santos LPG plant at Wallumbilla is one of two LPG plants in the region. This plant can treat nearly 40 million cubic feet/day (or 40 TJ per day). The plant cools the gas to low temperatures in order to remove condensate, propane and butane, known as LPG. The LPG is then sold to Elgas and piped from the LPG plant to the Elgas terminal.

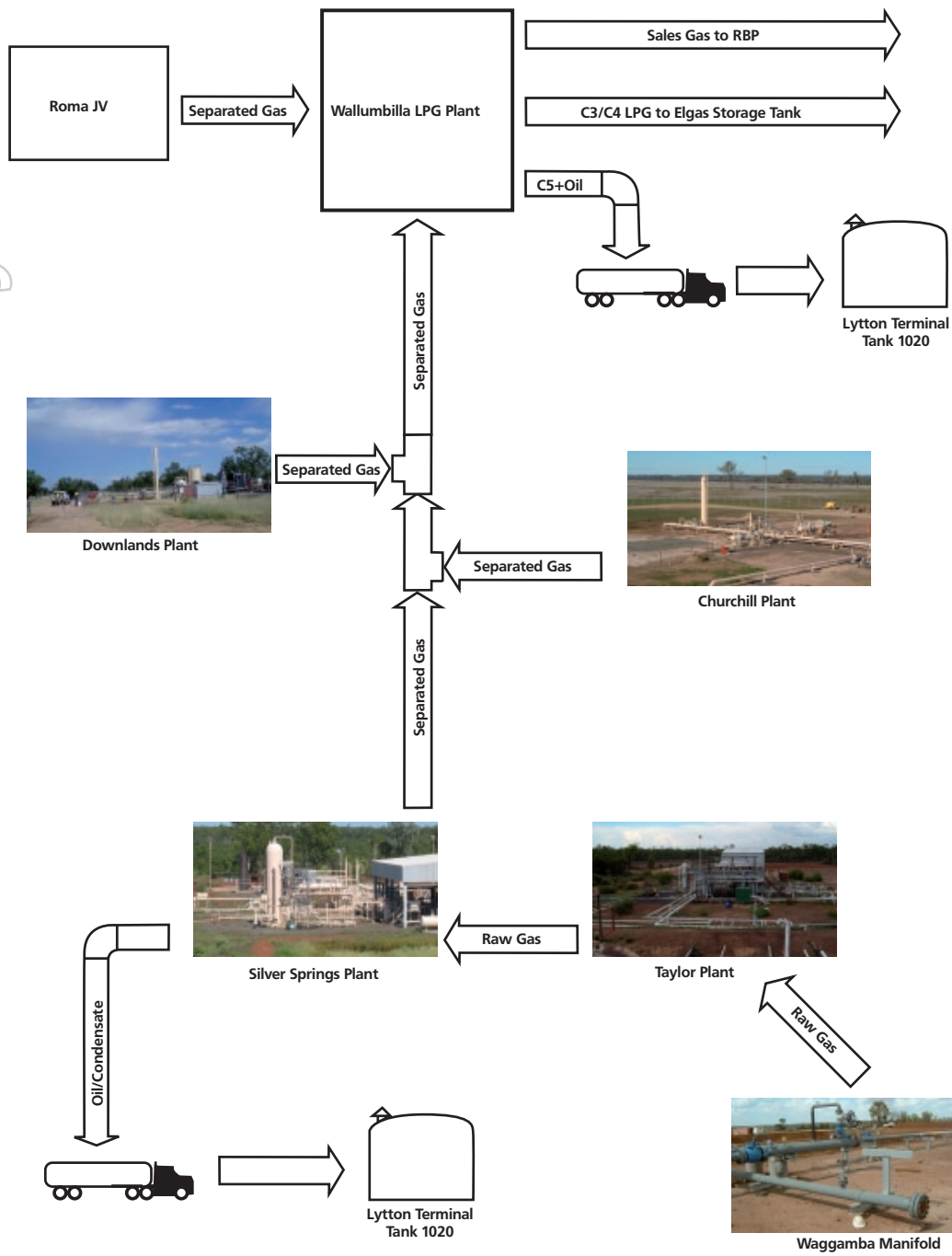
In addition, Mosaic holds 100% of the pipeline from Churchie into the Wungoona pipeline, and 75.25% of the pipeline from Downlands into the Wallumbilla pipelines. Mosaic also has a 33.3% stake in the Lytton Crude Oil Terminal.

Schematic showing Mosaic's interests in the Surat Basin



Schematic of Mosaic's operations in the Surat Basin

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(b) Cooper Eromanga Basin

The Queensland Government has granted ATP 1056P permit, the "Taipan Block", a Block of more than 3800 km² located in southwest Queensland's highly prospective southeast Cooper oil fairway.

Effective 1 June 2010, the grant authorises Discovery Geo Corporation, with which Mosaic has entered into a Farm-In agreement, access to the land to explore for Petroleum for 12 years.

Mosaic will earn a 40% interest and be Operator for the Block, which straddles the oil fairway between the Triassic zero edge and 20km past the Permian zero edge. As part of the consideration, Mosaic will fund 50% of the cost of 600 km² of 3D seismic and 50% of the drilling of 10 exploration wells and will issue the Taipan Farmin Scrip (subject to certain conditions). Mosaic expects that the conditions to the issue of the Taipan Farmin Scrip will be satisfied (or waived) prior to 7.00pm (Sydney time), Tuesday, 5 October 2010, the time and date for determining eligibility to vote at the Meetings, such that the Taipan Farmin Scrip will be issued prior to that date and time. The Taipan Farmin Scrip will be the subject of voluntary escrow arrangements (which include restrictions (capable of release by Mosaic) on the ability to deal or transfer the Taipan Farmin Scrip, but do not restrict the ability to vote the Taipan Farmin Scrip at the Meetings). If the Scheme is approved by Mosaic Shareholders and the Court, Mosaic will release the Taipan Farmin Scrip from those voluntary escrow arrangements on the Effective Date to enable the Taipan Farmin Scrip to be transferred to AGL under the Scheme. If the Scheme is not approved, the Taipan Farmin Scrip will remain subject to the voluntary escrow arrangements in accordance with their terms.

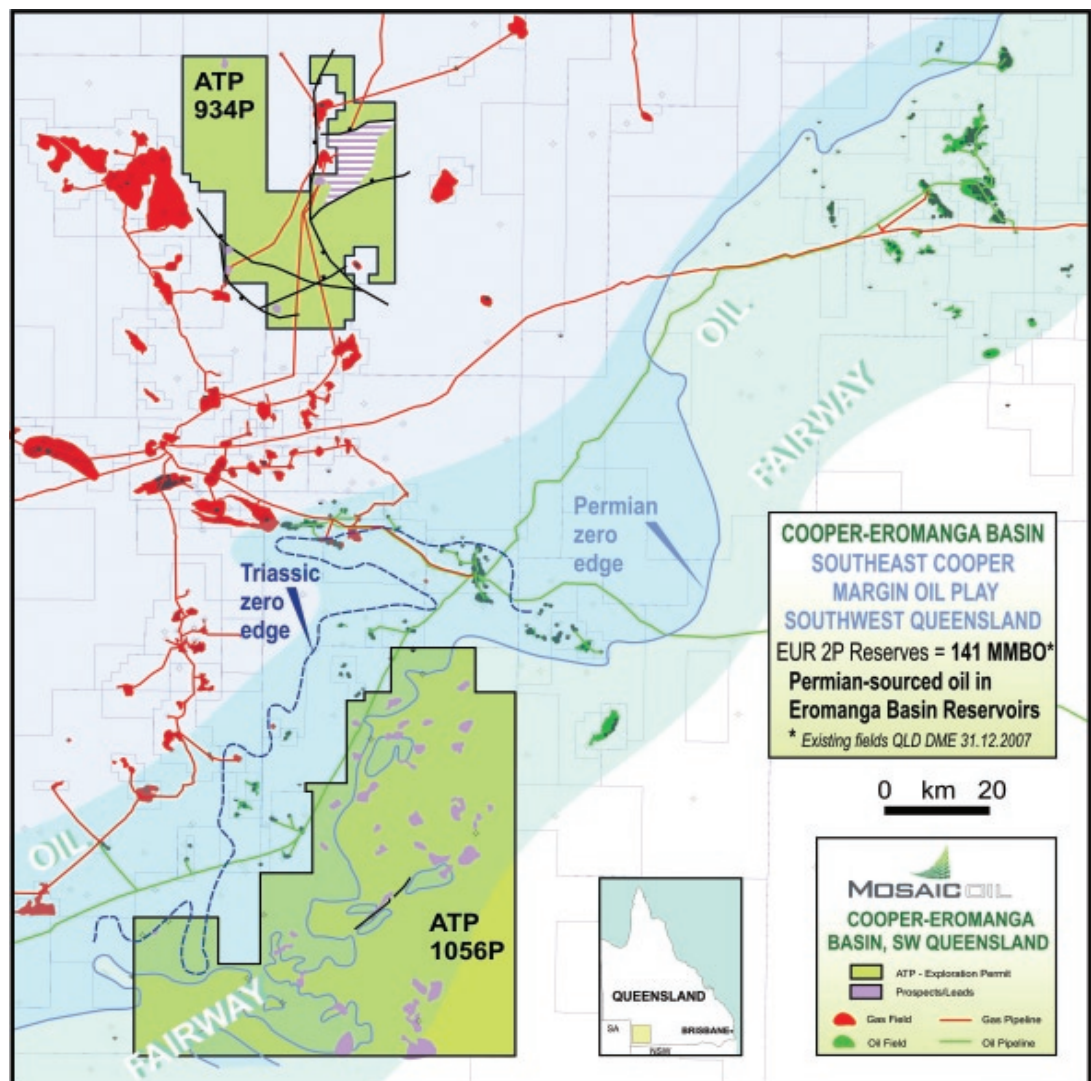
Previous exploration of the Taipan Block has been minimal, with sparse 2D seismic data and just 12 wells drilled on the large area prior to 1995. Two-thirds of these wells reported oil shows. Initial interpretation of the existing seismic grid identifies more than 60 structural leads within the Taipan Block.

Mosaic's preliminary assessment of the best defined of these features gives a gross risked prospective resource in the range of 5 to 30 MMbbls (unrisked prospective resource approximately 163MMbbls).

Mosaic has commenced exploration at the Taipan Block. Through its wholly owned subsidiary Continental Oil Pty Ltd as operator, Mosaic has entered into a contract with Geokinetics (Australasia) Pty Ltd to acquire 600 km² of 3D seismic data in the Taipan Block. Exploration drilling is expected to begin in the second quarter of calendar year 2011.

In addition to the Taipan Block, Mosaic holds a 20% interest in ATP 934P, which is still in native title negotiation.

Schematic showing Mosaic's interests in the Cooper Basin

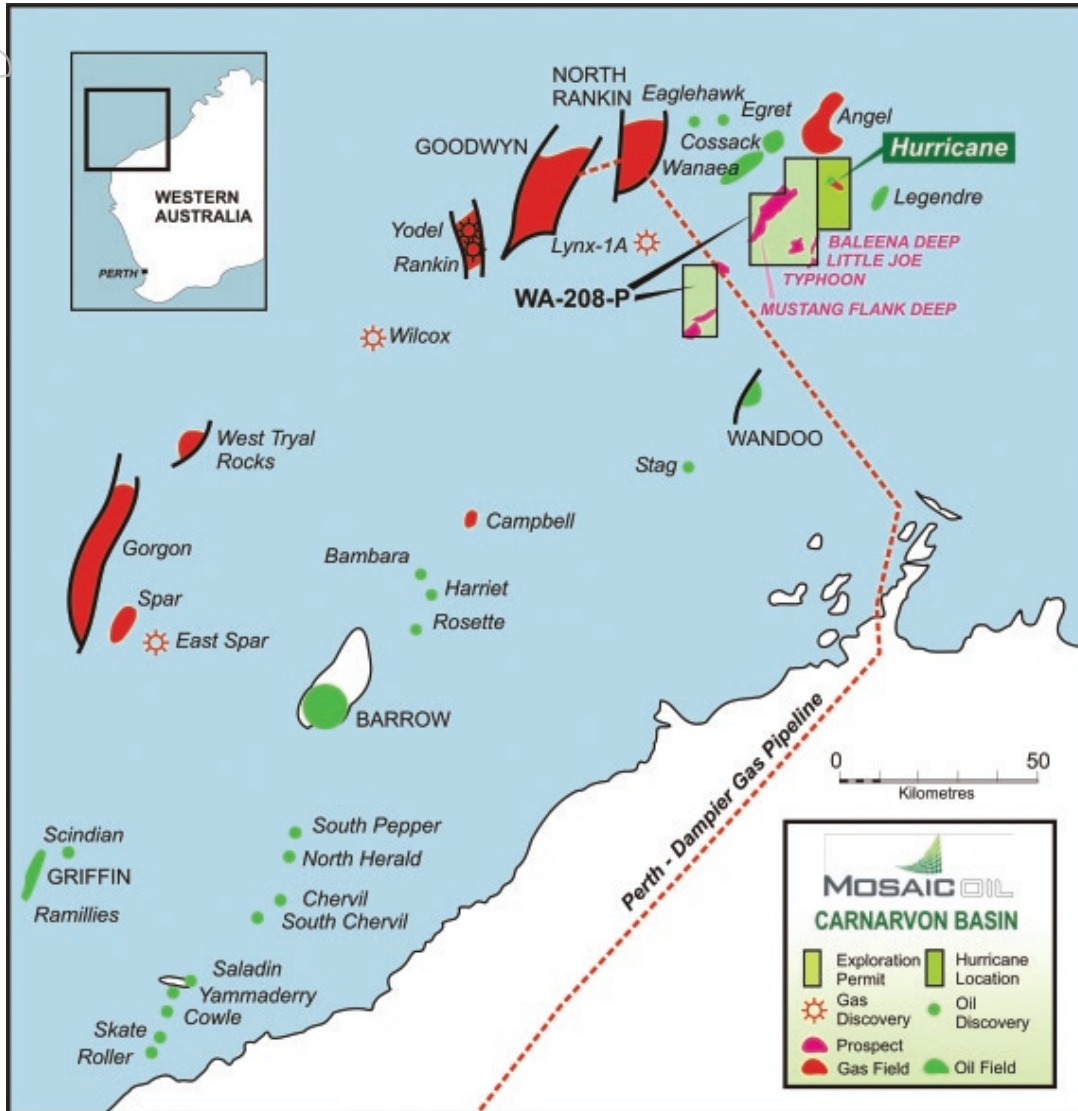


(c) Northwest Shelf

On the Northwest Shelf, the Santos-operated Joint Venture, WA-208-P (MOS 6%) holds the Hurricane gas discovery. The Hurricane-2 well was spudded in June 2007, and in July 2007 Mosaic Oil and Santos announced that drilling had encountered a column of oil and gas.

The Joint Venture is reviewing options, including an exploration well in 2011, for the future exploration of this permit. At some point, the Hurricane discovery may be tied into nearby facilities but as a standalone development, Hurricane is currently considered economically marginal.

Schematic showing Mosaic's interests in the Northwest Shelf



(d) Taranaki Basin

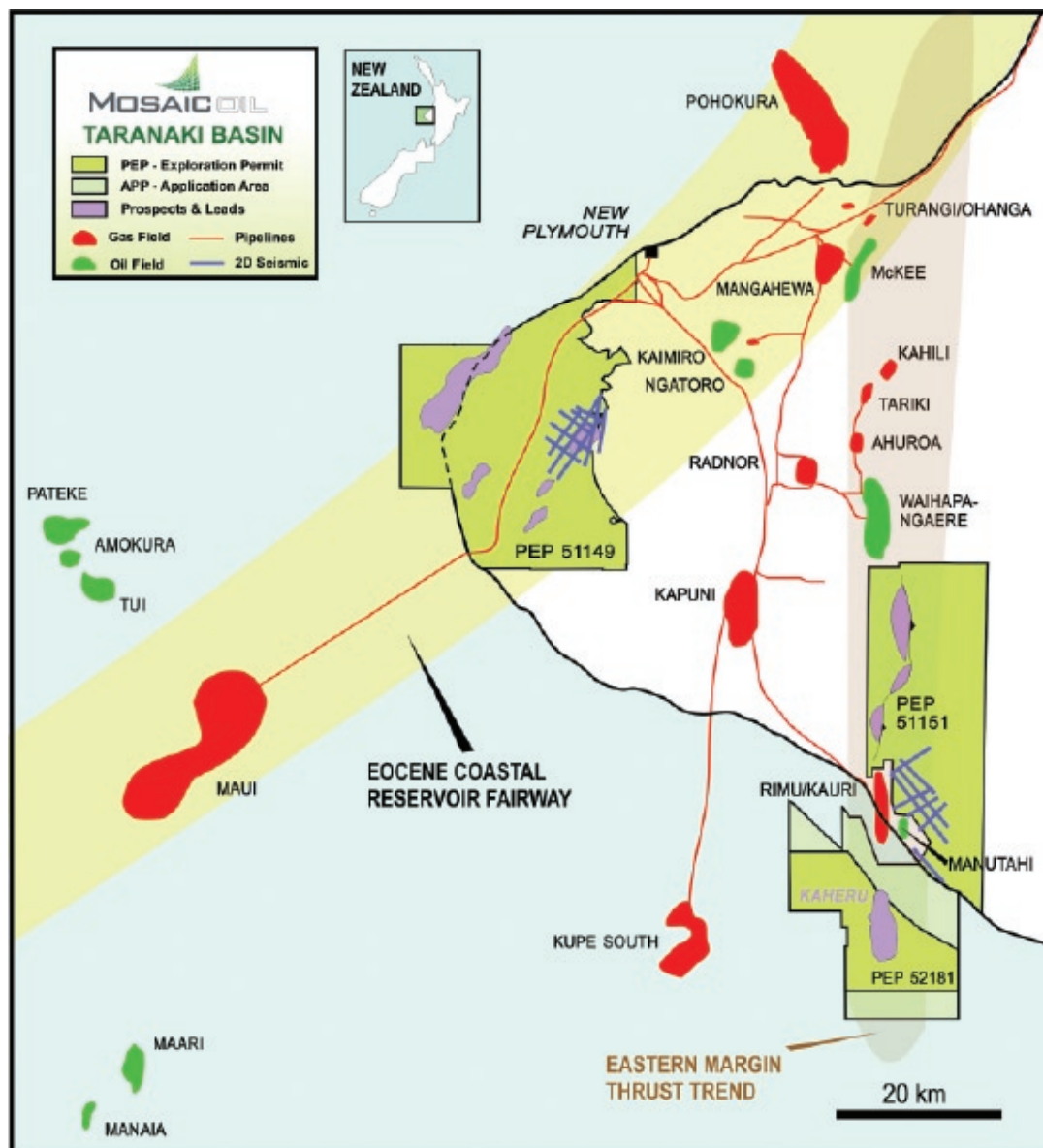
Taranaki is New Zealand's sole petroleum-producing basin with an expected ultimate recovery from existing fields and discoveries under development of approximately 7 trillion cubic feet of gas and more than half a billion barrels of oil and condensate. Because of this potential, and the region's established gas market and well developed infrastructure, Mosaic has acquired Acreage within the Taranaki Basin.

Through Joint Ventures in PEP 51149, PEP 51151, and PEP 52181, Mosaic has focused its exploration in two well-defined prospective trends in the onshore/near-shore Taranaki Basin: the Eocene coastal reservoir fairway and the Eastern Margin trend.

Currently in the seismic acquisition and geological and geophysical phase, the three projects will ultimately result in a drilling program of up to five exploration wells in 2011–2012 targeting both oil and gas-condensate, including some prospects with sizeable potential.

This program will give Mosaic exposure to several plays with differing risk profiles on established Taranaki hydrocarbon-producing trends.

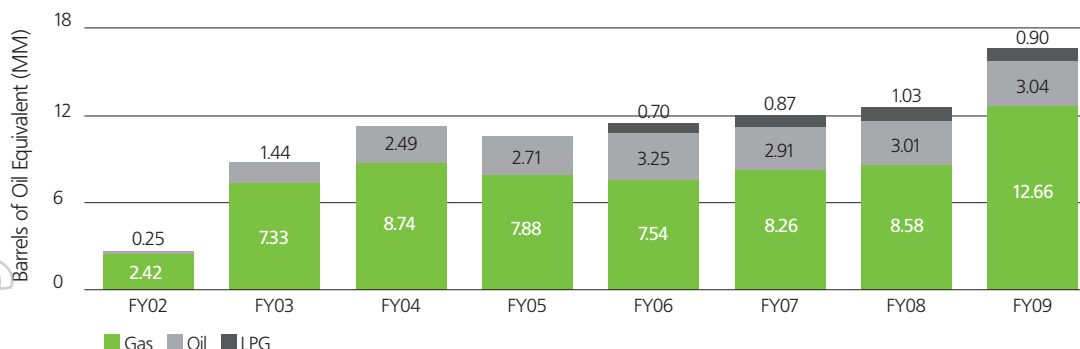
Schematic showing Mosaic's interests in the Taranaki Basin



(e) Reserves

Proven + Probable 2P Reserves

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Source: Mosaic management

The 2009 Reserves estimates are based on the assumption that gas contracts currently in place will be extended or renewed. During FY2010, the CS Energy contract was extended for three years. Mosaic is currently in discussions with Santos to renew their current contract which is expiring at the end of 2010 and with other parties for additional gas sales.

The 2009 Reserves information contained in this statement has been reviewed by Mr Alexander Parks, a full time employee of Mosaic. Mr Parks' qualifications include a Master of Engineering, Petroleum Engineering degree from the Imperial College London and more than 10 years of experience in the petroleum industry. Mr Parks is a member of the Society of Petroleum Engineers (SPE), Petroleum Exploration Society of Australia (PESA) and the Australian Institute of Company Directors (AICD). Mr Parks is Mosaic's Chief Executive Officer. Mr Parks has consented in writing to the inclusion of this information in this report.

(f) Underground gas storage project

Mosaic has identified a gas storage opportunity to reinvigorate the nearly depleted Silver Springs-Renlim gas field which has produced more than 93 billion cubic feet of gas since 1978.

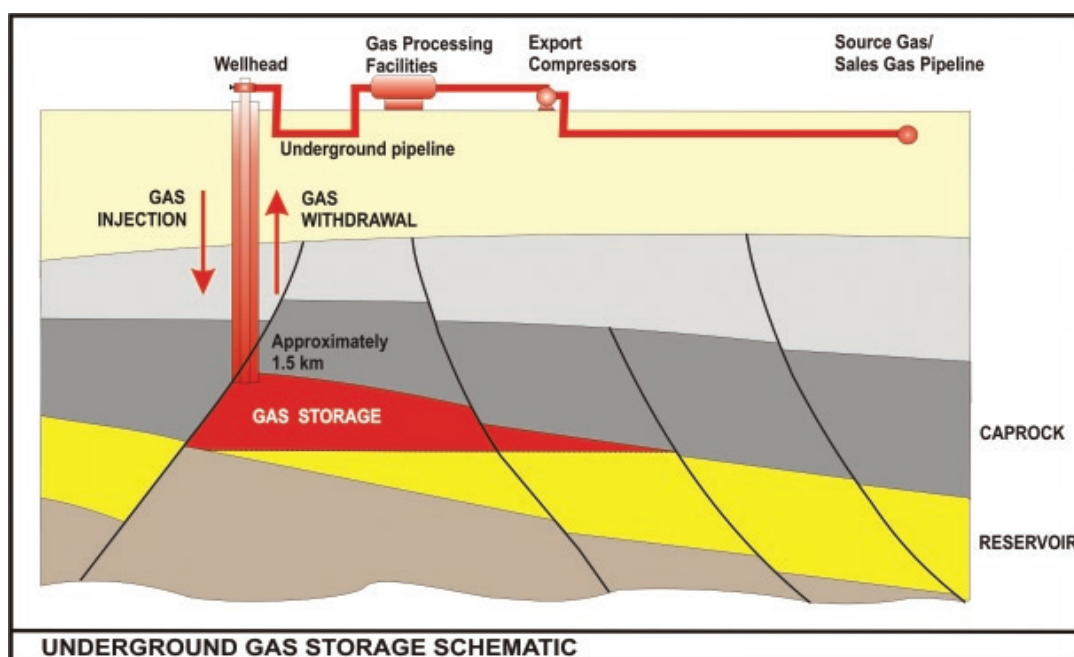
Underground gas storage involves injecting natural gas from other fields back into the reservoir through a number of wells and then withdrawing that gas via the same wells when required by the gas market. The storage project will require new compression and gas processing facilities to treat the gas and provide the pressure required to re-inject the gas into the reservoir.

The most common applications of depleted reservoir storage are to provide supplies of gas for seasonal demand, peak loading alleviation and security of supply during times of physical interruption. Gas can be purchased and injected during periods of low demand, and then rapidly withdrawn at times of high demand such as electricity generation, when normal supply is stretched. Unplanned service interruptions, such as power outages at power stations, may also be managed through access to gas storage.

Another newly emerging application of gas storage particularly relevant to onshore Queensland is related to the rapidly expanding CSG to LNG business. There are current plans for the construction of a number of LNG plants in Gladstone, north of Brisbane, taking advantage of the many new sources of gas discovered, being appraised and being produced from the Queensland coal measures. After dewatering of the coal seam gas wells and establishment of stable gas production, it is advantageous to store the gas being produced while the LNG plant construction is underway, and while CSG rates are ramped up to the gas rates required to supply an LNG plant by the addition of more wells.

The technical work already completed include computer simulations of the behaviour of the reservoir during the injection and withdrawal phases, and pre-FEED studies incorporating preliminary design of the pipelines and surface facilities required for the project. Survey Licence No. 43 has been granted by the Queensland Government to allow selection of a pipeline route from Silver Springs to the Wallumbilla gas hub.

Schematic of Mosaic's proposed underground gas storage project



AGL announced on 1 July 2010 that the key rationale for its proposed investment in Mosaic is the creation of a gas storage business around Mosaic's depleted Silver Springs-Renlim field. According to AGL, this is underpinned by contractual arrangements that AGL has with the BG Group that will support the development of the BG Group's Curtis LNG Project.

In the Mosaic Board's view, this is an endorsement of Mosaic's identification of its depleted Silver Springs-Renlim field as a significant business opportunity to turn into a gas storage facility. AGL has advised that its gas storage services contract with BG Group enables this opportunity to be commercialised due to AGL's unique ability to swap gas supplied to AGL under its existing 2006 gas supply agreement with the BG Group. On this basis, the Mosaic Board notes that the value that AGL can obtain from Mosaic's gas storage project is therefore not necessarily available to other parties.

Over the past 18 months, Mosaic has been in discussions with various companies within the industry about ways to commercialise a potential underground storage project in Queensland.

5.3 Schedule of Petroleum Tenements and Assets

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INFORMATION

	Area (sq Km)	Expiry Date	Operator	% Interest
Surat Basin – Queensland				
ATP471P (Bainbilla Block)	336	28/02/2011	Mosaic	75.252
ATP471P (Dalkeith)	195	28/02/2011	Mosaic	100
ATP471P (Myall Block)	34	28/02/2011	Mosaic	100
ATP471P (Noona)	15	28/02/2011	Mosaic	100
ATP471P (Onerry A)	15	28/02/2011	Mosaic	100
ATP471P (Rocky Creek East Block)	97	28/02/2011	Mosaic	100
ATP471P (Spring Grove #2 sole risk)	15	28/02/2011	Mosaic	52.752
ATP471P (Weribone)	12	28/02/2011	Origin Energy Limited	28.71
ATP709P	253	31/08/2017	Mosaic	100
APL240 (PL application)	15		Mosaic	100
PL1 (Cabawin)	60	31/12/2026	Santos	15
PL15 (excl. Boxleigh Field)	259	29/04/2019	Mosaic	75
PL16 (Silver Springs)	259	29/04/2019	Mosaic	100
PL30 (Riverslea)	37	8/07/2027	Origin Energy Limited	10
PL46 (Fairymount – under renewal process)	33	TBA	Mosaic	100
PL48 (Taylor)	6	31/01/2011	Mosaic	100
PL49 (Taylor)	21	31/01/2011	Mosaic	100
PL66 (Roswin)	125	7/04/2021	Mosaic	100
PL74 (Major – under renewal process)	18	TBA	Origin Energy Limited	16
PL119 (Downlands)	21	11/11/2010	Mosaic	75.252
PL119 (Downlands East #1 sole risk)	0	11/11/2010	Mosaic	75.252
PL192 (Churchie)	89	7/11/2025	Mosaic	100
PL213 (Churchie West)	46	31/03/2027	Mosaic	100
PL202 (Waggamba)	91	2/06/2025	Mosaic	100
Wungoona Joint Venture – LPG Plant & Pipeline			Santos (BOL) Pty Limited	50
Brisbane – Queensland				
Lytton Joint Venture – Crude Oil Terminal			IOR Terminal Pty Ltd	33.333
Carnarvon Basin – Western Australia				
WA-208-P	1,294	13/01/2014	Santos Offshore Pty Limited	6
Cooper – Eromanga Basin Queensland				
ATP934P (subject to approval)	1,462		Avery Resources (Australia) Pty Ltd	20
ATP1056P	3,907	30/05/2022	Mosaic	40
Taranaki Basin				
PEP51151	458	22/09/2013	L & M Petroleum Limited	50
PEP51149	654	22/09/2013	Todd Exploration Limited	10
PEP52181	172	19/05/2015	Roc Oil	15

5.4 Mosaic's Board and senior management

The current Directors on Mosaic's Board are:

Director's name	Position
David Herlihy	Chairman
Andrew Rigg	Deputy Chairman
Peter Barrow	Non-executive Director
Peter Reid	Non-executive Director

The current senior managers of Mosaic are:

Senior Manager's name	Position
Alexander Parks	Chief Executive Officer
Peter Fox	Chief Commercial Officer
Tim Petersen	Production Manager
Terry Russell	Exploration Manager
Scott Brown	Chief Financial Officer

If the Scheme does not proceed, it is anticipated that the current Directors and senior management of Mosaic will remain. If the Scheme is approved, the intentions of AGL in relation to the management and other employees generally are set out in Section 7.

5.5 Mosaic securities on issue

As at 3 September 2010 (the last practical trading date before this Scheme Booklet was lodged for registration with ASIC), there were:

- (a) 821,710,775 Fully Paid Mosaic Shares on issue;
- (b) 45,000,000 Fully Paid Mosaic Shares to be issued as the Taipan Farmin Scrip;
- (c) 19,235,000 Mosaic Ordinary Contributing Shares on issues; and
- (d) 1,707,818 Mosaic Employee Options on issue.

5.6 Financial statements

(a) Introduction

The following information is a summary of the financial information for Mosaic for the year ended 30 June 2010. Set out in the following pages are extracts of the consolidated audited financial statements of Mosaic for the year ended 30 June 2010 without the accompanying notes to the consolidated audited financial statements including a summary of the significant accounting policies. The financial information is a summary only and does not represent the full financial statements. The figures in the financial summary have been generally rounded to the nearest thousand dollars unless otherwise stated.

The full audited financial statements are contained in Mosaic's financial report for the year end 30 June 2010 which is available on Mosaic's website, www.mosaicoil.com. The financial report includes a summary of the significant accounting policies. The full financial statements are also available free of charge by contacting Mosaic on the Mosaic Information Line on 1800 285 677 (toll free in Australia) or +61 2 8280 7472 (if overseas) between 9.00am and 5.00pm (Sydney time), Monday to Friday.

(b) Consolidated Statement of Comprehensive Income

Mosaic Oil NL Consolidated Statement of Comprehensive Income for the year ended 30 June 2010

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	2010 \$'000	2009 \$'000
Revenue from operating activities		
Product sales	17,112	18,221
Service revenue	7,285	5,558
Operating revenue	24,397	23,779
Other revenue	11,378	2,050
Total revenue	35,775	25,829
Cost of sales	(14,313)	(11,401)
Drilling expenses	–	(1,104)
Other expenses	(6,250)	(4,683)
Earnings before interest, income tax, depreciation and amortisation, special allowances and impairment charges	15,212	8,641
Depreciation and amortisation expenses	(2,093)	(1,818)
Impairment charge for exploration and development assets	(5,489)	(2,494)
Finance expenses	(30)	(20)
Special allowance for the former managing director	(264)	(1,699)
Profit/(loss) before income tax	7,336	2,610
Income tax expense	–	–
	7,336	2,610
Continuing Operations		
Profit/(loss) from continuing operations after income tax	(3,224)	2,618
Discontinued Operations		
Operation loss from discontinued operations after income tax	(55)	(8)
Profit from the sale of discontinued operations after income tax	10,615	–
Profit for the year	7,336	2,610
Other comprehensive income	–	–
Total comprehensive income attributable to members of the consolidated entity	7,336	2,610
	Cents	Cents
Earnings per share		
From continuing and discontinued operations		
Basic earnings per share	0.97	0.41
Diluted earnings per share	0.96	0.41

(c) Consolidated Statement of Financial Position

Mosaic Oil NL Consolidated Statement of Financial Position for the year ended 30 June 2010

	2010 \$'000	2009 \$'000
Current assets		
Cash and cash equivalents	18,151	13,754
Trade receivables and other receivables	16,674	5,170
Inventories	3,229	3,560
Total current assets	38,054	22,484
Non current assets		
Trade and other receivables	718	555
Financial assets	–	–
Plant and equipment	8,799	8,329
Exploration and evaluation assets	13,743	15,914
Development and production assets	55,202	51,340
Total non current assets	78,462	76,138
Total assets	116,516	98,622
Current liabilities		
Trade and other payables	4,911	14,855
Provisions	833	369
Interest bearing loans and borrowings	41	21
Other liabilities	51	–
Total current liabilities	5,836	15,245
Non current liabilities		
Trade and other payables	–	700
Provisions	5,454	5,680
Interest bearing loans and borrowings	244	169
Other liabilities	249	–
Total non current liabilities	5,947	6,549
Total liabilities	11,783	21,794
Net assets	104,733	76,828
Equity		
Issued capital	108,489	87,971
Reserves	86	35
Accumulated losses	(3,842)	(11,178)
Total equity	104,733	76,828

(d) Consolidated Statement of Cash Flows

Mosaic Oil NL Consolidated Statement Cash Flows for the year ended 30 June 2010

MOSAIC
INFORMATION

	2010 \$'000	2009 \$'000
Cash flows from operating activities		
Receipts from customers ¹	25,780	25,550
Payments to suppliers and employees ¹	(21,726)	(18,720)
Interest received	763	946
Net cash provided by/(used in) operating activities	4,817	7,776
Cash flows from investing activities		
Payments for development and production assets	(11,589)	(14,780)
Payment for exploration & evaluation assets	(7,787)	(2,292)
Proceeds from/(payments to) loans to controlled entities	–	–
Payments for security deposits	–	–
Payments for plant & equipment	(1,685)	(2,088)
Proceeds from sale of fixed assets	66	–
Net cash used in investing activities	(20,995)	(19,160)
Cash flows from financing activities		
Proceeds from issues of shares	21,350	39
Fund raising expenses	(832)	–
Proceeds from interest bearing liabilities	95	10
Net cash provided by financing activities	20,613	49
Net increase/(decrease) in cash	4,397	(11,335)
Cash and cash equivalents at beginning of financial year	13,754	25,089
Cash and cash equivalents at end of financial year	18,151	13,754

Note:

1 Inclusive of GST.

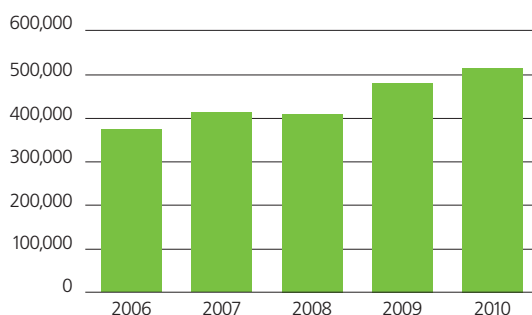
5.7 Review and results of operations and financial position

Mosaic continues to be actively involved in oil and gas exploration mainly in Australia and New Zealand. Mosaic recorded a record consolidated profit after income tax of \$7,336,000 (2009: \$2,610,000) for the year ended 30 June 2010 after allowing for impairment of \$5,489,000 for exploration and development assets. This represents an increase of 181% over last financial year.

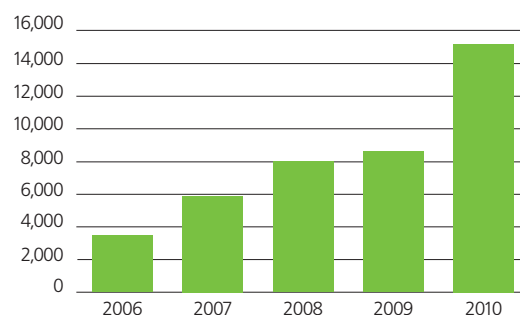
Operating revenue increased 2.6% to \$24,397,000 (2009: \$23,777,000) for the year ended 30 June 2010 which was the result of higher production and higher service revenue despite falling prices for oil and LPG through out the financial year. The sale of the wholly owned subsidiary Mosaic Oil Niugini Limited resulted in a consolidated profit of \$10,615,000.

Mosaic's earnings per Mosaic Share increased by 137% to 0.97 cents for the year ended 30 June 2010 (2009: 0.41 cents per share).

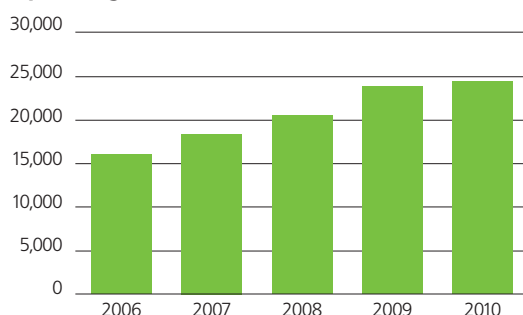
Production boe pa



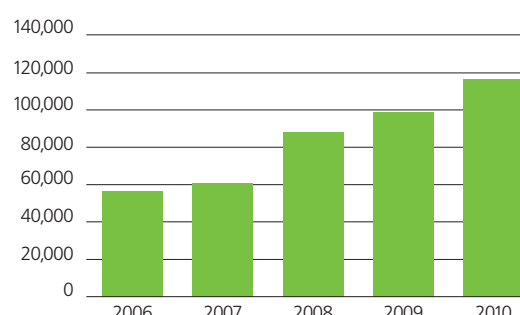
EBITDA (\$'000)



Operating Revenue (\$'000)



Total Assets (\$'000)



Mosaic's production increased 7% to 514,584 boe (barrels of oil equivalent) for the financial year compared to 480,954 boe for last financial year.

Revenue from the sale of petroleum products decreased by 6.1% to \$17,112,000 (2009: \$18,220,000) for the year. A revenue increase was recorded for gas (up 16.5%). Oil and LPG revenue both fell during the year ended 30 June 2010.

Total assets increased to \$116,516,000 for the year ended 30 June 2010. Mosaic's financial position, strengthened during the year by a successful capital raising through a placement and the share purchase plan raising a total of \$21.35 million. On 7 October 2009 Mosaic issued 94,745,167 Fully Paid Mosaic Shares at 11.5 cents pursuant to a placement. A further 93,365,306 Fully Paid Mosaic were issued at 11 cents each pursuant to the share purchase plan.

A total of \$10,223,000 was spent on exploration and development of the consolidated entity's oil and gas interests during the year. Mosaic also entered a Farm In agreement on 16 April 2010 whereby it secured 40% of the 1056P "Taipan" in return for the payment of \$2.7 million and 45 million Fully Paid Mosaic Shares together with agreeing to an exploration program which will involve funding 50% of the cost of 600 km² of 3D seismic and 50% of the drilling of ten exploration wells.

On 24 June 2010, Mosaic entered into an agreement to assign a loan made to Mosaic Oil Niugini Limited and sell all of its shares in that company for US\$11 million. In addition, Mosaic will receive a contingent cash payment of either US\$0.10 per gigajoule for any proven plus probable (2P) reserve increases prior to 31 December 2012, or choose a firm, fixed amount of US\$2.7 million in cash at any time before the appraisal well is drilled.

5.8 Continuously disclosing entity

Mosaic is a “disclosing entity” for the purposes of section 111AC of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations. These disclosure obligations require Mosaic to disclose to the ASX any information that a reasonable person would expect to have a material effect on the price or value of the securities of Mosaic.

Mosaic believes that it is in compliance with its continuous disclosure obligations which require Mosaic to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Copies of documents lodged with ASIC in relation to the Scheme and Mosaic may be obtained from, or inspected at, an office of ASIC.

Mosaic’s continuous disclosure notices to ASX after the lodgement with ASX of its financial statements for the year ended 30 June 2009 and before the lodgement for registration of this Scheme Booklet by ASIC are set out in Annexure F. These documents can be accessed on Mosaic’s website (www.mosaicoil.com) or obtained (free of charge) by calling 1800 285 677 (toll free in Australia) or +61 2 8280 7472 (if overseas). These documents, together with other notices lodged with the ASX prior to the latest financial statements can also be accessed on the ASX’s company announcements platform at www.asx.com (under the ticker “**MOS**”).

5.9 Recent Share price history

Mosaic’s share price in the period July 2008 to July 2010 is set out in the graph below.



The latest recorded share price of Mosaic Shares on ASX before the public announcement of AGL’s indicative non-binding proposal on 1 July 2010 was \$0.078 per Mosaic Share. The latest recorded share price of Shares on ASX on 3 September 2010 (being the last practical date before this Scheme Booklet was lodged for registration with ASIC) was \$0.155 per Mosaic Share.

The volume weighted average price of Shares on ASX for the five day, 30 day and three month periods prior to 30 June 2010 were \$0.080, \$0.081 and \$0.093 respectively.

The highest and lowest recorded share price of Shares on ASX during the three months prior to 3 September 2010 (being the last practical date before this Scheme Booklet was lodged for registration with ASIC) were \$0.155 and \$0.077 respectively.

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6

6.1 Overview of AGL

The Australian Gas Light Company was formed in Sydney in 1837, beginning as a privately owned gas utility in New South Wales before building an extensive energy business across Australia. AGL was incorporated in Australia on 30 June 2005 as a wholly owned subsidiary of The Australian Gas Light Company. Following the merger of The Australian Gas Light Company and Alinta Limited, AGL listed on the ASX as a separate entity in October 2006, trading on the ASX under the code AGK. As at 3 September 2010, AGL had a market capitalisation of ~\$6.9bn.

Today, AGL is Australia's largest integrated renewable energy utility company and is Australia's largest private owner, operator and developer of renewable generation assets. AGL has Australia's largest retail energy and dual fuel customer base, retailing energy related products and services to 3.2 million customer accounts across the states of New South Wales, Victoria, South Australia and Queensland. AGL's market share in these states, measured by customer accounts, was 18% in the electricity sector, and 34% in the gas sector as at 30 June 2009. In FY2010, AGL's total sales volume of electricity and gas to customers was 34,362 GWh and 210.9 PJ respectively.

AGL's integrated strategy is based on balancing the risk between the upstream acquisition of gas and generated electricity and the supply of gas and electricity to its retail customer base. AGL has major investments in thermal, hydro and wind generation technologies as well as ongoing developments in key renewable areas including solar, biomass, bagasse and landfill gas.

AGL is committed to reducing the carbon intensity of energy supplied to customers, with renewable energy, either directly owned or under long-term off-take contracts, now accounting for about 35% of AGL's total generation capacity.

6.2 AGL's business and principal activities

AGL's key business areas are outlined below along with an overview of its operations and core businesses.

Retail Energy

Retail Energy is responsible for the sale and marketing of gas, electricity and energy related customer services and has responsibility for growing AGL's position in downstream gas and electricity markets.

Its key business priorities include increasing gross margin while achieving operational excellence and continuing to improve customer service.

Merchant Energy

Merchant Energy is responsible for developing, operating and maintaining AGL's power generation assets and managing the risks associated with the procurement and delivery of gas and electricity for AGL's wholesale and retail energy portfolios.

Merchant Energy also manages the business relationship with AGL's largest customers providing energy efficiency advice and broader carbon management services.

Upstream Gas

The Upstream Gas group was formed during the 2009 financial year from a combined Gas and Power Development group as a separate division to advance AGL's positions in achieving long term surety of gas supply. (A standalone Gas Development group was initially established in 2005 from which the Gas and Power Development group was formed in 2008.)

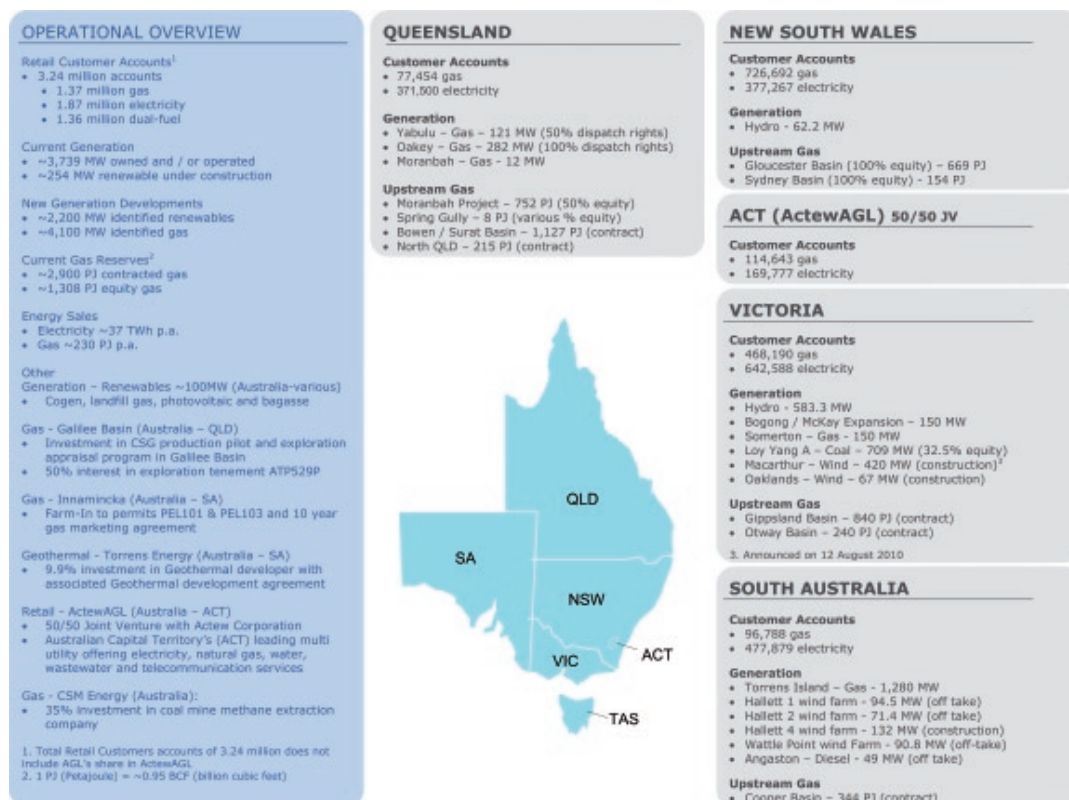
The Upstream Gas group is responsible for AGL's investment and operation and gas exploration, development and production tenements, as well as exploration and development of geothermal renewable energy sources. The portfolio is divided into two broad regions: (i) Queensland/South Australia; and (ii) NSW.

Energy Investments

Energy Investments is responsible for holding AGL's interests in Loy Yang A Power Station and ActewAGL.

AGL Energy Limited Operations and Core Businesses as at June 2010

The following is an overview of AGL's operations and core businesses.



(a) Retail Energy Customers

AGL has over 3.24 million customer accounts across Australia¹ – 1.87 million electricity customer accounts and 1.37 million gas customer accounts. AGL's customers are located across New South Wales, Victoria, South Australia and Queensland. AGL also holds a 50% interest in ActewAGL's retail business. ActewAGL is a multi-utility which offers electricity, natural gas, water and wastewater services to customers. Customer accounts by state and customer growth, not including those held through ActewAGL, are detailed in the table below.

Retail Energy – Customer Accounts (in 000's)

State	Gas			Electricity			Total		
	Jun 09	Jun 10	Growth	Jun 09	Jun 10	Growth	Jun 09	Jun 10	Growth
VIC	472.6	468.2	(0.9)%	652.0	642.6	(1.4)%	1,124.6	1,110.8	(1.2)%
SA	85.0	96.8	13.9%	463.9	477.9	3.0%	548.9	574.7	4.7%
NSW	752.3	726.7	(3.4)%	329.1	380.8	15.7%	1,081.4	1,107.5	2.4%
QLD	79.0	77.5	(1.9)%	362.4	371.3	2.5%	441.4	448.7	1.7%
Total accounts (net)	1,388.9	1,369.1	(1.4)%	1,807.4	1,872.5	3.6%	3,196.3	3,241.7	1.4%
Dual fuel accounts							1,239.8	1,362.1	9.9%

Retail Energy sources its energy from AGL's Merchant Energy business. AGL's customer base consists of two broad high level segments: Mass Market (Residential and Small Business Customers) and C&I (Commercial & Industrial Customers).

Note:

1 Retail customers accounts of 3.24 million does not include AGL's 50% share in ActewAGL.

Mass Market

In addition to gas and electricity supply, AGL offers its mass market customers a range of energy related services which include:

- **AGL Energy Shops:** heating, cooling, hot water and cooking appliances, expert advice, sales and installation;
- **AGL Assist:** gas and electrical repairs, installations and maintenance including emergency hot water repair or replacement; and
- **AGL Green Choice products and service:** electricity generated from new renewable generation sources, carbon neutral abatement electricity and efficiency monitoring products such as the award winning Cent-A-Meter offer.

C&I

AGL provides gas, electricity and specialised energy related services to C&I customers in New South Wales, Victoria, South Australia and Queensland.

Customers in this segment tend to have well known energy and demand requirements, due to the detailed information available from half hourly metering devices. Typically, C&I customers will contract with AGL for periods of two to three years, with the majority of customers extending multiple times with AGL, beyond their initial contract period.

The wide range of energy related and strategic services provided by AGL to its C&I customers include programmed maintenance, energy consultancy and efficiency services, energy monitoring solutions and more recently, green/renewable solutions (compliance with government based green initiatives).

SAP Billing Platform

During 2008/2009, AGL completed the rollout of Project Phoenix, a four-year change program designed to deliver world class competitive capability at industry leading cost to serve.

Project Phoenix transferred more than 3 million customer accounts onto one integrated strategic platform, SAP, and rationalised AGL's customer products. The new SAP platform provides AGL access to enhanced proprietary customer data which, together with an improved analytics capability, will enable AGL to better tailor product and service offerings to customers. It will also help AGL provide improved customer service and deliver a range of significant and ongoing benefits to the business.

(b) Merchant Energy

Merchant Energy consists of the following four key areas:

- **Energy Portfolio Management:** responsible for managing the price risk associated with procuring gas, electricity and green product obligations. The integrated nature of the portfolio allows AGL to manage and balance the relative price differentials between the gas and electricity markets as well as the costs of different fuels, giving AGL the ability to run gas fired generation when the electricity price is greater than the gas cost, or to switch stations to the alternate distillate fuel when the gas price is higher than distillate fuel prices;
- **Merchant Operations:** responsible for the physical operation and maintenance of AGL's portfolio of wind, water and gas fired electricity generation plants, so that AGL's generation assets are available when required;
- **Major Customers:** responsible for assisting AGL's largest customers to make their businesses more sustainable and energy efficient and for managing the HC Extractions LPG facility; and
- **Power Development:** responsible for delivering upstream electricity generation development projects and for creating a pipeline of development opportunities. AGL continues to develop its suite of renewable energy generation assets with a number of key projects. For example, the 140 MW Bogong Hydro-Electric Power Station in the Victorian Alps reached practical completion in early 2010.

Generation Assets

The table below details AGL's operational generation capacity.

Power station	Location	Fuel	Stake (%)	Net capacity (MW)	Comments
Torrens Island	South Australia	Gas	100.0	1,280.0	
Loy Yang A	Victoria	Coal	32.5	689.0	
AGL Hydro	Victoria	Hydro	100.0	593.3	
Oakey	Queensland	Gas	100.0	282.0	Dispatch rights only
Somerton	Victoria	Gas	100.0	150.0	
Bogong	Victoria	Hydro	100.0	140.0	
Yabulu	Queensland	Gas	50.0	121.0	Dispatch rights only
Hallett 1	South Australia	Wind	100.0	94.5	Offtake rights only
Hallett 2	South Australia	Wind	100.0	71.4	Offtake rights only
Wattle Point	South Australia	Wind	100.0	90.8	Offtake rights only
AGL Hydro	New South Wales	Hydro	100.0	62.2	
Angaston	South Australia	Diesel	100.0	49.0	Offtake rights only
Moranbah	Queensland	Gas	100.0	12.5	
Other				103.4	
Total				3,739.1	

(c) Upstream Gas

AGL currently obtains the majority of its gas pursuant to contracts but is progressively increasing its direct ownership of gas reserves with positions in coal seam gas and conventional gas developments where the opportunity arises. AGL's target is to have direct equity interests in 2,000 PJ of gas in the medium term. At present, AGL has approximately 2,900 PJ of contracted gas and approximately 1,578 PJ of equity gas. Post-2017, AGL is targeting a gas portfolio with an equal mix of equity and contract gas.

The table below summarises AGL's 2P and 3P gas reserves.

AGL share of Coal Seam Gas reserves	As at 30 June 10 (PJ)	
	2P	3P
Moranbah (50%)	501	1,022
Gloucester (100%)	669	832
Camden (100%)	154	201
Spring Gully (various, small)	8	10
Sub-Total	1,332	2,065
ATP 364P back-in rights (50%) ¹	246	1,307
Total	1,578	3,372

Note:

- 1 Under a project agreement that commenced in 2000, AGL has no effective exploration rights (or ongoing cost obligations) within exploration tenement ATP 364P as these were granted to Arrow Energy Limited for a period of 50 years. However, AGL is entitled to participate up to a 50% interest in any commercial development by contributing its share of past costs. Past costs are anticipated to be less than A\$0.05/GJ.

AGL also has prospective Acreage at Galilee in Queensland and the Hunter Valley in NSW. There are currently no reserves booked in these areas. AGL expects the initial reserves assessment for Hunter Valley to be completed in the first half of FY2011.

(d) Energy Investments**ActewAGL**

ActewAGL is a 50/50 partnership between AGL and Actew Corporation, an ACT Government-owned enterprise. Established in 2000, ActewAGL was the first utility joint venture in Australia between a private company and a publicly owned enterprise.

Loy Yang Power

AGL has a 32.5% share in Loy Yang Power, which owns the largest power station in Victoria (Loy Yang A) and also owns the Loy Yang coal mine, which is Australia's largest open cut brown coal mine and is located adjacent to Loy Yang A.

(e) Integrated Business Strategy

AGL's integrated strategy provides access to multiple profit pools and balances risk between upstream supply of energy and customers' demand for that energy.

AGL's integrated generation portfolio and long-term off-take contracts provide strong returns and show the benefits of diversity of geographic location, fuel source and generation type. This diversity helps mitigate AGL's exposure to both market risks and operating risks, and provides a platform for growth in a carbon constrained future.

AGL Energy Limited: Integrated Business Strategy



AGL has developed and continues to implement the following strategies to strengthen and build on its position as Australia's largest integrated renewable energy utility company:

Upstream Supply (Merchant Energy and Upstream Gas)

- Increase direct ownership of gas to 2,000 PJ (2P) over the medium term;
- Increase ownership, long-term contracting or control of electricity generation capacity to 6,000 MW; and
- Maintain AGL's position as Australia's largest private owner and operator of renewable energy assets by continuing to develop the existing pipeline of projects.

Retail Customers

- Focus on managing and growing margins;
- Use AGL's customer base to leverage AGL's upstream supply strategy to achieve economies of scale; and
- Utilise the outcomes and capability of the SAP billing platform to provide customers with better options for managing their energy needs.

(f) Employees

As at 30 June 2010, AGL employed 2,132 people across Australia. A summary of AGL's employees by business is provided in the table below as at 30 June 2010.

AGL Energy Limited: Employees by Business Segment

Business Segment	Employees
Retail Energy	1,284
Merchant Energy	500
Upstream Gas	80
Centrally Managed Expenses	268
Total	2,132

(g) NSW privatisation of electricity assets

The NSW government commenced the sale process for a number of assets including retailers and generation capacity with the data rooms opening on 1 July 2010. AGL remains interested in evaluating the assets for sale but reaffirms its intention to only purchase assets if they are accretive to shareholders.

According to the government's timetable, bids are due on 1 November 2010. If successful, AGL may undertake a capital raising. AGL's current intention is that any capital raising is likely to be an entitlement offer available to all existing shareholders.

6.3 AGL Directors

Brief profiles of the AGL Directors as at the date of this Scheme Booklet are as follows.



Mark Johnson LLB MBA AO – Chairman

Term: Independent Non-executive Director since February 2006.

Committees: Member of the People and Performance Committee, and the Safety, Sustainability and Corporate Responsibility Committee.

Directorships: Mr Johnson is a director of Westfield Group Limited (commenced in May 2010). Mr Johnson is also Chairman of the Australian Financial Centre Forum and one of the Prime Minister's representatives on the APEC Business Advisory Council.

Experience: Previously Mr Johnson was Chairman of Macquarie Infrastructure Group (commenced as a Director in 1996 and retired in 2010), Deputy Chairman of Macquarie Bank Limited (commenced as a Director in 1987 and retired in July 2007), a Director of Pioneer International, Sydney Futures Exchange, the Victor Chang Cardiac Research Institute and Chairman of The Australian Gas Light Company (commenced as a Director in 1988 and retired in October 2006).



Michael Fraser BCom CPA – Managing Director

Term: Managing Director and CEO from October 2007.

Committees: Nil.

Directorships: Nil.

Experience: Previously a director of Queensland Gas Company Limited (commenced in March 2007 and retired in November 2008), Chairman of Elgas Limited and of ActewAGL, a Director of the Australian Gas Association, the Energy Retailers Association of Australia, Chairman of the National Electricity Market Management Company (NEMMCO) Participant's Advisory Committee and previously a Director of the UnitingCare Ageing Board (commenced in June 2004 and retired in November 2008). Mr Fraser has more than 26 years' energy industry experience, including having established AGL as the country's largest energy retailer and led the rapid expansion of AGL's upstream energy interests in renewables, thermal power generation and upstream gas exploration and development.



Leslie V. Hosking

Term: Independent Non-executive Director since November 2008.

Committees: Member of the Audit and Risk Management Committee and the Safety, Sustainability and Corporate Responsibility Committee.

Directorships: Director of Adelaide Brighton Limited (commenced in 2003), Director of Innovation Australia (commenced in 2003), Director of Australian Energy Market Operator (Transition) Limited (AEMO) (November 2008 to June 2009) and Director of the Australian Energy Market Operator (AEMO) (commencing 1 July 2009).

Experience: Previously Mr Hosking was Managing Director and Chief Executive Officer of NEMMCO from 2003 to 2008. From 1996 to 2003 he was a Non-Executive Director of NEMMCO. He has over 30 years experience in trading, broking and management in metals, soft commodities, energy and financial instrument derivatives in the global futures industry and was Managing Director and Chief Executive Officer of the Sydney Futures Exchange from 1985 to 2000. As Chief Executive of Axiss Australia from 2000 to 2003 he developed and implemented a strategy for the Australian Government to position Australia as a centre for global financial services.



Jeremy Maycock BEng (Mech) (Hons), FAICD, FIPENZ

Term: Independent Non-executive Director since October 2006.

Committees: Member of the Audit and Risk Management Committee.

Directorships: He is on the Advisory Council of the Australian School of Business (UNSW) (commenced 11 March 2009).

Experience: Previously Mr Maycock was Managing Director and Chief Executive Officer of CSR Limited (commenced on 1 April 2007 and retired on 31 March 2010) and Managing Director and CEO of Hastie Group Limited (commenced in 2003 and retired in 2007), inaugural Chairman of Cement Australia Pty Limited, CEO of Swiss-based Holcim Ltd in New Zealand and Australia, and Holcim Senior Vice President for Southern Asean countries and Australasia. Mr Maycock's commercial experience spans 36 years, with his early career being with Shell Oil in the UK and in New Zealand.

**Sandra McPhee Dip Ed, FAICD**

Term: Independent Non-executive Director since October 2006.

Committees: Chair of the Safety, Sustainability and Corporate Responsibility Committee and Member of the People and Performance Committee.

Directorships: Director of Fairfax Media (commenced in 2010), Director of Tourism Australia (commenced in 2009), St Vincent's & Mater Health Sydney Limited (commenced in 2003), Kathmandu Holdings Limited (commenced in 2009) and Vice President of The Art Gallery of New South Wales (commenced in 2003). Member of the Advisory Council of JP Morgan (commenced 2005) and Advisory Board of Marsh and McLennan Companies (commenced 2009).

Experience: Previous appointments include Director of Australia Post (commenced in 2001 and retired in 2009), The Coles Group Limited (commenced in 2003 and retired in 2007), Perpetual Limited (commenced in 2004 and retired in 2007), Primalife Corporation Limited (commenced in 2003 and retired in 2005) and CARE Australia. Ms McPhee held a number of Group General Manager positions in Qantas Airways Limited before retiring in 2004.

**Max Ould BEc**

Term: Independent Non-executive Director since February 2006.

Committees: Chair of the People and Performance Committee.

Directorships: Chairman of Goodman Fielder Limited (commenced as a Director in 2005 and appointed Chairman in September 2006). Director of Foster's Group Limited (commenced in 2004).

Experience: Previously Mr Ould was Managing Director of National Foods Limited, a Director of The Australian Gas Light Company (commenced in 2004 and retired in October 2006) and a Director of Pacific Brands Limited (commenced in 2004 and retired in October 2009).

**Bruce Phillips BSc (Hons) PESA, ASEG**

Term: Independent Non-executive Director since August 2007.

Committees: Member of the Audit and Risk Management Committee, and the Safety, Sustainability and Corporate Responsibility Committee.

Directorships: Director of Platinum Capital Limited (commenced 10 March 2009), AWE Limited (commenced 19 November 2009) and an alternate Director of the Very Small Particle Company Limited (commenced 30 April 2009).

Experience: Mr Phillips is an energy industry expert with more than 30 years of technical, financial and managerial experience in the upstream energy sector. He founded and was Managing Director of Australian Worldwide Exploration Limited. Mr Phillips also held prior positions of Director of Sunshine Gas Limited (commenced in October 2007 and resigned in October 2008), Business Development Manager of Command Petroleum, Consulting Energy Advisor to Prudential-Bache Securities, General Manager of Petroleum Securities Australia Limited, and was an expert technical advisor to News Corporation Limited.

**John Stanhope B Com (Economics and Accounting), FCPA, FCA, FAICD, FAIM**

Term: Independent Non-executive Director since March 2009.

Committees: Chair of the Audit and Risk Management Committee.

Directorships: Executive Director of Telstra Corporation Limited (commenced in May 2009). Chairman of the Business Coalition for Tax Reform and a member of the Financial Reporting Council. Mr Stanhope is also a Director of a number of subsidiary companies of the Telstra Corporation Group, and was recently appointed to the Board of the Melbourne International Jazz Festival.

Experience: Mr Stanhope was appointed to the role at Telstra of Chief Financial Officer and Group Managing Director, Finance and Administration from 1 October 2003. In his role at Telstra he is responsible for finance, treasury, risk management and assurance, productivity, corporate services and billing. Mr Stanhope previously served as Director, Finance. In this role, which he assumed in 1995, he contributed to T1 and T2, cost reduction programs, growth strategies, debt raising, capital management and organisational restructures.

6.4 AGL historical financial information

The following information is a summary of financial information for AGL for the 12 months ended 30 June 2009 and 2010.¹

Set out below are AGL's consolidated statutory income statements including a reconciliation from statutory profit to underlying net profit after tax (**Underlying NPAT**) for the financial years ended 30 June 2010 and 30 June 2009.² All amounts in A\$ million are rounded to the nearest one hundred thousand dollars.

AGL Energy Limited: Consolidated Statutory Income Statement for the 12 months ended 30 June (A\$ millions)

	2010	2009
Continuing operations		
Revenue	6,610.7	5,965.3
Other income	6.4	903.9
Expenses	(6,136.9)	(5,710.0)
Share of profits of associates and jointly controlled entities accounted for using the equity method	70.7	54.4
EBITDA	550.9	1,213.6
Depreciation and amortisation	(137.5)	(123.0)
EBIT	413.4	1,090.6
Finance income	38.1	53.2
Finance costs	(73.9)	(132.5)
Net financing costs	(35.8)	(79.3)
Profit before income tax from continuing operations	377.6	1,011.3
Income tax (expense)/income	(21.5)	(293.1)
Profit after tax from continuing operations	356.1	718.2
Discontinued Operations		
Profit/(loss) after tax from discontinued operations	–	877.9
Profit after tax attributable to Shareholders of the Parent Entity	356.1	1,596.1

AGL Energy Limited: Reconciliation from Statutory Profit to Underlying NPAT for the 12 months ended 30 June (A\$ millions)

	2010	2009
Profit after tax attributable to Shareholders of the Parent Entity	356.1	1,596.1
Significant Items	(49.9)	(1,441.3)
Changes in fair value of financial instruments	122.7	251.0
Pro-forma adjustment	–	(27.0)
Underlying NPAT	428.9	378.8

Notes:

- 1 Please refer to the AGL website (www.agl.com.au) for more detailed information on the financial accounts including reconciliation between Statutory Financial Information and Underlying Operating information.
- 2 Underlying NPAT is Statutory Net Profit after Tax adjusted for significant items, changes in fair value of financial instruments and, for the year ended 30 June 2009, a pro-forma adjustment relating to AGL's PNG oil and gas assets. AGL believes that Underlying NPAT provides a better understanding of its financial performance and allows for more relevant comparison of financial performance between periods.

Set out below are AGL's consolidated balance sheets at 30 June 2010 and 30 June 2009. All amounts are rounded to the nearest one hundred thousand dollars.

AGL Energy Limited: Consolidated Statutory Balance Sheet as at 30 June (A\$ millions)

	2010	2009
Current assets		
Cash and cash equivalents	480.4	623.1
Trade and other receivables	1,234.5	1,209.7
Inventories	94.2	51.2
Other financial assets	225.3	438.3
Other assets	174.1	151.4
Total current assets	2,208.5	2,473.7
Non-current assets		
Trade and other receivables	0.6	0.7
Investments accounted for using the equity method	200.8	182.6
Exploration and evaluation assets	607.5	569.9
Oil and gas assets	333.4	295.2
Property, plant and equipment	2,056.2	2,109.1
Intangible assets	3,149.0	3,161.1
Other financial assets	106.5	186.0
Other assets	28.4	56.4
Total non-current assets	6,482.4	6,561.0
Total assets	8,690.9	9,034.7
Current liabilities		
Trade and other payables	859.6	800.8
Provisions	47.8	42.9
Current tax liabilities	42.5	229.9
Other financial liabilities	582.0	444.0
Other liabilities	0.6	1.4
Total current liabilities	1,532.5	1,519.0
Non-current liabilities		
Trade and other payables	–	19.0
Borrowings	900.8	1,120.2
Provisions	183.4	189.6
Deferred tax liabilities	165.6	218.4
Other financial liabilities	42.1	59.0
Other liabilities	66.6	63.8
Total non-current liabilities	1,358.5	1,670.0
Total liabilities	2,891.0	3,189.0
Net assets	5,799.9	5,845.7
Equity		
Issued Capital	4,066.7	4,030.3
Reserves	(159.4)	13.0
Retained earnings	1,892.6	1,802.4
Total equity	5,799.9	5,845.7

Set out below are AGL's consolidated statements of cash flows for the financial years ended 30 June 2010 and 30 June 2009. All amounts are rounded to the nearest one hundred thousand dollars.

AGL Energy Limited: Consolidated Statutory Cash Flow for the fiscal year ended 30 June (A\$ millions)

	2010	2009
Cash flows from operating activities		
Receipts from customers	7,610.7	6,777.5
Payments to suppliers and employees	(7,014.5)	(6,408.9)
Dividends received	26.6	37.6
Finance income received	37.5	41.0
Finance costs paid	(81.3)	(150.1)
Income taxes paid	(189.0)	(61.7)
Net cash inflow from operating activities	390.0	235.4
Cash flows from investing activities		
Payments for property, plant and equipment	(241.6)	(471.4)
Payments for exploration and evaluation assets	(43.1)	(29.9)
Payments for oil and gas assets	(46.6)	(89.6)
Payments for investments	(0.2)	(2.3)
Payments for other	–	(4.3)
Payments for business and subsidiaries, net of cash acquired:		
acquisitions in current year	(7.8)	(623.2)
acquisitions in prior year	(1.2)	–
Proceeds from sale of property, plant and equipment	1.5	18.8
Proceeds from sale of investments	–	1,396.5
Proceeds from sale of business and subsidiaries, net of cash disposed:		
discontinued operations	–	1,201.8
subsidiary disposed in current year	239.0	42.1
subsidiary disposed in prior year	–	3.6
Loans advanced to related parties	(1.5)	(1.2)
Proceeds from repayment of related party loans	9.8	–
Net cash (outflow)/inflow from investing activities	(91.7)	1,440.9
Cash flows from financing activities		
On-market share purchases	(2.4)	(1.9)
Proceeds from borrowings	0.9	446.0
Repayment of borrowings	(220.0)	(1,420.8)
Dividends paid	(219.5)	(177.4)
Net cash inflow/(outflow) from financing activities	(441.0)	(1,154.1)
Net increase/(decrease) in cash and cash equivalents	(142.7)	522.2
Cash and cash equivalents at the beginning of the financial year	623.1	73.2
Effects of exchange rate changes on cash and cash equivalents	–	27.7
Cash and cash equivalents at end of year	480.4	623.1

6.5 AGL Funding for the Cash Consideration

(a) Cash Consideration

Scheme Participants who do not submit a valid pink Scrip Election Form will receive the Cash Consideration.

(b) Maximum Cash Consideration

There are currently 821,710,775 Fully Paid Mosaic Shares and 19,235,000 Mosaic Ordinary Contributing Shares on issue as at the date of this Scheme Booklet. On the assumption that all the Mosaic Ordinary Contributing Shares are paid up in full and quoted on ASX prior to the Record Date, the Taipan Farmin Scrip is issued prior to the Record Date and that all of the Scheme Participants receive Cash Consideration (i.e. no Scheme Participant has made a valid scrip Election), the amount of Cash Consideration that would be payable by AGL under the Scheme is approximately \$132.89 million.

In addition, assuming that all Mosaic Employee Options are exercised and Fully Paid Mosaic Shares are issued to those optionholders prior to the Record Date, an additional amount of \$0.26 million in Cash Consideration may be payable by AGL under the Scheme. Accordingly, the maximum Cash Consideration amount which AGL may be required to pay under the Scheme is approximately \$133.15 million.

(c) Overview of AGL's funding arrangements

The funds required to pay the Cash Consideration will be obtained by AGL utilising its existing cash reserves or through funding arrangements in place with AGL's banking syndicate.

The funds available to AGL from its existing cash reserves materially exceed the maximum Cash Consideration payable pursuant to the Scheme and transaction costs, including adviser fees, payable in connection with the Scheme.

6.6 AGL Shares

(a) AGL's share capital structure

Fully paid ordinary AGL Shares

As at the date of this Scheme Booklet, there were 450,076,509 fully paid ordinary AGL Shares on issue.

AGL Share Performance Rights

As at the date of this Scheme Booklet, there were the following AGL Share Performance Rights (**SPRs**) on issue:

SPRs grant	Number of SPRs	Performance period	Vesting date	Fair value
27 October 2008	240,733	1 October 2008–1 October 2011	1 October 2011	\$10.30
26 February 2009 ¹	133,159	1 July 2010–30 June 2011	1 September 2011	\$12.09

The AGL Board approved the AGL Long Term Incentive Plan (**LTIP**) on 5 October 2006, and was amended by the AGL Board on 19 August 2009. The LTIP is designed to closely align the interests of AGL executives and AGL shareholders with the achievement of AGL's strategic goals and the generation of sustained shareholder value over the long term. The LTIP forms an integral component of AGL's remuneration strategy.

Under the LTIP, AGL executives are granted SPRs that vest to the executive, providing (and to the extent that) performance hurdles applicable to the SPRs are met. On vesting, SPRs are exercised and converted to fully paid AGL Shares. A SPR:

- is an entitlement to one fully paid AGL Share;
- does not carry dividend or voting rights; and
- participates in bonus issues, rights issues and reconstructions and reorganisations of the capital of AGL in the same manner as the AGL Shares.

(b) AGL constitution

The rights attaching to AGL Shares are set out in the AGL constitution and are regulated by the Corporations Act, the Listing Rules and the general law. A copy of the AGL constitution is available for inspection on the AGL website (www.agl.com.au).

Note:

- 1 40% of these SPRs are available to vest on 1 September 2010, subject to the outcome of the performance hurdles.

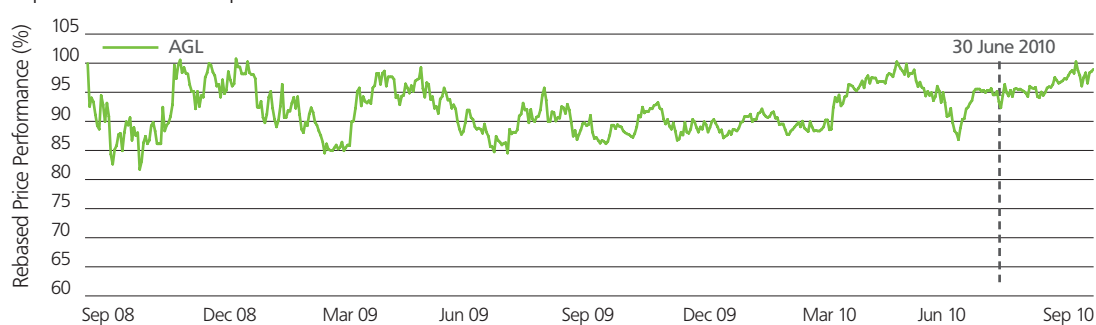
6.7 Recent AGL Share price history

AGL Shares are officially quoted on the ASX under the code AGK. Information in relation to the market price of AGL Shares is set out below:

AGL Share Price Information	Price (as at close of trade)
Last recorded sale price for AGL Shares on 13 July 2010, being the last Trading Day before the public announcement of the Proposal on 14 July 2010	\$14.87
Last recorded sale price for AGL Shares on 3 September 2010, being the last Trading Day before this Scheme Booklet was registered by ASIC	\$15.40
Highest and lowest recorded sale prices for AGL Shares during the 3 months immediately before 3 September 2010:	
– High (23 August 2010)	\$15.60
– Low (30 June 2010)	\$14.17

AGL Share Price Performance Rebased at 3 September 2008

September 2008 to September 2010



The table below provides summary statistics as to AGL's VWAP over the 24 months to 30 June 2010, being the last Trading Day prior to the announcement of the non-binding and indicative proposal from AGL.

Time Period	AGL
30 June 2010	\$14.70
5 day	\$14.62
10 day	\$14.73
1 month	\$14.50
2 month	\$14.43
3 month	\$14.64
6 month	\$14.48
12 month	\$14.18
18 month	\$14.20
24 month	\$14.20

6.8 AGL dividend history and dividend policy

The AGL Board has indicated that its dividend policy is to pay approximately 60% of Underlying NPAT to shareholders.

The table below shows the dividend history for the financial years ended 30 June 2008, 2009 and 2010. The dividends relating to FY2008 and FY2009, and the interim dividend for FY2010 were 100% franked. The final dividend for FY2010 is unfranked.

AGL has reported for FY2010, as a significant item, a credit to income tax expense of \$85.5 million following amendments to the income tax law in June 2010. These amendments will entitle AGL to a refund of income tax of approximately \$89 million, which is expected to be received during FY2011. This tax refund will temporarily deplete AGL's pool of franking credits. As a consequence both the final dividend for FY2010 and the interim FY2011 dividend will be unfranked.

Declared Dividend History for financial year ended 30 June

	2008	2009	2010
Interim dividend	\$0.26	\$0.26	\$0.29
Final dividend	\$0.27	\$0.28	\$0.30
Total dividend	\$0.53	\$0.54	\$0.59

6.9 Quotation of New AGL Shares

AGL will apply for official quotation on ASX of all New AGL Shares to be issued under the Scheme.

It is anticipated that New AGL Shares will commence trading on ASX on a deferred settlement basis on Tuesday, 12 October 2010, being the first Trading Day after the Effective Date, and on a normal settlement basis on the first Trading Day after the Implementation Date.

6.10 Interests of AGL directors

(a) Interests in AGL shares and SPRs

As at the date of this Scheme Booklet, AGL Directors had the following interests in AGL securities:

Director	AGL Shares	SPRs
Mark Johnson	59,125	nil
Michael Fraser	519,865	175,854
Leslie V. Hosking	2,000	nil
Jeremy Maycock	55,322	nil
Sandra McPhee	10,200	nil
Max Ould	27,755	nil
Bruce Phillips	29,000	nil
John Stanhope	nil	nil

Details of Michael Fraser's SPRs are as follows:

SPRs grant	Number of SPRs	Performance period	Vesting date	Fair value
27 October 2008	107,639	1 October 2008–1 October 2011	1 October 2011	\$10.30
26 February 2009 ¹	68,215	1 July 2010–30 June 2011	1 September 2011	\$12.09

(b) Interests in Mosaic securities

As at the date of this Scheme Booklet, no AGL Director had any relevant interests in any Mosaic securities.

6.11 Substantial AGL shareholders

As at the date of this Scheme Booklet, so far as known to AGL, no persons were beneficial owners of 5% or more of the AGL Shares.

Note:

1 40% of these SPRs are available to vest on 1 September 2011, subject to the outcome of the performance hurdles.

6.12 AGL's relevant interest and dealings in Mosaic securities**(a) AGL's relevant interest in Mosaic securities and voting power in Mosaic**

As at the date of this Scheme Booklet, AGL:

- had a relevant interest in 105,104,370 Fully Paid Mosaic Shares, representing approximately 12.8% of the Fully Paid Mosaic Shares on issue; and
- did not have a relevant interest in any Mosaic Ordinary Contributing Shares or Mosaic Employee Options (other than, in the case of Mosaic Employee Options, through the cancellation deeds described in Section 7.2(b)).

AGL's relevant interest in Mosaic Shares arises under agreements it entered into with a number of Mosaic Shareholders on 30 June 2010, the relevant terms of which are described in Section 6.12(b) below. AGL is not the legal or beneficial owner of those Mosaic Shares.

As at the date of this Scheme Booklet, AGL's voting power in Mosaic was approximately 12.8%.

(b) AGL dealings in Mosaic securities in the last 4 months**Agreements with Mosaic Shareholders to appoint the Mosaic Chairman as proxy to vote in favour of the Scheme**

On 30 June 2010, AGL entered into agreements with each of the following persons in relation to their holding of Mosaic Shares:

Mosaic shareholder	Number of Mosaic Shares
ASPAC Mining Limited	13,797,674
Berne No 132 Nominees Pty Ltd	11,005,927
Douglas Financial Consultants Pty Ltd	9,498,864
Berne No 132 Nominees Pty Ltd	6,840,997
Hinduja Bank (Switzerland) Limited	8,807,223
Berne No 132 Nominees Pty Ltd	5,886,364
Farjoy Pty Ltd	5,863,636
Douglas Financial Consultants Pty Ltd	4,861,364
Berne No 132 Nominees Pty Ltd	4,162,777
Mr Angus Douglas	2,861,364
Berne No 132 Nominees Pty Ltd	2,666,400
A N Douglas Management Pty Ltd	2,336,364
Mr P Grenville Schoch	2,236,364
Mr Stuart Bruce Ramsey	2,236,364
Boussal Pty Ltd	1,800,000
Wengor Investments Pty Ltd	1,336,364
Mr Angus Douglas	1,226,364
Hancroft Pty Ltd	1,136,364
T B I C Pty Ltd	1,000,000
Mrs Susan-Jane Douglas	890,910
Mararch Investments Pty Ltd	836,364
G Douglas Management Pty Ltd	711,364
Resource and Land Management Services Pty Ltd	11,090,364
Resource and Land Management Services Pty Ltd	1,294,000
Ben Skerman	720,594
Total	105,104,370

Under those agreements, each relevant Mosaic Shareholder has irrevocably undertaken to appoint the Chairman of Mosaic as that person's proxy to vote all of their 'Acceptance Shares' (i.e. the Mosaic Shares detailed next to that person's name in the table above) in favour of the Scheme. The agreements do not provide for the Mosaic Shareholders to receive any consideration in return for their underlying Mosaic Shares, except in accordance with the Scheme.

Further details in relation to those agreements (including a copy of a pro forma agreement) are set out in the AGL Notice of initial substantial holder which was announced by AGL to ASX on 1 July 2010.

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Other AGL dealings in Mosaic securities in the last four months

Neither AGL nor any of its associates (as defined in the Corporations Act) has provided (or agreed to provide) consideration for any Mosaic securities under a purchase or agreement to purchase during the four months before the date of this Scheme Booklet.

6.13 Benefits during the previous four months

Except as set out in this Scheme Booklet, during the four months before the date of this Scheme Booklet, neither AGL nor any of its associates gave, or offered or agreed to give, a benefit to another person where the benefit was likely to induce the other person, or an associate of the other person, to:

- vote in favour of the Scheme; or
- dispose of Mosaic Shares,

and where the benefit was not offered to all Mosaic Shareholders.

6.14 Further information about AGL

AGL is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. AGL has an obligation (subject to limited exceptions) to notify ASX immediately upon becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of AGL Shares. Copies of documents filed with ASX may be obtained from AGL's website (www.agl.com.au).

In addition, AGL is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC in relation to AGL may be obtained from, or inspected at, an ASIC office.

The following documents are available on AGL's website (www.agl.com.au):

- AGL's results announcement for the financial year ended 30 June 2010 released to the market on 26 August 2010;
- AGL's 2009 Annual Report; and
- any continuous disclosure notice lodged by AGL with ASX between lodgement of AGL's 2009 Annual Report with ASX on 24 September 2009 and the date of this Scheme Booklet.

AGL will also make copies of these documents available, free of charge, to Mosaic Shareholders. Requests can be made by contacting AGL on +61 2 9921 2789 between 9.00am and 5.00pm (Sydney time), Monday to Friday, prior to the Effective Date.

6.15 Other material information

Except as set out in this Scheme Booklet, as at the date of this Scheme Booklet there is no information material to the making of a decision in relation to the Proposal, being information that is within the knowledge of AGL or any AGL director, which has not been previously disclosed to Mosaic Shareholders.

PROFILE OF THE
COMBINED GROUP

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7.1 Overview of AGL post-implementation of the Scheme

AGL's principal activities and business strategy will not change from the description set out in Section 6.2 as a result of the implementation of the Scheme. AGL's key business areas will continue to be Retail Energy, Merchant Energy, Upstream Gas and Energy Investments.

7.2 AGL's intentions in relation to the business, assets and employees of Mosaic

This Section 7.2 sets out AGL's intentions in relation to:

- the continuation of the business of Mosaic;
- any major changes to be made to the business of Mosaic, including any redeployment of the fixed assets of Mosaic; and
- the future employment of the present employees of Mosaic,

if the Scheme becomes Effective and AGL acquires all of the Mosaic Shares.

Mosaic disclosed certain information to AGL in relation to the Mosaic Group under a limited due diligence process undertaken in April 2010 and certain additional material was disclosed under the Disclosure Letter (as that term is defined in the Scheme Implementation Deed) immediately prior to entry into the Scheme Implementation Deed. Following AGL and Mosaic's entry into the Scheme Implementation Deed, Mosaic has provided AGL with further information concerning the Mosaic Group, its business and operations. The AGL intentions described in this Section 7.2 are based on information obtained through those processes as well as publicly available information concerning Mosaic, its business and operations and the general business environment which is known to AGL at the time of preparation of this Scheme Booklet.

Final decisions regarding the matters described in this Section 7.2 will only be made by AGL in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this Section 7.2 are statements of current intention only, which may change as new information becomes available to AGL or as circumstances change.

(a) Retirement of Mosaic Directors and Removal from ASX and PoMSOX

Mosaic will, on or immediately following the implementation of the Scheme on the Implementation Date, ensure that all of the Directors on the Mosaic Board resign from that office and that AGL's nominees are appointed as Mosaic Directors.

Shortly after the Implementation Date, AGL will seek removal of Mosaic from the official list of ASX and PoMSOX.

(b) Mosaic Employee Options

Each holder of Mosaic Employee Options has entered into a cancellation deed in favour of Mosaic pursuant to which all their options will be cancelled with effect on or shortly after the Implementation Date. Each holder of Mosaic Employee Options will receive as consideration for the cancellation of the options an amount equal to either the intrinsic value or the Black Scholes value of those options.

(c) AGL/BG Gas Storage Project Development Agreement

AGL and QGC Pty. Ltd. (ABN 11 089 642 553) (**QGC**) (a wholly owned subsidiary of BG Group plc) have entered into a Gas Storage Project Development Agreement (**GSPDA**) dated 1 April 2010 (and subsequently amended on 27 June 2010).

The GSPDA is conditional on, amongst other things, the Scheme becoming Effective prior to 30 November 2010.

The material terms of the GSPDA are:

- AGL will fund certain capital expenditure for the development and installation of the Mosaic gas storage project (i.e. an operational gas storage facility at Mosaic's Silver Springs-Renlim Gas Field);
- AGL will utilise the Mosaic gas storage facility to provide QGC with gas storage services over a period of up to 7 years pursuant to a gas storage services agreement under which AGL will receive gas from QGC, transport gas to the gas storage facility and inject and store the gas in the gas storage facility; and
- AGL and QGC have agreed to enter into a gas swap arrangement under which the gas to be delivered to QGC under the gas storage agreement would be physically 'swapped' at Berwyndale in Queensland with an equal amount of gas which QGC is required to deliver to AGL under the existing long term gas sale agreement between AGL and QGC dated 4 December 2006 (the **2006 QGC/AGL Gas Sale Agreement**). This arrangement overcomes QGC's technical requirement that all gas supplied to its proposed LNG project at Curtis Island comprises coal seam methane gas. The 2006 QGC/AGL Gas Sale Agreement provides for the supply by QGC to AGL of 540 PJ of gas (subject to two AGL options to increase supply by 5 PJ per annum) over a 20 year period (which commenced on 1 January 2008).

Based on the current transaction timetable, the gas storage facility is scheduled to be operational in the second quarter of 2011.

After the expiry of the gas storage agreement with QGC, AGL will have exclusive use of the gas storage facility, providing AGL with flexibility and optionality over the use of its wholesale gas portfolio.

(d) General review of assets and operations

In relation to Mosaic's Surat basin interests, AGL intends to:

- generally continue the business of Mosaic's Surat basin business, subject to the detailed review process outlined below; and
- develop the potential gas storage project disclosed in paragraph (c) above.

In relation to Mosaic's exploration interests outside of the Surat basin, AGL intends to conduct a detailed review of these interests as outlined below. Assets that are considered non-core are likely to be divested over time.

In accordance with the Scheme Implementation Deed, AGL has requested and obtained certain information from Mosaic and commenced its review process on the basis of such information. If the Scheme becomes Effective and AGL acquires all of the Mosaic Shares, AGL intends to conduct a further thorough and broad-based general review of Mosaic's corporate structure, assets (including the gas storage project), businesses, personnel and operations. This review will apply quantitative and qualitative factors to measure performance and areas for improvement. AGL will review its approach to the Mosaic assets and operations on the basis of the outcomes of this process.

(e) Mosaic employees

During the period prior to and following implementation of the Scheme, AGL will conduct a review of the employment functions of Mosaic.

AGL anticipates that the review will identify the technical, operational or project development staff who will be required by AGL in the future to manage the assets and operations that (following AGL's review of Mosaic's assets and operations in accordance with paragraph (d) above) are to be retained by AGL. In particular, it is anticipated that employees with technical, operational or project development experience in relation to the Surat basin production operations are likely to be retained by AGL.

The AGL review process may identify some duplication in certain activities and functions, in particular, senior management roles and head office corporate support functions (for example, finance, accounting and investor relations). As a consequence, certain employees performing such roles may be made redundant. Any such employee would receive, on redundancy, all payments and other benefits in accordance with their contractual and other legal entitlements.

Mosaic has put in place, with AGL's consent, an employee retention scheme under which certain employees will receive payments if they continue their employment with Mosaic up until a certain date following implementation of the Proposal and if the proposed timetable for implementation of the Proposal is met. Those payments are conditional on the Proposal being implemented.

No Mosaic Directors are participating in the employee retention scheme.

The Mosaic officers participating in the employee retention scheme are set out below:

Name	Value of benefit
Alexander Parks (CEO)	\$283,333
Scott Brown (CFO)	\$122,852
Peter Fox (CCO)	\$56,000

Further details of the employees participating in the employee retention scheme are set out in Section 12.9.

The employee retention scheme also provides that, in the event that the Scheme is not implemented, the Mosaic Board will revive the grant of options to employees, in line with those approved in June 2010 but not yet granted, and the employees will be entitled to a retention payment payable in July 2011, equivalent to 2 months salary to each eligible Mosaic staff member, subject to those employees remaining employed by Mosaic on the date of payment.

Mosaic has, with AGL's consent, advised certain of its officers, being Alexander Parks, CEO, Peter Fox, CCO and Scott Brown, CFO that it is proposed to give them notice terminating their employment following implementation of the Scheme. They will receive termination payments being an amount equal to \$106,250 (inclusive of superannuation) in the case of Mr Parks, \$65,625 (inclusive of superannuation) in the case of Mr Brown and \$84,000 (inclusive of superannuation) in the case of Mr Fox. In addition, they will each receive their respective leave entitlements and Mr Parks will be paid a relocation allowance of \$35,417 (inclusive of superannuation), equivalent to one month's salary.

7.3 AGL Financial Information

(a) Overview

This Section 7.3 contains pro forma financial information of the combined businesses of AGL and Mosaic and comprises the:

- Balance Sheet of AGL as at 30 June 2010 prior to the impact of the acquisition of Mosaic (**AGL Consolidated Balance Sheet**);
- Balance Sheet of Mosaic as at 30 June 2010 prior to the impact of the acquisition of Mosaic (**Mosaic Balance Sheet**) by AGL;
- A pro forma combined balance sheet adjusted to reflect the anticipated impacts of:
 - the acquisition of Mosaic; and
 - the funding of the acquisition of Mosaic through the Scheme (**Pro Forma Acquisition Adjustments**) assuming such transactions had occurred as at 30 June 2010 (**Pro Forma Combined Balance Sheet**).

The pro forma financial information has been prepared in order to provide investors with an indication of the potential impact of the acquisition on the financial position and net debt of AGL. The pro forma financial information does not illustrate the financial position that would have been in place had the acquisition occurred at 30 June 2010, nor does it illustrate the financial position that will be in place upon completion of the acquisitions principally because:

- the assets and liabilities of Mosaic to be acquired will be those in existence as at the Implementation Date, which is expected to occur on 20 October 2010; and
- the determination of the fair value of the assets, liabilities and contingent liabilities acquired, including intangible assets, will need to be finalised.

The valuation of assets, in particular intangible assets, can be a complex and time consuming exercise that will need to be completed by AGL post transaction. For the purpose of preparing the Pro Forma Combined Balance Sheet, the audited book values of Mosaic assets and liabilities as at 30 June 2010 have been used.

The pro forma financial information outlined in this section has been reviewed by the Investigating Accountants and their Investigating Accountants' Report is included in Annexure E.

(b) Basis of preparation

The AGL Consolidated Balance Sheet and the Mosaic Balance Sheet included within pro forma financial information that is presented in this Section have been prepared in accordance with the measurement and recognition principles of AIFRS. The Pro Forma Combined Balance Sheet incorporates the Pro Forma Acquisition Adjustments as described in Section 7.3(d). The pro forma financial information is presented in an abbreviated form and does not comply with all the presentation and disclosure requirements of AIFRS and the Corporations Act.

(c) Pro forma Balance Sheets

Table A below sets out the AGL Consolidated Balance Sheet, the Mosaic Balance Sheet and Pro Forma Combined Balance Sheet. The AGL Consolidated Balance Sheet has been extracted from the AGL Appendix 4E for the year ended 30 June 2010 which has been audited by the Investigating Accountants. The Mosaic Balance Sheet has been extracted from the full financial statements contained in Mosaic's financial report for the year ended 30 June 2010. The financial report was audited by A.D. Danieli Audit Pty Ltd and can be downloaded from www.mosaicoil.com.au.

The Pro forma Combined Balance Sheet has been prepared using the same accounting policies as disclosed in the AGL Appendix 4E for the year ended 30 June 2010, a copy of which can be downloaded from www.agl.com.au. The Pro Forma Acquisition Adjustments were prepared by AGL management based on the terms of the Proposal and are based on the expectation that the cost of the acquisition will be funded by cash reserves rather than by the issuance of New AGL Shares.

Table A: Pro forma Balance Sheets as at 30 June 2010
Pro Forma Combined Balance Sheet as at 30 June 2010

	AGL consolidated \$ million	Mosaic \$ million	Pro forma acquisition adjustments \$ million	Notes	Pro forma combined \$ million
Current assets					
Cash and cash equivalents	480.4	18.2	(133.1)	i	365.5
Trade and other receivables	1,234.5	16.7	–		1,251.2
Inventories	94.2	3.2	–		97.4
Other financial assets	225.3	–	–		225.3
Other assets	174.1	–	–		174.1
	2,208.5	38.1	(133.1)		2,113.5
Non-current assets classified as held for sale	–	–	–		–
Total current assets	2,208.5	38.1	(133.1)		2,113.5
Non-current assets					
Trade and other receivables	0.6	0.7	–		1.3
Investments accounted for using the equity method	200.8	–	–		200.8
Exploration and evaluation assets	607.5	13.7	–		621.2
Oil and gas assets	333.4	55.2	–		388.6
Property, plant and equipment	2,056.2	8.8	–		2,065.0
Intangible assets	3,149.0	–	28.4	ii	3,177.4
Other financial assets	106.5	–	–		106.5
Other assets	28.4	–	–		28.4
Total non-current assets	6,482.4	78.4	28.4		6,589.2
Total assets	8,690.9	116.5	(104.7)		8,702.7
Current liabilities					
Trade and other payables	859.6	4.9	–		864.5
Provisions	47.8	0.8	–		48.6
Current tax liabilities	42.5	–	–		42.5
Other financial liabilities	582.0	–	–		582.0
Other liabilities	0.6	0.1	–		0.7
Total current liabilities	1,532.5	5.8	–		1,538.3
Non-current liabilities					
Trade and other payables	–	–	–		–
Borrowings	900.8	0.2	–		901.0
Provisions	183.4	5.5	–		188.9
Deferred tax liabilities	165.6	–	–		165.6
Other financial liabilities	42.1	–	–		42.1
Other liabilities	66.6	0.3	–		66.9
Total non-current liabilities	1,358.5	6.0	–		1,364.5
Total liabilities	2,891.0	11.8	–		2,902.8
Net assets	5,799.9	104.7	(104.7)		5,799.9
Equity					
Issued capital	4,066.7	108.5	(108.5)	iii	4,066.7
Reserves	(159.4)	0.1	(0.1)	iv	(159.4)
Retained earnings	1,892.6	(3.9)	3.9	v	1,892.6
Total equity	5,799.9	104.7	(104.7)		5,799.9

Notes:

- i Reflects the acquisition of Mosaic for consideration of \$133.1 million and the funding of this acquisition from existing AGL cash reserves.
- ii Represents the recognition of intangible assets of \$28.4 million.
- iii Represents the elimination of Mosaic's issued capital balance of \$108.5 million.
- iv Represents the elimination of Mosaic's reserve balance of \$0.1 million.
- v Represents the elimination of Mosaic's pre-acquisition accumulated losses of \$3.9 million.

(d) Description of Pro Forma Acquisition Adjustments

The Pro Forma Acquisition Adjustments made to the AGL Consolidated Balance Sheet as at 30 June 2010 in preparation of the Pro Forma Combined Balance Sheet, are summarised below:

The Scheme Consideration

Holders of Fully Paid Mosaic Shares as at the Record Date will receive either:

- **Cash Consideration:** \$0.15 in cash (less any Mosaic dividends and distributions declared or determined between 14 July 2010 and the Implementation Date) for each Fully Paid Mosaic Share held; or
- **Scrip Consideration:** 1.01 New AGL Shares for every 100 Fully Paid Mosaic Shares held (to be adjusted for any Mosaic dividends and distributions declared or determined between 14 July 2010 and the Implementation Date).

Holders of Mosaic Ordinary Contributing Shares as at the Record Date will receive either:

- **Cash Consideration:** \$0.15 in cash (less any Mosaic dividends and distributions declared between 14 July 2010 and the Implementation Date) minus the unpaid amount on that share, provided that if this results in no amount or a negative amount payable, the Cash Consideration for that share is \$0.001; or
- **Scrip Consideration:** a certain number of New AGL Shares (to be adjusted for any Mosaic dividends and distributions declared between 14 July 2010 and the Implementation Date) for every Mosaic Ordinary Contributing Share determined in accordance with the formula set out in Section 3.1(b).

For the purpose of the Pro Forma Combined Balance Sheet, it has been assumed that all Scheme Participants will receive the Cash Consideration, the Taipan Farmin Scrip is issued prior to the Record Date, that all Mosaic Ordinary Contributing Shares are paid up in full, and that all Mosaic Employee Options are exercised to qualify as Fully Paid Mosaic Shares. The consideration of \$133.1 million is comprised of:

	\$ million
Fully Paid Mosaic Shares of 821,710,775 ¹ at \$0.15 per share	123.257
Taipan Scrip Consideration Shares of 45,000,000 ¹ at \$0.15 per share	6.750
Mosaic Ordinary Contributing Shares of 19,235,000 ¹ at \$0.15 per share	2.885 ²
Mosaic Employee Options of 1,707,818 ¹ at \$0.15 per share	0.256
	133.148

Notes:

- 1 Per Section 5.5 of this Scheme Booklet.
- 2 This amount assumes that all Mosaic Ordinary Contributing Shares have been paid up in full prior to the Record Date, so that the Cash Consideration payable would be \$0.15 per Mosaic Share. On the basis of the amounts that have been paid up on the Mosaic Ordinary Contributing Shares as at the date of this Scheme Booklet, the amount payable for the Mosaic Ordinary Contributing Shares would be approximately \$188,785 (calculated on the basis of the formula set out in Section 3.1(b)) and therefore the Cash Consideration payable under the Scheme would be approximately \$130 million.

Pro Forma Acquisition Accounting

The acquisition of Mosaic is for an initial purchase consideration of \$133.1 million. The assumed acquisition and consolidation of the Mosaic Historical Balance Sheet increases AGL's intangible assets by \$28.4 million.

The actual nature and quantum of identifiable intangible assets and residual goodwill to be recognised in AGL's financial statements will be determined with reference to the fair value of all assets, liabilities and contingent liabilities acquired at the date of transaction completion. A formal analysis of the fair value of the net assets acquired will be performed post transaction completion, and will assess the value of all assets, liabilities and contingent liabilities acquired. Any adjustment to these fair values will likely have an equal and opposite impact on any goodwill recorded on the acquisition of Mosaic. Accordingly, any such adjustments will likely have no impact on the aggregate net assets of AGL but could have an impact on any potential amortisation charges in future financial periods and such amortisation charges will reduce future reported earnings.

7.4 Financial forecasts

AGL has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information. AGL Directors have concluded that, as at the date of this Scheme Booklet, it would be misleading to provide forecast financial information, as a reasonable basis does not exist for providing financial forecasts that would be sufficiently meaningful and reliable as required by applicable law, policy and market practice.

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RISKS

8

8.1 Introduction

If the Scheme is implemented, certain Mosaic Shareholders who validly Elect to receive the Scrip Consideration will receive New AGL Shares as Scheme Consideration.¹ The value of the Scrip Consideration which Mosaic Shareholders receive under the Scheme will be dependent on the future performance of AGL Shares following implementation of the Proposal.

The financial performance and operations of AGL's business, the value of the New AGL Shares and the amount and timing of any future dividends paid on AGL Shares will be influenced by a range of factors including those that:

- are common to both Mosaic and AGL's businesses;
- relate to the Scheme; and
- are specific to an investment in AGL.

Mosaic Shareholders should be aware that the risks described in this Section 8 may affect the performance of AGL and the value of New AGL Shares. However, many of the risks specific to an investment in AGL described below already apply to Mosaic's existing business and will continue to be relevant to the Combined Group. There are also general risks associated with any investment in securities.

The risk factors described in this Section 8 outline some of the key, but not all, risks associated with an investment in AGL and the New AGL Shares. The outline of risks in this Section 8 is a summary only and should not be considered exhaustive. Mosaic Shareholders should carefully consider the following risks as well as the other information contained in this Scheme Booklet before deciding how to vote on the Scheme. This Section 8 does not take into account the investment objectives, financial situation, taxation position or particular needs of Mosaic Shareholders.

8.2 Risks specific to the Scheme

(a) Issue of New AGL Shares

Certain Scheme Participants who validly Elect to receive the Scrip Consideration will receive New AGL Shares as Scheme Consideration.¹ Some New AGL Shareholders may not wish to retain their shareholding and may sell the New AGL Shares on the market soon after receiving them.

(b) Fluctuation in value of Scrip Consideration

The price of the New AGL Shares will be subject to upwards and downwards fluctuations, which may be a result of different factors, including general economic conditions, the operating performance of the Combined Group's assets and market expectations. If such market expectations are not met, the price of the New AGL Shares may be adversely impacted.

8.3 Risks specific to an investment in AGL

The future operating performance of the Combined Group and the value of the investment in the Combined Group may also be affected by specific risks relating to AGL's business. These risks are both specific to AGL and also relate to the general industry and economic climate. Where practicable, AGL will implement risk mitigation strategies to minimise the exposure to or mitigate some of the risks outlined, although there can be no assurance that such arrangements will protect AGL fully from such risks.

(a) Key company specific risks relevant to AGL

(i) Risks specific to the Retail Energy business

Retail competition
The majority of AGL's retail activities are in fully contestable markets, where customers are able to choose from a number of retailers. The resultant level of customer churn, where customers switch between retailers, may be affected by the marketing activities of other retailers as well as AGL. This may have an adverse impact on earnings as a result of customers transferring from AGL to other retailers, and/or the discount that may be offered by AGL to retain existing customers and win new customers.

Weather

The level of gas and electricity usage is sensitive to weather patterns, particularly in some of the residential and small commercial markets in which AGL operates. Unseasonally warm winters and cool summers tend to reduce gas sales and electricity sales respectively which may have an adverse impact on earnings. While the converse weather patterns tend to increase retail sales, the wholesale cost of delivering energy during these peak times may also increase, tempering any positive impact on earnings.

Regulatory matters

The price of gas and electricity sold to some residential and small commercial and industrial customers is set by regulation. Earnings may be adversely affected where any future regulated prices are not reflective of the costs and risks of purchasing and supplying energy to customers.

Economic, social, environmental and industry conditions

Levels of energy usage may be adversely affected by a number of economic, social, environmental and specific industry conditions outside AGL's control. Levels of energy usage may also be affected by future technological developments allowing customers to better manage their energy needs, or by customers reducing energy consumption in response to high energy prices. A general economic downturn may reduce the business activity and energy usage of some customers. Industrial customers may be sensitive to factors specific to their own industry, some of which may lead to a reduction in their energy consumption.

Note:

¹ Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders are encouraged to read Section 3.3 for details of the consideration they will receive.

(ii) Risks specific to AGL's Wholesale Electricity business

Operations

AGL relies on electricity generated from power generation assets it owns or controls to manage the wholesale cost of electricity. There is a risk that some of these assets may not be available for use when required due to machinery break down or other unplanned outages. Some of these factors may be outside AGL's control and may lead to a requirement for unplanned capital expenditure or unexpected wholesale electricity purchases.

Rainfall and water levels

The level and timing of operation of AGL's hydro generation assets will be affected by the quantity of water upstream of the power station. Severe and long term drought will reduce the ability of the hydro assets to operate when required by AGL, and as a result may have an adverse impact on wholesale electricity costs and/or earnings from the sale of generated electricity.

Carbon Pricing

AGL relies on contracts with third party electricity generators to manage the wholesale cost of electricity. Many of these generators are coal fired, so will have high levels of carbon emissions. The introduction of a carbon tax or an emissions trading scheme is likely to materially increase the costs of operating coal fired electricity generators, which is likely to result in an increase in the wholesale cost of electricity. AGL will be exposed to the extent it is unable to pass on the higher costs to its customers. The risks to AGL will be mitigated to the extent it receives additional earnings from its renewable energy generation assets, without the additional cost of a carbon tax or emissions trading scheme.

Wholesale electricity pricing

Wholesale electricity prices can vary significantly between half hour pricing intervals, and are influenced by many independent factors, including weather, customer behaviour, competitive behaviour of retailers and generators, availability of supply, actions of the market operator, and interpretation of the market rules by the market operator as well as by changes in market rules. Variations in wholesale market prices may affect the profitability of AGL's retail customer portfolio and generation assets.

Renewable Energy Certificate Pricing

As a retailer of electricity, AGL has obligations to fulfil under the Renewable Energy Target (RET) scheme, which from 1 January 2011 will become two schemes, the Large-scale Renewable Energy Target Scheme and the Small-scale Renewable Energy Scheme. AGL has been pursuing the development of renewable energy projects in order to fulfil some of its current and future obligations under the RET scheme. The price of a Renewable Energy Certificate (REC) in the market is expected to fluctuate with changes to the supply and demand of RECs in the electricity market. Variations in the market prices of RECs may affect the profitability of AGL's retail business and the investment returns on the renewable energy project being developed by AGL.

(iii) Risks specific to AGL's Wholesale Gas business

Wholesale gas pricing

Long term gas supply arrangements have price reset clauses which provide the opportunity for price reviews at regular intervals over the term of the contracts. AGL's profit margins may be affected to the extent it is unable to pass on to customers the effect of increases in contract gas costs.

Production

The investments in the Moranbah Gas Project, Spring Gully, Innamincka (Cooper) joint venture, ATP529P exploration joint venture, Gloucester Basin and Sydney Basin oil and gas interests expose AGL to technical risks typical of the upstream petroleum industry. These risks include geological, reserves and production uncertainty, operational integrity of surface processing, storage and pipeline infrastructure, and timely execution of future development plans. These risks have been assessed and will be the subject of ongoing review by independent experts.

Gas supply

There is a risk that natural gas supplies may be interrupted unexpectedly due to problems at the gas fields or processing plants, or at the pipelines connecting the gas fields to AGL's markets. These events are infrequent and their possible severity is mitigated by AGL's access to alternative supplies from other gas fields, short term supplies held in pipelines (either the affected pipeline or other pipelines) and demand side responses from large customers with whom contractual arrangements are in place.

(b) Other company specific risks relevant to AGL

(i) Counterparties and contracts

AGL's financial performance is partially dependent on counterparties to energy purchase and fuel supply contracts satisfying their contractual obligations. There is a risk that AGL's counterparties may be unable to meet their financial obligations, resulting in reduced cash flows.

(ii) Control

AGL has a number of investments in which it does not have a controlling interest. While AGL has a level of influence on decision making as a result of its equity holding, it will not exercise full control of those investments. This is especially the case with Loy Yang Power, Moranbah Gas Project, Innamincka (Cooper) joint venture, ATP529P exploration joint venture, Spring Gully, Torrens Energy, CSM Energy and ActewAGL.

(iii) Information technology

AGL is reliant on the continued operation of computer systems and network infrastructure for critical functions, including billing, legislative compliance and financial reporting. Business interruption that results in the unavailability of these systems or network infrastructure may reduce AGL's ability to operate effectively and could have an adverse effect on financial performance.

(iv) Development projects

AGL's current development projects, such as those identified in Section 6.2, face risks with timing and cost which depend on commercial circumstances existing at the relevant time. Sufficient detailed work has not been completed to forecast accurately the cost and commercial benefit of developing these projects. Accordingly, there is no certainty that these projects will reach completion.

(c) Financing related risks relevant to AGL

On implementation of the Proposal, AGL will have debt of approximately \$901 million. It is also expected that additional debt facilities will be put in place to fund identified development and growth opportunities. AGL will be subject to a number of risk factors in relation to debt financing, which are summarised below.

(i) Refinancing

Tranches of debt will need to be refinanced on various maturity dates. AGL may incur increased costs if changes in debt market liquidity lead to increases in borrowing margins at or before the time AGL is refinancing its debt tranches.

(ii) Interest rates

Much of AGL's debt bears interest at floating rates exposing AGL to adverse movements in market interest rates. This risk is managed mainly by using interest rate swap contracts or other hedging instruments.

(iii) Credit ratings

A future downgrade in AGL's credit rating may reduce AGL's capacity to access some sources of debt funding and result in higher interest costs. A downgrade may also affect AGL's capacity to undertake certain energy trading activities.

Ratings are statements of opinion, not statements of fact or recommendations to buy, hold or sell any securities. Ratings may be changed, withdrawn or suspended at any time.

(iv) Financing terms and covenants

AGL's financing arrangements contain terms and conditions customarily found in financing arrangements for companies with equivalent long term credit ratings. AGL is obliged to comply with various covenants which include financial undertakings relating to leverage and interest coverage. If AGL's performance is materially below expectations, there is a risk that it will not comply with its borrowing covenants.

(d) General risks relevant to AGL**(i) Litigation and legal matters**

Litigation risks include, but are not limited to, claims by gas and electricity users, native title claims, tenure disputes, environmental and occupational health and safety claims, industrial disputes and third party losses resulting from distribution network disruptions. Legal actions, or the cost of defence of such actions, could adversely affect AGL's value or future financial performance.

AGL is not currently a party to any litigation the outcome of which is likely to have a material adverse effect on its business or financial position.

(ii) Changes in law and government regulation

AGL is required to comply with a number of regulatory obligations, predominantly of an operational nature, covering matters such as billings, disconnections and call centre performance. There is a risk that AGL may fail to comply with its regulatory obligations which, in extreme circumstances, could lead to the imposition of fines and penalties or the loss of operating licences. In addition, there is a risk that a government or government agency may repeal, amend or enact a new law or regulation, or issue a new interpretation of a law or regulation, which may adversely affect AGL.

(iii) Force majeure

AGL's operations are exposed to unplanned interruptions caused by catastrophic events, such as cyclone, earthquake, landslide, flood, fire, terrorist attack or other disaster. These events are outside the control of management and known as force majeure events. Whilst many of these events (but not all) are covered under insurance policies, the cost or loss may exceed the amount reimbursable under those policies. The cost of any excess may have an impact on earnings in the short term.

(iv) Occupational health and safety

Under relevant legislation, AGL has responsibility for health and safety issues affecting its employees, contractors and the public. Breach of those obligations could expose AGL to financial penalties.

(e) Regulatory and tax risks relevant to AGL

AGL's businesses and earnings could be affected by legal, regulatory, fiscal or other policies adopted by the various regulatory authorities. The nature and impact of future changes in such policies are not predictable and will be beyond AGL's control. Changes in regulations or regulatory policy could adversely affect one or more of AGL's businesses and could require the incurring of substantial costs to comply.

Any significant change in taxation law (including stamp duty and GST) could have an adverse effect on AGL's financial results. The proposed extension of the Petroleum Resource Rent Tax to on-shore gas operations and the proposed introduction of a Minerals Resource Rent Tax to coal production operations are not expected to have a material effect on AGL's earnings or on the value of AGL's assets.

8.4 Risks to Mosaic Shareholders if the Scheme does not proceed

Mosaic Shareholders should be aware that if the Scheme does not proceed, Mosaic Shareholders may be exposed to the following risks.

(a) Transaction costs

Mosaic has incurred certain transaction costs in connection with the entry into the Scheme Implementation Deed and the preparation of this Scheme Booklet and will incur further costs in connection with the Meetings. Mosaic will be responsible for these costs regardless of whether the Proposal is implemented or not. If the Proposal is not implemented Mosaic expects these costs to be \$2.4 million.

While not a cost of the transaction itself, as a consequence of the Mosaic Board's recommendation of the Scheme, Mosaic's obligation to pay its former Managing Director his special allowance in accordance with his 2008 Services Agreement was accelerated. Mosaic has made the payment in accordance with that agreement. See Section 12.11 for further information.

If the Proposal is not implemented, Mosaic has put in place certain employee retention arrangements. Amounts payable under the employee retention arrangements are set out in Sections 7.2(e) and 12.9. Mosaic expects these payments to be in the range of \$750,000 and \$900,000.

Mosaic will have sufficient cash reserves to meet these payments (particularly in light of the recent sale of its Kimu interest) such that these costs will not materially adversely affect Mosaic's business. The cash balance remaining after paying these costs is adequate to fund Mosaic's exploration and development plans. These costs will reduce Mosaic's statutory profit.

(b) Break fee

Depending on the reasons for the Scheme not proceeding, Mosaic may also be liable to pay a break fee of \$1.3 million to AGL. Further information in relation to the circumstances in which the break fee is payable are set out in Section 10.4.

(c) Price of Fully Paid Mosaic Shares may fall

If the Scheme is not implemented, the Mosaic Board believes that it is possible that the share price of Fully Paid Mosaic Shares may trade at a price that is less than the value of the Scheme Consideration, as it did prior to the day on which the Scheme was announced.

IMPLEMENTATION OF THE SCHEME

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9.1 Steps in implementing the Scheme

The Scheme involves AGL acquiring all of the Mosaic Shares on issue by way of a scheme of arrangement. If the Scheme is implemented, Mosaic will become a wholly owned subsidiary of AGL.

The key steps to implement the Scheme are set out below:

- (a) AGL and Mosaic have executed the Scheme Implementation Deed under which Mosaic has agreed to propose the Scheme. A summary of the key terms of the Scheme Implementation Deed is set out in Section 10 and a copy of the Scheme Implementation Deed (excluding annexures) is included in Annexure A.
- (b) AGL has executed the Deed Poll in favour of Mosaic Shareholders under which AGL undertakes to pay to each Scheme Participant the Scheme Consideration in accordance with the terms of the Scheme. A copy of the Deed Poll is included at Annexure C.
- (c) The Court has ordered that Mosaic convene the Scheme Meeting to be held at the Justice and Police Museum, corner Albert and Phillip Streets, Circular Quay, Sydney at 10.00am (Sydney time) on Thursday, 7 October 2010, where Mosaic Shareholders will be asked to vote on the Scheme.
- (d) On 7 October 2010, Mosaic Shareholders will be asked at the Scheme Meeting to consider and, if thought fit, to pass a resolution approving the Scheme. Following the Scheme Meeting, Mosaic Shareholders will be asked at the Extraordinary General Meeting to consider and, if thought fit, to pass the Employee Share Scheme Amendment Resolution.
- (e) If the Scheme is approved by the requisite majorities at the Scheme Meeting and the other Scheme Conditions (other than Court approval of the Scheme) have either been satisfied or waived, as applicable, then Mosaic will apply to the Court for orders approving the Scheme.
If the Scheme Conditions referred to in Sections 9.4 and 10.2 are not satisfied or waived, as applicable, including if the Scheme is not approved by the requisite majorities or approved by the Court, the Scheme will not become Effective and the Scheme will not be implemented.
- (f) It is expected that the Court hearing to approve the Scheme will be held on or around Monday, 11 October 2010.
Each Mosaic Shareholder has the right to appear at Court at the hearing of the application by Mosaic for orders approving the Scheme. The Court has an overriding discretion whether or not to approve the Scheme, even if the Scheme is approved by the requisite majorities at the Scheme Meeting.
- (g) If Court orders approving the Scheme are made, Mosaic will lodge with ASIC an office copy of the Court orders approving the Scheme under section 411(10) of the Corporations Act upon which the Scheme will become Effective. It is expected that this will occur on Monday, 11 October 2010. Upon the Scheme becoming Effective:
 - (i) AGL and Mosaic will be bound to implement the Scheme in accordance with the terms of the Scheme Implementation Deed, the Scheme and the Deed Poll; and
 - (ii) Mosaic Shareholders will be bound by, and have the benefit under, the Scheme.
- (h) Trading in Fully Paid Mosaic Shares will be suspended from close of trading on the Effective Date.
- (i) The determination of the Scheme Participants (those Mosaic Shareholders that can participate in the Scheme) will occur on the Record Date (7.00pm (Sydney time) on Monday, 18 October 2010);
- (j) On the Implementation Date, which is expected to be 20 October 2010:
 - (i) AGL will pay in immediately available funds the Cash Consideration to Mosaic to hold in a trust account for the benefit of Mosaic Shareholders;
 - (ii) all the Mosaic Shares will be transferred to AGL without any further action by any Mosaic Shareholder;
 - (iii) Mosaic will enter the name of AGL into the Share Register in respect of the Mosaic Shares;
 - (iv) AGL will issue New AGL Shares as Scrip Consideration to Mosaic Shareholders (other than Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders) who have validly Elected to receive the Scrip Consideration. In the case of Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders who have validly Elected to receive the Scrip Consideration, their New AGL Shares will be issued to the Sale Agent. See Section 3.3 for further information;
 - (v) holding statements detailing holdings of New AGL Shares are expected to be sent and will in any event be despatched within five Business Days after the Implementation Date; and
 - (vi) Mosaic will:
 - (A) despatch or procure the despatch of the Cash Consideration to each participating Mosaic Shareholder (other than those who Elected the Scrip Consideration) by cheque in Australian currency to the address for each Mosaic Shareholder as recorded in the Share Register at the Record Date; or

- (B) deposit the Cash Consideration to the bank account notified by the Mosaic Shareholder at the Record Date.

Upon completion of the steps set out above, AGL will hold all of the Mosaic Shares.

9.2 Enforcement of Deed Poll

AGL has entered into the Deed Poll under which AGL undertakes to pay to each Scheme Participant the Scheme Consideration in accordance with the terms of the Scheme. The Deed Poll is governed by the laws of New South Wales and set out in full in Annexure C.

If the Scheme becomes Effective:

- (a) Mosaic Shareholders will be deemed to have authorised Mosaic to do and execute all acts, matters, things and documents on the part of each Mosaic Shareholder necessary to implement the Scheme, including (without limitation) executing, as agent and attorney of each Mosaic Shareholder, a share transfer or transfers in relation to their Mosaic Shares; and
- (b) Mosaic undertakes in favour of each Mosaic Shareholder to enforce the Deed Poll against AGL on behalf of and as agent and attorney for the Mosaic Shareholders.

9.3 Deferred Settlement Trading

Deferred settlement trading of New AGL Shares is expected to commence at the start of trading on Tuesday, 12 October 2010, the first Trading Day after the Effective Date, with trading on a normal settlement basis expected to commence on Thursday, 21 October 2010, the first Trading Day after the Implementation Date.

New AGL Shareholders who sell their New AGL Shares before receipt of the holding statements to confirm their uncertificated holdings do so at their own risk. It is the responsibility of each New AGL Shareholder to confirm their holding before trading in New AGL Shares to avoid the risk of selling shares they do not own. Holding statements for New AGL Shares are expected to be despatched on the Implementation Date.

To the extent permitted by law, Mosaic, AGL and their respective share registries disclaim all liability, whether in negligence or otherwise, to persons who sell their New AGL Shares before receiving their holding statement, whether on the basis of a confirmation of allocation provided by Mosaic, AGL and their respective share registries, a broker or otherwise.

9.4 Scheme Conditions

The Scheme is conditional upon the Scheme Conditions and will not become Effective unless each of them is satisfied or, where applicable, waived. The Scheme Conditions are set out in Section 10.2.

9.5 Status of Scheme Conditions

As at the date of this Scheme Booklet, Mosaic and AGL are not aware of any circumstances that would cause the outstanding Scheme Conditions not to be satisfied or waived.

9.6 Termination

Either AGL or Mosaic may terminate the Scheme Implementation Deed by written notice to the other in certain circumstances set out fully in Section 10.5.

9.7 End Date

Even if the Scheme is approved by Mosaic Shareholders at the Scheme Meeting, the Scheme may still not be implemented if all of the Scheme Conditions referred to in Section 10.2 are not satisfied or waived. Furthermore, the Scheme will be of no force or effect if it has not become Effective before 30 November 2010.

9.8 Determination of Mosaic Shareholders

(a) Class of Shareholders affected by the Scheme

The class of members affected by the Scheme are all holders of Mosaic Shares as at 7.00pm on the Record Date. The effect of the Scheme on Mosaic Shareholders is that each Mosaic Shareholder at 7.00pm on the Record Date will cease to be a holder of, or have any interest in, Mosaic Shares in return for receiving the Scheme Consideration, and dealings in Mosaic Shares will not be permitted after the Effective Date although the process to register dealings that took place on or before the Effective Date will continue until 7.00pm on the Record Date.

(b) Dealings on or before the Record Date

To determine who qualifies as Mosaic Shareholders, dealings in Mosaic Shares will only be recognised:

- (i) in the case of dealings of the type to be effected using CHESS, if the transferee is registered in the Share Register as the holder of the relevant Mosaic Shares on or before the Record Date; and
- (ii) in all other cases, if the registrable transmission applications or transfers in respect of those dealings are received on or before the Record Date at the place where the Share Register is kept.

(c) Registration of transfers

Mosaic must register registrable transmission applications or transfers by the Record Date.

(d) No registration after the Record Date

Mosaic will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Mosaic Shares received after the Record Date.

(e) Maintenance of the Share Register

For the purpose of determining entitlements to the Scheme Consideration, Mosaic must maintain the Share Register in accordance with the provisions of this Section 9.8 until the Scheme Consideration has been paid to the Mosaic Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.

IMPLEMENTATION OF THE SCHEME

(f) Dealings after the Record Date

All statements of holding for Mosaic Shares (other than holdings by any member of the AGL Group) will cease to have effect from the Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Share Register will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Mosaic Shares relating to that entry.

9.9 Warranty by Scheme Participants

The Scheme Participants are taken to have warranted to Mosaic and AGL that all their Mosaic Shares which are transferred under the Scheme will, at the date of transfer, be fully paid (except for the Mosaic Ordinary Contributing Shares) and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind and that they have full power and capacity to sell and transfer their Mosaic Shares to AGL (subject to the removal of the transfer restrictions pursuant to the Employee Share Scheme Amendment Resolution). These warranties are provided by Scheme Participants even if the Scheme Participant did not vote at all or voted against the Scheme.

9.10 Appointment of AGL as proxy

Upon the Scheme becoming Effective, and until Mosaic registers AGL as the holder of all Mosaic Shares in the Share Register, each Scheme Participant:

- is deemed to have appointed AGL as that Scheme Participant's attorney and agent (and directed AGL in such capacity) to appoint an officer or agent nominated by AGL as its sole proxy and, where applicable, corporate representative to attend shareholders' meetings, exercise the votes attached to the Scheme Shares registered in their name and sign any shareholders' resolutions, whether in person, by proxy or by corporate representative; and
- must take all other actions in the capacity of a registered holder of Mosaic Shares as AGL reasonably directs.

KEY TERMS OF SCHEME IMPLEMENTATION DEED

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10.1 Overview

Mosaic and AGL entered into the Scheme Implementation Deed on 14 July 2010. The Scheme Implementation Deed sets out each party's rights and obligations in connection with the implementation of the Scheme. This section outlines certain key terms of the Scheme Implementation Deed.

A full copy of the Scheme Implementation Deed (excluding annexures) is included in Annexure A.

10.2 Scheme Conditions

The Scheme can only be implemented if the Scheme Conditions are satisfied or waived.

The Scheme Conditions are:

- (a) before 8.00am on the Second Court Date, ASX indicates that it will provide approval for the official quotation of the New AGL Shares to be issued pursuant to the Scheme, subject to any conditions that ASX may reasonably require, including customary pre-quotation conditions and conditions relating to the Scheme becoming Effective;
- (b) Mosaic Shareholders (other than Excluded Shareholders) must:
 - (i) approve the Scheme by the requisite majorities under section 411(4)(a)(ii) of the Corporations Act at the Scheme Meeting (other than Excluded Shareholders) ordered by the Court to be convened under section 411(1); and
 - (ii) approve the Employee Share Scheme Amendment Resolution at the Extraordinary General Meeting of Mosaic Shareholders to be held immediately following the Scheme Meeting;
- (c) no judgment, order, decree, statute, law, ordinance, rule or regulation or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition entered, enacted, promulgated, enforced or issued by any court or any Government Agency of competent jurisdiction is in effect at 8.00am on the Second Court Date that prohibits, materially restricts, makes illegal or restrains the completion of the Scheme;
- (d) the Court must approve the Scheme in accordance with section 411(4)(b) of the Corporations Act;
- (e) no Mosaic Material Adverse Change is announced, or is otherwise discovered by AGL (whether or not it becomes public), between 14 July 2010 and 8.00am on the Second Court Date;
- (f) no Mosaic Prescribed Occurrence occurs between 14 July 2010 and 8.00am on the Second Court Date;

- (g) each Mosaic Representation and Warranty (as that term is defined in the Scheme Implementation Deed) is materially true and correct at 8.00am on the Second Court Date (or if only given on an earlier date, at that date);
- (h) each AGL Representation and Warranty (as that term is defined in the Scheme Implementation Deed) is materially true and correct at 8.00am on the Second Court Date;
- (i) the Independent Expert provides the Independent Expert's Report to Mosaic, stating that in its opinion, the Scheme is in the best interests of Mosaic Shareholders and the Independent Expert does not change its opinion or withdraw the Independent Expert's Report by notice in writing to Mosaic prior to 8.00am on the Second Court Date;
- (j) no AGL Material Adverse Change is announced, or is otherwise discovered by Mosaic (whether or not it becomes public), between 14 July 2010 and 8.00am on the Second Court Date; and
- (k) no AGL Prescribed Occurrence occurs between 14 July 2010 and 8.00am on the Second Court Date.

10.3 Exclusivity provisions

Mosaic has agreed to certain exclusivity restrictions that restrict it from encouraging, or engaging with, the proponent of a Competing Proposal during the Exclusivity Period.

(a) Termination of existing discussions

At the commencement of the Exclusivity Period, Mosaic must cease any existing negotiations or discussions in respect of any Competing Proposal.

(b) No shop

Mosaic must ensure that neither it nor any of its officers, employees, related bodies corporate or advisors directly or indirectly solicit, encourage or initiate any Competing Proposal.

(c) Obligation to notify AGL

Mosaic must promptly notify AGL:

- if it is approached, directly or indirectly, by any third party to enter into or participate in negotiations or discussions with any third party in relation to, or that may reasonably be expected to lead to a Competing Proposal;
- if it proposes to enter into such negotiations or discussions; and
- if it proposes to enter into any agreement or understanding in relation to a Competing Proposal.

These notices must include all material terms of the Competing Proposal.

10.4 Payment of costs (break fee)

A break fee of \$1,300,000 will be payable by Mosaic to AGL if at any time prior to the End Date:

- (a) a Competing Proposal of any kind is announced; or
- (b) a third party, who at the date of the Scheme Implementation Deed does not have voting power of 10% or more in Mosaic, comes to have such voting power, and, within six months after that occurring, the third party or an associate of that third party:
- (c) completes in all material respects a transaction of the kind referred to in paragraph (a), (c) or (d) of the definition of Competing Proposal; or
- (d) without limiting the above, has a relevant interest in at least 35% of Mosaic Shares.

10.5 Termination of the Scheme Implementation Deed

(a) General rights

Either AGL or Mosaic may terminate the Scheme Implementation Deed by written notice to the other:

- at any time before 8.00am on the Second Court Date, if the other has materially breached any provision of the Scheme Implementation Deed, such breach not being remedied within 10 Business Days of notice having been provided by the non-breaching party;
- the non-fulfilment of a condition to the Scheme; or
- if a majority of the Mosaic Board has changed, withdrawn or modified their recommendation.

(b) Termination rights between the Effective Date and the Implementation Date

AGL may terminate the Scheme Implementation Deed at any time after 8.00am (Sydney time) on the Second Court Date and prior to the Implementation Date if:

- Mosaic is in material breach of any provision of the Scheme Implementation Deed;
- a Mosaic Material Adverse Change is announced, or is otherwise discovered by AGL;
- a Mosaic Prescribed Occurrence occurs; or
- a relevant Mosaic Representation and Warranty (as that term is defined in the Scheme Implementation Deed) is not true and correct.

Mosaic may terminate the Scheme Implementation Deed at any time after 8.00am (Sydney time) on the Second Court Date and prior to the Implementation Date if:

- AGL is in material breach of any provision of the Scheme Implementation Deed (including any relevant AGL Representation and Warranty (as that term is defined in the Scheme Implementation Deed)); or
- AGL suffers an Insolvency Event.

10.6 Representations and warranties

Each of Mosaic and AGL has given representations and warranties to the other that are considered to be normal for an agreement of this kind.

KEY TERMS OF SCHEME IMPLEMENTATION DEED

TAXATION CONSIDERATIONS

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The following is a general description of the Australian income tax consequences for Mosaic Shareholders if the Scheme is implemented. Shareholders will need to consult their own tax advisors regarding the consequences of acquiring, holding or disposing of their Mosaic Shares in light of their particular investment circumstances.

Deloitte Touche Tohmatsu Ltd, a registered tax agent, has provided this tax guide. Deloitte Touche Tohmatsu Ltd is not licensed under Chapter 7 of the Corporations Act 2001 (Cth) to provide financial product advice. Taxation issues, such as those covered by this tax guide, are only one of the matters that Mosaic Shareholders need to consider when making a decision about a financial product. Shareholders in Mosaic should consider taking advice from the holder of an Australian Financial Services Licence before making a decision in relation to the Scheme Resolution.

In providing the tax guide, Deloitte Touche Tohmatsu Ltd has relied on factual statements contained in the Scheme Booklet. Mosaic has indemnified Deloitte Touche Tohmatsu Ltd against any claim, loss, expense, cost or damage arising from their reliance on this information or any omission of material information.

11.1 Introduction

The following is a general description of the Australian income tax consequences for Mosaic Shareholders if the Scheme is implemented. The comments set out below only address the Australian income tax consequences for Mosaic Shares which are held on capital account.

The summary does not address the Australian income tax consequences for other Mosaic Shareholders, such as those engaged in a business of trading or investment, those who acquired their shares for the purpose of resale at a profit or those which are banks, insurance companies, tax exempt organisations, superannuation funds or persons who acquired their Mosaic Shares in respect of their employment at Mosaic (or an associated company), who may be subject to special or different tax consequences peculiar to their circumstances. This summary also does not address the Australian income tax consequences for holders of Mosaic Employee Options.

Shareholders who are not resident in Australia for tax purposes should also take into account the tax consequences of the Scheme, under the laws of their country of residence, as well as under Australian law.

The following descriptions are based upon the laws as in effect at the date of this Scheme Booklet, including the Income Tax Assessment Act 1936, the Income Tax Assessment Act 1997 and the regulations made under those Acts (collectively the **Tax Law**), but are not intended to be an authoritative or complete statement of the laws applicable to the particular circumstances of every Mosaic Shareholder. Mosaic Shareholders should seek independent professional advice about their own particular circumstances.

11.2 The Scheme

All Mosaic Shareholders are entitled to participate in the Scheme for the acquisition of Mosaic Shares by AGL.

Mosaic Shareholders will receive Cash Consideration for their Mosaic Shares, unless, by submitting a valid Scrip Election Form, a Mosaic Shareholder Elects to receive New AGL Shares in consideration for their Mosaic Shares.

The Australian income tax consequences in the event that either Cash Consideration is received or New AGL Shares are received is summarised below.

11.3 Capital gains tax – cash consideration

(a) Australian resident shareholders

Where Mosaic Shareholders do not elect to receive New AGL Shares, the transfer by Mosaic Shareholders of their Mosaic Shares to AGL will constitute a capital gains tax (**CGT**) event for the purpose of the Australian CGT provisions.

Australian resident shareholders will realise a capital gain if the capital proceeds received for their Mosaic Shares are greater than the cost base of their Mosaic Shares. Conversely, where the capital proceeds received for their Mosaic Shares is less than the reduced cost base of their Mosaic Shares, a capital loss will be realised.

The capital proceeds from the sale of each Mosaic Share should be \$0.15 per fully paid share.

Broadly, the cost base or reduced cost base of each Mosaic Share will include the consideration originally paid to acquire the Mosaic Shares and certain incidental costs associated with the acquisition and disposal of those shares.

All capital gains and capital losses realised in an income year (arising from the CGT event addressed above and other CGT events occurring during the income year) are aggregated with any carry forward losses from prior years to determine whether a net capital gain is included in assessable income in the income year.

Net capital losses which are not offset against capital gains realised during an income year may not be deducted against other income for income tax purposes, but may be carried forward and offset against capital gains in future years.

If a Mosaic Shareholder acquired a Mosaic Share at least 12 months prior to the CGT event occurring, any potential capital gain may qualify for the CGT discount available to certain classes of taxpayers under the Tax Law. Broadly, in the case of an individual or a trust (other than a complying superannuation entity), a 50% discount may be applied against the capital gain. For a complying superannuation entity or certain assets of a life insurance company, the discount rate is 33⅓%. Companies do not qualify for these CGT discount provisions.

(b) Non-resident shareholders

Shareholders who are non-residents of Australia for income tax purposes (and do not have a permanent establishment in Australia) may be subject to Australian CGT on the disposal of their Mosaic Shares if the shareholder, either alone or together with associates, hold a direct interest of 10% or more of the Mosaic Shares at either the time they dispose of their Mosaic Shares, or throughout a 12 month period that began no earlier than 24 months before that time. Mosaic has informed Deloitte Touche Tohmatsu Ltd that at the date of this Scheme Booklet Mosaic is not aware of any non-resident Mosaic Shareholder (either alone or together with associates) holding 10% or more of the Mosaic Shares. Accordingly, no Australian tax consequences should arise for non-resident Mosaic Shareholders who do not hold their Mosaic Shares through a permanent establishment in Australia.

(c) Non-resident shareholders with a permanent establishment in Australia

Non-resident shareholders that hold their Mosaic Shares through a permanent establishment in Australia will be subject to Australian CGT on the disposal of their Mosaic Shares in the same way as Australian residents. This is the case, whether or not these non-resident Shareholders hold more than or less than 10% of the Mosaic Shares.

11.4 Capital gains tax – election to receive New AGL Shares

Where Mosaic Shareholders are subject to Australian CGT (see previous headings for Australian and non-resident shareholders described above) the transfer by Mosaic Shareholders of their Mosaic Shares to AGL will constitute a CGT event for the purpose of the Australian CGT provisions which, subject to the scrip for scrip rollover relief, will result in a capital gain or loss for the Mosaic Shareholders. For the purposes of calculating the capital gain or loss on the disposal of the Mosaic Shares, the CGT proceeds from the transfer of the Mosaic Shares should be the market value of the New AGL Shares which the shareholders receive.

(a) Scrip for scrip rollover relief chosen

(i) Availability

Mosaic Shareholders who are subject to Australian CGT on disposal of their Mosaic Shares will be eligible for the scrip for scrip rollover relief where the Mosaic Shareholder meets the following conditions:

- The Mosaic Shares are held on capital account and apart from the roll-over, the Mosaic Shareholder would make a capital gain from a CGT event happening
- The Mosaic Shareholder chooses to obtain the roll-over

(ii) Choosing the scrip for scrip rollover relief

The scrip for scrip rollover relief is optional, and the choice for it to apply must be made before the time at which the income tax return is lodged for the 2011 income year.

The scrip for scrip rollover is effectively chosen by simply excluding the relevant capital, gain in respect of which the rollover relief is chosen, from the shareholder's income tax return. While no formal documentation is required to be lodged, it is prudent to keep a record of the choice.

(iii) Effect of the rollover

Where a choice for the rollover relief to apply is made, the capital gain which would otherwise be realised is disregarded for income tax purposes.

The first element of the cost base of the New AGL Shares received under the Scheme will be equal to the cost base of the Mosaic Shareholder's Mosaic Shares which are reasonably attributable to the New AGL Shares. The first element of the reduced cost base is calculated in a similar manner.

Where rollover relief is chosen, on subsequent disposal of the New AGL Shares, Australian CGT would apply though a CGT discount may be available.

For the purposes of determining whether the CGT discount is available on subsequent disposal of the New AGL Shares, Mosaic Shareholders will be taken to have acquired the New AGL Shares at the time at which they originally acquired their Mosaic Shares.

(iv) Class Ruling

Mosaic intends to apply for a Class Ruling from the Australian Taxation Office to confirm the availability of the scrip for scrip rollover relief where a Mosaic Shareholder has made a valid election to receive New AGL Shares in exchange for their Mosaic Shares.

(b) Scrip for scrip rollover relief not chosen or not available

(i) Capital gain/loss

If the CGT scrip for scrip rollover is either not chosen or otherwise not available, any capital gain or loss which arises from the disposal of the Mosaic Shares will not be deferred, but will immediately crystallise. The date of disposal of those shares will be during the 2011 income year.

In this situation, as described above, individuals, complying superannuation entities or trustees that have held their Mosaic Shares for at least 12 months prior to the CGT event occurring should be entitled to a CGT discount.

Any capital loss that arises as a result of participating in the scheme may be used to offset other capital gains derived in the same or subsequent income years.

(ii) Cost base of New AGL Shares

The first element of the cost base of the New AGL Shares will be equal to the market value (at the date of exchange) of the Mosaic Shares exchanged which is reasonably attributable to the New AGL Shares. The first element of the reduced cost base is calculated in a similar manner.

The date of acquisition of the New AGL Shares will be during the 2011 income year.

(c) Partial rollover

To the extent that cash is received as a result of rounding, a capital gain or loss should arise for the Mosaic Shareholder in respect of those Mosaic Shares subject to the rounding, as if the shares had been sold for cash.

11.5 Goods and services tax (GST)

No GST is payable on the transfer of Mosaic Shares under the Scheme.

11.6 Australian Stamp Duty

The transfer of Mosaic Shares to AGL should have no stamp duty implications for the Mosaic Shareholders. Further, any issue of New AGL Shares to Mosaic Shareholders as Scrip Consideration should have no stamp duty implications for Mosaic Shareholders.

MOSAIC
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INFORMATION

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12.1 Mosaic Securities

As at 3 September 2010 (the last practicable Trading Day before this Scheme Booklet was lodged for registration with ASIC), the following securities were on issue.

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Security	Number on Issue
Fully Paid Mosaic Shares	821,710,775
Fully Paid Mosaic Shares to be issued as consideration for the Taipan acquisition	45,000,000
Mosaic Ordinary Contributing Shares	19,235,000
Mosaic Employee Options	1,707,818

Each holder of Mosaic Employee Options has entered into a cancellation deed in favour of Mosaic pursuant to which all their options will be cancelled with effect on or shortly after the Implementation Date. Each holder of Mosaic Employee Options will receive as consideration for the cancellation of the options an amount equal to either the intrinsic value or the Black Scholes value of those options.

12.2 Details regarding Mosaic Shareholders

The following table represents the distribution of Mosaic Shareholders owning Fully Paid Mosaic Shares as at 3 September 2010.

Range	Total Mosaic Shareholders	Total Fully Paid Mosaic Shares	% of total Mosaic Shares
1–1,000	237	92,929	0.011
1,001–5,000	1,240	4,182,528	0.509
5,001–10,000	1,311	10,892,356	1.326
10,001–100,000	3,865	144,963,435	17.642
100,001+	895	661,579,527	80.512
Total	7,548	821,710,775	100

As at 3 September Mosaic is aware of the following substantial shareholders in Mosaic:

- Pan Australian Nominees Pty Limited, holding 77,764,634 Fully Paid Mosaic Shares, or a voting power of 9.46%; and
- Centaurus Capital Limited, holding 73,709,604 Fully Paid Mosaic Shares, or a voting power of 8.97%;

12.3 Dealings in Shares

To enable the Scheme to be implemented, Mosaic will apply to ASX for suspension as from the close of trading on the Effective Date. Fully Paid Mosaic Shares will not be able to be traded beyond the close of trading on the Effective Date. For the purposes of implementation of the Scheme, Mosaic will, between the Effective Date and the Record Date, determine who the Mosaic Shareholders are as at the Record Date, being those entitled to the Scheme Consideration.

Any dealing in Mosaic Shares received by the Share Registry before the Record Date will be recognised, but no dealing in Mosaic Shares (whenever effected) will be recognised if received by the Share Registry after the Record Date.

12.4 Removal from the official list

Following the implementation of the Scheme (if approved), AGL will procure that Mosaic applies to ASX and PoMSOX (respectively) for removal of Mosaic securities from the official list of ASX and PoMSOX.

12.5 Constitutional restrictions

Mosaic's Constitution contains no restrictions on the right to transfer Fully Paid Mosaic Shares. The terms of the Mosaic Employee Share Scheme restricts the right to transfer the Mosaic Ordinary Contributing Shares. The Employee Share Scheme Amendment Resolution, if passed, will remove this restriction.

On 30 June 2010, pursuant to the Mosaic Employee Share Ownership Plan Rules 2010 (**Mosaic ESOP**) (and as disclosed through the ASX Announcements Platform in Mosaic's Appendix 3B dated 30 June 2010), Mosaic issued 12,196 Fully Paid Mosaic Shares (then worth approximately \$1,000 based on an issue price of \$0.0802 per share, being the 30 day volume weighted average price of Fully Paid Mosaic Shares), to each of 30 Mosaic members of staff (totalling 365,850 Fully Paid Mosaic Shares). The Mosaic ESOP was established to enable Mosaic employees who have completed 12 months service with Mosaic to participate as shareholders in the future growth of Mosaic, at no expense to them. In accordance with the Mosaic ESOP, those 365,850 Fully Paid Mosaic Shares were issued with transfer restrictions ending on the earlier of: three years from their acquisition by the relevant employee; and the relevant employee ceasing to be employed by the Mosaic Group. The Mosaic Board has resolved to amend the Mosaic ESOP to remove the restrictions on transfer to enable those 365,850 Fully Paid Mosaic Shares to be transferred to AGL under the Scheme, if the Scheme becomes Effective.

12.6 Interests of Directors in Mosaic Shares

The table below sets out the interests of Mosaic Directors in Mosaic Shares as at 3 September 2010.

Director's name	Fully Paid Mosaic Shares	Mosaic Ordinary Contributing Shares
David Herlihy	700,000	1,000,000
Andrew Rigg	500,000	1,000,000
Peter Barrow	200,000	Nil
Peter Reid	Nil	Nil

The effect of the Scheme on the interests of Mosaic Directors listed above is the same as its effect on the like interests of other Mosaic Shareholders.

12.7 Voting Intentions of Directors

Each of the Directors who directly or indirectly holds Mosaic Shares intends to vote (or procure the voting of) their Mosaic Shares and Mosaic Shares which they control in favour of the Scheme.

The Mosaic Board are precluded from voting their own Mosaic Shares on the Employee Share Scheme Amendment Resolution.

12.8 Interests of Directors in AGL Shares

Except as set out below no Marketable Securities of AGL are held by or on behalf of any Director.

Andrew Rigg indirectly holds 1821 AGL Shares through the Andy Rigg Superannuation Fund.

12.9 Staff retention benefits

Mosaic has put in place, with AGL's consent, an employee retention scheme under which certain employees will receive payments if they continue their employment with Mosaic up until a certain date following implementation of the Proposal and if the proposed timetable for implementation of the Proposal is met. Those payments are conditional on the Proposal being implemented. Mosaic has put in place these arrangements as it considers the business interests of Mosaic and relevant employees will be better aligned to promote the success of the Mosaic's business objectives. The arrangements also address the increased work load associated with the preparation for the Scheme and its implementation, together with business integration activities that would follow the implementation of the Scheme.

A total of up to 33 Mosaic employees (excluding the Chief Executive Officer, the Chief Financial Officer and the Chief Commercial Officer) are participating in the employee retention scheme broadly summarised as follows:

Department	Number of employees	Value of benefit
Corporate and Finance Department	Up to 5	3 to 6 months salary
Production Department	Up to 6	3 to 6 months salary
Exploration Department	Up to 8	3 to 6 months salary
Field staff	Up to 14	3 months salary
Total	Up to 33	\$1.2–\$1.3 million

The employee retention scheme also provides that, in the event that the Scheme is not implemented, the Mosaic Board will revive the grant of options to employees, in line with those approved in June 2010, and the employees will be entitled to a retention payment payable in July 2011, equivalent to 2 months salary to each eligible Mosaic staff member, subject to those employees remaining employed by Mosaic on the date of payment.

12.10 Payments or other benefits to Directors

Mosaic pays insurance premiums for the benefit of Directors and officers' in relation to any liability they may incur in discharging their duties to Mosaic and (subject to the Scheme being implemented) will pay insurance premiums for such insurance coverage for Mosaic Directors and officers, for a period of seven years from the Implementation Date. Except as set out in Section 7.2 or elsewhere in this Scheme Booklet, it is proposed that no payment or other benefit be made or given to any director, secretary or executive officer of Mosaic or of any related body corporate as compensation for loss of, or as consideration for or in connection with their retirement from, office as a director, secretary or executive officer of Mosaic or of a related body corporate, as the case may be, as a result of the Scheme.

Directors will be paid directors' fees to which they are entitled in the ordinary course, for the period from 1 July 2010 until the implementation of the Scheme.

12.11 Payment made to former Managing Director

As a consequence of the Mosaic Board's recommendation of the Scheme, the special allowance payable to the former Managing Director, Mr Lan Nguyen, under his 2008 Service Agreement, was accelerated to become fully payable within 30 days of receipt of a notice requesting payment. Mosaic was liable to make the payment regardless of the success or failure of the Scheme. Mosaic received a notice from Mr Nguyen

requesting payment and accordingly the special allowance amount of \$2,056,255 was due and payable to Mr Nguyen (less applicable taxes), being a net payment to Mr Nguyen of \$1,126,546.53 under his Service Agreement. Mosaic has made a payment to Mr Nguyen of this amount (less applicable taxes) in accordance with Mr Nguyen's Service Agreement. .

12.12 Arrangements with Directors

There are no other agreements or arrangements made between a Mosaic Director and another person in connection with, or conditional on, the outcome of the Scheme, other than the interests set out elsewhere in this Scheme Booklet.

Under the Scheme Implementation Deed, each of the Mosaic Directors are released by AGL against all claims in connection with any breach of any representation, covenant and warranty of Mosaic under the Scheme Implementation Deed or any disclosure made by that Mosaic Director that contains any statement which is false or misleading whether in content or by omission except to the extent the Mosaic Director has not acted in good faith or has engaged in wilful misconduct.

12.13 Directors' interests in arrangements with AGL

No Director has any interest in any contract entered into by AGL or any of its related bodies corporate, other than the interests set out elsewhere in this Scheme Booklet.

12.14 Directors' interests in the Scheme

No Director has any interest in the Scheme, other than the interests set out elsewhere in this Scheme Booklet.

12.15 Mosaic Employee Share Scheme

Employees who currently hold Mosaic Ordinary Contributing Shares under the Mosaic Employee Share Scheme can vote on and participate in the Scheme for the Mosaic Shares that they hold under the Mosaic Employee Share Scheme. It is not necessary for employees to request a waiver of restrictions on transfer or other amendment to the terms of the Mosaic Employee Share Scheme to enable them to do so.

On a poll, holders of Mosaic Ordinary Contributing Shares have a fraction of a vote equivalent to the proportion which the amount paid (excluding any amount paid, or credited as paid, in advance of a call) bears to the total issue price of each Mosaic Ordinary Contributing Share held by them.

No further issues of Mosaic Shares are planned under the Mosaic Employee Share Scheme between the date of this Scheme Booklet and the Record Date for the Scheme.

12.16 Material change in financial circumstances

To the knowledge of the Mosaic Board, and except as disclosed elsewhere in this Scheme Booklet, the financial position of Mosaic has not materially changed since 30 June 2010 other than as disclosed to ASX as part of Mosaic's continuous disclosure regime. Further information on Mosaic's ASX announcements is contained in Annexure F.

12.17 Mosaic Employee Options

Each holder of Mosaic Employee Options has entered into a cancellation deed in favour of Mosaic pursuant to which all their options will be cancelled with effect on or shortly after the Implementation Date. Each holder of Mosaic Employee Options will receive as consideration for the cancellation of the options an amount equal to either the intrinsic value or the Black Scholes value of those options. The aggregate amount payable in respect of the cancellation of the options is \$80,579.63.

Mosaic has obtained a waiver of Listing Rule 6.23.2 to the extent necessary to allow the Mosaic Employee Options to be cancelled without shareholder approval under the Listing Rules.

On or shortly after the Implementation Date:

- Mosaic will, and is irrevocably and unconditionally directed by each holder of Mosaic Employee Options to, cancel all of those options and release each holder of Mosaic Employee Options from all rights to which they are entitled as a holder of such options; and
- Mosaic will send each holder of Mosaic Employee Options a cheque (or procure that a cheque be sent) or make an electronic funds transfer to the holder's nominated bank account for the amount payable on the Implementation Date.

12.18 Effect of Scheme on creditors

Mosaic has paid and is paying all its creditors within normal terms of trade. It is solvent and is trading in an ordinary commercial manner.

The implementation of the Scheme will not materially prejudice Mosaic's ability to pay its creditors as and when debts owed to those creditors fall due.

12.19 Material Mosaic Litigation

Legal proceedings arise from time to time in the course of the business of Mosaic. As at the date of this Scheme Booklet there are no current proceedings that would have a material adverse effect on the business or financial position of Mosaic.

12.20 No unacceptable circumstances

The Directors do not consider that the Scheme involves any circumstances in relation to the affairs of Mosaic that could reasonably be characterised as constituting "unacceptable circumstances" for the purposes of section 657A of the Corporations Act.

**GENERAL
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13.1 Administrative relief

Other than as set out in this Scheme Booklet, as at the date of this Scheme Booklet, it is not anticipated that any ASIC consents or approvals are necessary to implement the Scheme.

(a) ASX

Mosaic has received from ASX a waiver of Listing Rule 6.23.2 to permit the cancellation of the Mosaic Employee Options for consideration as discussed in this Scheme Booklet) without obtaining the approval of Mosaic Shareholders. The waiver is conditional upon the Scheme being approved by Mosaic Shareholders and the Court.

(b) ASIC

Paragraph 8302(h) of Part 3 of Schedule 8 of the Corporations Regulations requires this Scheme Booklet to set out whether, within the knowledge of the Mosaic Board, the financial position of Mosaic has materially changed since the date of the last balance sheet laid before the company in general meeting or sent to Mosaic Shareholders in accordance with section 314 or 317 of the Corporations Act and, if so, full particulars of the change.

Pursuant to sub-regulation 5.1.01 (1) of the Corporations Regulations, ASIC has granted Mosaic relief from complying with Regulation 8302(h) of Part 3 of Schedule 8 of the Corporations Regulations on the basis that:

- Mosaic complies with Division 1 of Part 2M.3 of the Corporations Act in respect of the financial year ended 30 June 2010;
- Mosaic has lodged all relevant documents in accordance with the Corporations Act for the financial year ended 30 June 2010 on or before the date on which the Scheme Booklet is despatched to Mosaic Shareholders;
- the Scheme Booklet states that Mosaic will give a copy of the financial report free of charge to anyone who asks for them before the Scheme is approved by order of the Court;
- Mosaic discloses all material changes to its financial position occurring after 30 June 2010 in the Scheme Booklet; and
- the Scheme Booklet sent to Mosaic Shareholders is substantially in the form given to ASIC on 18 August 2010.

13.2 Consents

Consent to be named

The following parties have given and have not, before the time of registration of this Scheme Booklet by ASIC, withdrawn their written consent to be named in this Scheme Booklet in the form and context in which they are named:

- (a) UBS AG, Australia Branch as financial advisor to Mosaic;
- (b) Chang, Pistilli & Simmons as legal advisor to Mosaic;
- (c) A D Danieli Audit Pty Ltd as auditor of Mosaic;
- (d) PricewaterhouseCoopers Securities Ltd as Independent Expert and to the inclusion of the Independent Expert's Report set out in Annexure D;
- (e) Resource Investments Strategy Consultants as Independent Technical Expert;
- (f) Registries Limited as the Share Registry;
- (g) Deloitte Touche Tohmatsu Ltd as author of the tax guide in Section 11; and
- (h) Deloitte Touche Tohmatsu as Investigating Accountant.

Consent to inclusion of statements

The following parties have given and have not, before the time of registration of this Scheme Booklet with ASIC, withdrawn their consent to the inclusion of statements made by them:

- (a) AGL in respect of the AGL Information only;
- (b) PricewaterhouseCoopers Securities Ltd in relation to the Independent Expert's Report;
- (c) Resource Investments Strategy Consultants in relation to statements contained within the Independent Expert's Report;
- (d) Deloitte Touche Tohmatsu Ltd in relation to the statements contained within Section 11; and
- (e) Deloitte Touche Tohmatsu in relation to the Investigating Accountants' Report.

13.3 Fees and Interests of Advisors

Each of the persons named in section 13.2 above (except AGL) as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet will be entitled to receive professional fees charged in accordance with their normal basis of charging. If the Proposal is implemented it is estimated that the fees for Mosaic's professional advisors will be approximately \$2.9 million. Note that this amount does not include the Investigating Accountants' fee as the Investigating Accountants are AGL's advisors.

From time to time, related bodies corporate of UBS may have Relevant Interests in the Marketable Securities of AGL by virtue of their funds management and proprietary trading operations.

13.4 Disclaimers

No person referred to in Section 13.2 makes, or purports to make, any statement in this Scheme Booklet other than those statements made in the capacity and to the extent the person has provided its consent, as referred to above.

This Scheme Booklet is issued by Mosaic. To the maximum extent permitted by law, each person referred to in Section 13.2 expressly disclaims and takes no responsibility for any part of this Scheme Booklet other than as described in this Section with that person's consent.

13.5 Intentions of the Mosaic Board

If the Scheme is implemented, it is a matter for the AGL board to determine its intentions as to:

- (a) the continuation of the business of Mosaic;
- (b) any major changes to be made to the business of Mosaic, including any redeployment of the fixed assets of Mosaic; and
- (c) the future employment of the present employees of Mosaic.

The current intentions of AGL in relation to these matters are set out in section 7 above.

If the Scheme is not implemented, the Mosaic Board intends to continue the business of Mosaic in accordance with its stated strategy. In this event, the Mosaic Board does not presently intend to make any major changes to the business of Mosaic, whether in respect of the redeployment of its fixed assets or the future employment of the present employees of Mosaic or otherwise.

13.6 Copy of the register

Under section 173 of the Corporations Act, any Mosaic Shareholder has a right to inspect and to ask for a copy of the Share Register of Mosaic, which contains details of the name and address of each Mosaic Shareholder and other details regarding the terms of the Mosaic Shares. Mosaic is obliged to make a copy of the Share Register will be made available to any Shareholder upon payment of the prescribed fee (if applicable) under the Corporations Act.

13.7 Supplementary information

If, between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date, Mosaic or AGL become aware that:

- (a) a material statement in this Scheme Booklet is false or misleading;
- (b) there is a material omission from this Scheme Booklet;
- (c) a significant change affecting a matter included in this Scheme Booklet has occurred; or
- (d) a significant new matter has arisen which would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC,

then Mosaic will prepare a supplementary document to this Scheme Booklet. The form which any supplementary document may take will depend on the nature and timing of the new or changed circumstances.

13.8 Other material information

Other than as disclosed in this Scheme Booklet, there is no information material to the making of a decision in relation to the Scheme (being information that is within the knowledge of any Director or a Related Body Corporate) that has not previously been disclosed to Mosaic Shareholders.

GLOSSARY

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The following is a glossary of certain terms used in this Scheme Booklet:

\$ or A\$	Australian dollars
AGL	AGL Energy Limited (ABN 74 115 061 375)
AGL Board	the board of directors of AGL
AGL Group	AGL and each of its subsidiaries
AGL Information	the information contained in the Section entitled 'Overview of AGL', Sections 6, 7, and 8.3 of this Scheme Booklet prepared and provided by AGL and/or its advisors
AGL Material Adverse Change	<p>one or more changes, events, occurrences or matters occurs which (whether individually or when aggregated with all such changes, events, occurrences or matters of a like kind) has had or is reasonably likely to have a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of AGL, taken as a whole, other than a change, event, occurrence or matter:</p> <ul style="list-style-type: none"> (a) resulting from changes in general economic, regulatory or political conditions or resulting from the securities, credit or financial markets in general; (b) resulting from changes in generally accepted accounting principles or the interpretation of them; (c) required to be undertaken or procured by AGL pursuant to the Scheme Implementation Deed or the Scheme; or (d) known to Mosaic prior to the date of the Scheme Implementation Deed
AGL Prescribed Occurrence	<p>the occurrence of any of the events described in section 652C of the Corporations Act in relation to AGL, other than any of the following occurring after the date of the Scheme Implementation Deed:</p> <ul style="list-style-type: none"> (a) anything required to be undertaken or procured by the AGL Group pursuant to the Scheme Implementation Deed and the Scheme; (b) any change in the capital of any wholly owned subsidiary of AGL where after the change the entity remains a wholly owned subsidiary of AGL; (c) any issue or agreement to issue any securities (including any shares, options or convertible notes) which is not material in the context of the capital of AGL (including, without limitation, the issue of securities under any employee or executive incentive plan or any shares in AGL upon exercise of employee or executive options); (d) any disposal or agreement to dispose of business or property unless that disposal or agreement to dispose is material in the context of the AGL Group taken as a whole; or (e) any charging or agreement to charge any business or property
AGL Share	an ordinary share in the capital of AGL
AIFRS	Australian Equivalents to International Financial Reporting Standards
Annexure	an annexure to and forming part of this Scheme Booklet
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange which it operates (as the context requires)
ASX Listing Rules or Listing Rules	the official listing rules of ASX, as amended or replaced from time to time
Board or Mosaic Board	the board of Directors of Mosaic
Business Day	a day that is not a Saturday, Sunday or public holiday in Sydney, Australia

Cash Consideration	<p>(a) for each Mosaic Share which, at the Record Date, is a Fully Paid Mosaic Share – \$0.15 in cash (provided that in the event that Mosaic declares or determines to pay or provide any dividend or distribution after the date of the Scheme Implementation Deed and prior to the Implementation Date, that amount will be reduced by the value of that dividend or distribution (as determined by AGL, acting reasonably, in the case of a non-cash dividend or distribution)); and</p> <p>(b) for each Mosaic Share which, at the Record Date, is a Mosaic Ordinary Contributing Share – \$0.15 in cash (provided that in the event that Mosaic declares or determines to pay or provide any dividend or distribution after the date of the Scheme Implementation Deed and prior to the Implementation Date, that amount will be reduced by the value of that dividend or distribution (as determined by AGL, acting reasonably, in the case of a non-cash dividend or distribution)), minus the unpaid amount (if any) on that partly paid share as at the Record Date, provided that if this results in no amount or a negative amount payable, the consideration offered for that partly paid share is \$0.001</p>
CGT	capital gains tax
Combined Group	the AGL Group following implementation of the Scheme (when the Mosaic Group will be part of the AGL Group)
Competing Proposal	<p>any proposed transaction or arrangement (including any takeover bid, scheme of arrangement, share or asset sale, capital reduction or buy back, joint venture or dual listed company structure) under which a third party will or may, subject to satisfaction of conditions:</p> <p>(a) acquire control (as defined in section 50AA of the Corporations Act) of Mosaic;</p> <p>(b) become a substantial holder (as defined in section 9 of the Corporations Act) in Mosaic;</p> <p>(c) acquire (whether directly or indirectly) or become the holder of, or otherwise acquire, have a right to acquire or have an economic interest in all or a substantial part of the assets or business of Mosaic and its subsidiaries (which, for the avoidance of doubt, includes the Mosaic Silver Springs underground gas storage project and assets);</p> <p>(d) otherwise acquire or merge with Mosaic; or</p> <p>(e) enter into any agreement or understanding requiring Mosaic to abandon, or otherwise fail to proceed with, the Scheme</p>
Corporations Act	Corporations Act 2001 (Cth)
Corporations Regulations	Corporations Regulations 2001 (Cth)
Court	Federal Court of Australia, New South Wales registry
CS Energy	CS Energy Limited ACN 078 848 745
Deed Poll	the document executed by AGL set out in Annexure C
Directors	the directors of the Board of Mosaic as at the date of this Scheme Booklet
EBITDA	earnings before interest, tax, depreciation and amortisation of goodwill
Effective	when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under sections 411(4)(b) and 411(6)
Effective Date	the date upon which the Scheme becomes Effective
EFT	electronic funds transfer
Elect or Election	the decision by a Mosaic Shareholder as to the Scrip Consideration they wish to receive in respect of all of their Mosaic Shares on the terms set out in clause 5 of the Scheme, such decision to be made under the pink Scrip Election Form
Elgas	Elgas Limited ACN 002 749 260
Employee Share Scheme Amendment Resolution	a special resolution to approve for all purposes the amendment by the Mosaic Board of the terms of the Mosaic Employee Share Scheme to remove, subject to the Scheme becoming Effective and with effect from the Record Date, the restriction on transfer of Mosaic Ordinary Contributing Shares under that share scheme

Enterprise Value	a method of calculating the value of Mosaics business, as set out in more detail in Annexure D
Excluded Shareholder	any Mosaic Shareholder who is a member of the AGL Group
Exclusivity Period	the period commencing 4 August 2010 until the earlier of the termination of the Scheme Implementation Deed or 30 November 2010
Extraordinary General Meeting	the extraordinary general meeting of Mosaic Shareholders to consider and, if thought fit, to approve the Employee Share Scheme Amendment Resolution, and the notice for which is set out in Annexure H
Finance Debt	indebtedness (whether actual or contingent) in respect of money borrowed or raised or other financial accommodation. It includes indebtedness under or in respect of: <ul style="list-style-type: none"> (a) a guarantee of Finance Debt or a guarantee given to a financier; (b) a finance lease; (c) a swap, option, hedge, forward, futures or similar transaction; (d) an acceptance, endorsement or discounting arrangement; (e) a redeemable share or redeemable stock; or (f) the deferred purchase price (for more than 90 days) of an asset or service, or an obligation to deliver assets or services paid for in advance by a financier or otherwise relating to a financing transaction
Fully Paid Mosaic Share	a fully paid ordinary share in the capital of Mosaic
FY	financial year
Goldman Sachs	Goldman Sachs & Partners Australia Pty Limited ACN 006 797 897
GST	has the same meaning as in A New Tax System (Goods and Services Tax) Act 1999 (Cth)
Implementation Date	the day, which is two Business Days after the Record Date or such other date agreed to in writing between AGL and Mosaic
Independent Expert	PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617), who has been engaged by Mosaic to opine on whether the Scheme is in the best interests of Shareholders
Independent Expert's Report	the report prepared by the Independent Expert and set out in Annexure D
Ineligible Foreign Shareholder	a Mosaic Shareholder whose address shown in the Share Register at the Record Date is a place outside of Australia and its external territories or New Zealand unless AGL determines that it is lawful and not unduly onerous or impracticable to issue that Scheme Participant with New AGL Shares
Insolvency Event	the meaning given to that term in the Scheme Implementation Deed
Investigating Accountant	Deloitte Touche Tohmatsu
Investigating Accountant's Report	the report prepared by the Investigating Accountants, a copy of which is set out in Annexure E
Marketable Securities	has the meaning given to it in the Corporations Act
Meetings	the Scheme Meeting and the Extraordinary General Meeting
Mosaic	Mosaic Oil N.L. (ABN 56 003 329 084)
Mosaic Employee Incentive Plan	the plan of that name established in respect of Mosaic Employee Options
Mosaic Employee Options	options to subscribe for fully paid ordinary shares in Mosaic, issued under the Mosaic Employee Incentive Plan
Mosaic Employee Share Scheme	the Mosaic employee share scheme established in 1992, as amended at the Mosaic general meeting that was held on 28 November 2001
Mosaic Group	Mosaic and each of its subsidiaries

Mosaic Material Adverse Change	<p>one or more changes, events, occurrences or matters occurs which (whether individually or when aggregated with all such changes, events, occurrences or matters of a like kind) has had or is reasonably likely to have:</p> <ul style="list-style-type: none"> (a) a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the Mosaic Group, taken as a whole; or (b) (without limitation to paragraph (a)) the effect of a diminution in the: <ul style="list-style-type: none"> (i) consolidated net assets of the Mosaic Group (calculated on the basis of AIFRS), taken as a whole, of at least \$5,000,000; or (ii) consolidated earnings before interest and tax (calculated on the basis of AIFRS but adjusted for any non-cash items (provided that such non-cash items are incorporated in the balance sheet test under paragraph (i)), in any financial year of Mosaic after the one ended 30 June 2009, taken as a whole, of at least \$1,000,000, <p>other than a change, event, occurrence or matter:</p> <ul style="list-style-type: none"> (c) resulting from changes in general economic, regulatory or political conditions or resulting from the hydrocarbon, securities, credit or financial markets in general; (d) resulting from changes in generally accepted accounting principles or the interpretation of them; (e) required to be undertaken or procured by the Mosaic Group pursuant to the Scheme Implementation Deed or the Scheme; or (f) fairly disclosed by Mosaic to AGL in writing prior to the date of the Scheme Implementation Deed in the Disclosure Letter (as that term is defined in the Scheme Implementation Deed)
Mosaic Ordinary Contributing Shares	partly paid ordinary shares in Mosaic issued under the Mosaic Employee Share Scheme
Mosaic Prescribed Occurrence	<ul style="list-style-type: none"> (a) Mosaic converting all or any of its shares into a larger or smaller number of shares. (b) Any member of the Mosaic Group (other than a direct or indirect wholly-owned subsidiary of Mosaic) resolving to reduce its share capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares. (c) Any member of the Mosaic Group (other than a direct or indirect wholly-owned subsidiary of Mosaic): <ul style="list-style-type: none"> (i) entering into a buy back agreement; (ii) resolving to approve the terms of a buy-back agreement under the Corporations Act. (d) Any member of the Mosaic Group (other than a direct or indirect wholly-owned subsidiary of Mosaic) declaring, paying or distributing any dividend, bonus or other share of its profits or assets or agreeing to return any capital to its members; (e) Except for the issue of the Taipan Farmin Scrip, any member of the Mosaic Group issuing securities or incurring obligations (including any contingent obligation) to issue or have transferred to any person securities in or of it or any other member of the Mosaic Group, other than to Mosaic or a direct or indirect wholly-owned subsidiary of Mosaic; (f) A member of the Mosaic Group: <ul style="list-style-type: none"> (i) acquiring or disposing of; (ii) agreeing to acquire or dispose of; (iii) offering, proposing, announcing a bid or tendering for, any business, assets, entity or undertaking, the value of which exceeds \$500,000. (g) A member of the Mosaic Group entering into any agreement or understanding restraining any member of the Mosaic Group from competing with any person or conducting activities in any market.

Mosaic Prescribed Occurrence**continued**

- (h) A member of the Mosaic Group creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over the whole, or substantially all of its business or property otherwise than:
 - (i) in the ordinary course of business; or
 - (ii) a lien which arises by operation of law securing an obligation that is not yet due.
- (i) A member of the Mosaic Group:
 - (i) entering into any agreement or understanding ((including in respect of Finance Debt) requiring payments, the incurring of expenditure or the foregoing of revenue by members of the Mosaic Group in excess of \$250,000 or involving a commitment of greater than 12 months;
 - (ii) agreeing to any variation to the terms of any agreement or understanding (including any variation made pursuant to a right or obligation in an agreement to vary or renegotiate terms of that agreement) which is material to the business operations or financing arrangements of the Mosaic Group;
 - (iii) incurring or agreeing or committing to incur any individual capital expenditure item which is in excess of \$250,000;
 - (iv) waiving any third party default where the financial impact of the Mosaic Group will be in excess of \$100,000;
 - (v) accepting as a compromise of a matter less than the full compensation due to a member of the Mosaic Group where the result of the compromise is that the member will receive an amount which is in excess of \$100,000 less than the amount of full compensation; or
 - (vi) entering into any gas storage agreement with any third party.
- (j) A member of the Mosaic Group providing financial accommodation other than to members of the Mosaic Group (irrespective of what form of Finance Debt that accommodation takes) in excess of \$100,000.
- (k) A member of the Mosaic Group entering into any agreement with respect to derivative instruments (including swaps, future contracts, forward commitments, commodity or currency derivatives or options) or similar instruments.
- (l) A member of the Mosaic Group suffering an insolvency event.
- (m) A member of the Mosaic Group entering into a transaction with any related party of Mosaic as defined in section 228 of the Corporation Act.
- (n) A member of the Mosaic Group, other than in the ordinary course of business:
 - (i) materially increasing the remuneration of, or paying any bonuses or issuing any securities to;
 - (ii) accelerating any rights to benefits of any kind of;
 - (iii) paying or agreeing to pay a termination payout (including a 'golden parachute') to; or
 - (iv) materially amending any employment, consulting, board appointment, indemnification, severance or similar arrangement of or with, any of its officers or employees.

New AGL Share	an ordinary share in the capital of AGL to be issued as fully paid to Scheme Participants under the Scheme
New AGL Shareholder	a holder of New AGL Shares
PoMSOX	Port Moresby Stock Exchange
Proposal	the proposal to implement the acquisition by AGL of Mosaic by way of the Scheme and the Employee Share Scheme Amendment Resolution
REC	a Renewable Energy Certificate, created pursuant to the Renewable Energy (Electricity) Act 2000 (Cth)
Record Date	7.00pm (Sydney time) on the date that is five Business Days after the Effective Date or any other date agreed with ASX to be the record date to determine entitlements to receive the consideration pursuant to the Scheme

Sale Agent	Goldman Sachs & Partners Australia Pty Limited or any replacement nominee appointed by AGL with the approval of Mosaic, such consent not to be unreasonably withheld
Santos	Santos (BOL) Pty Limited ACN 000 670 575
Scheme Booklet	this document, including the Annexures to it
Scheme Conditions	the conditions of the Scheme as set out in Section 10.2, as provided for in clause 3.1 of the Scheme Implementation Deed
Scheme Consideration	the Cash Consideration or the Scrip Consideration
Scheme Implementation Deed	the deed entitled 'Scheme Implementation Deed' dated 14 July 2010 between Mosaic and AGL (as amended by an Amendment Deed dated 18 August 2010), a copy of which (excluding annexures) is set out in Annexure A
Scheme Meeting	meeting of Shareholders ordered by the Court under section 411(1) of the Corporations Act, to be convened for the purposes of the Scheme and the notice for which is set out in Annexure G
Scheme of Arrangement or Scheme	the proposed scheme of arrangement between Mosaic and Shareholders, as set out in Annexure B and described in this Scheme Booklet, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by Mosaic and AGL
Scheme Participants	the holders of Mosaic Shares as at the Record Date
Scrip Consideration	<p>(a) for each Mosaic Share which, at the Record Date, is a Fully Paid Mosaic Share – 0.0101 New AGL Shares for every one Mosaic Share (provided that in the event that Mosaic declares or determines to pay or provide any dividend or distribution after the date of the Scheme Implementation Deed and prior to the Implementation Date, that number of New AGL Shares will be reduced by the proportion which the value of that dividend or distribution (as determined by AGL, acting reasonably, in the case of a non-cash dividend or distribution) bears to \$0.15); and</p> <p>(b) for each Mosaic Share which, at the Record Date is a Mosaic Ordinary Contributing Share – a certain number of New AGL Shares for every one Mosaic Share determined in accordance with the formula in Section 3.1(b)</p>
Scrip Election Form	the pink form enclosed with this Scheme Booklet
Second Court Date	the day on which an application is made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme
Share Register	the Mosaic share register
Share Registry	Registries Limited ACN 003 209 836 or any replacement provider of share registry services to Mosaic
Shareholder or Mosaic Shareholder	a registered holder of a Mosaic Share
Share or Mosaic Share	a Fully Paid Mosaic Share or a Mosaic Ordinary Contributing Share
Superior Proposal	has the meaning given to that term in the Scheme Implementation Deed
Taipan Farmin Scrip	45 million Fully Paid Mosaic Shares to be issued under the Taipan Farmin Agreement ATP 1056P dated on or about 19 April 2010 between Mosaic, Continental Oil Pty Limited, Discovery Geo Corporation, Tamark Pty Limited and CG Operating Inc.
Trading Day	a day upon which ASX is open for trading
Unmarketable Parcel	a number of AGL Shares which is less than a "marketable parcel" under the market rules of the ASX (currently, a parcel of less than \$500), calculated based on the highest closing price for AGL Shares on ASX during the period between the date of the Scheme Booklet and the Record Date
Unmarketable Parcel Shareholder	a Scheme Participant whose holding of Mosaic Shares is such that, if they made a valid Election from Scrip Consideration, the total number of New AGL Shares which that shareholder would otherwise be entitled to receive as Scrip Consideration would be an Unmarketable Parcel

The following is a glossary of certain terms used in this Scheme Booklet:

2D	two dimensional
2P	the sum of Proved and Probable Reserves or in-place quantities depending on the context
3D	three dimensional
3D Seismic	a seismic survey (a geographical survey, used in making maps delineating Prospects, where the travel times of seismic waves are measured as they are reflected back to the surface from subsurface boundaries) made up of very closely spaced data whereby a "3D" image can be processed
Acreage	the area covered by petroleum exploration tenements
ATP	Authority To Prospect
Basin	a segment of the earth's crust which has downwarped and in which sediments have accumulated
Block	a Petroleum tenement, permit, lease or licence
boe; boepd	barrels of oil equivalent; barrels of oil equivalent per day
Commercial Reserves	Proven plus Probable Reserves
Contingent Resources	those estimates of Petroleum which, on a given date, are potentially recoverable from known accumulations, but which are not currently considered to be commercially recoverable according to the definitions of the SPE & World Petroleum Congresses. Contingent Resources may be assessed at different confidence levels (P90, P50, P10); unless otherwise stated, data is provided at a P50 confidence level
CSG	coal seam gas
Farm-in, Farm-out	a Joint Venture in which an incoming (farm-in) partner (farminee) earns an interest in a property by funding the work programme
FEED	front end engineering and design
GWh	gigawatt per hour
Hydrocarbon	naturally occurring organic compounds containing carbon and hydrogen; includes natural gas, liquid Petroleum gases, natural gas condensate and crude oil
Joint Venture	an investment undertaken by a consortium of companies, usually with one acting as the Operator
km²	square kilometre
LNG	liquefied natural gas
LPG	liquefied petroleum gas
Ma	million years ago
MMbbl	million barrels of oil
MW	megawatt
Operator	the member of an exploration Joint Venture of two or more exploration companies which has been appointed to carry out all operations on behalf of the parties
Permo-Triassic	a period of geological time lasting from 299 to 200 Ma and comprising the Permian and Triassic periods
Petroleum	all phases of naturally occurring Hydrocarbons
PJ	petajoules (10 ¹⁵)
Prospect	a geological or geophysical anomaly that has been surveyed and defined, usually by seismic data, to the degree that its configuration is fairly well established, and on which further exploration such as drilling can be recommended
Proven Reserves	those Reserves which, when calculated probabilistically, have a 90% confidence level (P90), i.e. there is a 90% probability that the quantities of Petroleum actually recovered will equal or exceed the proven (1P) Reserves estimate
Reserves	quantities of Hydrocarbons which are anticipated to be commercially recovered from known accumulations according to the definition of the SPE and World Petroleum Congresses
SPE	Society of Petroleum Engineers
TJ	terajoules (10 ⁹)
Triassic	a geological period that extends from 251.0 ± 0.4 to 199.6 ± 0.6 Ma

ANNEXURE A: SCHEME IMPLEMENTATION DEED

For personal use only

A

Allens Arthur Robinson



Date	2010
Parties	
1.	AGL Energy Limited (ACN 115 061 375) of Level 22, 101 Miller St, North Sydney NSW 2060 (<i>AGL</i>); and
2.	Mosaic Oil NL (ACN 003 329 084) of Level 12, 10 Bridge St, Sydney NSW 2000 (<i>Mosaic</i>).
Recitals	
A	The parties have agreed that AGL will acquire Mosaic by means of a scheme of arrangement under Part 5.1 of the Corporations Act between Mosaic and its shareholders.
B	Mosaic has agreed to propose and implement, and AGL has agreed to assist Mosaic to propose and implement, the scheme of arrangement on the terms of this deed.

It is agreed as follows.

1. Definitions and Interpretation

1.1 Definitions

The following definitions apply unless the context requires otherwise.

Accounts means:

- (a) the audited individual and consolidated accounts (including the financial statements, notes forming part of or intended to be read with the financial statements, directors' report and declaration, and auditor's report) of Mosaic at and for the year ended 30 June 2009; and
- (b) the reviewed consolidated accounts (including financial statements, notes forming part of or intended to be read with the financial statements, directors' report and declaration, and auditor's review report) of Mosaic at and for the half year ended 31 December 2009.

Accounting Standards means (in relation to any member of the Mosaic Group):

- (a) the accounting standards made by the Australian Accounting Standards Board (**AASB**) from time to time approved for the purposes of the Corporations Act;
- (b) the requirements of the Corporations Act in relation to the preparation and content of accounts; and

- (c) generally accepted accounting principles and practices in Australia consistently applied, except those principles and practices which are inconsistent with the standards or requirements referred to in paragraph (a) or (b).

Adviser means, in relation to an entity, a person who in the ordinary course of its business provides services as a financier, financial adviser, corporate adviser, legal adviser, or technical or other expert adviser or consultant and who has been engaged in that capacity in connection with the Transaction by the entity.

AGL Group means AGL and each of its subsidiaries (excluding, at any time, Mosaic and its subsidiaries to the extent that Mosaic and its subsidiaries are subsidiaries of AGL at that time). A reference to a *member of the AGL Group* is a reference to AGL or any such subsidiary.

AGL Indemnified Parties means the members of the AGL Group and their respective officers, employees and Advisers.

AGL Information means information about the AGL Group provided by AGL to Mosaic in writing for inclusion in the Scheme Booklet.

AGL Material Adverse Change means one or more changes, events, occurrences or matters occurs which (whether individually or when aggregated with all such changes, events, occurrences or matters of a like kind) has had or is reasonably likely to have a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the AGL Group, taken as a whole, other than a change, event, occurrence or matter:

- (a) resulting from changes in general economic, regulatory or political conditions or resulting from the securities, credit or financial markets in general;
- (b) resulting from changes in generally accepted accounting principles or the interpretation of them;
- (c) required to be undertaken or procured by the AGL Group pursuant to this deed or the Scheme; or
- (d) known to Mosaic prior to the date of this deed.

AGL Prescribed Occurrence means the occurrence of any of the events described in section 652C of the Corporations Act in relation to AGL, other than any of the following occurring after the date of this deed:

- (a) anything required to be undertaken or procured by the AGL Group pursuant to this deed or the Scheme);
- (b) any change in the capital of any wholly owned subsidiary of AGL where after the change the entity remains a wholly owned subsidiary of AGL;
- (c) any issue or agreement to issue any securities (including any shares, options or convertible notes) which is not material in the context of the capital of AGL (including, without limitation, the issue of securities under any employee or executive incentive plan or any shares in AGL upon exercise of employee or executive options);

- (d) any disposal or agreement to dispose of business or property unless that disposal or agreement to dispose is material in the context of the AGL Group taken as a whole; or
- (e) any charging or agreement to charge any business or property.

AGL Representations and Warranties means the representations and warranties of AGL set out in schedule 1.

AGL Share means an ordinary share in the capital of AGL.

AIFRS means the International Financial Reporting Standards as adopted in Australia.

ASIC means the Australian Securities and Investments Commission.

ASIC Regulatory Guides means the regulatory guides published by ASIC from time to time.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.

Break Fee means \$1,300,000.

Business Day means a business day as defined in the Listing Rules.

Cash Consideration means:

- (a) for each Scheme Share which, at the Scheme Record Date, is a Mosaic fully paid ordinary share - \$0.15 cash (provided that in the event that Mosaic declares or determines to pay or provide any dividend or distribution after the date of this deed and prior to the Implementation Date, that amount will be reduced by the value of that dividend or distribution (as determined by AGL, acting reasonably, in the case of a non-cash dividend or distribution)); and
- (b) for each Scheme Share which, at the Scheme Record Date, is a Mosaic Ordinary Contributing Share - \$0.15 in cash (provided that in the event that Mosaic declares or determines to pay or provide any dividend or distribution after the date of this deed and prior to the Implementation Date, that amount will be reduced by the value of that dividend or distribution (as determined by AGL, acting reasonably, in the case of a non-cash dividend or distribution)), minus the unpaid amount (if any) on that partly paid share as at the Scheme Record Date, provided that if this results in no amount or a negative amount payable, the consideration offered for that partly paid share is \$0.001.

Claim means, in relation to a person, a demand, claim, action or proceeding made or brought by or against the person, however arising and whether present, unascertained, immediate, future or contingent.

Competing Proposal means any proposed transaction or arrangement (including any takeover bid, scheme of arrangement, share or asset sale, capital reduction or buy back, joint venture or dual listed company structure) under which a Third Party will or may, subject to satisfaction of conditions:

- (a) acquire control (as defined in section 50AA of the Corporations Act) of Mosaic;

- (b) become a substantial holder (as defined in section 9 of the Corporations Act) in Mosaic;
- (c) acquire (whether directly or indirectly) or become the holder of, or otherwise acquire, have a right to acquire or have an economic interest in all or a substantial part of the assets or business of the Mosaic Group (which, for the avoidance of doubt, includes the Mosaic Silver Springs underground gas storage project and assets);
- (d) otherwise acquire or merge with Mosaic; or
- (e) enter into any agreement or understanding requiring Mosaic to abandon, or otherwise fail to proceed with, the Transaction.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia, New South Wales Registry.

Deed Poll means a deed poll to be executed by AGL in favour of Scheme Shareholders substantially in the form of annexure B.

Disclosure Letter means the letter so entitled and provided by Mosaic to AGL prior to entry into this deed and countersigned by AGL.

Effective means the coming into effect under section 411(10) of the Corporations Act of the order of the Court made under section 411(4)(b) (and, if applicable section 411(6)) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

Employee Share Scheme Amendment Resolution means a special resolution to approve for all purposes the amendment by the Mosaic Board of the terms of the Mosaic Employee Share Scheme to remove, subject to the Scheme becoming Effective and with effect from the Scheme Record Date, the restriction on transfer of Mosaic Ordinary Contributing Shares under that share scheme.

End Date means 30 November 2010.

Excluded Shareholder means any Mosaic Shareholder who is a member of the AGL Group.

Exclusivity Period means the period commencing at 8am on the date that is three weeks from the date of this deed to the earlier of:

- (a) the termination of this deed; and
- (b) the End Date.

Finance Debt means indebtedness (whether actual or contingent) in respect of money borrowed or raised or other financial accommodation. It includes indebtedness under or in respect of:

- (a) a guarantee of Finance Debt or a guarantee given to a financier;
- (b) a finance lease;
- (c) a swap, option, hedge, forward, futures or similar transaction;



- (d) an acceptance, endorsement or discounting arrangement;
 - (e) a redeemable share or redeemable stock; or
 - (f) the deferred purchase price (for more than 90 days) of an asset or service,
- or an obligation to deliver assets or services paid for in advance by a financier or otherwise relating to a financing transaction.

Goldman Sachs means Goldman Sachs & Partners Australia Pty Ltd (ACN 006 797 897).

Government Agency means any foreign or Australian government or any governmental, semi-governmental or judicial entity or authority. It also includes any self-regulatory organisation established under statute or any securities exchange.

Implementation Date means the fifth Business Day after the Scheme Record Date or such other date agreed to in writing between AGL and Mosaic.

Independent Expert means the independent expert in respect of the Scheme appointed by Mosaic in accordance with clause 5.1(c) to express an opinion on whether the Scheme is in the best interests of Mosaic Shareholders in accordance with the *Corporations Act* and ASIC policy and procedure.

Independent Expert's Report means the report from the Independent Expert commissioned by Mosaic for inclusion in the Scheme Booklet, including any update to such a report or any supplementary or replacement report, stating an opinion whether or not the Scheme is in the best interests of Mosaic Shareholders, and setting out its reasons for that opinion.

Ineligible Foreign Shareholder means a Scheme Shareholder whose address shown in the Mosaic Share Register at the Scheme Record Date is a place outside of Australia and its external territories or New Zealand unless AGL determines that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with New AGL Shares

Insolvency Event means, in the case of any entity:

- (a) it ceases, suspends, or threatens to cease or suspend the conduct of all or a substantial part of its business or disposes of or threatens to dispose of all or a substantial part of its assets;
- (b) it stops or suspends or threatens to stop or suspend payment of all or a class of its debts;
- (c) it is, or under legislation is presumed or taken to be, insolvent (other than as the result of a failure to pay a debt or Claim the subject of a good faith dispute);
- (d) it has an administrator, controller or similar officer appointed, or any step preliminary to the appointment of such an officer is taken;
- (e) an application or an order is made, proceedings are commenced, a resolution is passed or proposed in a notice of meeting, an application to a court or other steps are taken for:
 - (i) its winding up, dissolution or administration; or

- (ii) it entering into an arrangement, compromise or composition with or assignment for the benefit of its creditors or a class of them, (other than frivolous or vexatious applications, orders, proceedings, notices or steps);
- (f) (i) a receiver, receiver and manager, administrative receiver or similar officer is appointed to;
- (ii) a security interest becomes enforceable or is enforced over; or
- (iii) a distress, attachment or other execution is levied or enforced or applied for over,
- all or a substantial part of its assets; or
- (g) anything analogous to anything referred to in the above paragraphs, or which has substantially similar effect, occurs with respect to it, including under any foreign law.

Listing Rules means the official listing rules of ASX.

Mosaic Board means the board of directors of Mosaic.

Mosaic Employee Incentive Plan means the plan of that name established in respect of the Mosaic Employee Options.

Mosaic Employee Options means options to subscribe for fully paid ordinary shares in Mosaic, issued under the Mosaic Employee Incentive Plan.

Mosaic Employee Share Scheme means the Mosaic Employee Share Scheme established in 1992, as amended at the Mosaic General Meeting dated 28 November 2001.

Mosaic Group means Mosaic and each of its subsidiaries. A reference to a *member of the Mosaic Group* is a reference to Mosaic or any such subsidiary.

Mosaic Indemnified Parties means the members of the Mosaic Group and their respective officers, employees and Advisers.

Mosaic Material Adverse Change means one or more changes, events, occurrences or matters occurs which (whether individually or when aggregated with all such changes, events, occurrences or matters of a like kind) has had or is reasonably likely to have:

- (a) a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the Mosaic Group, taken as a whole; or
- (b) (without limitation to paragraph (a)) the effect of a diminution in the:
 - (i) consolidated net assets of the Mosaic Group (calculated on the basis of AIFRS), taken as a whole, of at least \$5,000,000; or
 - (ii) consolidated earnings before interest and tax (calculated on the basis of AIFRS but adjusted for any non-cash items (provided that such non-cash items are incorporated in the balance sheet test under paragraph (i)), in any financial year of Mosaic after the one ended 30 June 2009, taken as a whole, of at least \$1,000,000,

other than a change, event, occurrence or matter:

- (c) resulting from changes in general economic, regulatory or political conditions or resulting from the hydrocarbon, securities, credit or financial markets in general;
- (d) resulting from changes in generally accepted accounting principles or the interpretation of them;
- (e) required to be undertaken or procured by the Mosaic Group pursuant to this deed or the Scheme; or
- (f) fairly disclosed by Mosaic to AGL in writing prior to the date of this deed in the Disclosure Letter.

Mosaic Ordinary Contributing Shares means partly paid ordinary shares in Mosaic issued under the Mosaic Employee Share Scheme.

Mosaic Prescribed Occurrence means, other than as required by this deed, as fairly disclosed by Mosaic to AGL in the Disclosure Letter or as approved by AGL in writing after the date of this deed, any of the occurrences set out in schedule 3.

Mosaic Registry means Registries Limited (ABN 14 003 209 836) or any replacement provider of share registry services to Mosaic.

Mosaic Representations and Warranties mean the representations and warranties of Mosaic set out in schedule 2.

Mosaic Share means:

- (a) a fully paid ordinary share in Mosaic; or
- (b) a Mosaic Ordinary Contributing Share.

Mosaic Shareholder means each person who is registered as the holder of Mosaic Shares from time to time.

Mosaic Share Register means the register of members of Mosaic maintained in accordance with the Corporations Act.

New AGL Share means an ordinary share in the capital of AGL to be issued as fully paid under the Scheme.

Relevant AGL Representations and Warranties means each of the AGL Representations and Warranties other than 10 (Pending or threatened litigation) and 11 (Tax).

Relevant Mosaic Representation and Warranty means each of the Mosaic Representations and Warranties other than 14 (Environmental Liabilities), 15 (Health and safety), 16 (Pending or threatened litigation) and 17 (Tax).

Representative means, in relation to a person:

- (a) a related body corporate of the person;
- (b) an officer of the person or any of the person's related bodies corporate; or
- (c) an Adviser to the person or any of the person's related bodies corporate.

Sale Agent means Goldman Sachs, a related body corporate of Goldman Sachs or any replacement nominee appointed by AGL with the approval of Mosaic, such consent not to be unreasonably withheld.

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between Mosaic and the Scheme Shareholders in the form of annexure A (or such other form as may be agreed between Mosaic and AGL).

Scheme Booklet means the information described in clause 5.1(a) to be approved by the Court and despatched to Mosaic Shareholders (other than Excluded Shareholders) and which must include the Scheme, an explanatory statement complying with the requirements of the Corporations Act, the Independent Expert's Report, the Deed Poll, notice of the Scheme Meeting and proxy form for the Scheme Meeting.

Scheme Consideration means:

- (a) for each Scheme Shareholder who has not submitted a valid Scrip Election Form to the Mosaic Registry prior to the Scheme Record Date, Cash Consideration for each Scheme Share held by that Scheme Shareholder; and
- (b) subject to clauses 4.3 and 4.4, for each Scheme Shareholder who has submitted a valid Scrip Election Form to the Mosaic Registry prior to the Scheme Record Date, Scrip Consideration for each Scheme Share held by that Scheme Shareholder.

Scheme Meeting means:

- (a) the meeting of Mosaic Shareholders (other than Excluded Shareholders) ordered by the Court to be convened under section 411(1) of the Corporations Act; and
- (b) where the context requires, the meeting of Mosaic Shareholders referred to in clause 3.1(b)(ii), which is to be held immediately following the meeting referred to in paragraph (a) above to consider and, if thought fit, pass the Employee Share Scheme Amendment Resolution.

Scheme Record Date means 7pm on the fifth Business Day after the Effective Date or such other date agreed to in writing between AGL and Mosaic or as may be required by ASX.

Scheme Share means a Mosaic Share held by a Scheme Shareholder.

Scheme Shareholders means Mosaic Shareholders (other than Excluded Shareholders) at the Scheme Record Date.

Scrip Consideration means:

- (a) for each Scheme Share which, at the Scheme Record Date, is a Mosaic fully paid ordinary share – 0.0101 New AGL Shares for every one Scheme Share (provided that in the event that Mosaic declares or determines to pay or provide any dividend or distribution after the date of this deed and prior to the Implementation Date, that number of New AGL Shares will be reduced by the proportion which the value of that dividend or distribution (as determined by AGL, acting reasonably, in the case of a non-cash dividend or distribution) bears to \$0.15); and

- (b) for each Scheme Share which, at the Scheme Record Date, is a Mosaic Ordinary Contributing Share, a number of New AGL Shares for every one Scheme Share determined in accordance with the following formula:

$$A = \frac{B}{C} \times D$$

where:

A = the number of New AGL Shares to be issued for every one such Scheme Share;

B = C, minus the unpaid amount (if any) on that partly paid share as at the Scheme Record Date, provided that if this results in no amount or a negative amount payable, then B is \$0.001;

C = 0.15 (provided that in the event that Mosaic declares or determines to pay or provide any dividend or distribution after the date of this deed and prior to the Implementation Date, that amount will be reduced by the value of that dividend or distribution (as determined by AGL, acting reasonably, in the case of a non-cash dividend or distribution)); and

D = the scrip ratio, 0.0101, provided that in the event that Mosaic declares or determines to pay or provide any dividend or distribution after the date of this deed and prior to the Implementation Date, that scrip ratio will be reduced by the proportion which the value of that dividend or distribution (as determined by AGL, acting reasonably, in the case of a non-cash dividend or distribution) bears to \$0.15).

Scrip Election means a valid election by way of Scrip Election Form by a Scheme Shareholder to receive Scrip Consideration for all of that Scheme Shareholder's Scheme Shares, subject to the terms of the Scheme.

Scrip Election Form means a form which forms part of the Scheme Booklet and is to be completed by Mosaic Shareholders to record their election to receive the Scrip Consideration under the Scheme.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard.

Superior Proposal means a bona fide Competing Proposal that the Mosaic Board determines, acting in good faith and in order to satisfy what the Mosaic Board considers to be its fiduciary or statutory duties (and after having taken written advice from its external financial and legal advisers):

- (a) is reasonably capable of being valued and implemented, taking into account all aspects of the Competing Proposal, including its conditions precedent; and
- (b) would, if completed substantially in accordance with its terms, be more favourable to Mosaic Shareholders than the Scheme, taking into account all the terms and conditions of the Competing Proposal,

after taking into account a qualitative assessment of the identity, reputation and financial

standing of the party making the Competing Proposal.

Taipan Disclosure Materials means the documents in relation to the Taipan farmin transaction (including the Taipan Farmin Agreement) which were provided by Mosaic to AGL on 12 July 2010.

Taipan Farmin Agreement means Farmin Agreement ATP 1056P dated on or about 19 April 2010 between Mosaic, Continental Oil Pty Ltd, Discovery Geo Corporation, Tamarik Pty Ltd and CG Operating, Inc.

Taipan Farmin Scrip means 45 million new Mosaic fully paid ordinary shares to be issued under the Taipan Farmin Agreement.

Third Party means a person other than an AGL Indemnified Party and their associates.

Timetable means the indicative timetable for the implementation of the Transaction set out in annexure 3.

Transaction means the acquisition of Mosaic by AGL through the implementation of the Scheme in accordance with the terms of this deed.

Unmarketable Parcel means a number of AGL Shares which is less than a "marketable parcel" under the market rules of the ASX (currently, a parcel of less than \$500), calculated based on the highest closing price for AGL Shares on ASX during the period between the date of the Scheme Booklet and the Scheme Record Date.

Unmarketable Parcel Shareholder means a Scheme Shareholder whose holding of Scheme Shares is such that, if they made a valid Scrip Election, the total number of AGL Shares which that shareholder would otherwise be entitled to receive as Scrip Consideration would be an Unmarketable Parcel.

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural, and the converse also applies.
- (b) A gender includes all genders.
- (c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.
- (e) A reference to a clause, schedule or annexure is a reference to a clause of, or schedule or annexure to, this deed.
- (f) A reference to an *agreement* or *document* (including a reference to this deed) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this deed or that other agreement or document, and includes the recitals, schedules and annexures to that agreement or document.



- (g) A reference to a party to this deed or another agreement or document includes the party's successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives).
- (h) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (i) A reference to conduct includes an omission, statement or undertaking, whether or not in writing.
- (j) A reference to an *agreement* includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a *document* includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind.
- (k) A reference to *dollars* and \$ is to Australian currency.
- (l) All references to time are to Sydney, Australia time.
- (m) Mentioning anything after *includes, including, for example*, or similar expressions, does not limit what else might be included.
- (n) Nothing in this deed is to be interpreted against a party solely on the ground that the party put forward this deed or a relevant part of it.
- (o) A term or expression which is defined in the Corporations Act but is not defined in this deed, has the meaning given in the Corporations Act.

1.3 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

1.4 Consents or approvals

If the doing of any act, matter or thing under this deed is dependent on the consent or approval of a party or is within the discretion of a party, the consent or approval may be given or the discretion may be exercised conditionally or unconditionally or withheld by the party in its absolute discretion unless expressly provided otherwise.

1.5 Listing requirements included as law

A listing rule or business rule of a financial market will be regarded as a *law*, and a reference to such a rule is to be taken to be subject to any waiver or exemption granted to a party in compliance with those rules.

2. Agreement to Proceed with Scheme

2.1 Mosaic to propose the Scheme

Mosaic agrees to propose and implement the Scheme on and subject to the terms of this deed.

2.2 AGL to assist

AGL agrees to assist Mosaic to propose and implement the Scheme on and subject to the terms of this deed.

3. Conditions Precedent and Pre-implementation Steps

3.1 Conditions precedent

Subject to this clause 3, the Scheme will not become Effective, and the obligations of AGL under clause 4.2 are not binding, unless each of the following conditions precedent is satisfied or waived in accordance with clauses 3.2 and 3.3:

Conditions precedent for the benefit of all parties

- (a) **(quotation approval for AGL Shares)** before 8am on the Second Court Date, ASX indicates that it will provide approval for the official quotation of the New AGL Shares to be issued pursuant to the Scheme, subject to any conditions that ASX may reasonably require, including customary pre-quotation conditions and conditions relating to the Scheme becoming Effective;
- (b) **(Mosaic Shareholder approval)** Mosaic Shareholders (other than Excluded Shareholders):
 - (i) approve the Scheme by the requisite majorities under section 411(4)(a)(ii) of the Corporations Act at the meeting of Mosaic Shareholders (other than Excluded Shareholders) ordered by the Court to be convened under section 411(1); and
 - (ii) approve the Employee Share Scheme Amendment Resolution at a meeting of Mosaic Shareholders to be held immediately following the meeting referred to in clause 3.1(b)(i);
- (c) **(No restraints)** no judgment, order, decree statute, law, ordinance, rule or regulation or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition entered, enacted, promulgated, enforced or issued by any court or any Government Agency of competent jurisdiction is in effect at 8am on the Second Court Date that prohibits, materially restricts, makes illegal or restrains the completion of the Transaction;
- (d) **(Court approval)** the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;

Conditions precedent for the benefit of AGL only

- (e) **(No Mosaic Material Adverse Change)** no Mosaic Material Adverse Change is announced, or is otherwise discovered by AGL (whether or not it becomes public), between the date of this deed and 8am on the Second Court Date;
- (f) **(No Mosaic Prescribed Occurrence)** no Mosaic Prescribed Occurrence occurs between the date of this deed and 8am on the Second Court Date;



- (g) **(Mosaic Representations and Warranties)** each Mosaic Representation and Warranty is materially true and correct at 8am on the Second Court Date (or if only given on an earlier date, at that date);

Conditions precedent for the benefit of Mosaic only

- (h) **(AGL Representations and Warranties)** each AGL Representation and Warranty is materially true and correct at 8am on the Second Court Date;
- (i) **(Independent Expert's Report)** the Independent Expert provides the Independent Expert's Report to Mosaic, stating that in its opinion, the Scheme is in the best interests of Mosaic Shareholders and the Independent Expert does not change their opinion or withdraw the Independent Expert's Report by notice in writing to Mosaic prior to 8am on the Second Court Date;
- (j) **(No AGL Material Adverse Change)** no AGL Material Adverse Change is announced, or is otherwise discovered by Mosaic (whether or not it becomes public), between the date of this deed and 8am on the Second Court Date; and
- (k) **(No AGL Prescribed Occurrence)** no AGL Prescribed Occurrence occurs between the date of this deed and 8am on the Second Court Date.

3.2 Satisfaction

- (a) AGL and Mosaic must each use reasonable endeavours to procure that:
- (i) the conditions precedent in clauses 3.1(b), 3.1(c) and 3.1(d) are satisfied; and
 - (ii) there is no occurrence within the control of a member of the AGL Group or Mosaic Group (as the context requires) that would prevent any condition precedent in clause 3.1 being satisfied.
- (b) Mosaic must ensure that no occurrence within the control of a member of the Mosaic Group takes place which would cause a Mosaic Prescribed Occurrence to occur on or before the End Date.
- (c) Mosaic must use reasonable endeavours to procure that the conditions precedent in clauses 3.1(e) to 3.1(g) (inclusive) and clause 3.1(i) are satisfied.
- (d) AGL must use reasonable endeavours to procure that the conditions precedent in clauses 3.1(a), 3.1(h), 3.1(j) and 3.1(k) are satisfied.
- (e) AGL and Mosaic must each:
- (i) promptly notify the other if it becomes aware that any condition precedent has been satisfied; and
 - (ii) promptly notify the other of any failure to satisfy a condition precedent or of any fact or circumstance that will result in a condition precedent becoming incapable of being satisfied or that may result in a condition precedent not being satisfied in accordance with its terms (having regard to the obligations of the parties under this clause).

- (f) AGL and Mosaic must each:
 - (i) give the Court on the Second Court Date a certificate confirming (in respect of matters within its knowledge) whether or not the conditions precedent in clause 3.1 (other than 3.1(d)) have been satisfied or waived; and
 - (ii) give the other a draft of its certificate by 5pm on the Business Day prior to the Second Court Date.

3.3 Waiver of conditions precedent

- (a) The conditions precedent in clauses 3.1(a), 3.1(b) and 3.1(d) cannot be waived.
- (b) The condition precedent in clause 3.1(c) is for the benefit of AGL and Mosaic and may only be waived by both of them in writing.
- (c) The conditions precedent in clauses 3.1(e) to 3.1(g) (inclusive) are for the sole benefit of AGL and may only be waived by AGL in writing.
- (d) The condition precedents in clauses 3.1(h) to 3.1(k) (inclusive) are for the sole benefit of Mosaic and may only be waived by Mosaic in writing.
- (e) A party entitled to waive a condition precedent may do so conditionally or unconditionally in its absolute discretion.
- (f) If a party waives the breach or non-fulfilment of a condition precedent, that waiver will not preclude it from suing the other party for any breach of this deed that resulted from the breach or non-fulfilment of the condition precedent that was waived or arising from the same event which gave rise to the breach or non-fulfilment of the condition precedent.
- (g) Waiver of a breach or non-fulfilment in respect of a condition precedent does not constitute:
 - (i) a waiver of breach or non-fulfilment of any other condition precedent resulting from the same event; or
 - (ii) a waiver of breach or non-fulfilment of that condition precedent resulting from any other event.

3.4 Termination on failure of condition precedent

- (a) If:
 - (i) the Scheme has not become Effective by the End Date; or
 - (ii) any event occurs which would, or in fact does, prevent a condition precedent being satisfied and that condition precedent is not waived by Mosaic or AGL or both (as applicable) in accordance with clause 3.3,
 then either party may terminate this deed without any liability to the other party because of that termination, unless the relevant occurrence, or the failure of the satisfaction of a condition precedent, or of the Scheme becoming Effective, arises out of a breach of this deed by the party seeking to terminate this deed.

- (b) Subject to any rights or obligations arising under or pursuant to clauses that are expressed to survive termination of this deed, on termination of this deed no party will have any rights against or obligations to any other party under this deed except for those rights and obligations which accrued prior to termination.

4. Transaction Steps

4.1 Scheme

Mosaic must propose a scheme of arrangement under which:

- (a) all of the Scheme Shares will be transferred to AGL; and
- (b) the Scheme Shareholders will be entitled to receive the Scheme Consideration.

4.2 Payment of Scheme Consideration

Subject to clause 4.3, AGL undertakes and warrants to Mosaic that in consideration of the transfer to AGL of each Scheme Share under the terms of the Scheme, on the Implementation Date AGL must:

- (a) accept that transfer; and
- (b) provide to each Scheme Shareholder the Scheme Consideration for each Scheme Share in accordance with the Scheme.

4.3 Scrip Consideration

Where the calculation of the aggregate number of New AGL Shares to be issued to a particular Scheme Shareholder would result in the issue of a fraction of an AGL Share, the entitlement will be rounded down to the nearest whole number of New AGL Shares. In relation to any fractional entitlement which is lost through rounding down, AGL will pay the Scheme Shareholder who would otherwise have received that fraction of a New AGL Share a cash amount equal to the value of that fraction, as determined in accordance with the Scheme. For the avoidance of doubt, this clause does not apply in relation to New AGL Shares to be issued to the Sale Agent under clause 4.4.

4.4 Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders

If an Ineligible Foreign Shareholder or an Unmarketable Parcel Shareholder makes a valid Scrip Election for all of their Scheme Shares, then instead of receiving the Scrip Consideration (or any amount under clause 4.3) for their shares, that number of New AGL Shares determined in accordance with the Scheme will be issued to the Sale Agent for sale, and the net proceeds of sale will be distributed amongst those Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders in accordance with the Scheme.

4.5 Shares to rank equally

AGL covenants in favour of Mosaic (in its own right and on behalf of the Scheme Shareholders) that:

- (a) the New AGL Shares will rank equally in all respects with all existing AGL Shares; and

- (b) on issue each New AGL Share will be fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.

4.6 No amendment to the Scheme without consent

Mosaic must not consent to any modification of, or amendment to, or the making or imposition by the Court of any condition in respect of, the Scheme without the prior written consent of AGL (not to be unreasonably withheld in the case of typographical or similar error).

5. Implementation

5.1 Mosaic's obligations

Mosaic must take all necessary steps to propose and implement the Scheme as soon as is reasonably practicable and, without limiting the foregoing, must use reasonable endeavours to ensure that each step in the Timetable is met by the date set out beside that step (and must consult with AGL at least on a weekly basis about its progress in that regard), including by doing any acts it is authorised and able to do on behalf of Mosaic Shareholders and each of the following.

- (a) **(Preparation of Scheme Booklet)** Prepare the Scheme Booklet so that it complies with all applicable laws, including the Corporations Act, ASIC Regulatory Guide 60 (and all other applicable ASIC Regulatory Guides) and the Listing Rules. The Scheme Booklet must include a statement that, other than the AGL Information, the Scheme Booklet has been prepared by Mosaic and is the responsibility of Mosaic, and that no AGL Indemnified Party assumes any responsibility for the accuracy or completeness of the Scheme Booklet (other than the AGL Information).
- (b) **(Consultation with AGL)** Consult with AGL as to the content and presentation of the Scheme Booklet, such consultation to include allowing AGL a reasonable opportunity to review and make comments on successive drafts of the Scheme Booklet prior to lodgement with ASIC, and obtaining AGL's consent to the inclusion of the AGL Information.
- (c) **(Independent Expert)** Promptly appoint the Independent Expert (which must be consented to by AGL) and provide all assistance and information reasonably requested by the Independent Expert to enable it to prepare its Independent Expert's Report for the Scheme Booklet as soon as practicable.
- (d) **(Section 411(17)(b) statement)** Apply to ASIC for the production of a statement under section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme.
- (e) **(Court direction)** Apply to the Court for orders directing Mosaic to convene the Scheme Meeting, and consult with AGL as to the content of all relevant originating process, affidavits, submissions and draft minutes of Court orders.



- (f) **(ASIC registration)** Request ASIC to register the Scheme Booklet in the form approved by the Court.
- (g) **(Despatch)** Despatch the Scheme Booklet to Mosaic Shareholders in accordance with all applicable laws.
- (h) **(Update Scheme Booklet)** If it becomes aware of information after the despatch of the Scheme Booklet that is material for disclosure to Mosaic Shareholders in deciding whether to approve the Scheme or that is required to be disclosed to Mosaic Shareholders under any applicable law, inform Mosaic Shareholders of the information in an appropriate and timely manner, in accordance with applicable law, after consulting with AGL as to the content and presentation of that information.
- (i) **(Proxy reports)**
 - (i) Cause the Mosaic Registry to report to it and AGL on the status of proxy forms received by Mosaic Registry for the Scheme Meeting, at 10 Business Days before the Scheme Meeting, at each subsequent Business Day up to the deadline for receipt of proxy forms and at such deadline.
 - (ii) Provide such other information as it may receive concerning the voting intentions of Mosaic Shareholders to AGL.
- (j) **(Scheme Meeting)** Convene the Scheme Meeting to approve the Scheme in accordance with any orders made by the Court.
- (k) **(Court approval)** Subject to all conditions precedent in clause 3.1 (other than that in clause 3.1(d)) being satisfied or waived in accordance with this deed, apply to the Court for orders approving the Scheme, and consult with AGL as to the content of all relevant affidavits, submissions and draft minutes of Court orders.
- (l) **(Court order)** Lodge with ASIC an office copy of any Court order approving the Scheme on the day such office copy is received (or such later date as the parties may agree in writing).
- (m) **(Implementation)** If the Scheme becomes Effective:
 - (i) use reasonable endeavours to procure ASX to suspend trading in Mosaic Shares from the close of trading on the Effective Date;
 - (ii) close the Mosaic Share Register at the Scheme Record Date to determine the identity of Scheme Shareholders and their entitlements to the Scheme Consideration; and
 - (iii) subject to AGL satisfying its obligations under clause 4.2, execute proper instruments of transfer of the Scheme Shares on behalf of the Scheme Shareholders and register all transfers of Scheme Shares to AGL on the Implementation Date.
- (n) **(ASX and POMSOX listing)** Use reasonable endeavours to maintain Mosaic's admission to the official list of ASX (and POMSOX) and the quotation of Mosaic fully paid ordinary shares on ASX (and POMSOX) up to and including the Implementation Date.

- (o) **(Amendment of the Mosaic Employee Share Scheme)** Ensure that the Mosaic Board passes a resolution to amend the terms of the Mosaic Employee Share Scheme to remove, subject to the Scheme becoming Effective and with effect from the Scheme Record Date, the restriction on transfer of Mosaic Ordinary Contributing Shares issued under that share scheme.
- (p) **(Mosaic Employee Options)** Use reasonable endeavours to procure that each holder of Mosaic Employee Options enters into a cancellation agreement with Mosaic under which the holder agrees to the cancellation of their Mosaic Employee Options on the Implementation Date in return for the payment to the holder of the intrinsic value of those options (to be paid or funded by AGL).
- (q) **(Government Agency)** Keep AGL fully informed of any matters raised by any Government Agency with Mosaic in relation to the Scheme and use all reasonable endeavours to co-operate with AGL to resolve any such matters, and generally must use its reasonable endeavours to obtain any regulatory approvals (including ASIC or ASX relief or waivers), and keep AGL informed of progress in obtaining any such regulatory approvals and must consult with AGL in relation to the foregoing.

5.2 AGL's obligations

AGL must take all necessary steps to implement the Scheme as soon as is reasonably practicable and, without limiting the foregoing, must use reasonable endeavours to ensure that the each step in the Timetable is met by the date set out beside that step (and must consult with Mosaic at least on a weekly basis about its progress in that regard), including by doing each of the following.

- (a) **(AGL Information)** Prepare and provide to Mosaic the AGL Information for inclusion in the Scheme Booklet.
- (b) **(Assistance)** Promptly provide all assistance and information reasonably required by the Independent Expert in connection with the preparation of the Independent Expert's Report.
- (c) **(Government Agency)** Keep Mosaic fully informed of any matters raised by any Government Agency with AGL in relation to the Scheme and use all reasonable endeavours to co-operate with Mosaic to resolve any such matters, and generally must use its reasonable endeavours to obtain any regulatory approvals (including ASIC or ASX relief or waivers), and keep Mosaic informed of progress in obtaining any such regulatory approvals and must consult with Mosaic in relation to the foregoing;
- (d) **(Update AGL Information)** If at anytime after the despatch of the Scheme Booklet, AGL becomes aware:
 - (i) of new information which, were it known at the time of despatch, should have been included in any AGL Information provided previously to Mosaic;
 - or

- (ii) that any part of the AGL Information provided previously to Mosaic is misleading or deceptive in any material respect (whether by omission or otherwise),

it must advise Mosaic so that Mosaic can determine whether supplementary disclosure to Mosaic Shareholders is required.

- (e) **(Deed Poll)** Prior to the first Court hearing referred to in clause 5.1(e), enter into the Deed Poll in favour of the Scheme Shareholders substantially in the form of annexure B.
- (f) **(official quotation)** apply to ASX for official quotation by ASX of the New AGL Shares to be issued pursuant to the Scheme.
- (g) **(Court representation)** Procure that it is represented by counsel at the Court hearings referred to in clauses 5.1(e) and (k).
- (h) **(Scheme Consideration)** If the Scheme becomes Effective, pay (or issue) the Scheme Consideration in the manner and amount contemplated by clause 4.2 and 4.3 on the Implementation Date.
- (i) AGL must not act in a manner inconsistent with obtaining Court approval for the Scheme.

5.3 AGL Information

AGL:

- (a) consents to the inclusion of the AGL Information in the Scheme Booklet; and
- (b) acknowledges that:
 - (i) it is responsible for ensuring that the AGL Information is not misleading and deceptive in any material respect (whether by omission or otherwise) and that Mosaic will not verify or audit that information and will disclaim responsibility for that information in the Scheme Booklet; and
 - (ii) the Scheme Booklet will state that AGL is responsible for the AGL Information.

5.4 Conduct of business

- (a) From the date of this deed up until and including the Implementation Date, Mosaic must ensure that it and the other members of the Mosaic Group:
 - (i) conduct their businesses in the ordinary and proper course;
 - (ii) make all reasonable efforts to:
 - (A) keep available the services of their officers and employees; and
 - (B) preserve their relationships with Government Agencies, customers, suppliers, landlords, trade unions, licensors, licensees and others with whom they have business dealings;
 - (iii) not enter any lines of business or other activities in which members of the Mosaic Group are not engaged at the date of this deed;

- (iv) respond to any reasonable request from AGL for information concerning the Mosaic Group and its business and operations; and
 - (v) subject to the confidentiality undertakings in clause 9, provide AGL and its Representatives reasonable access to officers and employees, offices and other facilities, and books and records of members of the Mosaic Group, and otherwise provide reasonable co-operation to AGL and its Representatives, for the purpose of doing all things necessary or desirable under this deed or in connection with the Transaction, any financing undertaken by AGL in connection with the Transaction and any plans for the integration of the Mosaic Group into the AGL Group following the Implementation Date.
- (b) Subject to the overriding obligation of the directors and officers of Mosaic to exercise their powers and discharge their duties in the best interests of Mosaic, Mosaic must consult with AGL in good faith:
 - (i) immediately after executing this deed to discuss and agree a transition and integration plan; and
 - (ii) from the date of this deed up until and including the Implementation Date, in relation to the conduct of material aspects of the Mosaic Group's businesses and operations and consider in good faith AGL's views in relation to the same.

5.5 Appointment of directors

- (a) Mosaic must, on or immediately following implementation of the Scheme on the Implementation Date, ensure that all directors on the Mosaic Board resign from that office without liability to Mosaic and that AGL's nominees are appointed as directors of Mosaic subject to and immediately following implementation of the Scheme.
- (b) Mosaic must also, if requested by AGL, on or immediately following implementation of the Scheme on the Implementation Date, take such steps as are necessary to reconstitute the boards of other members of the Mosaic Group.

5.6 Mosaic Board recommendation

- (a) Subject to clause 5.6(b), Mosaic undertakes that the Mosaic Board will unanimously recommend that Mosaic Shareholders vote in favour of the Scheme at the Scheme Meeting (in the absence of a superior proposal and subject to the Independent Expert concluding (and not altering or withdrawing that conclusion) that the Scheme is in the best interests of Mosaic Shareholders), and the Scheme Booklet must include a statement by the Mosaic Board to that effect and to the effect that each director of Mosaic who is a Mosaic Shareholder or who controls Mosaic Shares intends (in the absence of a superior proposal and subject to the Independent Expert concluding (and not altering or withdrawing that conclusion) that the Scheme is in the best interests of Mosaic Shareholders) to vote (or procure the voting) of all such Mosaic Shares in favour of the Scheme.



- (b) A director of Mosaic must not change, withdraw or modify his or her recommendation in favour of the Scheme unless:
 - (i) the Independent Expert concludes (either initially or subsequently) that the Scheme is not in the best interests of Mosaic Shareholders;
 - (ii) the Mosaic Board, acting in good faith, determines (after taking written advice from its external financial and legal advisers) that a Competing Proposal constitutes a Superior Proposal; or
 - (iii) that director is acting in good faith and has first obtained written advice from Mosaic's external legal advisers that he or she or the Mosaic Board, is by virtue of his, hers or its fiduciary or statutory duties, required to change, withdraw or modify his or her recommendation.

6. Representations and Warranties

6.1 AGL Representations and Warranties

AGL represents and warrants to Mosaic (in its own right and separately as trustee or nominee for each of the other Mosaic Indemnified Parties) that, except as expressly consented to by Mosaic in writing, each AGL Representation and Warranty is true and correct.

6.2 Mosaic Representations and Warranties

- (a) Mosaic represents and warrants to AGL (in its own right and separately as trustee or nominee for each of the other AGL Indemnified Parties) that, except as expressly consented to by AGL in writing, each Mosaic Representation and Warranty is true and correct.
- (b) Each Mosaic Representation and Warranty is subject to the matters fairly disclosed in the Disclosure Letter.

6.3 Timing of representations and warranties

- (a) Unless expressed to be given at a particular time (in which case it is given at that time):
 - (i) each AGL Representation and Warranty is given at the date of this deed; and
 - (ii) each Relevant AGL Representation and Warranty is given:
 - (A) at 8.00 am on the Second Court Date; and
 - (B) immediately prior to implementation of the Scheme.
- (b) Unless expressed to be given at a particular time (in which case it is given at that time):
 - (i) each Mosaic Representation and Warranty is given at the date of this deed; and
 - (ii) each Relevant Mosaic Representation and Warranty is given:

- (A) at 8.00 am on the Second Court Date; and
- (B) immediately prior to implementation of the Scheme.

6.4 Survival of representations

Each AGL Representation and Warranty and Mosaic Representation and Warranty:

- (a) is severable; and
- (b) survives the termination of this deed (but does not survive, and will be taken to have no further force or effect following implementation of the Scheme).

7. Releases

7.1 Mosaic Indemnified Parties

- (a) Without limiting AGL's rights under clause 12, to the fullest extent permitted by law, AGL releases its rights against, and agrees with Mosaic that it will not make a Claim against, any Mosaic Indemnified Party (other than Mosaic) in connection with:
 - (i) any breach of any representation, covenant and warranty of Mosaic in this deed; or
 - (ii) any disclosure made by any Mosaic Indemnified Party that contains any statement which is false or misleading whether in content or by omission, except to the extent the relevant Mosaic Indemnified Party has not acted in good faith or has engaged in wilful misconduct.
- (b) Mosaic receives and holds the benefit of this clause as trustee for each other Mosaic Indemnified Party.

7.2 AGL Indemnified Parties

- (a) Without limiting Mosaic's rights under clause 12, to the fullest extent permitted by law, Mosaic releases its rights against, and agrees with AGL that it will not make a Claim against, any AGL Indemnified Party (other than AGL) in connection with:
 - (i) any breach of any representation, covenant and warranty of AGL in this deed; or
 - (ii) any disclosure made by any AGL Indemnified Party that contains any statement which is false or misleading whether in content or by omission, except to the extent that the relevant AGL Indemnified Party has not acted in good faith or has engaged in wilful misconduct.
- (b) AGL receives and holds the benefit of this clause as trustee for each other AGL Indemnified Party.



8. Public Announcements

8.1 Announcement of the Transaction

Immediately after the execution of this deed, AGL and Mosaic must issue public announcements in a form previously agreed to in writing between them. The Mosaic announcement must include a unanimous recommendation by the directors of Mosaic to Mosaic Shareholders that, in the absence of a superior proposal and subject to the Independent Expert concluding (and not altering or withdrawing that conclusion) that the Scheme is in the best interests of Mosaic Shareholders, Mosaic Shareholders vote in favour of the Scheme; and a statement that, in the absence of a superior proposal and subject to the Independent Expert concluding and continuing to conclude that the Scheme is in the best interests of Mosaic Shareholders, all the members of the Mosaic Board will vote (or will procure the voting of) all Mosaic Shares held or controlled by them in favour of the Scheme.

8.2 Other public announcements

Subject to clause 8.3, no public announcement or disclosure of the Transaction or any other transaction the subject of this deed or the Scheme may be made other than in a form approved by each party (acting reasonably), but each party must use all reasonable endeavours to provide such approval as soon as practicable.

8.3 Required announcement

Where a party is required by applicable law (including the Listing Rules) to make any announcement or to make any disclosure in connection with the Transaction or any other transaction the subject of this deed or the Scheme, it must use reasonable endeavours, to the extent practicable and lawful and to the extent that time permits, to consult with the other party prior to making the relevant disclosure.

9. Confidentiality

9.1 Confidentiality Obligation

Subject to clause 9.2, each party will use reasonable endeavours to keep confidential any confidential information of the other party which has been provided to it by the other party prior to or after the date of this deed.

9.2 Exceptions to confidentiality

Nothing in clause 9.1 restricts any party (the **Recipient**) from disclosing any confidential information of the other party (the **Discloser**) where that disclosure is required for the purpose of implementing the Transaction or any other transaction the subject of this deed or the Scheme, or where that information:

- (a) is or becomes generally available to the public other than as a result of a breach by the Recipient of any of its obligations under this deed;

- (b) is already known to the Recipient at the date of this deed and was not acquired directly or indirectly from the Discloser;
- (c) was independently developed by the Recipient without reference to the confidential information of the Discloser;
- (d) is required to be disclosed in order to comply with any applicable law or legally binding order of any court or Government Agency or the applicable rules of any stock exchange; or
- (e) is at any time after the date of this deed acquired from any third person legally entitled to possess the information and provide it to the Recipient, if the use or disclosure (as appropriate) is in accordance with the rights or permission lawfully granted to the party by the third person.

10. Exclusivity

10.1 Termination of existing discussions

- (a) At the commencement of the Exclusivity Period, Mosaic will cease any existing negotiations or discussions in respect of any Competing Proposal with any Third Party .
- (b) If, in the six months prior to the commencement of the Exclusivity Period, Mosaic has provided any confidential information to a Third Party (or to any current or former adviser to a Third Party) in connection with a Third Party's consideration of a possible Competing Proposal, Mosaic will at the commencement of the Exclusivity Period promptly request in writing the immediate return or destruction by the Third Party (and such relevant adviser) of such confidential information.

10.2 No shop restriction

During the Exclusivity Period, except with the prior written consent of AGL, Mosaic must not, and must ensure that none of its Representatives, directly or indirectly solicit, invite, facilitate, encourage or initiate any Competing Proposal or any enquiries, negotiations or discussions with any Third Party in relation to, or that may reasonably be expected to lead to, a Competing Proposal, or communicate any intention to do any of those things.

10.3 Notification by Mosaic

During the Exclusivity Period, Mosaic must promptly notify AGL:

- (a) if it is approached, directly or indirectly, by any Third Party to enter into or participate in negotiations or discussions with any Third Party in relation to, or that may reasonably be expected to lead to, a Competing Proposal;
- (b) if it proposes to enter into such negotiations or discussions; and
- (c) if it proposes to enter into any agreement or understanding in relation to a Competing Proposal.

Those notices must include all material terms of the Competing Proposal (including any update where those terms have changed from a previous notice), including the identity of

the Third Party which has made the Competing Proposal, details of the proposed price or implied value, conditions, timing and break fee (if any).

10.4 Normal provision of information

Nothing in this clause prevents a party from:

- (a) providing information to its Representatives;
- (b) providing information to any Government Agency;
- (c) providing information to its auditors, customers, joint venturers and suppliers acting in that capacity in the ordinary course of business;
- (d) providing information required to be provided by law, including to satisfy its obligations of disclosure under the Listing Rules or to any Government Agency; or
- (e) making presentations to brokers, portfolio investors, analysts and other third parties in the ordinary course of business.

10.5 Acknowledgement

AGL has required Mosaic to agree to the obligations set out in this clause in consideration of it proceeding with the Scheme and incurring significant costs in doing so. In the absence of obtaining these obligations from Mosaic, AGL would not have entered into this deed.

11. Break Fee

11.1 Background

This clause has been agreed to in circumstances where:

- (a) AGL and Mosaic believe the implementation of the Scheme will provide significant benefits to Mosaic and its shareholders, and AGL and Mosaic acknowledge that, if they enter into this deed and the Scheme is subsequently not implemented, AGL will have incurred significant costs, including significant opportunity costs;
- (b) AGL requested provision be made for the payments outlined in this clause, without which AGL would not have entered into this deed;
- (c) the Mosaic Board believes that it is appropriate for it to agree to the payment referred to in this clause to secure AGL's entry into this deed; and
- (d) Mosaic has received legal advice in relation to this deed and the operation of this clause.

The parties acknowledge and agree that the costs actually incurred by AGL under paragraph (a) will be of such nature that they cannot be accurately ascertained, but that the Break Fee is a genuine and reasonable pre-estimate of the cost and loss that would actually be suffered by AGL.

11.2 Payment of Break Fee

Subject to clauses 11.3 and 11.6, Mosaic must pay AGL the Break Fee if at any time prior to the End Date either:

- (a) a Competing Transaction of any kind is announced by a Third Party; or
- (b) a Third Party, who at the date of this deed does not have voting power of 10% or more in Mosaic, comes to have such voting power,

and, within six months after that occurring, that Third Party or an associate of that Third Party:

- (c) completes in all material respects a transaction of the kind referred to in paragraph (a), (c) or (d) of the definition of Competing Proposal; or
- (d) without limiting paragraph (c) above, has a relevant interest in at least 35% of Mosaic Shares.

11.3 Payment conditions

- (a) Notwithstanding the occurrence of any event under clause 11.2, no amount is payable under clause 11.2 if the Scheme becomes Effective.
- (b) Mosaic can only ever be liable to pay the Break Fee once.

11.4 Timing of payment

If the Break Fee is payable under this deed, Mosaic must pay the Break Fee without set-off or withholding within 5 Business Days of receipt of a demand for payment from AGL.

11.5 Nature of payment

The amount payable by Mosaic to AGL under clause 11.2 is an amount to compensate AGL for:

- (a) advisory costs (including costs of Advisers other than success fees);
- (b) costs of management and directors' time;
- (c) out-of-pocket expenses; and
- (d) opportunity costs incurred in pursuing the Transaction or in not pursuing other alternative acquisitions or strategic initiatives which could have been developed to further business and objectives,

incurred by the members of the AGL Group.

11.6 Compliance with law

This clause 11 imposes obligations on Mosaic only to the extent that the performance of all or part of those obligations:

- (a) do not constitute unacceptable circumstances as declared by the Australian Takeovers Panel;
- (b) do not breach the fiduciary or statutory duties of the Mosaic Board; and
- (c) are not otherwise unlawful or held to be unenforceable by a court.



If and to the extent any of the above apply, AGL must reimburse all or part of the Break Fee (as the case may be) within 5 Business Days of receipt of a demand for reimbursement from Mosaic.

12. Termination

12.1 General rights

Either AGL or Mosaic may terminate this deed by written notice to the other:

- (a) at any time before 8am on the Second Court Date, if:
 - (i) the other has materially breached any provision of this deed (including any material breach of any Mosaic Representation and Warranty or AGL Representation and Warranty);
 - (ii) the party wishing to terminate has given written notice to the other in a timely manner setting out the relevant circumstances and stating an intention to terminate this deed; and
 - (iii) the relevant circumstances continue to exist for ten Business Days from the time the notice of intention to terminate is given (or any shorter period ending at 5pm on the Business Day before the Second Court Date);
- (b) in the circumstances set out in, and in accordance with, clause 3.4; or
- (c) if a majority of the Mosaic Board has changed, withdrawn or modified their recommendation as permitted under clause 5.6.

12.2 Termination rights between Effective Date and Implementation Date

- (a) AGL may terminate this deed by written notice to Mosaic if at any time after 8am on the Second Court Date and prior to implementation of the Scheme on the Implementation Date:
 - (i) Mosaic is in material breach of any provision of this deed (including any Relevant Mosaic Representation and Warranty);
 - (ii) a Mosaic Material Adverse Change is announced, or is otherwise discovered by AGL (whether or not it becomes public);
 - (iii) a Mosaic Prescribed Occurrence occurs; or
 - (iv) a Relevant Mosaic Representation and Warranty is not true and correct.
- (b) Mosaic may terminate this deed by written notice to AGL if at any time after 8am on the Second Court Date and prior to implementation of the Scheme on the Implementation Date:
 - (i) AGL is in material breach of any provision of this deed (including any Relevant AGL Representation and Warranty); or
 - (ii) AGL suffers an Insolvency Event.

12.3 Effect of termination

If this deed is terminated by a party under clauses 3.4, 12.1 or 12.2, except to the extent that the termination results from a breach by a party of its obligations under this deed, this deed will be of no force or effect, without any liability or obligation on the part of any party, other than in relation to rights and obligations that accrued prior to termination and the provisions of this clause and of clauses 1, 6.4, 7.1, 7.2, 9, 11, 13, 14 and 15, which will remain in force after the termination.

12.4 Termination by written agreement

The parties may terminate this deed by another written agreement between them.

13. GST

13.1 Recovery of GST

If GST is payable, or notionally payable, on a supply made under or in connection with this deed, the party providing the consideration for that supply must pay as additional consideration an amount equal to the amount of GST payable, or notionally payable, on that supply (the **GST Amount**). Subject to the prior receipt of a tax invoice, the GST Amount is payable at the same time that the other consideration for the supply is provided. This clause does not apply to the extent that the consideration for the supply is expressly stated to be GST inclusive or the supply is subject to reverse charge.

13.2 Liability net of GST

Where any indemnity, reimbursement or similar payment under this deed is based on any cost, expense or other liability, it shall be reduced by any input tax credit entitlement, or notional input tax credit entitlement, in relation to the relevant cost, expense or other liability.

13.3 Adjustment events

If an adjustment event occurs in relation to a supply under or in connection with this deed, the GST Amount will be recalculated to reflect that adjustment and an appropriate payment will be made between the parties.

13.4 Survival

This clause will continue to apply after expiration or termination of this deed.

13.5 Definitions

Unless the context requires otherwise, words used in this clause that have a specific meaning in the GST law (as defined in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth)) shall have the same meaning in this clause.

Any notice, demand, consent or other communication (a **Notice**) given or made under this deed:

- Email: guy.alexander@aar.com.au

- Email: mpistilli@cpscorplaw.com.au

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- (ii) in the case of delivery by post, two Business Days after the date of posting (if posted to an address in the same country) or seven Business Days after the date of posting (if posted to an address in another country); and
- (iii) in the case of fax, on receipt by the sender of a transmission control report from the despatching machine showing the relevant number of pages and the correct destination fax number or name of recipient and indicating that the transmission has been made without error,

but if the result is that a Notice would be taken to be given or made on a day that is not a business day in the place to which the Notice is sent or is later than 5pm (local time) it will be taken to have been duly given or made at the start of business on the next business day in that place.

15. General Provisions

15.1 Amendment

This deed may be amended only by another deed executed by all the parties.

15.2 Assignment

A party cannot assign, charge, encumber or otherwise deal with at law or in equity any of its rights or obligations under this deed, or attempt or purport to do so, without the prior consent of each other party.

15.3 Costs and stamp duty

Each party must bear its own costs arising out of the negotiation, preparation and execution of this deed. All stamp duty (including fines, penalties and interest) payable on or in connection with this deed and any instrument executed under or any transaction evidenced by this deed must be borne by AGL.

15.4 Counterparts

This deed may be executed in any number of counterparts. All counterparts together will be taken to constitute one instrument.

15.5 Entire agreement

This deed contains the entire agreement between the parties with respect to its subject matter. It sets out the only conduct relied on by the parties and supersedes all earlier conduct and prior agreements and understandings between the parties in connection with its subject matter.

15.6 Further assurances

Each party must do anything necessary (including executing agreements and documents) to give full effect to this deed and the transactions contemplated by it.

15.7 Governing law and jurisdiction

This deed is governed by the laws of New South Wales. In relation to it and related non-contractual matters each party irrevocably submits to the non-exclusive jurisdiction of courts with jurisdiction there.

15.8 No merger

The rights and obligations of the parties will not merge on the completion of any transaction contemplated by this deed. They will survive the execution and delivery of any assignment or other document entered into for the purpose of implementing a transaction.

15.9 No third party beneficiary

This deed is binding upon and inures solely to the benefit of each party to it and each of their respective permitted successors and assigns, and nothing in this deed, express or implied, is intended to or will confer upon any other person, other than the AGL Indemnified Parties and the Mosaic Indemnified Parties (to the extent set out in clauses 6 and 7), any third party beneficiary rights.

15.10 No waiver

A failure to exercise or a delay in exercising any right, power or remedy under this deed does not operate as a waiver. A single or partial exercise or waiver of the exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver is not valid or binding on the party granting that waiver unless made in writing.

15.11 Severability of provisions

Any provision of this deed that is prohibited or unenforceable in any jurisdiction is ineffective as to that jurisdiction to the extent of the prohibition or unenforceability. That does not invalidate the remaining provisions of this deed nor affect the validity or enforceability of that provision in any other jurisdiction.

Schedule 1 – AGL Representations and Warranties

1. **(Status)** It is a corporation duly incorporated and validly existing under the laws of the place of its incorporation.
2. **(Solvency)** It is not insolvent and no receiver has been appointed over any part of its assets and no such appointment has been threatened.
3. **(Power)** It has the power to enter into and perform its obligations under this deed to carry out the transactions contemplated by this deed.
4. **(Corporate authorisations)** It has taken all necessary corporate action to authorise the entry into and performance of this deed and to carry out the transactions contemplated by this deed.
5. **(Documents binding)** This deed is its valid and binding obligation enforceable in accordance with its terms, subject to any necessary stamping and registration.
6. **(Transactions permitted)** The execution and performance by it of this deed and each transaction contemplated under this deed did not and will not violate in any respect a provision of:
 - (a) a law or treaty or a judgment, ruling, order or decree of a Governmental Agency binding on it;
 - (b) its constitution or other constituent documents; or
 - (c) any other document which is binding on it or its assets.
7. **(AGL Information)** The AGL Information provided to Mosaic:
 - (a) at the time it was provided, was provided in good faith and on the understanding that each of the Mosaic Indemnified Parties will rely on that information to prepare the Scheme Booklet or supplementary disclosure to Mosaic Shareholders (as applicable) and to propose and implement the Scheme in accordance with the Corporations Act;
 - (b) at the time Mosaic commenced despatch of the Scheme Booklet or supplementary disclosure (as applicable) to Mosaic Shareholders, does not contain any statement which is materially misleading or deceptive (including by way of omission); and
 - (c) complies in all material respects with relevant laws (including the Corporations Act, Listing Rules and relevant ASIC Regulatory Guides).
8. **(Funding)** AGL will have funding in place to pay the Scheme Consideration on the Implementation Date and to satisfy all of its other payment obligations under this deed as and when such payment obligations become due.
9. **(Continuous disclosure)** AGL has complied in all material respects with its continuous disclosure obligations under Listing Rule 3.1. There is no information that it is withholding pursuant to a carve-out under Listing Rule 3.1 that has not been disclosed to Mosaic.

Allens Arthur Robinson 

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10. **(Pending or threatened litigation)** AGL's Board and management are not aware of any pending or threatened litigation, regulatory investigation or action or other dispute which could materially impact the earnings or financial position of the AGL Group.
 11. **(Tax)** AGL's Board and management are not aware of any investigations, inquiries or other correspondence with taxation authorities, or any other fact or circumstance, which could result in a tax liability for any member of the AGL Group which could materially impact the earnings or financial position of the AGL Group.

Schedule 2 - Mosaic Representations and Warranties

1. **(Status)** It is a corporation duly incorporated and validly existing under the laws of the place of its incorporation.
2. **(Solvency)** It is not insolvent and no receiver has been appointed over any part of its assets and no such appointment has been threatened.
3. **(Power)** It has the power to enter into and perform its obligations under this deed to carry out the transactions contemplated by this deed.
4. **(Corporate authorisations)** It has taken all necessary corporate action to authorise the entry into and performance of this deed and to carry out the transactions contemplated by this deed.
5. **(Documents binding)** This deed is its valid and binding obligation enforceable in accordance with its terms, subject to any necessary stamping and registration.
6. **(Transactions permitted)** The execution and performance by it of this deed and each transaction contemplated under this deed did not and will not violate in any respect a provision of:
 - (a) a law or treaty or a judgment, ruling, order or decree of a Governmental Agency binding on it;
 - (b) its constitution or other constituent documents; or
 - (c) any other document which is binding on it or its assets.
7. **(Accounts)** The Accounts:
 - (a) comply with the requirements of the Corporations Act and of applicable Accounting Standards (as stated therein); and
 - (b) give a true and fair view of the financial position as at the respective balance dates of the Accounts and of the performance of the Mosaic Group for the respective periods ended on those respective balance dates.
8. **(Capital structure)** Mosaic's capital structure, including all securities issued and outstanding at the date of this deed is as set out in schedule 4. Except for the issue of the Taipan Farmin Scrip, no member of the Mosaic Group is subject to any obligation (including any contingent obligation) to issue or have transferred to any person securities in or of it or any other member of the Mosaic Group.
9. **(Taipan Farmin)**
 - (a) the Taipan Disclosure Materials are true and complete in all material respects and there are no other material agreements or documents in relation to the issue of the Taipan Farmin Scrip under the Taipan Farmin Agreement; and
 - (b) no right to terminate the Taipan Farmin Agreement has arisen under clause 3.1(c) of the Taipan Farmin Agreement.
10. **(Continuous disclosure)** Mosaic has complied in all material respects with its continuous disclosure obligations under Listing Rule 3.1. There is no information that it is

withholding pursuant to a carve-out under Listing Rule 3.1 that has not been disclosed to AGL.

11. **(Adviser fees)** The aggregate fees (including any success fees) paid, or payable in the future, by Mosaic to Advisers engaged by Mosaic in relation to the Transaction, does not (or will not) exceed the amount set out in the Disclosure Letter.
12. **(Scheme Booklet)** At the date the Scheme Booklet is despatched to Mosaic Shareholders, the information contained in the Scheme Booklet (other than the AGL Information) is true and correct in all material respects, complies with all applicable laws and does not contain any statement which is misleading or deceptive in any material respect (whether by omission or otherwise).
13. **(No change of control under material contracts)** No person has or will have any right under any material contract (whether subject to conditions or not) as a result of the Transactions to:
 - (a) acquire, or require the disposal of, or require any member of the Mosaic Group to offer to dispose of, any material asset of any member of the Mosaic Group; or
 - (b) terminate, or vary the terms or performance of, any material agreement with any member of the Mosaic Group.
14. **(Environmental liabilities)** Mosaic's Board and management are not aware of any existing or potential material environmental liabilities to which a member of the Mosaic Group is exposed.
15. **(Health and safety)** Mosaic's Board and management are not aware of any existing or potential material liabilities to which a member of the Mosaic Group is exposed as a result of any health and safety laws.
16. **(Pending or threatened litigation)** Mosaic's Board and management are not aware of any pending or threatened litigation, regulatory investigation or action or other dispute which could materially impact the earnings or financial position of the Mosaic Group.
17. **(Tax)** Mosaic's Board and management are not aware of any investigations, inquiries or other correspondence with taxation authorities, or any other fact or circumstance, which could result in a tax liability for any member of the Mosaic Group which could materially impact the earnings or financial position of the Mosaic Group.



Schedule 3 – Mosaic Prescribed Occurrences

1. Mosaic converting all or any of its shares into a larger or smaller number of shares.
2. Any member of the Mosaic Group (other than a direct or indirect wholly-owned subsidiary of Mosaic) resolving to reduce its share capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares.
3. Any member of the Mosaic Group (other than a direct or indirect wholly-owned subsidiary of Mosaic):
 - (a) entering into a buy-back agreement; or
 - (b) resolving to approve the terms of a buy-back agreement under the Corporations Act.
4. Any member of the Mosaic Group (other than a direct or indirect wholly-owned subsidiary of Mosaic) declaring, paying or distributing any dividend, bonus or other share of its profits or assets or agreeing to return any capital to its members.
5. Except for the issue of the Taipan Farmin Scrip, any member of the Mosaic Group issuing securities or incurring any obligation (including any contingent obligation) to issue or have transferred to any person securities in or of it or any other member of the Mosaic Group, other than to Mosaic or a direct or indirect wholly-owned subsidiary of Mosaic.
6. A member of the Mosaic Group:
 - (a) acquiring or disposing of;
 - (b) agreeing to acquire or dispose of; or
 - (c) offering, proposing, announcing a bid or tendering for, any business, assets, entity or undertaking, the value of which exceeds \$500,000.
7. A member of the Mosaic Group entering into any agreement or understanding restraining any member of the Mosaic Group from competing with any person or conducting activities in any market.
8. A member of the Mosaic Group creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over the whole, or substantially all, of its business or property otherwise than:
 - (a) in the ordinary course of business; or
 - (b) a lien which arises by operation of law securing an obligation that is not yet due.
9. A member of the Mosaic Group:
 - (a) entering into any agreement or understanding (including in respect of Finance Debt) requiring payments, the incurring of expenditure or the foregoing of revenue by members of the Mosaic Group in excess of \$250,000 or involving a commitment of greater than 12 months;
 - (b) agreeing to any variation to the terms of any agreement or understanding (including any variation made pursuant to a right or obligation in an agreement to

- vary or renegotiate terms of that agreement) which is material to the business, operations or financing arrangements of the Mosaic Group;
- (c) incurring or agreeing or committing to incur any individual capital expenditure item which is in excess of \$250,000;
 - (d) waiving any third party default where the financial impact on the Mosaic Group will be in excess of \$100,000;
 - (e) accepting as a compromise of a matter less than the full compensation due to a member of the Mosaic Group where the result of the compromise is that the member will receive an amount which is in excess of \$100,000 less than the amount of full compensation; or
 - (f) entering into any gas storage agreement with any third party.
10. A member of the Mosaic Group providing financial accommodation other than to members of the Mosaic Group (irrespective of what form of Finance Debt that accommodation takes) in excess of \$100,000.
 11. A member of the Mosaic Group entering into any agreement with respect to derivative instruments (including swaps, futures contracts, forward commitments, commodity or currency derivatives or options) or similar instruments.
 12. A member of the Mosaic Group suffering an Insolvency Event.
 13. A member of the Mosaic Group entering into a transaction with any related party of Mosaic as defined in section 228 of the Corporations Act.
 14. A member of the Mosaic Group, other than in the ordinary course of business:
 - (a) materially increasing the remuneration of, or paying any bonuses or issuing any securities to;
 - (b) accelerating any rights to benefits of any kind of;
 - (c) paying or agreeing to pay a termination payout (including a 'golden parachute') to; or
 - (d) materially amending any employment, consulting, board appointment, indemnification, severance or similar arrangement of or with, any of its officers or employees.

Schedule 4 - Mosaic Capital Structure

Security	Number on issue at the date of this deed
Ordinary shares (fully paid)	821,710,775
Ordinary shares (partly paid) ("Mosaic Ordinary Contributing Shares")	19,235,000
Mosaic Employee Options	1,707,818

Allens Arthur Robinson 

Executed and delivered as a deed in Sydney.

Each attorney executing this deed states that he or she has no notice of revocation or suspension of his or her power of attorney.

Signed Sealed and Delivered for AGL
Energy Limited by its attorney under power
of attorney in the presence of:

Witness Signature

Attorney Signature

Print Name

Print Name

Executed as a deed in accordance with
section 127 of the *Corporations Act 2001* by
Mosaic Oil NL:

Director Signature

Director/Secretary Signature

Print Name

Print Name

ANNEXURE B: SCHEME OF ARRANGEMENT

For personal use only

B

Allens Arthur Robinson



Date	2010
Parties	<p>Scheme of Arrangement under Part 5.1 of the Corporations Act.</p> <ol style="list-style-type: none"> Mosaic Oil NL (ACN 003 329 084) of Level 12, 10 Bridge St, Sydney NSW 2000 (<i>Mosaic</i>). The holders of: <ul style="list-style-type: none"> (a) fully paid ordinary shares in Mosaic; and (b) Mosaic Ordinary Contributing Shares, at the Scheme Record Date (other than Excluded Shareholders).

1. Definitions and interpretation

1.1 Definitions

The meanings of the terms used in this scheme of arrangement are set out below.

AGL means **AGL Energy Limited** (ACN 115 061 375) of Level 22, 101 Miller St, North Sydney NSW 2060 (*AGL*).

AGL Group means AGL and each of its subsidiaries (excluding, at any time, Mosaic and its subsidiaries to the extent that Mosaic and its subsidiaries are subsidiaries of AGL at that time). A reference to a *member of the AGL Group* is a reference to AGL or any such subsidiary.

AGL Register means the register of members of AGL.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.

Business Day means a business day as defined in the Listing Rules.

Cash Consideration means:

- for each Scheme Share which, at the Scheme Record Date, is a Mosaic fully paid ordinary share - \$0.15 cash (provided that in the event that Mosaic declares or determines to pay or provide any dividend or distribution after the date of the Scheme Implementation Deed and prior to the Implementation Date, that amount will be reduced by the value of that dividend or distribution (as determined by AGL, acting reasonably, in the case of a non-cash dividend or distribution)); and

- (b) for each Scheme Share which, at the Scheme Record Date, is a Mosaic Ordinary Contributing Share - \$0.15 in cash (provided that in the event that Mosaic declares or determines to pay or provide any dividend or distribution after the date of the Scheme Implementation Deed and prior to the Implementation Date, that amount will be reduced by the value of that dividend or distribution (as determined by AGL, acting reasonably, in the case of a non-cash dividend or distribution)), minus the unpaid amount (if any) on that partly paid share as at the Scheme Record Date, provided that if this results in no amount or a negative amount payable, the consideration offered for that partly paid share is \$0.001.

CHES means the clearing house electronic sub-register system of share transfers operated by ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532).

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia, New South Wales Registry.

Deed Poll means the deed poll dated 3 September 2010 executed by AGL in favour of the Scheme Shareholders.

Effective means the coming into effect under section 411(10) of the Corporations Act of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this scheme.

Effective Date means the date on which this scheme becomes Effective.

End Date means 30 November 2010.

Excluded Shareholder means any Mosaic Shareholder who is a member of the AGL Group.

Implementation Date means the fifth Business Day after the Scheme Record Date or such other date agreed to in writing between AGL and Mosaic.

Ineligible Foreign Shareholder means a Scheme Shareholder whose address shown in the Mosaic Share Register at the Scheme Record Date is a place outside of Australia and its external territories or New Zealand unless AGL determines that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with New AGL Shares.

Listing Rules means the official listing rules of ASX.

Marketable Parcel means a marketable parcel as defined by the Market Rules of ASX.

Mosaic Employee Incentive Plan means the plan of that name established in respect of the Mosaic Employee Options.

Mosaic Employee Options means options to subscribe for fully paid ordinary shares in Mosaic, issued under the Mosaic Employee Incentive Plan.

Mosaic Employee Share Scheme means the Mosaic Employee Share Scheme established in 1992, as amended at the Mosaic General Meeting dated 28 November 2001.

Mosaic Ordinary Contributing Shares means partly paid ordinary shares in Mosaic issued under the Mosaic Employee Share Scheme.

Mosaic Registry means Registries Limited (ABN 14 003 209 836) or any replacement provider of share registry services to Mosaic.

Mosaic Share means:

- (a) a fully paid ordinary share in Mosaic; or
- (b) a Mosaic Ordinary Contributing Share.

Mosaic Shareholders means each person who is registered as the holder of Mosaic Shares from time to time.

Mosaic Share Register means the register of members of Mosaic maintained in accordance with the Corporations Act.

New AGL Share means an ordinary share in the capital of AGL to be issued as fully paid under the Scheme.

Registered Address means, in relation to a Mosaic Shareholder, the address shown in the Mosaic Share Register.

Sale Agent means Goldman Sachs & Partners Australia Pty Ltd or any replacement nominee appointed by AGL with the approval of Mosaic, such consent not to be unreasonably withheld.

Sale Facility Entitlement in respect of a particular Sale Facility Participant has the meaning given in clause 5.7(b).

Sale Facility Participant has the meaning given in clause 5.7(a).

Sale Facility Shares has the meaning given in clause 5.7(a).

Scheme Booklet means the information to approved by the Court and despatched to Mosaic Shareholders (other than Excluded Shareholders) including the scheme, an explanatory statement complying with the requirements of the Corporations Act, an independent expert's report, the Deed Poll, notice of the Scheme Meeting and proxy form for the Scheme Meeting.

Scheme Consideration means;

- (a) for each Scheme Shareholder who has not submitted a valid Scrip Election Form to the Mosaic Registry prior to the Scheme Record Date, Cash Consideration for each Scheme Share held by that Scheme Shareholder; and
- (b) subject to clauses 5.6 and 5.7, for each Scheme Shareholder who has submitted a valid Scrip Election Form to the Mosaic Registry prior to the Scheme Record Date, Scrip Consideration for each Scheme Share held by that Scheme Shareholder.

Scheme Implementation Deed means the Scheme Implementation Deed dated 14 July 2010 between AGL and Mosaic.

Scheme Meeting means the meeting of Mosaic Shareholders (other than Excluded Shareholders) ordered by the Court to be convened under section 411(1) of the Corporations Act.

Scheme Record Date means 7pm on the fifth Business Day after the Effective Date or such other date agreed to in writing between AGL and Mosaic.

Scheme Share means a Mosaic Share held by a Scheme Shareholder at the Scheme Record Date.

Scheme Shareholders means Mosaic Shareholders (other than Excluded Shareholders) at the Scheme Record Date.

Scrip Consideration means:

- (a) for each Scheme Share which, at the Scheme Record Date, is a Mosaic fully paid ordinary share – 0.0101 New AGL Shares for every one Scheme Share (provided that in the event that Mosaic declares or determines to pay or provide any dividend or distribution after the date of the Scheme Implementation Deed and prior to the Implementation Date, that number of New AGL Shares will be reduced by the proportion which the value of that dividend or distribution (as determined by AGL, acting reasonably, in the case of a non-cash dividend or distribution) bears to \$0.15); and
- (b) for each Scheme Share which, at the Scheme Record Date, is a Mosaic Ordinary Contributing Share, a number of New AGL Shares for every one Scheme Share determined in accordance with the following formula:

$$A = \frac{B}{C} \times D$$

where:

A = the number of New AGL Shares to be issued for every one such Scheme Share;

B = C, minus the unpaid amount (if any) on that partly paid share as at the Scheme Record Date, provided that if this results in no amount or a negative amount payable, then B is \$0.001;

C = 0.15 (provided that in the event that Mosaic declares or determines to pay or provide any dividend or distribution after the date of the Scheme Implementation Deed and prior to the Implementation Date, that amount will be reduced by the value of that dividend or distribution (as determined by AGL, acting reasonably, in the case of a non-cash dividend or distribution)); and

D = the scrip ratio, 0.0101, provided that in the event that Mosaic declares or determines to pay or provide any dividend or distribution after the date of this deed and prior to the Implementation Date, that scrip ratio will be reduced by the proportion which the value of that dividend or distribution (as determined by AGL, acting reasonably, in the case of a non-cash dividend or distribution) bears to \$0.15).

Scrip Election means a valid election under clause 5.4(a) by way of Scrip Election Form by a Scheme Shareholder to receive Scrip Consideration for all of that Scheme Shareholder's Scheme Shares, subject to the terms of the Scheme.

Scrip Election Form means a form which forms part of the Scheme Booklet and is to be completed by Mosaic Shareholders to record their election to receive the Scrip Consideration under the Scheme.



Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard.

Trustee means Mosaic as trustee for the Scheme Shareholders.

Unmarketable Parcel means a number of AGL Shares which is less than a "marketable parcel" under the market rules of the ASX (currently, a parcel of less than \$500), calculated based on the highest closing price for AGL Shares on ASX during the period between the date of the Scheme Booklet and the Scheme Record Date.

Unmarketable Parcel Shareholder means a Scheme Shareholder whose holding of Scheme Shares is such that, if they made a valid Scrip Election, the total number of AGL Shares which that shareholder would otherwise be entitled to receive as Scrip Consideration would be an Unmarketable Parcel.

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural, and the converse also applies.
- (b) A gender includes all genders.
- (c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.
- (e) A reference to a clause or schedule is a reference to a clause of or schedule to this scheme.
- (f) A reference to an *agreement* or *document* (including a reference to this scheme) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this scheme or that other agreement or document, and includes the recitals, schedules and annexures to that agreement or document.
- (g) A reference to a party to this scheme or another agreement or document includes the party's successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives).
- (h) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (i) A reference to conduct includes an omission, statement or undertaking, whether or not in writing.
- (j) A reference to an *agreement* includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a *document* includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind.

- (k) A reference to *dollars* and \$ is to Australian currency.
- (l) All references to time are to Sydney, Australia time.
- (m) Mentioning anything after *includes, including, for example*, or similar expressions, does not limit what else might be included.
- (n) Nothing in this scheme is to be interpreted against a party solely on the ground that the party put forward scheme or a relevant part of it.
- (o) A term or expression which is defined in the Corporations Act but is not defined in this scheme, has the meaning given in the Corporations Act.

1.3 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

1.4 Listing requirements included as law

A listing rule or business rule of a financial market will be regarded as a *law*, and a reference to such a rule is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

2. Preliminary

2.1 Mosaic

- (a) Mosaic is a public no liability company, registered in New South Wales.
- (b) Mosaic Shares are officially quoted on ASX and the stock exchange for Papua New Guinea ("PoMSOX"). As at [insert date], Mosaic had the following securities on issue:
 - (i) [821,710,775] Mosaic fully paid ordinary shares;
 - (ii) [19,235,000] Mosaic Ordinary Contributing Shares; and
 - (iii) [1,707,818] Mosaic Employee Options.

2.2 AGL

AGL is a public company limited by shares and admitted to the official list of ASX.

2.3 Consequence of this scheme becoming Effective

- (a) If this scheme becomes Effective:
 - (i) AGL will provide the Scheme Consideration to Scheme Shareholders in accordance with this scheme; and
 - (ii) all the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares, will be transferred to AGL, and Mosaic will enter AGL in the Mosaic Share Register as the holder of the Scheme Shares with the result that Mosaic will become a wholly-owned subsidiary of AGL.

- (b) AGL and Mosaic have entered into the Scheme Implementation Deed to facilitate the proposal of this scheme by Mosaic and its implementation.

3. Conditions

- (a) This scheme is conditional on all the conditions precedent in clause 3.1 of the Scheme Implementation Deed (other than the condition in clause 3.1(d) (Court approval) of the Scheme Implementation Deed) having been satisfied or waived in accordance with the terms of the Scheme Implementation Deed by 8am on the Second Court Date.
- (b) The satisfaction of clause 3(a) is a condition precedent to the operation of clauses 4.2 and 5.
- (c) This scheme will lapse and be of no further force or effect if:
 - (i) the Effective Date does not occur on or before the End Date or any later date agreed in writing between AGL and Mosaic; or
 - (ii) the Scheme Implementation Deed is terminated prior to implementation of this scheme on the Implementation Date.

4. Implementation

4.1 Lodgement of Court orders

Mosaic must lodge with ASIC office copies of any Court orders under section 411 of the Corporations Act approving this scheme by 5pm on the Business Day the Court approves this scheme or by 5pm on the Business Day on which the Court orders are entered, whichever is the later.

4.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clause 5, the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to AGL, without the need for any further act by any Scheme Shareholder by:
 - (i) Mosaic delivering to AGL a duly completed and executed share transfer form to transfer all the Scheme Shares to AGL; and
 - (ii) AGL duly executing such transfer form and delivering it to Mosaic for registration; and
- (b) immediately after receipt of the transfer form in accordance with paragraph (a)(ii), Mosaic must enter the name of AGL in the Mosaic Share Register in respect of the Scheme Shares.

5. Scheme Consideration

5.1 Amount of Scheme Consideration

- (a) Subject to clause 5.1(b), each Scheme Shareholder is entitled to receive Cash Consideration in respect of each Scheme Share held by that Scheme Shareholder.
- (b) Subject to clauses 5.6 and 5.7, each Scheme Shareholder who has made a valid Scrip Election under clause 5.4(a) is entitled to receive Scrip Consideration (in lieu of Cash Consideration) in respect of each Scheme Share which is held by that Scheme Shareholder and is the subject of that election.

5.2 Joint holders

In the case of Scheme Shares held in joint names:

- (a) Cash Consideration (or any other cheque required to be sent under this scheme) will be made payable to, and sent to, the holder whose name appears first in the Mosaic Share Register at the Scheme Record Date;
- (b) Scrip Consideration will be provided by the relevant New AGL Shares being issued to and registered in the names of the joint holders; and
- (c) any other document required to be sent under this scheme will be forwarded to the holder whose name appears first in the Mosaic Register as at the Scheme Record Date.

5.3 Cash Consideration

- (a) On the Implementation Date, AGL must deposit an amount equal to the aggregate amount of the Cash Consideration payable to those Scheme Shareholders who are entitled to receive the Cash Consideration in cleared funds in an Australian dollar denominated trust account operated by the Trustee, to be held on trust for those Scheme Shareholders, except that any interest on the amount deposited (less bank fees and other charges) will be to AGL's account. The obligation of AGL to pay the Cash Consideration to Scheme Shareholders who are entitled to receive the Cash Consideration will be satisfied by AGL making the payment required by this clause 5.3(a).
- (b) Subject to AGL having complied with paragraph (a), as soon as practicable following implementation of this scheme on the Implementation Date, the Trustee must pay from the account referred to in paragraph (a) to each relevant Scheme Shareholder who is entitled to receive Cash Consideration such amount of cash as is due to that Scheme Shareholder under clause 5.1 as Scheme Consideration in respect of all that Scheme Shareholder's Scheme Shares.
- (c) The amount referred to in paragraph (b) must be paid by the Trustee doing any of the following at its election:
 - (i) sending (or procuring the Mosaic Registry) to send it to the Scheme Shareholder's Registered Address by cheque in Australian currency drawn out of the trust account established in accordance with paragraph (a); or

- (ii) depositing (or procuring the Mosaic Registry) to deposit it into an account with any Australian ADI (as defined in the Corporations Act) notified to Mosaic (or the Mosaic Registry) by an appropriate authority from the Scheme Shareholders.
- (d) If there is any surplus in the amount held by the Trustee in the trust account, that surplus must be paid by the Trustee to AGL following the satisfaction of the Trustee's obligations under this clause 5.3.

5.4 Scrip Election procedure

- (a) Subject to this clause 5.4, clause 5.6 and clause 5.7, each Scheme Shareholder may elect to receive Scrip Consideration (rather than the default Cash Consideration) by completing the Scrip Election Form and returning it to the address specified in the Scrip Election Form so that it is received by the Mosaic Registry prior to the Scheme Record Date.
- (b) An election under clause 5.4(a) must be made in accordance with the terms and conditions on the Scrip Election Form.
- (c) Subject to clause 5.4(d), a valid election made or deemed to be made by a Scheme Shareholder under clause 5.4(a) will be deemed to apply in respect of the Scheme Shareholder's entire holding of Scheme Shares, regardless of whether the Scheme Shareholder's holding of Scheme Shares is greater or less than the Scheme Shareholder's holding at the time it made its election.
- (d) A Scheme Shareholder who is noted on the Mosaic Register as holding Mosaic Shares as trustee or nominee for, or otherwise on account of, more than one person, may make an election under clause 5.4(a) in relation to part only of its holding, being such part as is held for some only of those persons (subject to the trustee or nominee providing to Mosaic and AGL any information they require, and provided that any such election which would result in the creation of an Unmarketable Parcel will be of no force or effect).
- (e) A Scheme Shareholder may withdraw any election made by it under clause 5.4(a) prior to the Scheme Record Date. To withdraw such an election, a Scheme Shareholder must follow the procedure set out in the Scrip Election Form.
- (f) Subject to clause 5.4(g), an election which is not made or deemed to have been made in accordance with clause 5.4(a) will not be a valid election for the purpose of this scheme and will not be recognised by Mosaic or AGL for any purpose.
- (g) Mosaic may, with the agreement of AGL, settle as it thinks fit any difficulty, matter of interpretation or dispute which may arise in connection with determining the validity of any election, and any such decision will be conclusive and binding on Mosaic, AGL and the relevant Scheme Shareholder.

5.5 Provision of Scrip Consideration

- (a) The obligation of AGL to provide the Scrip Consideration to Scheme Shareholders who have made a valid election in accordance with clause 5.4(a) and who are not

Ineligible Foreign Shareholders or Unmarketable Parcel Shareholders will be satisfied by AGL:

- (i) procuring that:
 - (A) the name and address of each such Scheme Shareholder is entered into the AGL Register on the Implementation Date in respect of the New AGL Shares to which it is entitled; and
 - (B) a holding statement (or equivalent document) is sent to the Registered Address of each such Scheme Shareholder representing the number of New AGL Shares issued to the Scheme Shareholder pursuant to this scheme; and
- (ii) depositing an amount equal to the aggregate amount of any cash amounts in lieu of fractional entitlements (referred to in clause 5.6) payable to those Scheme Shareholders in cleared funds in the Australian dollar denominated trust account operated by the Trustee referred to in clause 5.3, to be held on trust for those Scheme Shareholders, except that any interest on the amount deposited (less bank fees and other charges) will be to AGL's account. The obligation of AGL to pay any cash amounts in lieu of fractional entitlements will be satisfied by AGL making the payment required by this clause 5.5(a). The provisions in clauses 5.3(b), (c) and (d) will apply with such modifications as are necessary to the payment by the Trustee of the amount referred to in this clause to the relevant Scheme Shareholders.
- (b) The obligation of AGL to provide the Scrip Consideration to Scheme Shareholders who have made a valid election in accordance with clause 5.4(a) and who are Ineligible Foreign Shareholders or Unmarketable Parcel Shareholders will be satisfied by AGL issuing the Sale Facility Shares to the Sale Agent in accordance with clause 5.7.

5.6 Fractional entitlements

Where the calculation of the aggregate number of New AGL Shares to be issued to any Scheme Shareholder who has made a valid election in accordance with clause 5.4(a) would result in the issue of a fraction of an AGL Share, the entitlement will be rounded down to the nearest whole number of New AGL Shares. In relation to any fractional entitlement which is lost through rounding down, AGL will pay the Scheme Shareholder who would otherwise have received that fraction of a New AGL Share a cash amount determined in accordance with the following formula:

$$A = (B \div 0.0101) \times \$0.15$$

Where:

A is the amount payable in lieu of the fraction of a New AGL Share; and

B is that fraction (expressed as a decimal and rounded down to two decimal places).

For the avoidance of doubt, this clause does not apply in relation to New AGL Shares to be issued to the Sale Agent under clause 5.7.



5.7 Ineligible Foreign Shareholders and Unmarketable Parcel Shareholders

- (a) AGL will provide the Scheme Consideration to those Scheme Shareholders who have made a valid Scrip Election under clause 5.4(a) and who are Ineligible Foreign Shareholders or Unmarketable Parcel Shareholders (***Sale Facility Participants***) by issuing to the Sale Agent, as nominee for sale in accordance with this clause, that total number of New AGL Shares (the ***Sale Facility Shares***) which is equal to the sum of the Sale Facility Entitlements of all Sale Facility Participants. If the number of Sale Facility Shares is not itself a whole number, that number will be rounded up to the nearest whole number.
- (b) The ***Sale Facility Entitlement*** of a particular Sale Facility Participant is the aggregate of the number of New AGL Shares which would otherwise have been issued to that Sale Facility Participant under clause 5.1(b), rounded down to two decimal places. For the purposes of determining Sale Facility Entitlements, rounding under clause 5.6 will not apply and no amount will be payable under that clause to a Sale Facility Participant..
- (c) AGL must procure that the Sale Agent:
 - (i) sells the Sale Facility Shares on ASX within 5 Business Days after the Implementation Date, in such manner, including selling the Sale Facility Shares in one or more lots, at such price or prices and on such other terms as the Sale Agent determines in good faith; and
 - (ii) within 3 Business Days after the last sale of Sale Facility Shares is completed under (c)(i) above:
 - (A) deducts from the gross proceeds of sale of all Sale Facility Shares any sale costs or applicable taxes or charges; and
 - (B) pays the net proceeds of sale of all Sale Facility Shares to the Mosaic Registry in trust for the Sale Facility Participants.
- (d) Within 3 Business Days after the date the Sale Agent pays the net proceeds of sale of all Sale Facility Shares to the Mosaic Registry as required by clause 5.7(c)(ii), AGL will cause the Mosaic Registry to pay to each Sale Facility Participant their pro-rata share of that amount, being the proportion which their Sale Facility Entitlement bears to the total number of Sale Facility Securities. The amount payable to each Sale Facility Participant under this clause will, if necessary, be rounded down to the nearest whole cent, and any part of the amount referred to in clause 5.7(c)(ii) remaining after such rounding will be paid by the Mosaic Registry to a charity nominated by AGL.
- (e) Payment by the Mosaic Registry to a Sale Facility Participant in accordance with this clause 5.7 satisfies in full the Sale Facility Participant's right to the Scheme Consideration.
- (f) None of AGL, Mosaic, the Sale Agent or the Mosaic Registry gives any assurance as to the price that will be achieved for the sale of the Sale Facility Shares by the Sale Agent. The sale of the Sale Facility Shares under this clause will be at the risk of the Sale Facility Participants.

- (g) Each Sale Facility Participant appoints Mosaic as its agent to receive on its behalf any financial services guide or other notices which may be given by the Sale Agent to that Sale Facility Participant.

5.8 Issue and trading of New AGL Shares

- (a) The New AGL Shares will be issued fully paid and will rank equally in all respects with all other AGL Shares then issued and outstanding.
- (b) Each Scheme Shareholder who is entitled to receive New AGL Shares in accordance with clause 5.4(a) agrees to be bound by AGL's constitution and authorises AGL to enter its name in the AGL Register in respect of those AGL Shares.
- (c) Each Scheme Shareholder shall be deemed to have irrevocably appointed AGL and each of its directors and officers (jointly and severally) as its attorneys for the purpose of executing any form of application, letter of transmittal or other instruments or documents required for the New AGL Shares.

6. Dealings in Mosaic Shares

- (a) To establish the identity of the Scheme Shareholders, dealings in Mosaic Shares will only be recognised if:
 - (i) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Mosaic Share Register as the holder of the relevant Mosaic Shares on or before the Scheme Record Date; and
 - (ii) in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before the Scheme Record Date at the place where the Mosaic Share Register is kept.
- (b) Mosaic must register registrable transmission applications or transfers of the kind referred to in clause 6(a)(ii) on the Scheme Record Date (provided that for the avoidance of doubt nothing in this clause 6(b) requires Mosaic to register a transfer that would result in a Mosaic Shareholder holding a parcel of Mosaic Shares that is less than a Marketable Parcel).
- (c) Mosaic will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Mosaic Shares received after the Scheme Record Date.
- (d) For the purpose of determining entitlements to the Scheme Consideration, Mosaic must maintain the Mosaic Share Register in accordance with the provisions of this clause 6 until the Scheme Consideration has been provided to the Scheme Shareholders. The Mosaic Share Register in this form will solely determine entitlements to the Scheme Consideration.
- (e) All statements of holding for Mosaic Shares will cease to have effect from the Scheme Record Date as documents of title in respect of those shares (other than statements of holding in favour of any member of the AGL Group and its successors in title). As from the Scheme Record Date, each entry current at that

date on the Mosaic Share Register (other than entries in respect of any member of the AGL Group and its successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Mosaic Shares relating to that entry.

- (f) As soon as possible after the Scheme Record Date and in any event at least two Business Days before the Implementation Date, Mosaic will ensure that details of the names, Registered Addresses and holdings of Mosaic Shares for each Scheme Shareholder are available to AGL in the form AGL reasonably requires.

7. Quotation of Mosaic Shares

- (a) It is expected that suspension of trading on ASX in Mosaic Shares will occur from the close of trading on the day Mosaic notifies ASX that the Court has approved this scheme under section 411(4)(b) of the Corporations Act.
- (b) On a date after the Implementation Date to be determined by AGL, Mosaic will apply:
 - (i) for termination of the official quotation of Mosaic Shares on ASX; and
 - (ii) to have itself removed from the official list of ASX.

8. General Scheme Provisions

8.1 Consent

If the Court proposes to approve this scheme subject to any alterations or conditions, Mosaic may, by its counsel, consent on behalf of all persons concerned to those alterations or conditions to which AGL has given its prior written consent.

8.2 Agreement of Scheme Shareholders

- (a) Scheme Shareholders agree to the transfer of their Mosaic Shares in accordance with this scheme and agree to the variation, cancellation or modification of the rights attached to their Mosaic Shares constituted by or resulting from this scheme.
- (b) Each of the Scheme Shareholders acknowledges that this scheme binds Mosaic and all Scheme Shareholders (including those who do not attend the Scheme Meeting or do not vote at that meeting or vote against this scheme at that Scheme Meeting).

8.3 Warranties by Scheme Shareholders

Each Scheme Shareholder is deemed to have warranted to Mosaic, in its own right and for the benefit of AGL that:

- (a) all of its Mosaic Shares which are transferred to AGL under this scheme will, on the date on which they are transferred to AGL, be free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind;
- (b) all of its Mosaic Shares which are transferred to AGL under this scheme will, on the date on which they are transferred to AGL, be fully paid (or, for each Mosaic Share

which is a Mosaic Ordinary Contributing Share, paid up to at least the amount disclosed by Mosaic in the latest ASX announcement which discloses the amount paid up on that partly paid share); and

- (c) it has full power and capacity to sell and (subject to the removal of the transfer restrictions pursuant to the Mosaic director and member resolutions referred to in clauses 5.1(o) and 3.1(b)(ii) of the Scheme Implementation Deed respectively) to transfer its Mosaic Shares to AGL.

8.4 Beneficial entitlement to Mosaic Shares

From the Implementation Date, AGL will be beneficially entitled to the Mosaic Shares transferred to it under this scheme pending registration by Mosaic of AGL in the Mosaic Share Register as the holder of the Mosaic Shares.

8.5 Authority given to Mosaic

- (a) Scheme Shareholders will be deemed to have authorised Mosaic to do and execute all acts, matters, things and documents on the part of each Scheme Shareholder necessary to implement the scheme, including executing, as agent and attorney of each Scheme Shareholder, a share transfer or transfers in relation to Scheme Shares as contemplated by clause 8.5(b).
- (b) Each Scheme Shareholder, without the need for any further act, irrevocably appoints Mosaic and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of executing any document necessary to give effect to this scheme including, a proper instrument of transfer of its Scheme Shares for the purposes of section 1071B of the Corporations Act which may be a master transfer of all the Scheme Shares and for enforcing the Deed Poll against AGL.

8.6 Appointment of sole proxy

Upon this scheme becoming Effective and until Mosaic registers AGL as the holder of all Mosaic Shares in the Mosaic Share Register, each Scheme Shareholder:

- (a) is deemed to have irrevocably appointed AGL as that Scheme Shareholder's attorney and agent (and directed AGL in such capacity) to appoint an officer or agent nominated by AGL as its sole proxy and, where applicable, corporate representatives to attend shareholders' meetings of Mosaic, exercise the votes attaching to the Scheme Shares registered in its name and sign any shareholders' resolutions, whether in person, by proxy or by corporate representative; and
- (b) must take all other actions in the capacity of a registered holder of Scheme Shares as AGL reasonably directs.

9. General

9.1 Stamp duty

AGL will pay all stamp duty payable in connection with the transfer of the Scheme Shares to AGL.

9.2 Definition of 'sending'

For the purposes of clauses 5.2, 5.3 and 5.5 the expressions 'sending' means, in relation to each Scheme Shareholder:

- (a) sending by ordinary pre-paid post or courier to the Registered Address of that Scheme Shareholder as at the Scheme Record Date; or
- (b) delivery to the Registered Address of that Scheme Shareholder as at the Scheme Record Date by any other means at no cost to the recipient.

9.3 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this document is sent by post to Mosaic, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at the place where Mosaic's Share Registry is kept.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Shareholder shall not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.4 Governing law and jurisdiction

This scheme is governed by the laws of New South Wales. In relation to it and related non-contractual matters each party irrevocably submits to the non-exclusive jurisdiction of courts with jurisdiction there.

9.5 Further assurances

Mosaic must do anything necessary (including executing agreements and documents) to give full effect to this scheme and the transactions contemplated by it.

**ANNEXURE C:
DEED POLL**

For personal use only



Deed Poll

Allens Arthur Robinson 

Date	3 September 2010
Deed Poll by	
1.	AGL Energy Limited (ACN 115 061 375) of Level 22, 101 Miller St, North Sydney NSW 2060 (<i>AGL</i>).
	in favour of the Scheme Shareholders .
Recitals	
A	On 14 July 2010, AGL and Mosaic entered into the Scheme Implementation Deed to provide for the implementation of the Scheme.
B	The effect of the Scheme will be to transfer all of the Scheme Shares to AGL in return for the Scheme Consideration.
C	AGL enters into this deed poll to covenant in favour of Scheme Shareholders to pay or procure payment of the Scheme Consideration in accordance with the Scheme.

It is declared as follows.

1. Definitions and interpretation

1.1 Definitions

The following definitions apply unless the context requires otherwise.

Scheme Implementation Deed means the scheme implementation deed dated 14 July 2010 between AGL and Mosaic Oil NL (ACN 003 329 084) (*Mosaic*).

Trustee means Mosaic as trustee for the Scheme Shareholders.

1.2 Terms defined in Scheme Implementation Deed

Words defined in the Scheme Implementation Deed and not in this deed poll have the same meaning in this deed poll as in the Scheme Implementation Deed unless the context requires otherwise.

1.3 Incorporation by reference

The provisions of clauses 1.2, 1.3, 1.4 and 1.5 of the Scheme Implementation Deed form part of this deed poll as if set out at length in this deed poll but with 'deed poll' substituted for 'deed' and with any reference to 'party' being taken to include the Scheme Shareholders.

1.4 Nature of this deed poll

AGL acknowledges that:

Deed Poll

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not a party to it; and
- (b) under the Scheme, each Scheme Shareholder has irrevocably appointed Mosaic and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent, inter alia, to enforce this deed poll against AGL.

2. Conditions

2.1 Conditions

AGL's obligations under clause 3 are subject to all conditions precedent to the Scheme being satisfied or waived.

2.2 Termination

AGL's obligations under this deed poll will automatically terminate and this deed poll will be of no further force or effect if:

- (a) the Scheme Implementation Deed is terminated in accordance with its terms; or
- (b) the Scheme is not Effective by the End Date.

2.3 Consequences of termination

If this deed poll terminates under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to them:

- (a) AGL is released from its obligations to further perform this deed poll; and
- (b) Scheme Shareholders retain the rights they have against AGL in respect of any breach of this deed poll which occurred before it terminated.

3. Payment of the Scheme Consideration

- (a) Subject to clause 2, AGL undertakes in favour of each Scheme Shareholder to:
 - (i) pay the Cash Consideration; or
 - (ii) provide the Scrip Consideration(as applicable) to each Scheme Shareholder in accordance with the terms of the Scheme.
- (b) **(Cash Consideration)** The obligation of AGL to pay the Cash Consideration (and amounts payable for fractional entitlements with respect to the Scrip Consideration) will be satisfied if, on or before implementation of the Scheme, AGL pays an amount at least equal to the aggregate amount of:
 - (i) the Cash Consideration payable to those Scheme Shareholders who are entitled to receive the Cash Consideration; and

Deed Poll

Allens Arthur Robinson 

- (ii) amounts payable in respect of fractional entitlements to those Scheme Shareholders who are entitled to receive the Scrip Consideration and hold a fractional entitlement which is lost through rounding down,
in cleared funds in an Australian dollar denominated trust account operated by the Trustee, on trust for those Scheme Shareholders, except that any interest on the amount deposited (less bank fees and other charges) will be to AGL's account.
- (c) **(Scrip Consideration)** AGL covenants in favour of each Scheme Shareholder that the New AGL Shares which are to be issued to each Scheme Shareholder who is entitled to receive the Scrip Consideration in accordance with the Scheme will:
 - (i) rank equally with all existing AGL Shares; and
 - (ii) be issued fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.

4. Warranties

AGL represents and warrants to each Scheme Shareholder that:

- (a) **(status)** it is a corporation duly incorporated and validly existing under the laws of the place of its incorporation;
- (b) **(power)** it has the power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) **(corporate authorisations)** it has taken all necessary corporate action to authorise the entry into and performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) **(documents binding)** this deed poll is its valid and binding obligation enforceable in accordance with its terms; and
- (e) **(transactions permitted)** the execution and performance by it of this deed poll and each transaction contemplated under this deed poll did not and will not violate in any respect a provision of:
 - (i) a law or treaty or a judgment, ruling, order or decree of a Governmental Agency binding on it;
 - (ii) its constitution or other constituent documents; or
 - (iii) any other document which is binding on it or its assets.

5. Continuing Obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until AGL has fully performed its obligations under it.

Any notice, demand or other communication (a **Notice**) to AGL in respect of this deed poll:

- to AGL:**
- Address:** Level 22,
101 Miller St
North Sydney NSW 2060
- Attention:** Company Secretary
- Facsimile:** +61 2 9921 2301

Guy Alexander
Partner
Allens Arthur Robinson
Cnr Hunter and Phillip Streets
Sydney NSW 2000
Email: guy.alexander@aar.com.au; and

- but if the result is that a Notice would be taken to be given or made on a day that is not a business day in the place to which the Notice is sent or is later than 5pm (local time) it will be taken to have been duly given or made at the start of business on the next business day in that place.

7.1 Amendment

ctas A0115397128v1 120026672

Deed Poll

Allens Arthur Robinson 

7.2 Assignment

The rights of each Scheme Shareholder under this deed poll are personal and cannot be assigned, charged, encumbered or otherwise dealt with at law or in equity without the prior written consent of AGL.

7.3 Counterparts

This deed poll may be executed in any number of counterparts. All counterparts together will be taken to constitute one instrument.

7.4 Cumulative rights

The rights, powers and remedies of AGL and each Scheme Shareholder under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

7.5 Governing law and jurisdiction

This deed poll is governed by the laws of New South Wales. In relation to it and related non-contractual matters AGL irrevocably submits to the non-exclusive jurisdiction of courts with jurisdiction there.

7.6 Further assurances

AGL must do anything necessary (including executing agreements and documents) to give full effect to this deed and the transactions contemplated by it.

7.7 No waiver

If a Scheme Shareholder does not exercise a right arising from a breach of this deed poll at a given time, it may, unless it has waived that right in writing, exercise the right at a later point in time.

7.8 Stamp duty

AGL must:

- (a) pay or procure the payment of all stamp duty (including fines, penalties and interest) in respect of the Scheme and this deed poll, the Scheme Implementation Deed, the performance of this deed poll, the Scheme Implementation Deed and each transaction effected by or made under the Scheme, this deed poll and the Scheme Implementation Deed; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 7.8(a).

Deed Poll

Allens Arthur Robinson 

Executed and delivered as a deed poll in Sydney.

Each attorney executing this Deed states that he or she has no notice of revocation or suspension of his or her power of attorney.

Signed Sealed and Delivered for AGL
Energy Limited by its attorney in the
presence of:

Witness Signature

Attorney Signature

Print Name

Print Name

ANNEXURE D: INDEPENDENT EXPERT'S REPORT

For personal use only

D



The Directors
Mosaic Oil NL
12th Floor, 10 Bridge Street
SYDNEY NSW 2000

1 September 2010

Dear Sirs

Independent Expert's Report in relation to the Offer by AGL Energy Limited

- 1 On 14 July 2010, Mosaic Oil NL ("Mosaic" or "the Company") announced that it had entered into a Scheme Implementation Deed with AGL Energy Limited ("AGL") under which AGL proposed to acquire all of the ordinary shares in Mosaic.
- 2 Under the Scheme Implementation Deed, a Scheme of Arrangement ("the Scheme") is proposed which, if approved, will result in the acquisition by AGL of all the outstanding fully paid and partly paid ordinary shares in Mosaic.
- 3 If the Scheme proceeds, existing Mosaic fully paid shareholders will either receive cash of \$0.15 per fully paid Mosaic share (the "Cash Offer") or will receive 1.01 AGL shares for every 100 fully paid Mosaic shares held (the "Scrip Offer"), at the shareholder's election. Partly paid shareholders will receive a proportionate amount of the scheme consideration.
- 4 Mosaic has requested PricewaterhouseCoopers Securities Ltd ("PwCS") to prepare an independent expert's report in connection with the proposed Scheme. The Scheme will be considered and voted on by non-associated shareholders at a meeting to be held on 7 October 2010. This report is to accompany the notice for the shareholder meeting.

Our Conclusions

The Scheme is in the best interests of fully and partly paid shareholders

- 5 Our assessment of the Proposed Scheme has been undertaken in accordance with the principles of Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111 (Content of Expert Reports). In the context of a Scheme, what is in the best interests of members is judged in all the circumstances of the Scheme.

PricewaterhouseCoopers
Securities Ltd
ACN 003 311 617
ABN 54 003 311 617
Holder of Australian Financial
Services Licence No 244572

QV1
250 St Georges Terrace
PERTH WA 6000
GPO Box D198
PERTH WA 6840
DX 77 Perth
Australia
Telephone +61 8 9238 3000
Facsimile +61 8 9238 3999



Comparing the value of the shares being acquired and the value of the consideration paid is only one element of the assessment.

- 6 We consider the Scheme to be in the best interests of Mosaic's fully and partly paid shareholders on the basis that it is fair and reasonable. The reasons for our opinion are set out below and should be read in conjunction with our detailed report which sets out our scope and findings.

The Consideration offered under the Scheme is fair

- 7 We assessed the fair market value of Mosaic shares as at the date of this report to be in a range from \$0.128 to \$0.197 with a preferred value of \$0.163. The Cash Offer price under the Scheme is \$0.15 per fully paid ordinary Mosaic share and the Scrip Offer has been assessed by PwCS to have a fair value in a range from \$0.146 to \$0.157. On the basis that our assessed value of the consideration is within our valuation range for a fully paid ordinary share in Mosaic, we consider that it is fair.

The Scheme is reasonable

- 8 We consider that the Scheme is reasonable on the basis that it is fair. In addition, we consider the Scheme to be reasonable for the following reasons.

The offer is at a premium to Mosaic ordinary share prices before the announcement of the proposed Scheme

- 9 The volume weighted average price ("VWAP") of Mosaic shares for the one and three month periods to 30 June 2010, being the day prior to the announcement of the proposed Scheme, was \$0.081 and \$0.093 respectively. Based on the Cash Offer price of \$0.15, this represents a premium of 86% and 61% respectively.

The Mosaic share price is likely to fall in the event that the Scheme does not proceed

- 10 The Mosaic share price increased significantly on the announcement of the Scheme and has traded in a range of \$0.13 to \$0.155 since then. We consider that in the absence of the Scheme, an alternative proposal or speculation concerning an alternative proposal, the Mosaic share price is likely to reduce significantly from current levels. In the medium and longer term, Mosaic's share price will reflect the market's assessment of Mosaic's ongoing business model, the prospects for its exploration and development activities as well as general movements in financial markets.



No alternative proposals have been received

- 11 The directors of Mosaic have advised us that to the best of their knowledge the proposal from AGL is the only proposal available to Mosaic at the date of this report.

Structure of Report

- 12 The balance of this report is set out in the following sections.

- I Terms of the Proposal**
- II Basis for Our Evaluation of the Proposal**
- III Analysis of Mosaic**
- IV Value of Mosaic Shares**
- V Consideration Offered**
- VI Other Matters Relevant to Our Assessment of the Proposal**
- Appendices**
 - A Declarations and Disclosures**
 - B Sources of Information**
 - C Financial Services Guide**
 - D Discounted Cash Flow Analysis**
 - E Discount Rate Analysis**
 - F Comparable Company Analysis**
 - G Corporate Structure**
 - H RISC Technical Expert's Report**

Yours faithfully

A handwritten signature in blue ink, reading 'Paul Hennessy'.

Paul Hennessy
Authorised Representative

A handwritten signature in blue ink, reading 'Roger Port'.

Roger Port
Authorised Representative



I Terms of the Proposal

- 13 Under the proposed Scheme, AGL will acquire 100% of the outstanding shares in Mosaic. The proposal is to be effected by way of a scheme of arrangement. The scheme of arrangement requires the approval of the shareholders under the Corporations Act.
- 14 Under the terms of the Scheme Implementation Deed, the transaction will result in each existing fully paid shareholder receiving either a cash payment of \$0.15 per share or 1.01 new AGL shares for every 100 fully paid ordinary Mosaic shares held, at the election of the shareholder.
- 15 In addition, the proposal includes an amendment to Mosaic's existing Employee Share Scheme which removes the restrictions that partly paid shares are not transferable until they become fully paid to enable those shares to be transferred under the Scheme.
- 16 Mosaic Partly paid shareholders will either receive the Cash Offer of \$0.15 minus the unpaid amount for each partly paid share held on the Record Date under the proposed Scheme (subject to a minimum consideration of \$0.001 per partly paid share) or can elect to receive 1.01 new AGL shares for every 100 partly paid ordinary Mosaic shares reduced proportionately to the extent that the remaining unpaid amount per partly paid share relates to the \$0.15 Cash Offer price.



II Basis for Our Evaluation of the Proposal

- 17 The Scheme is governed by Section 411 of the Corporations Act ("the Act") and Schedule 8 of the Corporations Regulations. Before the Scheme can proceed, it must be considered and approved in a meeting by the relevant shareholders.
- 18 Part 3 of Schedule 8 to the Corporations Regulations prescribes the information to be sent to shareholders in relation to schemes of arrangement. In circumstances where the party proposing a scheme holds more than 30% of the issued capital of the company the subject of the scheme or where there is a common director, the explanatory statement provided to shareholders is to be accompanied by a report from an independent expert stating whether, in the expert's opinion, the scheme is in the best interests of members of the company subject to the scheme and setting out the reasons for that opinion.
- 19 AGL does not hold more than 30% of the issued capital of Mosaic and there are no common directors between the two companies, therefore there is no legal requirement for the provision of an independent expert's report. However, PwCS has been requested by the directors of Mosaic to prepare an independent expert's report stating whether, in our opinion, the Scheme is in the best interests of shareholders subject to the Scheme.

Our Approach

- 20 There is no definition of "in the best interests of the members" provided in the Act or in relevant guidance from ASIC. ASIC Regulatory Guide 111 (Content of Expert Reports) sets out guidelines for independent expert reports prepared for the purpose of sections 411 and 640 of the Act. Regulatory Guide 111 is framed largely in terms which relate specifically to "fair and reasonable" reports for takeover offers under Section 640 of the Act. It indicates that "fair and reasonable" should be taken as a reference to "in the best interests of the members" for reports prepared for the purposes of Section 411. A scheme proposal which is considered by an expert to be "not fair and not reasonable" is not in the best interests of the members of the company. If an expert concludes that the scheme proposal is "not fair but reasonable", it is still open to the expert to also conclude that the scheme is "in the best interests of the members of the company".
- 21 We have also given due consideration to relevant matters in other ASIC guidelines, including Regulatory Guide 112 (Independence of Experts).
- 22 The Regulatory Guides reflect ASIC's underlying philosophy that the premium for control of a company be shared by all members of that company. Accordingly, we



have separately considered the control premium associated with AGL gaining 100% of Mosaic's shares should the Scheme be approved.

Basis of Assessment

- 23 Regulatory Guide 111 discusses the separate concepts of "fair" and "reasonable" to be applied by an independent expert assessing an offer. An offer is regarded as "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. An offer is "reasonable" if it is "fair" or despite not being "fair", but after considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.
- 24 In evaluating the fairness of the proposal, we have compared the consideration to be received by the existing shareholders under the Scheme with our assessed fair market value for the ordinary shares in Mosaic. Regulatory Guide 111 requires that the comparison be made assuming 100% ownership of Mosaic shares. Our assessment of the Scheme has been undertaken on the basis of a disposal of the entire Mosaic shareholding to AGL. We have also considered whether a premium for control is incorporated in the proposal.
- 25 Fair market value is defined as the price which would reasonably be negotiated by an informed, willing but not anxious purchaser and an informed, willing but not anxious seller acting at arm's length and within a reasonable timeframe.
- 26 Our assessment of the value of Mosaic's ordinary shares has been based on a sum of the parts valuation of the Mosaic assets with the value of the exploration interests held primarily based on the values derived from independent technical assessment. Our assessment of the fairness of the proposal has been based on a range of values for Mosaic shares.
- 27 In evaluating the reasonableness of the proposal, we have considered other significant factors for shareholders in relation to the Scheme, including the likelihood of another offer being received on better terms and the likely position of shareholders if the Scheme is rejected.

Sources of Information

- 28 In preparing this report, we have used and relied on the information set out in Appendix B and representations made by Mosaic's management.
- 29 We have conducted checks, enquiries and analyses of the information provided to us which we regard as appropriate for the purposes of this report. Based on these



procedures, we believe that the information used as the basis for forming the opinions in this report is accurate, complete and not misleading and we have no reason to believe that material information relevant to our report has been withheld. Whilst our work has involved an analysis of financial information and accounting records, it does not constitute an audit or review of Mosaic in accordance with Australian Auditing Standards, and accordingly no such assurance is given in this report.

- 30 The information pertaining to Mosaic provided to us includes Mosaic's operating budget for the period to 30 June 2014 and conceptual field development economic models for the Churchie, Waggamba, Taylor and Fairymount assets which have been prepared by management. Whilst we have reviewed these cash flow models and other forward looking information, we have relied on production and cost profiles relating to these producing assets as assessed by a technical expert, RISC Pty Ltd ("RISC").
- 31 Mosaic holds a range of exploration permits on which additional work is required to identify resource potential. Accordingly, we have relied on assessments of the value of these exploration assets by RISC.
- 32 The achievement of either the prospective financial information prepared by management or the cash flows and assumptions that we and RISC have adopted for the purposes of assessment of the proposal is not warranted or guaranteed by us. This information is based on predictions of future events, many of which are outside the control of management, and is therefore inherently uncertain. Actual results and outcomes may differ materially from forward looking information.
- 33 Our assessment has been made as at the date of our report. Economic conditions, market factors and performance changes may result in the report becoming outdated. We reserve the right to review our assessments and, if we consider it necessary, to issue an addendum to our report, in the light of any relevant material information which subsequently becomes known to us prior to the Scheme meeting.

Reliance on Technical Expert

- 34 RISC has been engaged to provide a technical expert's report for use and reliance by us in the preparation of our independent expert's report. The assessment of the resource potential has been carried out in accordance with the Petroleum Resources Management System as defined by the Society of Petroleum Engineers together with the Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (The Valmin Code).



35 We are satisfied that:

- RISC has appropriate qualifications, industry experience and competence to conduct its assessments;
- RISC is independent of Mosaic and AGL;
- the methodologies used in its valuations are consistent with generally accepted industry practice; and
- the RISC report contains sufficient information to support the conclusions drawn.

36 The RISC report is attached at Appendix H to our report and should be read in conjunction with our report.

General Advice

37 In preparing this report, we have considered the interests of the shareholders of Mosaic taken as a whole. This report contains only general financial product advice and does not consider the personal objectives, financial situation or needs of individual shareholders of Mosaic. An individual's decision in relation to voting for or against the proposal may be impacted by the individual's particular circumstances and shareholders may wish to obtain personal financial product advice from their financial adviser.

Scope Exclusions

38 This report has been prepared solely for the purpose of assisting existing shareholders of Mosaic consider whether or not to approve the Scheme. This report has not been prepared to provide information to parties considering the purchase or sale of securities in Mosaic or AGL. Accordingly, we do not assume any responsibility or liability for any losses suffered as a result of the use of this report contrary to the provisions of this paragraph.



III Analysis of Mosaic

Profile of Mosaic

Background

- 39 Mosaic is an established oil and gas exploration and production company listed on the Australian Securities Exchange ("ASX").
- 40 Mosaic key assets include the following:
- Producing assets in the Surat-Bowen Basin - Churchie gas condensate field, Waggamba field, Taylor field, Fairymount field and minor production from a number of other fields which are in decline including Downlands, Tinker and Churchie West;
 - Infrastructure assets – 50% interest in the Wungoona joint venture ("JV") which owns the Wallumbilla LPG plant and associated pipeline, 33.3% interest in the Lytton storage tank, 100% interest in the Silver Springs depleted gas field with storage potential; and
 - Exploration assets – located in the Surat-Bowen Basin, Cooper Basin, offshore Western Australia and New Zealand.
- 41 Mosaic disclosed a proved and probable ("2P") reserve / 2C resource position of 16.6 million barrels of oil equivalent ("mmboe") (made up of 80.16 petajoules ("PJ") of gas, 3.04 million barrels ("mmbbls") of oil and 109.5 thousand tonnes ("Kt") of LPG) in its 2009 annual report and subsequent disclosures. The corresponding 3P reserve / 3C resource position was 42.3 mmboe (made up of 183.2 PJ of gas, 11.3 mmbbls of oil and 259.0 Kt of LPG). Mosaic is currently going through a process to update its certified reserve / resource estimates based on its conceptual development plans.
- 42 Mosaic currently has cash reserves of \$18.2 million as at 30 June 2010 available for investment in exploration and development activities.

Overview of assets

Production assets

- 43 Mosaic's production assets are located in the Surat-Bowen Basin and include 100% interests in the following:



- Churchie gas condensate field (Surat North);
 - Waggamba field (Surat South);
 - Taylor field (Surat South); and
 - Fairymount field (Surat South).
- 44 Mosaic increased its interest in Churchie to 100% after acquiring Santos' 51% interest in PL 192 and its 16.7%% interest in PL 213 (together with other minor Churchie related interests) with effect from 1 January 2009 for a purchase price of \$7 million. A further contingent payment of \$1.5 million is payable when incremental production from PL 192 (which contains the Churchie Development) reaches 8 PJ. The transaction price was based on existing 1P ("proved") reserves which reflected Santos' lack of commitment to future development of Churchie and its strategy to divest non-core assets.
- 45 The field consists of three stacked reservoirs in the upper and lower Tinowon and the Wallebella Sand formations. The Churchie development includes the Churchie and Churchie West fields and has produced approximately 11 billion cubic feet ("bcf") of gas to date. It is currently producing at 3 terajoules ("TJ") per day from the upper Tinowon.
- 46 Mosaic's conceptual full field development plan for Churchie is based on up to 40 fracture stimulated wells which could produce a total of 15 to 20 million standard cubic feet per day ("MMscf/day"). Mosaic carried out fracture stimulation on the Churchie-1 well in May 2010 as an initial trial of fracture stimulation in the Tinowon reservoir. While the gas volumes produced were lower than targeted, Mosaic considers that it may take a number of wells to refine the process and therefore still considers hydraulic fracture stimulation to be an appropriate technology to develop the Tinowon gas fields.
- 47 The operations at Churchie incorporate a plant to separate out the condensate which is trucked to the Lytton storage facility. LPG is extracted by the Wungoona JV (50% Mosaic, 50% Santos) which owns the LPG stripping plant at Wallumbilla. Churchie gas is currently sold into a gas contract with Santos and to the Wungoona JV as replacement gas for the LPG which is removed.
- 48 In the meantime, Mosaic's short-term plan for Churchie is to prove up the reserves based on the fracture stimulation method before farming down to help fund the development but to retain operatorship.



- 49 Waggamba is currently producing at low rates but Mosaic has a conceptual plan to target the channel sands which wrap around the Waggamba field also using fracture stimulation technology.
- 50 Mosaic has an off-take agreement with CS Energy for up to 4 PJ of gas per annum from Waggamba and other Surat south fields (Tinker, Taylor). Under a separate agreement CS Energy can participate in wells by meeting 50% of the well cost for which it receives 50% of the gas and 35% of the associated liquids. Mosaic extended the original five year gas supply agreement for a further three years from 1 April 2010.
- 51 Fairymount has been producing since 1985 and Taylor since 1988. Current production has declined to low levels, however Mosaic considers that both fields have potential for further development.

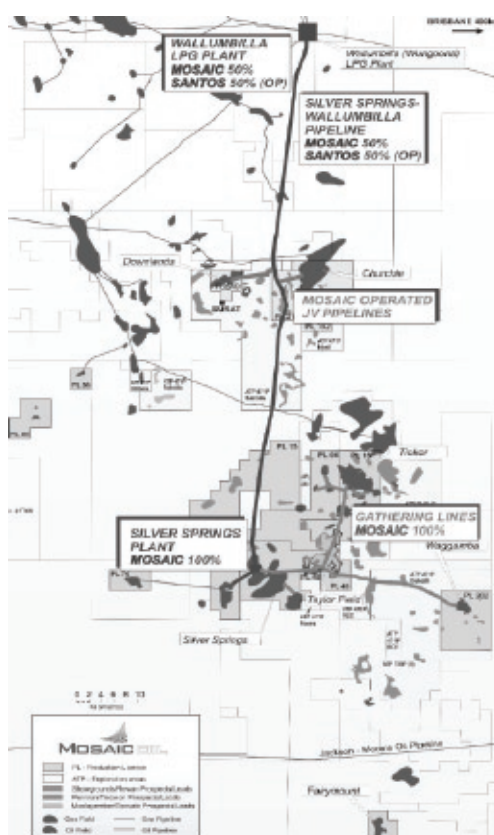
Infrastructure

- 52 Churchie, Waggamba and Taylor pay a tariff to the Wungoona JV for the use of the LPG processing facility, compression and transmission of gas through its pipeline to the Roma to Brisbane pipeline. The Wungoona JV strips LPG from the gas stream at Wallumbilla and replaces it with gas of an equivalent energy amount. The Wungoona JV earns a return from the difference in value between the LPG volumes sold and the cost of replacement gas as well as from the difference between the tariff income received from the upstream projects and the costs of operating the pipeline and plant.
- 53 Mosaic acquired a 33.3% interest in the Lytton storage tank - a 300,000 barrel tank and unloading facility in Lytton, Brisbane - in September 2009 along with IOR Terminals Pty Ltd (33.3% and the operator) and Beach Petroleum (Cooper Basin) Pty Ltd (33.3%). The site is leased from the Port of Brisbane Corporation for a period of 10 years. The strategic rationale for Mosaic's investment in this asset was to provide a route to market for its oil and condensate production.
- 54 The Silver Springs gas field is nearly depleted and Mosaic has carried out a technical and commercial evaluation of the field as a gas storage facility. Development of the storage asset requires significant capital investment including a compression facility, injection of buffer gas and, depending on the development option chosen, the construction of a pipeline. The market opportunity for gas storage relates partly to the storage of ramp-up gas from Queensland coal seam gas projects in advance of the commissioning of planned LNG facilities. The facility could also potentially provide back up gas for the LNG plants in the event that coal



seam gas production is interrupted as well as meeting seasonal gas demand and peaking supply for power generation. Mosaic has sought potential partners for the project but has been unsuccessful to date.

- 55 The map below shows the location of the Surat-Bowen Basin and Mosaic's producing fields and production infrastructure within that region.



Exploration assets

- 56 Mosaic also holds various exploration permits which include a 6% interest in WA-208-P in the Carnarvon Basin (operated by Santos), a 40% interest in ATP 1056 (Taipan exploration asset) in the Cooper Basin and interests in three non-operated blocks in New Zealand with equity ranging from 10 – 50%. The following schedule sets out Mosaic's petroleum permits.



	Area (sq Km)	Expiry Date	Operator	% Interest
Australia				
Surat Basin - Queensland				
ATP471P (Bainbilla Block)	336	28/02/2011	Mosaic	75.3
ATP471P (Dalkeith)	195	28/02/2011	Mosaic	100.0
ATP471P (Myall Block)	34	28/02/2011	Mosaic	100.0
ATP471P (Noona)	15	28/02/2011	Mosaic	100.0
ATP471P (Onerry A)	15	28/02/2011	Mosaic	100.0
ATP471P (Rocky Creek East Block)	97	28/02/2011	Mosaic	100.0
ATP471P (Spring Grove #2 sole risk)	15	28/02/2011	Mosaic	52.8
ATP471P (Weribone)	12	28/02/2011	Origin Energy Limited	28.7
ATP709P	253	31/08/2017	Mosaic	100.0
APL240 (PL application)	15		Mosaic	100.0
PL1 (Cabawin)	60	31/12/2026	Santos	15.0
PL15 (excl. Boxleigh Field)	259	29/04/2019	Mosaic	100.0
PL16 (Silber Springs)	259	29/04/2019	Mosaic	100.0
PL30 (Riverslea)	37	8/07/2027	Origin Energy Limited	10.0
PL46 (Fairymount - under renewal process)	33	TBA	Mosaic	100.0
PL48 (Taylor)	6	31/01/2011	Mosaic	100.0
PL49 (Taylor)	21	31/01/2011	Mosaic	100.0
PL66 (Roswin)	125	7/04/2021	Mosaic	100.0
PL74 (Major - under renewal process)	18	TBA	Origin Energy Limited	16.0
PL119 (Downlands)	21	11/11/2010	Mosaic	75.3
PL119 (Downlands East #1 sole risk)	0	11/11/2010	Mosaic	75.3
PL192 (Churchie)	89	7/11/2025	Mosaic	100.0
PL213 (Churchie West)	46	31/03/2027	Mosaic	100.0
PL202 (Waggamba)	91	2/06/2025	Mosaic	100.0
Wungoona Joint Venture - LPG Plant & Pipeline			Santos (BOL) Pty Limited	50.0
Brisbane - Queensland				
Lytton Joint Venture - Crude Oil Terminal			IOR Terminal Pty Ltd	33.3
Carnarvon Basin - Western Australia				
WA-208-P	1294	13/01/2014	Santos Offshore Pty Limited	6.0
Cooper - Eromanga Basin Queensland				
ATP934P (subject to approval)	1462		Avery Resources (Australia) Pty Ltd	20.0
ATP1056P	3907	30/05/2022	Mosaic	40.0
New Zealand				
Taranaki Basin				
PEP51151	458	22/09/2013	L & M Petroleum Limited	50.0
PEP51149	654	22/09/2013	Todd Exploration Limited	10.0
PEP52181	172	19/05/2015	Roc Oil	15.0

- 57 In addition to the permits and licences it holds, Mosaic also has an application in progress for a 75% interest in the Kahili block in the Taranaki Basin which is yet to be awarded. We have included a corporate structure diagram in Appendix G which identifies the Mosaic entity which holds each permit.



Recent divestment

- 58 On 25 June 2010, Mosaic announced the sale of its wholly-owned PNG subsidiary company for US\$11 million in cash. The primary asset held by the subsidiary was a 28.6% interest in PRL 08, which contained the Kimu gas discovery. In addition to the cash payment, Mosaic has the option to receive a fixed amount of US\$2.7 million in cash at any time prior to an appraisal well being drilled, or a contingent cash payment of US\$0.10 per gigajoule ("GJ") for any increase in 2P reserves prior to 31 December 2012.

Current strategy

- 59 Mosaic's specific financial year ("FY") 2010/11 goals are to:
- build a portfolio of producing assets, specifically targeting additional oil revenue to increase its ratio of oil to gas production;
 - mature its Surat Basin development projects to bring reserves to market and increase profits;
 - find medium and longer term exploration projects to provide future growth and provide upside exposure for shareholders; and
 - maintain and further grow operational capabilities.

Management and Key Personnel

- 60 Mosaic has a relatively small management team and simple organisational structure reflecting the scale and geographical focus of its operations.
- 61 The board of directors is chaired by Mr David Herlihy. All board members have been on the board of Mosaic since the appointment of a new board in 2006 and include members with significant oil and gas experience. Mr Alex Parks has been Chief Executive Officer ("CEO") of Mosaic since August 2009. Mr Parks was previously CEO of Otto Energy and prior to that worked with RPS Energy (an oil and gas consulting business) for 10 years. The management team also includes Mr Scott Brown (Chief Financial Officer), Mr Tim Petersen (Production Manager) and Mr Terry Russell (Exploration Manager) who have extensive oil and gas experience including a number of years with Mosaic.



Financial Performance

- 62 Mosaic's financial performance for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 have been extracted from Mosaic's 30 June 2009 annual report and 30 June 2010 financial report. A summary of these results is set out in the table below.

\$ in millions	FY08 Audited	FY09 Audited	FY10 Audited
Revenue	20.5	23.8	24.4
Other revenue ¹	7.9	2.1	11.4
Total revenue	28.4	25.8	35.8
Cost of sales	(9.4)	(11.4)	(14.3)
Drilling expenses	(7.0)	(1.1)	-
Other expenses	(4.0)	(4.7)	(6.3)
EBITDA (before special items)	8.0	8.6	15.2
Depreciation and amortisation	(1.3)	(1.8)	(2.1)
Impairment	(2.6)	(2.5)	(5.5)
Finance expenses	-	-	(0.0)
Special allowance for former MD	-	(1.7)	(0.3)
Profit from operating activities before tax	4.1	2.6	7.3
Income tax expense	-	-	-
Profit attributable to equity holders	4.1	2.6	7.3

Source: 2009 Annual Report and 2010 Financial Report

Note 1: Other revenue in FY10 includes revenue of \$10.6 million from the sale of the Kimu asset

- 63 FY10 revenue is quite flat compared with FY09. Gas sales revenue is up by 16% to \$8.1 million in FY10 while oil sales revenue is down by 27% to \$6.1 million due to the reduced production volume and declining average oil price.
- 64 The cost of sales of Silver Springs, Wungoona and Churchie contribute to over 74% of the Company's total cost of sales in FY10.

Cash Flows

- 65 The table below presents Mosaic's cash flows for the years ended 30 June 2008, 30 June 2009 and 30 June 2010.



\$ in millions	FY08 Audited	FY09 Audited	FY10 Audited
Cash flows from operating activities			
Cash receipts from customers	27.6	25.6	25.8
Payments to suppliers and employees	(15.5)	(18.7)	(21.7)
Interest received	0.9	0.9	0.8
Net cash used in operating activities	12.9	7.8	4.8
Cash flows from investing activities			
Payments for development and production assets	(4.8)	(14.8)	(11.6)
Payments for exploration and evaluation assets	(3.2)	(2.3)	(7.8)
Payments for plant and equipment	(1.8)	(2.1)	(1.7)
Proceeds from the sale of fixed assets	0.1	-	0.1
Net cash used in investing activities	(9.7)	(19.2)	(21.0)
Cash flows from financing activities			
Proceeds from the issue of share capital	18.0	0.0	21.4
Fund raising expenses	(0.8)	-	(0.8)
Proceeds from interest bearing liabilities	0.2	0.0	0.1
Net cash used in financing activities	17.4	0.0	20.6
Net increase/(decrease) in cash and cash equivalents	20.6	(11.3)	4.4
Cash and cash equivalents at 1 July	4.6	25.1	13.8
Effect of exchange rate changes on cash held	(0.2)	-	-
Cash and cash equivalents at 30 June	25.1	13.8	18.2

Source: 2009 Annual Report and 2010 Financial Report

- 66 In FY09 and FY10, the operating cash flows, together with the proceeds from financing activities, were mainly used to fund investments in exploration and development assets.
- 67 In October 2009, the Company raised \$10.9 million by way of a placement of 94.7 million shares at 11.5 cents. In November 2009, the Company raised \$10.3 million under the Share Purchase Plan issuing 93.4 million shares at an issue price of 11 cents.

Financial Position

- 68 The financial position of Mosaic at 30 June 2009 and 30 June 2010 is set out in the table below.



	30 June 2009	30 June 2010
\$ in millions	Audited	Audited
Current assets		
Cash and cash equivalents	13.8	18.2
Trade and other receivables	5.2	16.7
Inventories	3.6	3.2
Total current assets	22.5	38.1
Non-current assets		
Trade and other receivables	0.6	0.7
Plant and equipment	8.3	8.8
Exploration and evaluation assets	15.9	13.7
Development and production assets	51.3	55.2
Total non-current assets	76.1	78.5
Total Assets	98.6	116.5
Current liabilities		
Trade and other payables	14.9	4.9
Provisions	0.4	0.8
Interest bearing loans and borrowings	0.0	0.0
Other liabilities	-	0.1
Total current liabilities	15.2	5.8
Non current liabilities		
Trade and other payables	0.7	-
Provisions	5.7	5.5
Interest bearing loans and borrowings	0.2	0.2
Other liabilities	-	0.2
Total non-current liabilities	6.5	5.9
Total Liabilities	21.8	11.8
Net Assets	76.8	104.7
Equity		
Issued capital ¹	88.0	108.5
Option reserve	0.0	0.1
Accumulated losses	(11.2)	(3.8)
Total Equity	76.8	104.7

Source: 2009 Annual Report and 2010 Financial Report

Note 1: Does not reflect 45 million shares to be issued in respect of the Taipan farm-in agreement

- 69 The Company's major assets relate to its oil and gas exploration and development assets along with cash.
- 70 The Company had recorded a receivable of US\$11 million from the sale of its interest in Kimu at 30 June 2010 which was subsequently received on 10 August 2010.



Capital Structure

Ordinary Shares

- 71 At the date of this report, Mosaic has 821.7 million ordinary shares on issue. A further 45 million shares are to be issued under the terms of the farm-in agreement entered into by Mosaic in respect of the Taipan exploration asset announced on 19 April 2010. The top 20 shareholders at 31 July 2010 hold approximately 263.6 million shares, or 30.4% of the total issued ordinary shares (excluding 45 million shares to be issued in respect of the Taipan acquisition). The breakdown of top 20 shareholders is shown below.

Rank	Name of Holder	Shares Held (Millions)	Shareholding %
1	ANZ Nominees Ltd	51.7	6.3
2	Pan Australian Nominees Pty Ltd	38.7	4.7
3	HSBC Custody Nominees	20.2	2.5
4	Brispot Nominees Pty Ltd	17.9	2.2
5	Aspac Mining Limited	13.9	1.7
6	Mr Kwok Ching Chow & Ms Pik Yun Peggy Chan	11.3	1.4
7	Resource & Land Management	11.1	1.4
8	Berne No 132 Nominees Pty Ltd <376804 A/C>	11.0	1.3
9	Citicorp Nominees Pty Ltd	10.3	1.3
10	Douglas Financial Consultants Pty Ltd	9.5	1.2
11	J P Morgan Nominees Australia Ltd	8.2	1.0
12	Rbc Dexia Investor Services Australia Nominees Pty Ltd	7.9	1.0
13	AVATAR EQUITIES PTY LTD Avatar Equities Pty Ltd	7.7	0.9
14	UBS Nominees Pty Ltd	7.7	0.9
15	CS Fourth Nominees Pty Ltd	7.0	0.9
16	Berne No 132 Nominees Pty Ltd <52293 A/C>	6.8	0.8
17	Farjoy Pty Ltd	6.0	0.7
18	Berne No 132 Nominees Pty Ltd <152417 A/C>	5.9	0.7
19	Chan Consolidated Ltd	5.5	0.7
20	MS Seng Bee Teoh	5.1	0.6
Top 20 shareholdings total		263.6	30.4
Other ordinary shareholders		558.1	64.4
Shares to be issued as part of Taipan transaction		45.0	5.2
Ordinary shareholdings total		866.7	100.0
Employee contributing shares ¹		19.2	

Source: Mosaic

Note1: The employee contributing shares are not quoted on ASX because they are partly paid

Partly paid shares

- 72 Mosaic has 19.2 million partly paid ordinary shares outstanding that were issued under Mosaic's Employee Share Scheme. The unpaid amount is approximately \$3.5

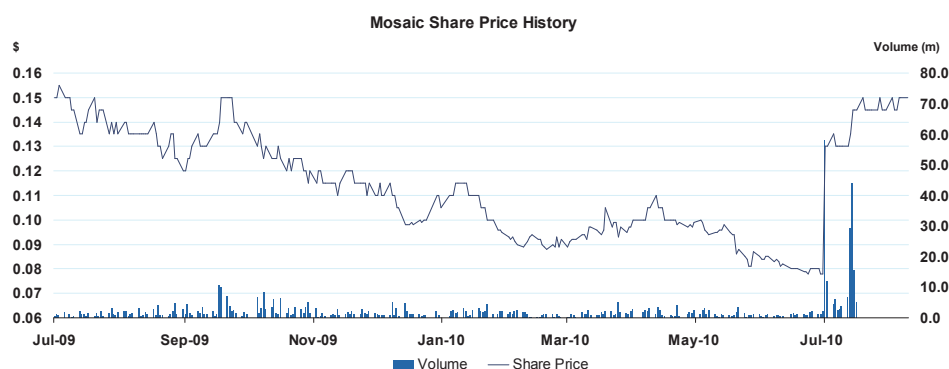


million which represents approximately 97% of the issued value of the partly paid shares.

- 73 The current proposal includes an amendment to Mosaic's existing Employee Share Scheme which removes the restrictions that partly paid shares are not transferable until they become fully paid to enable those shares to be transferred under the Scheme.

Recent Share Price Analysis

- 74 The Mosaic share prices and volumes traded from 1 July 2009 to 9 August 2010 are shown in the graph below.



- 75 Between July and September 2009, Mosaic's share price declined from \$0.15 to \$0.12 driven, in part, by Mosaic's depleted cash reserves which declined from \$13.7 million at 30 June 2009 to just \$3.5 million at 30 September 2009. The share price increased in the middle of September 2009 following the appointment of a new CEO and favourable market reaction to industry presentations. Subsequently, until the announcement of the proposed Scheme, Mosaic's share price has gradually declined. This appears to be due to a combination of significant capital raisings and a lack of perceived value creating activity whilst the company has conducted an internal review and repositioning under the new CEO. We also note that this decline accelerated in May 2010 due to general market fears concerning the euro zone debt crisis and the Government's announced plans to introduce a Resources Super Profits Tax ("RSPT") on 2 May 2010. By 30 June 2010, the Mosaic share price had reached a 52 week low of \$0.078.



- 76 Mosaic's share price increased significantly following the announcement of the proposed Scheme and has traded in line with the offer price of \$0.15 in the period since the announcement.
- 77 The table below shows the VWAP of Mosaic shares for a number of periods up to the date prior to the announcement of the proposed Scheme.

Trading periods to 30 June 2010	High \$	Low \$	VWAP \$	Implied offer premium	Cumulative volume traded millions	% of issued capital
1 month	0.09	0.078	0.08	85.5%	21.9	2.7%
3 month	0.11	0.08	0.09	61.1%	83.8	10.2%
6 month	0.12	0.08	0.10	56.1%	171.6	20.9%
12 month	0.16	0.08	0.11	31.4%	609.3	74.1%

Source: Bloomberg and PwC analysis

Note: Shares on issue have been calculated as an average of shares on issue for the period

Observed Trading in Mosaic Shares Since Proposal Announcement

- 78 The Mosaic share price has traded in a range from \$0.13 to \$0.15 from the announcement of the non-binding indicative proposal by AGL on 1 July 2010 (which resulted in the Scheme which was announced on 14 July 2010) to 9 August 2010.

Trading period since announcement	High \$	Low \$	VWAP \$	Implied offer premium	Cumulative volume traded millions	% of issued capital
Post 1 July 2010	0.15	0.13	0.14	6.8%	322.0	39.2%

Source: Bloomberg and PwC analysis

Options

- 79 Mosaic has 1.7 million unlisted options on issue which were granted to the current employees of the Company pursuant to the Mosaic Employee Incentive Plan Options Scheme. Details of the unlisted options are set out below.

Number of Options Outstanding	Exercise Price	Vesting Date	Expiry Date
250,000	\$0.176	21 Feb 09	21 Feb 11
777,818	\$0.104	30 Jun 09	30 Jun 11
250,000	\$0.119	8 Sep 09	8 Sep 11
180,000	\$0.070	24 Feb 10	24 Feb 12
250,000	\$0.093	31 Mar 10	31 Mar 12

Source: Mosaic ASX 3B announcement on 30 Jun 2010



- 80 We understand that AGL plans to acquire the options based on either their intrinsic value or a value determined using an accepted option pricing model. The options will be cancelled upon the implementation of the Scheme.



IV Value of Mosaic Shares

Valuation Methodology

- 81 The value of Mosaic has been assessed on the basis of fair market value as described in Section II of our report.
- 82 The valuation is based on a sum of the parts valuation due to the discrete nature of the activities of Mosaic including the production assets, infrastructure assets, exploration portfolio, cash balances, and other assets and liabilities.
- 83 There are a number of different methodologies used for valuing oil and gas assets:
 - income based approach, including discounted cash flow ("DCF") and expected monetary value analysis;
 - market based approach, such as comparable transaction data and farm-in transaction data; and
 - cost based approach, including amounts spent to date.
- 84 The DCF methodology is generally considered the most appropriate valuation method for valuing oil and gas production and development projects as it explicitly considers the timing and amount of individual cash flows for oil and gas projects which are finite in life and which have significant initial capital costs and variable production profiles.
- 85 Mosaic has provided us with its economic analysis for the producing and development assets which we have reviewed. RISC has provided us with best estimate case and upside case production and cost profiles for the producing and development assets which we have used as the basis for our valuation assessment. We have also adopted our own set of assumed values for key economic parameters including discount rate, oil and gas prices and the foreign exchange rate consistent with a fair market valuation approach. As such, we have applied the DCF methodology in undertaking our valuation assessment of these projects as our primary methodology.
- 86 We have also considered market based approaches and have carried out a comparable company analysis as a secondary cross-check based on the market capitalisation of comparable companies relative to their estimated reserves and resources.



- 87 Mosaic's exploration assets in Australia and New Zealand have been valued using a market based approach with reference to recent farm-in transaction data. As the valuation of oil and gas exploration assets requires particular technical expertise, RISC has been commissioned to perform this part of the valuation.
- 88 The prices at which a company's shares trade on securities markets are typically at a discount to the fair market value of the company as a whole. The difference in value is commonly referred to as the "premium for control". Our valuation of Mosaic as a whole is therefore inclusive of a control premium.
- 89 We have considered the prices at which Mosaic's shares have traded on ASX as a cross check on our primary valuation approach and when considering the reasonableness of the proposed Scheme.

Summary of Valuation

- 90 We have assessed the value of Mosaic's ordinary shares on a controlling interest basis to be in the range of \$0.128 to \$0.197 with a preferred value of \$0.163. Our assessment is based on an aggregate equity value for Mosaic ranging from \$111.2 million to \$170.7 million with a preferred value of \$140.9 million.
- 91 We have valued Mosaic by aggregating the estimated value of Mosaic's interests in various production assets as well as interests in a number of exploration permits, adding the assessed value of other assets and deducting any liabilities. In our assessment, we have included a reduction in value for corporate overhead costs which are not absorbed into the costs of the exploration and production operations.
- 92 A summary of the valuation assessment as at the date of this report based on low, preferred and high asset values is set out below.



Valuation Summary			
\$m	Low	High	Preferred
Churchie	80.0	110.0	95.0
Waggamba	1.3	1.9	1.6
Taylor	30.0	40.0	35.0
Fairymount	1.1	1.7	1.4
Wungoona	15.0	20.0	17.5
Lytton	2.0	2.2	2.1
Exploration	1.3	4.4	2.9
Other sundry assets and liabilities	9.2	9.2	9.2
Tax losses	6.6	6.6	6.6
Less: allowance for corporate overheads	(50.0)	(40.0)	(45.0)
Enterprise Value	96.5	156.0	126.3
Net cash surplus	14.7	14.7	14.7
Total equity value of Mosaic	111.2	170.7	140.9
Number of ordinary shares ¹	866.7	866.7	866.7
Value per share (cents)	12.8	19.7	16.3

Source: PwCS analysis

Note 1: Includes 45 million shares to be issued in respect of Taipan acquisition

Valuation of production assets

- 93 The primary valuation methodology adopted in valuing the production assets is a DCF approach. Mosaic provided us with financial projections relating to the conceptual development plans for its assets. Mosaic's conceptual development plan for Churchie included the drilling of approximately 40 fracture stimulated wells. The conceptual development plan for Waggamba included production from channel sands which represent areas of undeveloped potential.
- 94 RISC reviewed the information available in relation to production assets and has developed best estimate and upside case production and cost profiles for each of the assets. The profiles incorporate forecast production from existing producing assets.
- 95 We have adopted the best estimate case as the basis for our valuation assessment on the basis that it is the most likely development scenario for each of the assets. The upside case represents a high value scenario with a low probability which we consider would lie outside a fair market value range. Based on discussions with RISC, while it did not include it in its report, a corresponding low value scenario with a similar level of likelihood to that of an upside case would reflect only remaining production from existing wells. This low case would similarly lie outside a fair market value range due to the low probability associated with the outcome of this scenario.
- 96 The best estimate case developed by RISC reflects a 2C contingent resource estimate as set out in section 2.4 of the technical expert's report. While this is



greater than the 2P / 2C estimate which Mosaic has provided to the market, we note that Mosaic is currently updating its certified reserve / resource estimates based on its current development plans. Based on discussions with RISC, the availability of a market for future production, the ability to economically recover the hydrocarbons and the level of technical risk do not necessarily prevent the categorisation of these resources as reserves. The main reason for their categorisation as a 2C contingent resource rather than reserves relates to the conceptual nature of the development plans. Once final development plans are in place and a commitment to commercialise the development is taken by the Company, it is expected that the resources will then qualify as reserves.

2C Contingent Resources	Sales Gas	Oil / Condensate	LPG
	PJ	mmbbls	Ktonnes
Mosaic stated resources	80.2	3.0	109.5
RISC best estimate resource	188.0	2.6	257.0

Source: 2009 Mosaic Annual Report

- 97 The Churchie upside case developed by RISC reflects a similar ultimate recovery over the life of the asset as for the best estimate case but with larger volumes of production earlier in the field life to reflect the success of fracture stimulation. The Waggamba upside case reflects a prospective resource due to the level of uncertainty associated with the volumes of gas in the channel sands. RISC assumed there was no further upside associated with Taylor over and above the best estimate case. The Fairymount best estimate case is consistent with production from existing wells while the upside case reflects additional volumes from future well development. For the reasons stated above, these upside cases have not been reflected in our overall assessment of the fair market valuation range of Mosaic shares.
- 98 For the purposes of our valuation of each asset, we have taken RISC's best estimate production profile and determined DCF values for a range of economic parameter values, including product prices and discount rate, from which we have drawn our low, high and preferred values. Further detail is provided in relation to the valuation of each asset in this section of our report.
- 99 The key parameters adopted in the valuation analysis are summarised below.

Economic parameters

- 100 We have determined our assumed values for forecast condensate prices based on the mid-point of the forward curve and consensus analyst forecasts for the West



Texas Intermediate ("WTI") oil price benchmark. Based on our analysis, Tapis has traded at a 4% premium to WTI on average over the last four years. Mosaic condensate production is sold for US\$1.45/bbl above the Tapis oil price benchmark. The following table sets out the oil price forecasts we adopted in our valuation assessment.

Year		FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Oil (WTI)	US\$/bbl	81.88	85.02	86.91	85.72	84.55	84.75	85.03	85.29	84.91	84.38
Oil (Tapis)	US\$/bbl	85.16	88.43	90.38	89.15	87.94	88.14	88.44	88.71	88.30	87.76
Mosaic Premium	US\$/bbl	1.45	1.45	1.45	1.45	1.45	1.45	1.45	1.45	1.45	1.45
Oil Price Assumption	US\$/bbl	86.61	89.88	91.83	90.60	89.39	89.59	89.89	90.16	89.75	89.21

Source: PwCS analysis

Note: Based on the historical correlation between West Texas crude and Tapis from 30 June 2006 to 30 June 2010, Tapis has on average traded at a 4% premium to West Texas crude

- 101 We have determined our assumed values for forecast LPG prices based on our WTI oil price forecasts and the relationship which we have observed between WTI and the Saudi Aramco CP (Saudi LPG price benchmark). Mosaic's butane production sells at a US\$25/tonne discount to the Saudi Aramco CP and its propane production sells at a US\$50/tonne premium.

Year		FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Oil (WTI)	US\$/bbl	81.88	85.02	86.91	85.72	84.55	84.75	85.03	85.29	84.91	84.38
% of oil											
Butane	US\$/tonne	688.0	714.4	730.2	720.2	710.4	712.1	714.4	716.6	713.4	709.0
Propane	US\$/tonne	676.7	702.7	718.2	708.5	698.8	700.4	702.8	704.9	701.7	697.4
Mosaic Butane	US\$/tonne	663.0	689.4	705.2	695.2	685.4	687.1	689.4	691.6	688.4	684.0
Mosaic Propane	US\$/tonne	726.7	752.7	768.2	758.5	748.8	750.4	752.8	754.9	751.7	747.4

Source: PwCS analysis

- 102 We have adopted a low and high price assumption for condensate and LPG based on a 10% range around the assumed price path set out in the tables above.
- 103 The following table sets out details of the current gas price contracts.

Current Gas Supply Contracts					
Asset	Counterparty	Commencement	Expiry	Volume (PJ / pa)	Escalation
Churchie	Santos	1 Jan 06	1 Jan 11	3.5	100% CPI
Waggamba	CS Energy	1 Apr 10	1 Apr 13	4.0	90% CPI

Source: Management information and contracts

Note: Gas from the Taylor Field will also be sold into the CSE contract.

- 104 Mosaic's current gas supply contracts are for the sale of gas up to a certain amount of energy and therefore the contract price is at a discount to prices which apply to



contracts for secure supply. Mosaic currently achieves an average gas sales price of approximately \$3/GJ.

- 105 The Wungoona JV currently takes replacement gas from Mosaic. We have assumed that the supply of replacement gas from Mosaic will continue at the higher of assumed market prices and currently contracted rates in real terms.
- 106 A significant amount of Queensland's current gas demand is met by coal seam gas. There are a number of LNG projects being planned which will convert coal seam gas to LNG for export. Coal seam gas production is expected to ramp-up in preparation for the commissioning of the proposed liquefaction facilities. In the meantime, the ramp-up gas will provide increased supplies into the domestic market unless it can be used to replace production from conventional gas sources which can be deferred or unless appropriate storage opportunities are available. Notwithstanding this, the timing and number of LNG projects is uncertain and a final investment decision has yet to be made for any of the planned projects.
- 107 A number of economic studies have been carried out in relation to the potential impact of the coal seam gas to LNG industry on the Queensland domestic gas market. Some market commentators anticipate a decrease in gas prices in the short term due to increased supplies of ramp-up gas followed by increases in gas prices once LNG production commences. The Queensland Department of Infrastructure and Planning released a report in May 2009 which it commissioned from McLennan Magasanik Associates which considered the impact of proposed LNG developments on the Queensland gas market. While this particular study did not forecast gas price falls in the short term, this study indicated significant increases in gas prices in the Roma zone from \$3.00/GJ to over \$4.00/GJ in real 2008 terms between 2014 to 2018 and increasing to \$5.00/GJ by 2026 under its most likely scenario of 20% of coal seam gas production being reserved for the domestic market.
- 108 Our preferred gas price assumes that Mosaic continues to achieve prices in line with its existing contract terms.
- 109 As a high gas price scenario, we have assumed that Mosaic will be able to enter into long term gas supply contracts which mean it is not subject to short term reductions in gas prices resulting from increased supplies of ramp-up gas up to the commissioning of coal seam gas to LNG plants in 2015. In this high case, we have assumed that Mosaic will benefit from increases in gas prices to \$3.50/GJ (in real terms) in 2015 and \$4.00/GJ (in real terms) in 2016 once LNG production from coal seam gas commences.



- 110 As a low gas price scenario, we have assumed a 10% reduction in gas prices on the expiry of current gas supply contracts as a result of Mosaic's inability to secure long term gas supply contracts, increased volumes of coal seam ramp-up gas and increased production of coal seam gas over longer periods due to delays in the commissioning of coal seam gas to LNG plants.
- 111 We have discounted the cash flow forecasts to their present value using a post-tax nominal discount rate of 14% to 15% per annum based on our assessment of the weighted average cost of capital of Mosaic. This discount rate is based on a cost of capital analysis for a comparable group of companies with assets at a similar stage of development. Our assessment of Mosaic's cost of capital is set out at Appendix E.
- 112 We have converted forecast oil prices denominated in US dollars to Australian dollars based on the following exchange rate assumptions.

Year		FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
FX rate	AUD / USD	0.90	0.86	0.82	0.79	0.77	0.76	0.76	0.76	0.76	0.76

Source: Bloomberg and PwCS analysis

- 113 We have assumed an Australian inflation rate of 2.6% per annum and a US inflation rate of 1.8% per annum in our assessment of value.

Fiscal Terms

- 114 Queensland state royalties are assumed to apply at a rate of 10% of the well head value of production.
- 115 We have assumed a corporate tax rate of 30% in our preferred case. Mosaic had written down values for corporate tax purposes of \$39.7 million as at 30 June 2010.
- 116 The Federal Government recently announced a proposal for onshore oil and gas projects to be subject to the Petroleum Resource Rent Tax ("PRRT") regime from 1 July 2012. There is some uncertainty associated with this proposal including the impact on the proposal of the outcome of the current Federal election as well as various issues relating to the practical implementation of the proposal in the event that it does proceed.
- 117 It is proposed that state government royalties will be refundable against any PRRT paid. Further it is proposed that existing projects that enter the regime will have the option of bringing their existing asset base into the regime at either market value or written down book value.

118 Detailed information is not yet available in relation to the application of the proposed PRRT regime to existing onshore oil and gas projects. In considering the potential impact of PRRT, we have assumed that the assessed market value for each asset will be immediately deductible for PRRT as well as a reduction in the corporate tax rate to 29% from 1 July 2013 in line with the current proposal.

DCF Valuations

Churchie

119 The following table and graph set out the best estimate ultimate resource recovery developed by RISC for Churchie as set out in table 1-2 of the technical expert's report. We note that for the purposes of our valuation assessment we have assumed production will cease from the point at which it becomes uneconomic based on our assumed gas price profile.

Production Volumes - Life of Project	
Total Raw Gas (Bcf)	166.5
Production Volumes	
Gas (PJ)	181.1
LPG C3 - Propane (kt)	147.8
LPG C4 - Butane (kt)	83.4
Replacement Gas Equivalent (PJ)	11.3
Condensate (MMbbls)	1.6
Total (MMboe)	34.7

Source: RISC





- 120 The best estimate case developed by RISC assumes the drilling of 44 wells at a cost of \$89.9 million in real dollar terms (\$124.2 million in nominal terms over the life of the project) with no fracture stimulation as set out in table 2-8 of the technical expert's report. Mosaic's conceptual development plan includes a similar level of overall production but with more production earlier in the field life. We note that the resources recovered from the first 24 wells account for 70% of ultimate recovery in the best estimate case and therefore contribute most of the field value.
- 121 RISC's operating cost profile for Churchie is based on base field operating costs of \$1.5 million per annum and incremental annual operating costs of \$24,000 per additional well in real dollar terms.
- 122 Rehabilitation will essentially relate to the removal of well heads and shutting in the well with cement. RISC has provided an abandonment cost estimate of \$75,000 per well in real terms.
- 123 The assumed tariff for the processing of Churchie gas by Wungoona is \$0.71/GJ in real terms. A condensate trucking fee of \$7.00 /bbl real and unloading fee of \$5.50/bbl real is also assumed to apply.
- 124 The following table sets out the range of values based on our discount rate range and range of price scenarios excluding the impact of PRRT.

Valuation of Mosaic's interest in Churchie (\$m)		
Price scenario	Discount rate	
	15%	14%
Low	74.9	80.4
Mid	89.1	95.6
High	114.3	123.2

Source: PwCS analysis

- 125 The following table sets out the range of values based on our discount rate range and range of price scenarios including the impact of PRRT.

Valuation of Mosaic's interest in Churchie - incl. PRRT (\$m)		
Price scenario	Discount rate	
	15%	14%
Low	68.8	74.3
Mid	82.2	88.8
High	105.0	114.0

Source: PwCS analysis



126 Based on this analysis, we have adopted a range of \$80.0 million to \$110.0 million for Mosaic's interest in Churchie with a preferred value of \$95.0 million.

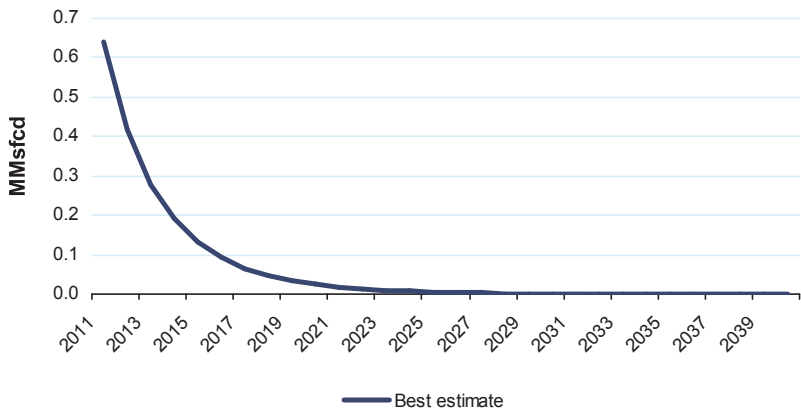
Waggamba

127 The following table and graph set out the best estimate production profile developed by RISC for Waggamba as set out in table 1-2 of the technical expert's report.

Production Volumes - Life of Project	
Total Raw Gas (Bcf)	0.7
Production Volumes	
Gas (PJ)	0.8
LPG C3 - Propane (kt)	2.8
LPG C4 - Butane (kt)	2.0
Replacement Gas Equivalent (PJ)	0.2
Condensate (MMbbls)	0.1
Total (MMboe)	0.2

Source: RISC

Waggamba Production Profile



128 The best estimate case developed by RISC assumes ongoing production from existing wells and therefore no further capital expenditure is assumed. This excludes the potential value associated with the Waggamba prospective resources which were incorporated by RISC into its upside case.

129 RISC's operating cost profile for Waggamba is based on base field operating costs of \$0.3 million per annum in real dollar terms.



- 130 RISC has provided an abandonment cost estimate of \$75,000 per well in real terms.
- 131 The assumed tariff for the processing of Waggamba gas by Wungoona is made up of a fixed component of \$140,000 per annum and a variable component of \$0.84/GJ in real terms. A condensate trucking fee of \$7.00 /bbl real and unloading fee of \$5.50/bbl real is also assumed.
- 132 The following table sets out the range of values based on our discount rate range and range of price scenarios.

Valuation of Mosaic's interest in Waggamba (\$m)		
Price scenario	Discount rate	
	15%	14%
Low	1.3	1.3
Mid	1.6	1.6
High	1.8	1.9

Source: PwCS analysis

- 133 Based on this analysis, we have adopted a range of \$1.3 million to \$1.9 million for Mosaic's interest in Waggamba with a preferred value of \$1.6 million.

Taylor

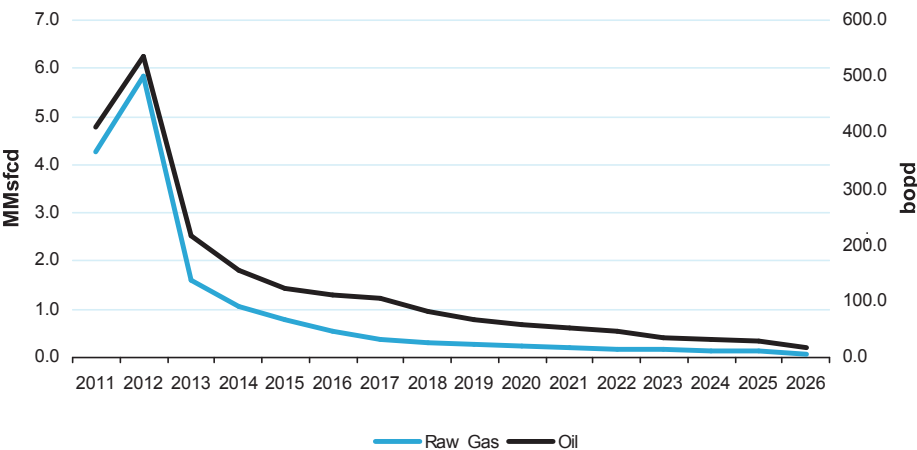
- 134 The following table and graph set out the best estimate production profile developed by RISC for Taylor as set out in table 1-2 of the technical expert's report.

Production Volumes - Life of Project	
Total Raw Gas (Bcf)	5.9
Production Volumes	
Gas (PJs)	6.5
LPG C3 - Propane (kt)	11.4
LPG C4 - Butane (kt)	9.5
Replacement Gas Equivalent (PJ)	1.0
Condensate (MMbbls)	0.1
Oil (MMbbls)	0.8
Total (MMboe)	2.2

Source: RISC



Taylor Production Profile



- 135 The best estimate case developed by RISC assumes the drilling of three wells at a cost of \$8.4 million as set out in table 5-1 of the technical expert's report. This is in line with Mosaic's conceptual development plan for Taylor.
- 136 RISC's operating cost profile for Taylor is based on base field operating costs of \$300,000 per annum and annual operating costs of \$24,000 per incremental well in real dollar terms.
- 137 RISC has provided an abandonment cost estimate of \$75,000 per well in real terms.
- 138 The assumed tariff for the processing of Taylor gas by Wungoona is \$0.84/GJ in real terms. A condensate trucking fee of \$7.00 /bbl real and unloading fee of \$5.50/bbl real (as for Waggamba) is also assumed.
- 139 The following table sets out the range of values based on our discount rate range and range of price scenarios excluding the impact of PRRT.

Valuation of Mosaic's interest in Taylor (\$m)		
Price scenario	Discount rate	
	15%	14%
Low	31.2	32.1
Mid	35.9	37.0
High	40.2	41.4

Source: PwCS analysis



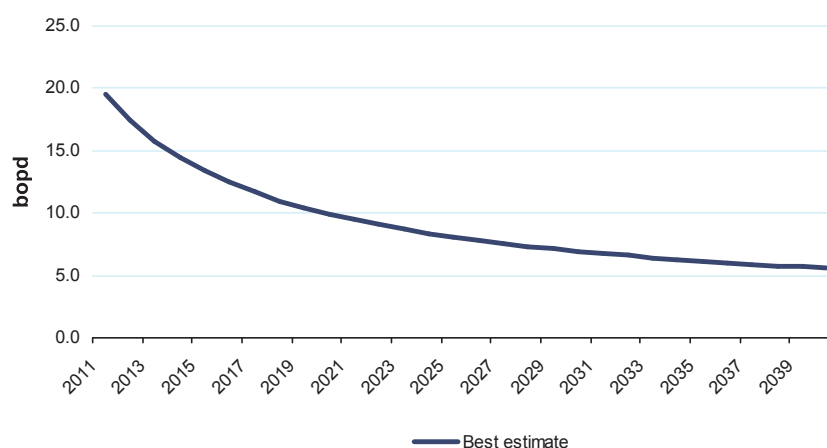
- 140 We have analysed the potential impact of PRRT on the Taylor asset and estimate that no PRRT liability would be incurred over the 16 year life of the asset.
- 141 Based on this analysis, we have adopted a range of \$30 million to \$40 million for Mosaic's interest in Taylor with a preferred value of \$35 million.

Fairymount

- 142 The following table and graph set out the best estimate production profile developed by RISC for Fairymount as set out in table 1-2 of the technical expert's report.

Production Volumes - Life of Project	
Oil (MMbbls)	0.1

Fairymount Production Profile



- 143 The best estimate case developed by RISC assumes ongoing production from existing wells.
- 144 RISC's operating cost profile for Fairymount is based on a base field operating costs of \$225,600 per annum in real dollar terms.
- 145 RISC has provided an abandonment cost estimate of \$75,000 per well in real terms.
- 146 A condensate trucking fee of \$7.00 /bbl real and unloading fee of \$5.50/bbl real (as for Waggamba) is assumed.

- 147 The following table sets out the range of values based on our discount rate range and range of price scenarios.

Valuation of Mosaic's interest in Fairymount (\$m)		
Price scenario	Discount rate	
	15%	14%
Low	1.1	1.2
Mid	1.4	1.4
High	1.6	1.7

Source: PwCS analysis

- 148 Based on this analysis, we have adopted a range of \$1.1 million to \$1.7 million for Mosaic's interest in Fairymount with a preferred value of \$1.4 million.

LPG facility

- 149 As noted earlier in our report, Churchie, Waggamba and Taylor pay tariffs to the Wungoona JV for the use of the LPG facility as well as for the compression and transmission of gas. Wungoona replaces the LPG it removes and sells with an amount of replacement gas with an equivalent energy content as the LPG removed.
- 150 Mosaic's operating cost profile for Wungoona is based on current budgeted costs of \$5.3 million per annum and insurance costs of \$0.5 million per annum in real terms. Mosaic assumes total maintenance capital expenditure of \$2.4 million per annum for the Wungoona JV in its budget.
- 151 The following table sets out the range of values based on our discount rate range and range of price scenarios.

Valuation of Mosaic's interest in Wungoona (\$m)		
Price scenario	Discount rate	
	15%	14%
Low	13.5	14.3
Mid	16.4	17.3
High	19.3	20.4

Source: PwCS analysis

- 152 The value of the Wungoona JV depends on the level of throughput through the pipeline and LPG facility. We have based our valuation of Wungoona on an assumed level of throughput which is consistent with the production profiles adopted in our valuations of the Churchie, Taylor and Waggamba assets.
- 153 Based on this analysis, we have adopted a range of \$15.0 million to \$20.0 million for Mosaic's 50% interest in the Wungoona JV with a preferred value of \$17.5 million.



Lytton storage

- 154 We have determined the value of Mosaic's 33.3% interest in the Lytton storage facility based on Mosaic's share of Lytton revenues from tariffs received and its share of Lytton costs as set out in Mosaic's Lytton Tank cash flow projections for 2010. We have assumed a similar level of cash flows in real terms to that contained in Mosaic's budget for the 10 year term of the lease on the site. The following table sets out the assumptions we have adopted relating to Mosaic's interest in Lytton.

Lytton Revenue and Cost Assumptions (\$2010 real)		
Unloading tariff received	5.50	\$/bbl
Caltex revenue	1.0	\$m pa
Rebate level ¹ (91,250 barrels p.a.)	2.58	\$/bbl
Site Lease	1.8	\$m pa
Insurance	0.3	\$m pa
Caltex pipeline charges	0.02	\$m pa
Oily Water Effluent Discharge Fee	1.2	\$/KL
General operating costs	0.5	\$m pa
Operators fee clause 7.1 of JOA	0.02	5% operating costs
Total capital expenditure (asset life)	0.5	A\$m

Source: Management information

Note 1: According to the Joint Venture Agreement, JV participants are entitled to a volume related rebate.

- 155 The following table sets out the range of values based on our discount rate range.

Valuation of Mosaic's interest in Lytton (\$m)		
Price scenario	Discount rate	
	15%	14%
33.3% interest in Lytton	2.0	2.2

Source: PwCS analysis

- 156 Based on this analysis, we have adopted a range of \$2.0 million to \$2.2 million for Mosaic's 33.3% interest in the Lytton storage facility with a preferred value of \$2.1 million.
- 157 As the DCF valuation is based on the cash flows of the business, it implicitly incorporates the value of control. Accordingly, there is no need to apply a separate control premium to the resulting values. The DCF calculations are set out at Appendix D.



Valuation of exploration portfolio

- 158 The primary valuation methodology adopted by RISC in valuing the exploration asset portfolio is a market-based approach based on a range of estimated farm-in terms.
- 159 RISC has assessed the net premium value of Mosaic's interest in the exploration assets over future expenditure commitments to be in a range of \$1.3 million to \$4.4 million as set out in section 7.4 of the technical expert's report. We have adopted this valuation range for the purposes of our fair market value assessment with a preferred value of \$2.85 million.

Gas storage

- 160 We considered the extent to which value could be attributed to the storage opportunity associated with the Silver Springs depleted gas field. In its report, RISC indicates that it is reasonable to assume that there is sufficient volumetric potential in the Silver Springs field to support a gas storage project of at least 88 bcf and that there is also sufficient well capacity to support the storage initiative.
- 161 Mosaic's plans for the commercialisation of the storage project require significant capital investment in pipeline and compression infrastructure and buffer gas. Mosaic has had discussions with a number of parties including participants in coal seam gas to LNG projects in relation to the storage potential for coal seam ramp-up gas but has been unsuccessful in securing a project partner. Prior to the announcement of the Scheme, Mosaic had also been in discussions with AGL in relation to the monetisation of the gas storage asset.
- 162 AGL has entered into an arrangement with BG Group ("BG") in relation to the provision of gas storage subject to the success of the Scheme. BG does not have conventional domestic gas production and therefore may arguably have a greater need for access to storage relative to other coal seam gas to LNG participants in order to manage its ramp-up coal seam gas. There are a number of reasons why AGL may be able to commercialise the storage opportunity where Mosaic has not been able to do so including:
- AGL can meet the associated development costs;
 - AGL's size and financial position may make it a more attractive operator for storage customers; and



- AGL may be able to realise value from the storage facility in excess of that which could be realised by Mosaic on a standalone basis as part of its broader portfolio of energy assets including its ability to swap gas.

163 On the basis that Mosaic has been unable to realise value from the Silver Springs facility and the value recognised by AGL in relation to the asset appears to represent special value which only it can realise, we consider that the value of the storage facility on a fair market value basis is zero.

Other Sundry Assets and Liabilities and Tax Losses

164 We have reviewed Mosaic's assets and liabilities to ascertain the extent to which the assets and liabilities as at 30 June 2010 have been reflected in the underlying values of the exploration and production assets.

165 On 25 June 2010, Mosaic announced the sale of its wholly owned PNG subsidiary which held its 28.6% interest in the Kimu gas discovery for US\$11 million and a contingent receipt of US\$2.7 million based on increased levels of reserves being proved before 31 December 2012. We have included \$13.0 million classified as other debtors (which includes the Kimu receivable of \$12.8 million received in August 2010) in our valuation assessment but have not included any value associated with the possible future receipt of the contingent payment as this is inherently uncertain. An additional amount of \$0.3 million has been recognised which relates to security deposits on hand.

166 An amount of \$1.2 million has been deducted to reflect the present value of the \$1.5 million deferred acquisition amount payable to Santos on incremental production from Churchie reaching 8 PJ which is assumed to be achieved in year two.

167 An adjustment of \$0.7 million has been made relating to remaining payments that Mosaic is required to make to Santos following its purchase of the remaining 51% interest in Churchie related interests. An adjustment of \$2.2 million has been made relating to outstanding retirement payments to be made to the former Managing Director and other employee related tax payments.

168 Mosaic has revenue losses for tax purpose of \$26.3 million as at 30 June 2010 which have been incurred since Mosaic was formed. We have included the discounted net value associated with the future tax benefit of these losses assuming they are utilised over a two year period to offset the taxable profits arising from the cash flow projections underpinning the producing asset valuations.



- 169 Based on discussions with management, no significant off balance sheet assets or liabilities were identified which require separate valuation adjustment. Expenditure commitments relating to exploration permits held by Mosaic are implicitly reflected in the valuation of those permits by RISC.

Corporate Overheads

- 170 The valuation of Mosaic's exploration and production assets does not include the costs associated with the corporate administration of Mosaic. Accordingly, we have made a separate allowance for these costs as a deduction from the aggregate value of Mosaic's operations and other investments.
- 171 We have assessed the allowance for Mosaic's corporate overheads to be between \$40 million and \$50 million using a DCF approach, with a preferred allowance of \$45 million. The key assumptions we have adopted in this assessment included:
- an average annual post-tax corporate administration cost of \$7.7 million based on the average level of corporate overhead in Mosaic's four year budget. We note that this level of corporate overhead includes the costs associated with the production and exploration departments (including employee costs, computers and software, travel and accommodation for site visits) which Mosaic, as operator, would ordinarily allocate to the upstream projects in the event that it did not have 100% ownership;
 - an effective period of between 20 and 30 years based on Mosaic's production horizon as provided by RISC; and
 - a discount rate based on our assessed range of between 14% and 15%.

Cash and Net Debt

- 172 We have adopted the cash balances held by Mosaic at 30 June 2010 of \$18.2 million in our valuation. This balance includes Mosaic's share of joint venture cash balances of \$0.6 million.
- 173 The proceeds received from the Kimu sale subsequent to year end were classified as receivable at 30 June 2010 and have been included as such in our valuation assessment.
- 174 Transaction costs of approximately \$2.4 million which are expected to be incurred in relation to the proposed Scheme regardless of the outcome have been deducted from cash. We have also deducted an amount of \$0.825 million relating to staff



retention bonuses of between \$0.75 million and \$0.9 million that will be paid by Mosaic in the event that the Scheme does not proceed as well as an amount of \$0.3 million in respect of finance leases held over motor vehicles from our assessed enterprise value to determine an equity value on a controlling interest basis.

Valuation Cross Check

- 175 We have crossed checked our valuation of Mosaic by comparing multiples derived from the enterprise values of a comparator group of companies relative to their reported 2P reserves on a controlling interest basis. We have excluded companies with stated 2P reserves under 5 mmboe as not being directly comparable.
- 176 This analysis implies an average range of comparable multiples (enterprise value / 2P reserves) of between \$9.2/boe and \$12.6/boe which when applied to Mosaic's stated 2P reserves of 16.6 mmboe implies a value range of between \$152.8 and \$210.2 million. We note that our DCF valuation assessment has been based on a higher amount of recoverable resources.
- 177 The multiple cross-check is a relatively crude measure which is influenced by the characteristics of oil and gas projects in which the comparable group participates relative to Mosaic's projects. Notwithstanding this, we note that the above comparable company assessment is not inconsistent with our valuation range of \$111.2 million to \$170.7 million. The minority interest market capitalisations of the comparator group have been uplifted to reflect a premium for control to align with our controlling interest valuation of Mosaic. To facilitate this we have used a 20 and 30% premium for control in our analysis. The detailed cross-check analysis is included at Appendix F.

Recent Mosaic Share Price

- 178 The Mosaic share price increased significantly on the announcement of the proposed Scheme. We note that since the announcement of the non-binding indicative proposal by AGL on 1 July 2010, Mosaic shares have traded in the range of \$0.13 and \$0.155.



Partly Paid shares

- 179 We note that a number of the partly paid shares have unpaid amounts which exceed \$0.15 per share. Under the proposed Scheme, the holders of these partly paid shares will receive \$0.001 per partly paid share held. We have considered the extent to which there is potential option value in these partly paid shares in the absence of the Scheme.
- 180 On the basis that these partly paid shares may be called at any time that the Company needs to raise capital, we consider that there is negligible option value associated with the partly paid shares over and above their intrinsic value. This is particularly so having regard to the level at which Mosaic shares have traded prior to the announcement of the Scheme and the likely requirement of the Company to raise capital in the absence of the Scheme based on Mosaic's development plans.
- 181 We note that 240,000 of the 19.2 million partly paid shares on issue are held by current Mosaic employees, are paid to \$0.001 and have unpaid amounts in excess of \$0.15 (and up to \$0.229). Under the terms of the employee share scheme the unpaid amount on these partly paid shares cannot be called as long as the holders remain as Mosaic employees. There may be some option value associated with these partly paid shares. Notwithstanding this, for the purposes of our assessment, we have considered the value of a partly paid Mosaic share to be equal in value to a fully paid Mosaic share less the unpaid amount in considering the fairness of the transaction.



V Consideration Offered

Background

- 182 The Australian Gas Light Company was formed in Sydney in 1837 and was the second company to list on the ASX. On 6 October 2006, shareholders approved the merger of AGL Limited's infrastructure assets with Alinta Limited and the subsequent separation of AGL Energy. AGL Energy began trading on ASX on 12 October 2006. Based on the closing share price of \$15.10 on 9 August 2010, AGL Energy had a market capitalisation of \$6,796 million.
- 183 AGL is an integrated energy company and is Australia's largest private owner, operator and developer of renewable generation assets. It has major investments in hydro and wind, as well as ongoing developments in key renewable areas including solar, geothermal, biomass, bagasse and landfill gas. It has also acquired a position in new coal seam gas and geothermal developments and has a customer service base in excess of three million.
- 184 AGL operates four key business units:
- Retail Energy – which is responsible for the sale and marketing of gas, electricity and related customer services;
 - Merchant Energy – which is responsible for developing, operating and maintaining power generation assets including from renewables;
 - Upstream gas – which is involved in the exploration and production of gas including coal seam gas and geothermal developments; and
 - Energy Investments – which principally holds AGL's jointly controlled interest in the Actew/AGL Retail Partnership and its 32.5% economic interest in Loy Yang A.

AGL's Key Business Units

Retail Energy

- 185 AGL is Australia's largest energy retailer and is responsible for the sale and marketing of gas, electricity, other energy related products and related customer services. AGL currently sells gas and power to 3.2 million customers in New South Wales, Victoria, South Australia and Queensland. The Retail Energy business sources its energy from AGL's Merchant Energy business.



- 186 The Retail Energy business unit reported operating EBIT of \$318.7 million in FY10 (\$266.8 million in FY09) and operating EBITDA of \$360.2 million (\$303.0 million in FY09) on segment revenues of \$5,580.2 million (\$5,020.3 million in FY09).

Merchant Energy

- 187 The Merchant Energy business is made up of the following business units:

- Energy Portfolio Management – is responsible for managing the risks associated with the procurement and delivery of gas and electricity for AGL's wholesale and retail portfolios. This business unit manages the supplies of gas and power from AGL's portfolio of assets allowing for the relative prices in the gas and power markets and the costs of different fuels;
- Merchant Operations – is the energy generation business which operates the assets which generate power from water, wind and gas. The key assets which AGL operates are:
 - Kiewa Hydro-Electric Scheme located in north-eastern Victoria 300km from Melbourne. The scheme has three power stations (Makay Creek - 150 KW, Clover - 29 MW and West Kiewa - 62 MW) with a total capacity of 241 MW and an annual electricity output of 340 GWh;
 - AGL Hallett 1 & 2 and Wattle Point (91 MW) wind farms in South Australia;
 - Torrens Island Power Station (1,280 MW gas fired) in South Australia; and
 - Somerton Power Station (150 MW gas fired) in Victoria.
- Energy Services – is a consultancy business which assists customers to make their businesses more sustainable and energy efficient based on AGL's expertise in asset development and energy infrastructure;
- Power Development – is responsible for the construction of new power generation capacity which currently includes the following committed projects:
 - Oaklands Hill Wind Farm (67 MW) in Victoria;
 - AGL Hallett 4 Wind Farm (132 MW) and AGL Hallett 5 Wind Farm (52 MW) in South Australia; and
 - the recently announced Macarthur Wind Farm (420MW) to be jointly funded with Meridian Energy.



- Overall, the Merchant Energy business unit reported operating EBIT of \$386.1 million in FY10 (\$402.8 million in FY09) and operating EBITDA of \$449.8 million (\$460.6 million in FY09) on segment revenues of \$4,081.8 million (\$3,740.6 million in FY09). The breakdown of reported FY10 and FY09 operating EBIT by business unit was as follows:

\$m	FY09	FY10
Energy Portfolio Management	434.2	426.1
Merchant Operations (excluding Loy Yang)	(97.0)	(103.8)
Energy Services	22.4	17.3
Power Development	51.1	56.9
Sundry	(7.9)	(10.4)
Total	402.8	386.1

Upstream Gas

188 The Upstream Gas business holds interests in the following coal seam gas projects:

- Gloucester Gas Project – coal seam gas development project in the Gloucester Basin (New South Wales) with proved and probable (“2P”) reserves of 669 PJ as at 30 June 2010;
- Camden Gas Project - coal seam gas producing project in the Sydney Basin (NSW) with 2P reserves of 154 PJ as at 30 June 2010; and
- Moranbah Gas Project (50% interest) – coal seam gas producing project in Queensland with 2P reserves of 501 PJ as at 30 June 2010.

189 AGL also has back-in rights over 246 PJ of 2P reserves within ATP 346P in the Bowen Basin, Queensland under an agreement with Arrow Energy and has exploration interests in the Hunter Valley (NSW), the Cooper Basin and Galilee Basin in Queensland.

190 The Upstream Gas business unit reported an operating EBIT of \$5.5 million in FY10 on segment revenues of \$77.5 million.



Energy Investments

- 191 As stated above, the Energy Investments business unit principally holds AGL's jointly controlled interest in the Actew/AGL Retail Partnership and its 32.5% interest in the Loy Yang A Power Station (2,200 MW coal fired) and its adjacent coal mine in Victoria. Actew is a 50/50 partnership between AGL and Actew Corporation, an ACT Government-owned enterprise. The Actew/AGL partnership was established in 2000 and was the first utility joint venture in Australia between a private company and publicly owned enterprise. AGL holds a 50% interest in Actew/AGL's retail business having disposed of the business units other main asset, a 50% ownership interest in Auscom Holdings Pty Ltd (Elgas), in October 2008.
- 192 The Energy Investments business unit reported an operating EBIT of \$81.7 million in FY10 (\$74.8 million FY09).
- 193 Further information on AGL including financial information is provided in the Scheme Booklet.

Historical Financial Results

- 194 AGL's historical financial results for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 have been extracted from AGL's 30 June 2008 and 30 June 2009 audited annual reports and AGL's preliminary final report for the year ended 30 June 2010.

Historical Earnings

- 195 AGL's reported earnings for the 12 months ended 30 June 2008, 30 June 2009 and 30 June 2010 are shown in the table below:



\$ in millions	FY08 Audited	FY09 Audited	FY10 Audited
Revenues	5,429.6	5,965.3	6,610.7
EBITDA			
Retail Energy	292.8	303.0	360.2
Merchant Energy	378.7	460.6	449.8
Upstream Gas	41.6	74.2	26.6
Energy Investments	48.5	74.8	81.7
Centrally Managed Expenses	(86.8)	(119.5)	(128.7)
Total Operating EBITDA¹	674.8	793.1	789.6
Depreciation and amortisation	(102.3)	(123.0)	(137.5)
Operating EBIT	572.5	670.1	652.1
Gain / (Loss) on fair value of financial instruments	(270.5)	(302.7)	(177.4)
Significant (expense) / income items	97.1	785.9	(49.6)
Elimination of operating EBIT from discontinued operations	-	(50.2)	-
Finance income included in Operating EBIT	-	(12.5)	(11.7)
Finance income	36.5	53.2	38.1
Finance expense	(187.6)	(132.5)	(73.9)
Profit/(loss) before income tax	248.0	1,011.3	377.6
Income tax benefit / (expense)	68.3	(293.1)	(21.5)
Profit/(loss) from continuing operations	316.3	718.2	356.1
Profit/(loss) after tax from discontinued operations	(87.3)	877.9	-
Profit/(loss) attributable to equity holders	229.0	1,596.1	356.1

Source: 2009 Annual Report and June 2010 Preliminary Financial Report

¹ Total Operating EBITDA includes:	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>
Share of profits from associates	99.8	54.4	70.7

196 AGL's underlying earnings from operations have remained consistent in FY10 compared with AGL's performance in FY09. In FY09, AGL's underlying earnings increased by \$118.3 million (18%) in FY09 principally due to an \$81.9 million (22%) annual increase in earnings from its Merchant Energy business, offset by a \$32.7 million (38%) increase in centrally managed expenses. This increase was largely attributed by AGL to:

- a lower cost of procuring electricity, gas and renewable energy certificates;
- higher energy sales volumes and higher revenues (mainly from increases in regulated tariffs);
- a \$27 million contribution from the sale of excess gas capacity; and



- an increase of \$14.6 million in fees from the development of wind farm projects.

197 In FY09, AGL also reported significant income items amounting to \$1,746.9 million (\$785.9 million from continuing operations) compared to significant items contributing a loss of \$49.6 million in FY08. We have shown a breakdown of these items below:

\$ in millions	FY08 Audited	FY09 Audited	FY10 Audited
Continuing Operations	97.1	785.9	(49.6)
Discontinued Operations	(194.7)	961.0	-
	(97.6)	1,746.9	(49.6)
Divestment of non-core businesses:			
Gain on disposal of investment in AlintaAGL	123.7	-	-
Loss on disposal of Chile operations	(3.0)	-	-
Gain on disposal of PNG oil and gas interests	-	777.1	-
Gain on disposal of investment in QGC	-	753.6	-
Gain on disposal of investment in Auscom	-	149.9	-
Gain on disposal of gas pipeline business	-	23.1	-
Loss on disposal of property, plant and equipment	-	(7.8)	-
Gain on disposal of AGL Power Generation	-	0.4	-
	120.7	1,696.3	-
Other:			
Share of profits from QGC and deemed gain on dilution	82.6	-	-
Phoenix Change Program	(29.1)	(49.5)	(11.7)
Impairment of non-current assets	(83.1)	(37.2)	(21.7)
(Loss)/Gain in fair value of oil derivatives	(154.7)	160.8	-
Provision for onerous contract	-	3.8	-
Demerger costs	(22.3)	(16.1)	-
Other	(11.7)	(11.2)	(16.2)
	(218.3)	50.6	(49.6)
Total (expense)/income from significant items	(97.6)	1,746.9	(49.6)

Source: 2009 Annual Report and June 2010 Preliminary Financial Report

- 198 AGL announced in December 2007 that it had disposed of its 33% ownership interest in AlintaAGL Pty Limited which resulted in a pre-tax gain of \$123.7 million. In February 2008, Queensland Gas Company ("QGC") announced that it had formed an alliance with BG Group, which included the sale of 20% of QGC's interests in Walloons coal seam gas acreage. As a result of this, AGL's equity accounted share of profit was \$60.3 million. In addition, QGC issued 81.3 million shares to BG Group and AGL's interest was diluted. This dilution resulted in a deemed disposal gain of a further \$22.3 million.
- 199 AGL also classified its PNG investment as an asset held for sale in FY08 which resulted in the fair value loss relating to oil derivatives of \$154.7 million that would



had previously been recognised within equity being reflected in the income statement.

- 200 During FY09, AGL disposed of its PNG investment and recorded a pre-tax gain on sale of \$777.1 million. Following this transaction the oil derivatives held were closed out which resulted in a gain in fair value of \$160.8 million.
- 201 Other significant income items in FY09 included AGL's sale of its 21.5% interest in QGC which resulted in a pre-tax gain of \$753.6 million and AGL's disposal of Elgas which resulted in a pre-tax gain of \$149.9 million.
- 202 AGL's results for FY10 reflect increased relative profitability from its Retail Energy division which contributed \$360.2 million, or 46%, of group operating EBITDA, up from 38% for the 12 months to 30 June 2009. AGL has stated that margin increases were primarily driven by improved regulatory and contract outcomes in NSW and Queensland and contract performance in Victoria.
- 203 With respect to the other business units, the Merchant Energy business recorded marginally lower operating earnings than in the corresponding prior period due to lower price volatility in the gas market. The reduction in Upstream Gas contribution to earnings was due to the sale of AGL's PNG interests in December 2008.



Historical Cash Flows

204 The table below presents a summary of AGL's cash flows for the years ended 30 June 2008, 30 June 2009 and 30 June 2010.

\$ in millions	FY08 Audited	FY09 Audited	FY10 Audited
Cash flows from operating activities			
Cash receipts from customers	6,651.4	6,777.5	7,610.7
Cash paid to suppliers and employees	(6,072.8)	(6,408.9)	(7,014.5)
Dividends received	39.1	37.6	26.6
Net finance received / (paid)	(158.4)	(109.1)	(43.8)
Income taxes paid	(104.6)	(61.7)	(189.0)
Net cash provided by operating activities	354.7	235.4	390.0
Cash flows from investing activities			
Payments for plant and equipment	(226.6)	(471.4)	(241.6)
Payments for exploration and evaluation assets	(8.8)	(29.9)	(43.1)
Payments for development and production assets	(56.8)	(89.6)	(46.6)
Payments for others	(5.3)	(6.6)	(0.2)
Payments for businesses and subsidiaries (net of cash)	(620.1)	(623.2)	(9.0)
Proceeds from the sale of fixed assets	117.3	18.8	1.5
Proceeds from the sale of investments	244.3	1,396.5	-
Proceeds from the sale businesses and subsidiaries (net of cash)	57.5	1,247.5	239.0
Net cash provided by investing activities	(498.5)	1,442.1	(100.0)
Cash flows from financing activities			
On market share purchases	(1.8)	(1.9)	(2.4)
Net borrowings	(233.6)	(974.8)	(219.1)
Loans advanced to related parties	(5.0)	(1.2)	(1.5)
Net proceeds from related party loans	277.1	-	9.8
Dividends paid	(112.7)	(177.4)	(219.5)
Net cash used in financing activities	(76.0)	(1,155.3)	(432.7)
Net increase/(decrease) in cash and cash equivalents	(219.8)	522.2	(142.7)
Cash and cash equivalents at 1 July	279.2	73.2	623.1
Effect of exchange rate changes on cash held	13.8	27.7	-
Cash and cash equivalents at 30 June	73.2	623.1	480.4

Source: 2009 Annual Report and June 2010 Preliminary Financial Report

- 205 AGL significantly restructured in the last 18 months, selling \$3.2 billion of non-core assets, expanding its direct ownership of upstream gas assets in the Australian market, increasing its investment in renewable energy generation and making the final migration of customer accounts to a new SAP platform in the Retail business.
- 206 Operating cash flows in FY09, together with the proceeds from investing activities, were mainly used to repay debt and distribute dividends to shareholders. During FY10, the operating cash flows have principally been used to fund the purchase of plant and equipment and oil and gas assets and repay debt.



207 Cash flows from investing activities in FY09 largely reflect AGL's divestment of non-core businesses over the period shown, as described above. This included the sale of:

- A 50% interest in Elgas in October 2008 for \$221 million;
- AGL's interest in QGC in November 2008 for \$1.2 billion; and
- PNG oil and gas assets for \$1.1 billion in December 2008.

208 During FY09 AGL also made a number of acquisitions including:

- Gloucester Basin coal seam gas asset from AJ Lucas Group and Molopo Australia for \$370 million;
- Sydney Gas Limited for \$189.9 million;
- an interest in the Spring Gully Project from Tri-Star Petroleum for \$15.8 million;
- wind farm development projects from Investec for \$14 million; and
- a farm-in interest in Cooper Basin permits from Innamincka Petroleum for \$15 million.

209 The level of AGL's borrowings was significantly reduced over the 12 month period from \$2.1 billion at 30 June 2008 to \$1.1 billion at 30 June 2009 and further reduced to \$0.9 billion at 30 June 2010.

Historical Financial Position

210 The financial position of AGL at 30 June 2009 and 30 June 2010 is set out in the table below:



\$ in millions	30 June 2009 Audited	30 June 2010 Audited
Current assets		
Cash and cash equivalents	623.1	480.4
Trade and other receivables	1,209.7	1,234.5
Inventories	51.2	94.2
Other assets	589.7	399.4
Total current assets	2,473.7	2,208.5
Non-current assets		
Trade and other receivables	0.7	0.6
Investments accounted for using the equity method	182.6	200.8
Exploration and evaluation assets	569.9	607.5
Oil and gas assets	295.2	333.4
Property, plant and equipment	2,109.1	2,056.2
Intangible assets	3,161.1	3,149.0
Other assets	242.4	134.9
Total non-current assets	6,561.0	6,482.4
Total Assets	9,034.7	8,690.9
Current liabilities		
Trade and other payables	800.8	859.6
Provisions	42.9	47.8
Current tax liabilities	229.9	42.5
Other liabilities	445.4	582.6
Total current liabilities	1,519.0	1,532.5
Non current liabilities		
Trade and other payables	19.0	-
Borrowings	1,120.2	900.8
Provisions	189.6	183.4
Deferred tax liabilities	218.4	165.6
Other liabilities	122.8	108.7
Total non-current liabilities	1,670.0	1,358.5
Total Liabilities	3,189.0	2,891.0
Net Assets	5,845.7	5,799.9
Equity		
Issued capital	4,030.3	4,066.7
Option reserve	13.0	(159.4)
Retained earnings	1,802.4	1,892.6
Total Equity	5,845.7	5,799.9

Source: 2009 Annual Report and June 2010 Preliminary Financial Report

- 211 The Company's major categories of assets (excluding working capital related balances) include capitalised exploration, property, plant and equipment, intangible assets and other financial assets.
- 212 Capitalised exploration predominantly reflects the fair value of exploration assets acquired during FY09, in particular Gloucester Basin coal seam gas interests (\$377.8 million) and Sydney Gas Limited (\$133.4 million).



- 213 Property, plant and equipment relates to AGL's power stations, pipeline and wind farm assets and is shown above net of accumulated depreciation but includes expenditure in relation to plant and equipment under construction (\$455.5 million at 30 June 2009).
- 214 Intangible assets largely relates to goodwill on acquisition. In FY07, AGL demerged from The Australian Gas Light Company as a result of the merger of The Australian Gas Light Company's infrastructure business assets with Alinta Limited. In preparation for the transaction a number of internal restructuring transactions took place whereby AGL acquired 100% of the issued capital of certain entities from The Australian Gas Light Company for consideration equal to the book value of the underlying net assets of the entities acquired. This transaction gave rise to goodwill through the internal restructure of \$1.2 billion. AGL also acquired 100% of the issued capital of Powerdirect Australia Pty Ltd and Powerdirect Utility Services Pty Ltd from the Queensland Government in FY07 and recorded goodwill on acquisition of \$870.7 million. During FY06, the entity acquired Southern Hydro and recorded goodwill on acquisition of \$523.2 million.
- 215 Other financial assets relates to current and non-current energy derivatives recorded at their respective fair values and related margin calls and deposits together with loans to associates and jointly controlled entities.
- 216 AGL had outstanding bank debt of \$0.9 billion at 30 June 2010. The bank loans are repayable on maturity in October 2011 and June 2012. The consolidated entity has entered into swap contracts to manage the exposure to interest rate movements which result in a weighted average interest rate of 7.1%. On 23 July 2010, AGL announced that it had priced US\$300 million of unsecured notes in the United States private placement market. The proceeds are expected to be received in September 2010 and will be used to cancel existing bank debt.

Capital Structure

Ordinary Shares

- 217 AGL has 450.1 million ordinary shares on issue. The top 20 shareholders held approximately 211.9 million shares, or 47.3% of the total issued shares as at 30 June 2009. The breakdown of top 20 shareholders at 30 June 2009 is shown below:



Rank	Name	Fully Paid Shares	Shareholding %
1	HSBC Custody Nominees (Australia) Ltd	53.8	12.0
2	J P Morgan Nominees Australia Ltd	47.4	10.6
3	National Nominees Ltd	43.2	9.7
4	Citicorp Nominees Pty Ltd	16.1	3.6
5	ANZ Nominees Ltd	11.3	2.5
6	Cogent Nominees Pty Ltd	6.1	1.4
7	AMP Life Ltd	4.9	1.1
8	Australian Foundation Investment Co Ltd	4.3	1.0
9	Queensland Investment Corporation	3.5	0.8
10	RBC Dexia Investor Services Australia Nominees Pty Ltd	3.4	0.8
11	UBS Wealth Management Australia Nominees Pty Ltd	2.9	0.7
12	Bond Street Custodians Ltd	2.8	0.6
13	Argo Investments Ltd	2.5	0.6
14	Custodial Services Ltd	1.7	0.4
15	Questor Financial Services Ltd	1.5	0.3
16	Australian Reward Investment Alliance	1.3	0.3
17	BT Portfolio Services Ltd (WA)	1.3	0.3
18	Credit Suisse Securities (Europe) Ltd	1.3	0.3
19	Milton Corporation Ltd	1.3	0.3
20	Gwynvill Investments Pty Ltd	1.3	0.3
Top 20 shareholdings total		211.9	47.3
Other ordinary shareholders		238.2	52.7
Ordinary shareholdings total		450.1	100.0

Source: AGL Annual Report 2009

Assessment of the Consideration offered by AGL

- 218 Under the terms of the proposed Scheme, Mosaic shareholders are offered 1.01 AGL share for every 100 shares held in Mosaic. To assess the value of the Scrip Offer, it is necessary to consider the value of an AGL share.
- 219 In a scrip offer, it is reasonable to value the shares being offered by reference to market prices, particularly in the absence of access to company information and management. Although share prices reflect minority trades in the underlying company, these prices are effectively the cash equivalent of the AGL offer to the Mosaic shareholder. It is the amount that a Mosaic shareholder could realise through the subsequent sale of the AGL shares issued as consideration in the immediate or foreseeable future.
- 220 It is expected that in the long run AGL's share price will fluctuate in response to general market movements, changes in the energy industry and future events specific to AGL. A fully informed market makes an assessment on value incorporating all available information on a company's prospects, future earnings



and risk. Assuming no abnormal circumstances, the share market typically provides an objective measure of the fair market value of shares in a listed company. This assumption is supported by the following considerations:

- the ASX Listing Rules impose continuous disclosure obligations on listed companies with the objective of keeping markets fully informed;
- AGL shares are actively traded, with monthly volumes during the 12 months to 30 June 2010 averaging approximately 30.5 million shares or 6.8% of the total issued capital;
- AGL is represented in the ASX100 share index; and
- there are a number of Australian energy companies by which AGL's performance may be benchmarked.

221 Based on publicly available information, there is no reason to believe that there is a material mispricing of AGL shares by the market. We believe it is reasonable to assume that the market price represents an unbiased estimate of value and is the best guide to valuing AGL shares for the purpose of assessing the AGL Offer.

222 It is possible to undertake a fundamental analysis of AGL and make an assessment of value; however we have no additional information to that already available in the market. In addition, any assessment of full underlying value would need to be judgementally discounted in order to estimate the fair market value of a minority interest in AGL. We have no reason to believe that this approach would provide a more reliable estimate of value than that provided by the share price.

223 The table below shows the VWAP of AGL shares for a number of periods up to the date prior to the announcement of the proposed Scheme.

Trading periods to 30 June 2010	High \$	Low \$	VWAP \$	Cumulative volume traded millions	% of issued capital
1 month	14.88	13.83	14.50	32.8	7.3%
3 month	15.59	13.51	14.64	90.1	20.0%
6 month	15.59	13.51	14.48	174.9	38.9%
12 month	15.59	13.15	14.18	365.8	81.3%

Source: Bloomberg and PwC analysis

224 Since the announcement of the proposed Scheme to 9 August 2010, the AGL share price has traded in a range from \$14.63 to \$15.18 with a VWAP of \$14.82.



- 225 The share price performance and trading volumes of AGL shares from 1 July 2009 to 9 August 2010 is shown in the graph below.



- 226 AGL's share price reached \$14.90 at the end of July 2009 following the announcement that it had secured the energy supply contract for Victoria's new \$3.5 billion desalination plant. The shares traded within a range between \$13.40 and \$14.57 in the subsequent period until February 2010.
- 227 Late in February 2010, following the release of AGL's half year results and the announcement that AGL had entered into a conditional arrangement to construct the Macarthur Wind Farm, AGL shares appreciated to a high of \$15.59 in mid April 2010. However, AGL's share price fell sharply to a level of \$13.50 by the end of May 2010 in line with broader market falls relating to the euro zone debt crisis combined with the announcement of the Government's proposed RSPT .
- 228 AGL shares have since returned to a trading level of between approximately \$14.50 and \$15.50 as the broader market has recovered somewhat as the global fears regarding the ability of certain European nations to service levels of national debt subsided and the Government replaced the proposed RSPT with the proposed Mineral Resources Rent Tax ("MRRT"). The VWAP of AGL shares since the announcement of the proposed acquisition of Mosaic on 1 July 2010 to August 2010 is \$14.82.
- 229 We also carried out a cross check analysis of the price at which AGL shares are trading relative to a comparable group of companies.
- 230 The following table shows that based on share prices as at 9 August 2010, the comparable group of companies traded on historical price earnings multiples of between 9.4 and 23.1 with an average of 14.3. AGL shares traded on an historical



price earnings multiple of 15.8. The comparable group of companies traded on forecast price earnings multiples of between 9.8 and 21.0 with an average of 14.1. AGL shares traded on a forecast price earnings multiple of 14.6.

Company	Share price \$	FY10 EPS	FY11 EPS	FY10 PE	FY11 PE
Origin Energy	15.93	0.69	0.76	23.1	21.0
DUET Group	1.66	0.16	0.17	10.4	9.8
APA Group	3.72	0.21	0.20	17.5	18.4
SP AusNet	0.80	0.07	0.08	10.7	10.2
Prime Infrastructure Group	3.53	0.38	0.34	9.4	10.3
Spark Infrastructure Group	1.18	0.08	0.08	14.8	14.9
Average				14.3	14.1
Max				23.1	21.0
Min				9.4	9.8
AGL Energy	15.10	0.96	1.03	15.8	14.6

Source: Bloomberg

Note: Share prices are as at 9 August 2010

- 231 The following table shows that based on share prices as at 9 August 2010, the comparable group of companies traded on historical EBITDA multiples (enterprise value / EBITDA) of between 3.6 and 13.2 with an average of 10.2. AGL shares traded on an historical EBITDA multiple of 9.5. The comparable group of companies traded on forecast EBITDA multiples of between 4.9 and 13.6 with an average of 9.6. AGL shares traded on a forecast EBITDA earnings multiple of 8.8.

Company	Market cap \$m	Enterprise Value \$m	FY10 EBITDA	FY11 EBITDA	EV/FY10 EBITDA	EV/FY11 EBITDA
Origin Energy	14,029.1	16,669.1	1402.2	1762.1	11.9	9.5
DUET Group	1,449.5	6,884.7	669.2	753.0	10.3	9.1
APA Group	2,017.4	5,082.2	461.3	485.4	11.0	10.5
SP AusNet	2,198.7	8,377.0	753.3	817.3	11.1	10.2
Prime Infrastructure Group	1,241.8	2,133.2	594.8	437.2	3.6	4.9
Spark Infrastructure Group	1,217.7	2,855.6	216.1	210.0	13.2	13.6
Average					10.2	9.6
Max					13.2	13.6
Min					3.6	4.9
AGL Energy	6,796.2	7,318.7	770.9	836.1	9.5	8.8

Source: Bloomberg

Note: Market capitalisations and enterprise values are as at 9 August 2010



- 232 We consider that this cross check analysis provides further support for the use of AGL's share price performance as a basis for valuing AGL shares for the purposes of assessing a valuation for the consideration under the Scrip Offer.
- 233 Having regard to the factors outlined above, we consider that it is reasonable to adopt a value per share range for AGL of \$14.50 to \$15.50 based on the AGL share price performance over the last six months. This equates to an implied Scrip Offer price of \$0.146 to \$ 0.157 per Mosaic share.



VI Other Matters Relevant to Our Assessment of the Proposal

Reasonableness Considerations

234 In assessing whether the Scheme is in the best interests of existing shareholders, we have considered the implications of a number of qualitative issues which we believe shareholders should consider in assessing the reasonableness of the Scheme. These issues include:

- whether the consideration offered under the Scheme includes an adequate premium for acquiring a 100% controlling interest in Mosaic;
- certainty provided by the Scheme compared to the risk exposure of holding an equity interest in Mosaic;
- the likely consequences for Mosaic and its existing shareholders if the Scheme is approved relative to the circumstances if the Scheme is not approved; and
- the likelihood of another offer emerging for the shares in Mosaic that is better than the current Scheme from the perspective of the existing shareholders.

Premium for Control

235 The premium for control reflects the value a controlling shareholder might be able to extract from being able to control the strategic direction and the operational, funding and dividend policies of Mosaic. This represents the benefits of access to Mosaic's cash reserves as well as benefits able to be derived from extracting cost efficiencies, operating leverage and project development advantages which are not available to holders of minority interests.

236 A number of acquisitions of Australian resources companies including oil and gas companies over recent years have taken place at significant premia to the share prices immediately prior to the offer. These premia, in part, reflect a sharing of some of the special value of the target company to specific acquirers above the conventional level of control premia paid. Empirical studies suggest that takeover premia more generally fall in the range of 20% to 30%.

237 The VWAP of Mosaic shares for the periods of one month, three months, six months and 12 months to 30 June 2010, the day prior to the announcement of the proposed Scheme, were \$0.081, \$0.093, \$0.096 and \$0.115 respectively. Based on the Cash Offer price of \$0.15, this represents a premium of 86%, 61%, 56% and 31% respectively. The premium under the Share Offer price is slightly higher.



- 238 Based on our fair market valuation range of \$0.128 to \$0.197 and our preferred value of \$0.163 on a controlling interest basis, we consider that the Cash Offer and Scrip Offer include a control premium.

Certainty and Risk Exposure

- 239 We have considered the certainty of the Cash Offer with the risk and uncertainty associated with an ongoing equity interest in Mosaic.
- 240 Shareholders in Mosaic are primarily exposed to the risks associated with the development of the Surat-Bowen basin assets. The development of the assets is not without risk. Additional drilling and proving up of reserves is required. While the Company has conceptual plans, long term drilling and development plans have yet to be finalised in relation to the developments.
- 241 As well as the exploration and production risk associated with Mosaic's operations, there is currently some regulatory uncertainty relating to the proposed introduction of PRRT for onshore oil and gas projects. The proposed Scheme dilutes the exposure of Mosaic shareholders to the exploration and production risk and the impact of this proposed tax.
- 242 As the Churchie asset is developed, Mosaic is likely to need to raise additional capital to supplement its existing cash balances. This would require additional investment by existing shareholders or dilution of their existing interests. There is uncertainty as to the amount of any capital raising, the future share market conditions and performance of the Churchie asset at the time and the appetite of shareholders to contribute additional capital. Whilst Mosaic may not experience difficulties in raising additional capital in future, the Scheme removes this uncertainty.

Advantages and Disadvantages of the Scheme

- 243 In assessing the reasonableness of the Scheme, we have compared the likely position of Mosaic shareholders if the Scheme is approved with their position if the Scheme is not approved.
- 244 If the Scheme is approved:
- Mosaic full paid shareholders will receive \$0.15 per share in cash or 1.01 AGL shares for each 100 Mosaic shares held;



- partly paid shareholders will receive a proportionate amount of the scheme consideration;
- if Mosaic shareholders elect to accept the Scrip Offer, they will be exposed to a range of factors affecting AGL shares;
- existing shareholders of Mosaic will no longer hold any shares in Mosaic and will have no further exposure to the risk and rewards of an ownership interest in Mosaic's underlying assets; and
- there will be tax consequences for Mosaic shareholders from the Scheme. The consequences will vary between individual shareholders. General advice in relation to the tax implications of the Scheme for Mosaic shareholders is set out in section 11 of the Scheme Booklet.

245 If the Scheme does not proceed:

- Mosaic will continue to operate as an ASX listed company with, at least in the short term, its current spread of shareholders and no controlling shareholding block;
- shareholders will retain their shares in Mosaic and continue to fully share in any benefits and risks associated with being an investor in Mosaic;
- the Scheme consideration of \$0.15 per share or 1.01 AGL shares per 100 Mosaic shares held will not be paid;
- Mosaic will incur transaction costs of approximately \$2.4 million and pay staff retention bonuses of between \$0.75 million and \$0.9 million; and
- Mosaic may be liable to pay AGL a break fee of up to \$1.3 million which will apply in the event of a competing offer being received and a resultant transaction being completed within six months.

246 In our opinion, while the costs which would be incurred if the Scheme does not proceed are not insignificant, we consider that there would be no significant adverse impact on the ability of Mosaic to pursue its existing strategy. We note that Mosaic retains the right to call on the receivable of US\$2.7 million relating to the sale of its interest in Kimu albeit that it would give up any exposure to the appraisal drilling to which we have attributed no value in our assessment.



- 247 The Mosaic share price increased significantly following the announcement of the Scheme and has traded in line with the offer price of \$0.15 in the interim period. We consider that in the absence of the Scheme, an alternative proposal or speculation concerning an alternative proposal, the Mosaic share price is likely to reduce significantly from current levels. In the medium and longer term, Mosaic's share price will reflect the market's assessment of Mosaic's ongoing business model, the prospects for its exploration activities as well as general movements in financial markets.

Prospects of Other Proposals

- 248 We note that AGL first approached Mosaic in relation to a potential transaction in March 2010. Negotiations have taken place between AGL and Mosaic in relation to the nature and pricing of a proposed transaction which has resulted in the current proposal.
- 249 We have been advised by the directors of Mosaic that there have been no recent approaches from other parties interested in acquiring 100% of Mosaic.
- 250 We cannot exclude the prospect of an alternative proposal or offer on better terms emerging. In the event that an alternative proposal or offer on better terms emerges before the scheme meetings, shareholders will be entitled to vote against the Scheme and pursue other opportunities.

Conclusion

- 251 On the basis that our assessed value of the consideration is within our valuation range for a fully paid ordinary share in Mosaic, we consider that the offer is fair.
- 252 We note that even though we have attributed full value to the conceptual development plans associated with Mosaic's assets in our DCF assessment, albeit on a risk basis, the offer under the proposed Scheme is still fair.
- 253 We consider that the Scheme is reasonable on the basis that it is fair and there are the following additional reasons for shareholders to accept the Scheme in the absence of a higher bid. The key reasons are:
- it is at a significant premium to the one month and three month VWAP for Mosaic shares;
 - the share price is likely to decline in the event that the Scheme does not proceed; and



- no competing offer has been made.

254 On balance, we consider the Scheme to be in the best interests of Mosaic shareholders on the basis that it is fair and reasonable. As Mosaic partly paid shareholders are being treated equally with fully paid shareholders under the Scheme, we also consider the Scheme is in the best interests of Mosaic partly paid shareholders on the basis that it is fair and reasonable.



APPENDIX A

DECLARATIONS AND DISCLOSURES

Qualifications

PwCS is beneficially owned by the partners of PricewaterhouseCoopers ("PwC"), a large international entity of chartered accountants and business advisors. PwCS holds an Australian Financial Services Licence under the Corporations Act.

Paul Hennessy is a partner in PwC and an authorised representative of PwCS. Paul is a graduate of the University of Limerick, a Fellow of the Institute of Actuaries and an Affiliate Member of the Institute of Chartered Accountants in Australia. Paul has extensive experience in the preparation of corporate valuations, independent expert's reports and the provision of corporate financial advisory services to corporations involved in takeovers, capital raisings and mergers and acquisitions.

Roger Port, is a partner in PwC and an authorised representative of PwCS. Roger is a graduate of Macquarie University, a Fellow of the Institute of Chartered Accountants in Australia and Senior Fellow of the Financial Services Institute of Australasia. He holds a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia and has completed the Company Directors Course Diploma with the Australian Institute of Company Directors. Roger has extensive experience in the preparation of corporate valuations, independent expert's reports and the provision of corporate financial advisory services to corporations involved in takeovers, capital raisings and mergers and acquisitions.

Independence

We have considered our independence from Mosaic, AGL and related parties, having regard to ASIC Regulatory Guide 112, and we do not consider that there are any circumstances which conflict with our independence from Mosaic or hinder our ability to provide objective independent advice.

Neither PwCS, PwC nor the authors of this report have, at the date of this Report, or have had within the previous two years, any shareholding in or other relationship with either Mosaic or related parties (other than the provision of professional services for time based fees) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the proposed transaction.

PwC has carried out assignments for Mosaic and AGL in the past in the normal course of our business. We do not consider that the nature or extent of that work in any way



compromises our independence of Mosaic for the purposes of this exercise. In particular, we note that we have not carried out any work for AGL in relation to this particular transaction.

Neither PwCS, PwC nor the authors of this report have any interest in the outcome of the proposed transaction. PwCS is entitled to receive a fee from Mosaic based on normal professional hourly rates for the time taken in respect of the preparation of this report. The estimated fee is \$125,000 and will be paid regardless of whether or not the Scheme is approved.

A draft of this report was provided to the management of Mosaic for a review of factual accuracy on 11 August 2010. No changes to our opinion arose as a result of this review.

Indemnity

The terms of PwC's appointment include a provision that Mosaic will indemnify PwCS, PwC, its employees, officers and agents against any claim, liability, loss or expense, cost or damage and liabilities arising out of reliance on any information or documentation provided by Mosaic which is false or misleading or incomplete.

Consent

PwCS has consented in writing to this Report in the form and context in which it appears being included in the Scheme Booklet which will accompany the notice of meeting to be issued by the directors of Mosaic and which will be distributed to Mosaic shareholders.

Neither PwCS nor PricewaterhouseCoopers has authorised or caused the issue of all or any part of the notice of meeting or the Scheme Booklet other than this report. Neither the whole nor any part of this report nor any reference to it may be included in or with or attached to any other document, circular, resolution, letter or statement without the prior consent of PwCS to the form in which it appears.

APES 225 "Valuation Services"

This independent expert report has been prepared in accordance with APES 225 "Valuation Services".



APPENDIX B

SOURCES OF INFORMATION

The principal sources of information used in the preparation of this Report are as follows:

- 1 Scheme Implementation Deed
- 2 Mosaic's financial reports for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 and Mosaic's quarterly reports for the periods ended 30 June 2009, 30 September 2009, 31 December 2009, 31 March 2010 and 30 June 2010
- 3 Mosaic's and AGL's ASX announcements and investors presentations
- 4 Mosaic's four year monthly operating budget from 1 July 2010 to 30 June 2014
- 5 Mosaic's conceptual development plan models for Churchie, Waggamba, Taylor and Fairymount
- 6 Existing gas supply agreements and Joint Venture agreements
- 7 Various brokers research reports on Mosaic, AGL and other oil and gas industry participants and individual company and industry body websites and publications
- 8 File note on 6 August 2010 in relation to the review of specific tax adjustments for Mosaic for the year ended 30 June 2010
- 9 AGL's Annual Reports for the years ended 30 June 2008 and 30 June 2009 and preliminary final report for the year ended 30 June 2010
- 10 Publicly available information relating to Mosaic and other oil and gas industry participants available from:
 - Connect 4 – company announcements;
 - Bloomberg LP – comparable company financial analysis; and
 - Capital IQ - comparable company financial analysis;
- 11 Discussions with the management and directors of Mosaic



APPENDIX C

FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 1 September 2010

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("PwC Securities") has been engaged by Mosaic Oil NL to provide a report in the form of an Independent Expert's Report in relation to the Scheme for inclusion in the Scheme Booklet to accompany the notice of meeting.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide is designed to assist retail clients in their use of any general financial product advice contained in the Report. This Guide contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian Financial Services Licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds and deposit products.

4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.



5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages us to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report, our estimated fee is \$125,000.

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to; the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business.

7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available on request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service, an external complaints resolution service. The Financial Ombudsman Service can be contacted by calling 1300 780 808. You will not be charged for using this service.

Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Paul Hennessy
PricewaterhouseCoopers Securities Ltd
QV1 Building
250 St Georges Terrace
PERTH WA 6000

PRICEWATERHOUSECOOPERS 

APPENDIX D

DISCOUNTED CASH FLOW ANALYSIS

[illegible]

WAGGAMBA						
Year	1	2	3	4	5	6
Price Assumptions						
Case Price Assumption	AS: CU	2.35	2.71	2.77	2.84	2.80
Carbohydrate Price Assumption	AS: CU	67.43	92.35	96.70	98.56	97.29
Production (100%)						
CU	1,007	544.7	222.2	148.5	101.6	73.9
Carbohydrate	61,000	19,714	12,633	8,178	5,888	4,388
Total revenue	A\$m	6.0	1.7	0.9	0.6	0.4
Total operating costs	A\$m	7.8	0.7	0.5	0.4	0.4
Total capex	A\$m	0.3	-	-	-	-
Change in Working capital	A\$m	-	0.0	0.0	0.0	0.0
Total pre-tax cash flows	A\$m	(8.7)	0.9	0.4	0.2	0.1
Corporate tax	A\$m	0.1	-	-	-	-
Total post-tax cash flows	A\$m	(6.8)	0.9	0.4	0.2	0.1
Discount rate	AS: %	5.6	5.5	5.7	5.6	5.5
Net present value	A\$m	1.6	0.8	0.5	0.3	0.1
						(0.2)

PRICEWATERHOUSECOOPERS

TAYLOR		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Price Assumptions																	
Case Price Assumptions	Actual	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Compendium	Compendium	Compendium	Compendium	Compendium	Compendium	Compendium	Compendium	Compendium	Compendium	Compendium	Compendium	Compendium	Compendium	Compendium	Compendium	Compendium	Compendium
Production	7.474	1.000	2.715	740	480	390	500	500	500	500	500	500	500	500	500	500	500
Case	0.05133	0.0531	2.2272	8100	61450	51125	64555	41400	32700	27000	25702	20373	13012	10377	10382	11350	6455
Compendium	128.4	23.7	34.4	13.1	9.5	7.7	5.7	6.2	5.0	4.2	3.7	3.4	3.1	2.4	2.2	2.1	1.2
Total revenues	34.86	6.0	9.8	3.0	2.4	2.0	1.0	1.7	1.4	1.3	1.2	1.1	1.0	0.0	0.0	0.7	0.4
Total operating costs	8.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.9
Total equity	(0.0)	(1.4)	(0.7)	1.3	0.2	0.1	0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Change in Working capital	83.8	6.8	24.9	11.1	6.8	6.8	8.0	4.8	8.8	3.0	2.8	2.8	2.1	1.8	1.4	1.4	10.30
Total pre-tax cash flows	79.44	4.8	7.0	2.3	4.5	4.0	4.1	4.3	3.8	0.0	0.6	0.5	0.5	0.3	0.3	0.0	10.1
Corporate tax	61.37	2.8	19.0	0.0	6.7	4.5	3.9	3.6	2.8	2.3	2.0	1.8	1.5	1.3	1.1	1.4	10.29
Total post-tax cash flows	18.07	2.0	5.8	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Discount factor	35.8	2.5	13.8	6.2	3.5	2.0	1.3	1.4	1.0	0.7	0.5	0.4	0.3	0.2	0.2	0.2	0.09
Net present value																	

(70)

[illegible]

PRICEWATERHOUSECOOPERS

WUNGOONA		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	
Price Assumptions																								
Replacement gas purchase price	A\$/ GJ	Nominal	3.8	3.5	3.6	3.7	3.8	3.9	4.0	4.1	4.2	4.3	4.4	4.5	4.6	4.7	4.8	5.0	5.1	5.2	5.4	5.5	5.6	5.8
LPG C3 - Propane price assumption	US\$/ t	Nominal	733.3	773.5	803.9	808.3	812.6	829.3	847.2	865.2	877.3	888.2	904.5	921.1	938.0	955.2	972.7	990.6	1,008.8	1,027.3	1,046.1	1,065.3	1,084.8	1,104.7
LPG C4 - Butane price assumption	US\$/ t	Nominal	669.0	708.4	738.0	749.9	743.8	759.3	775.9	792.6	803.4	812.9	827.8	843.0	858.4	874.2	890.2	906.5	923.2	940.1	957.4	974.9	992.8	1,011.0
Through-put	MMscf	158,178	6,153	9,735	8,122	7,850	7,527	7,576	7,560	7,233	7,948	7,402	7,208	7,541	7,242	7,444	7,399	7,254	7,264	7,378	7,344	6,440	4,797	3,760
Production (100%)																								
LPG C3	Tonnes	161,743	7,784	11,351	8,133	7,584	7,127	7,036	6,860	6,541	7,160	6,663	6,480	6,768	6,490	6,664	6,621	6,470	6,450	6,552	5,719	4,260	3,339	
LPG C4	Tonnes	94,682	5,328	7,600	4,952	4,520	4,197	4,092	3,942	3,748	4,090	3,804	3,695	3,853	3,691	3,786	3,760	3,664	3,639	3,696	3,679	3,227	2,403	1,884
Total revenue	A\$m	459.4	16.1	25.4	19.8	19.3	18.8	19.2	19.2	18.8	20.9	19.8	19.7	21.0	20.6	21.6	21.9	21.9	22.3	23.1	23.5	21.1	16.1	12.9
Total operating costs	A\$m	314.8	8.2	9.2	8.4	8.4	8.5	8.7	8.9	9.0	9.4	9.5	9.7	10.0	10.2	10.5	10.7	11.0	11.2	11.6	11.8	11.5	11.4	
Total capex	A\$m	109.7	4.4	2.5	2.6	2.6	2.7	2.8	2.8	2.9	3.0	3.1	3.1	3.2	3.3	3.4	3.5	3.6	3.6	3.7	3.8	3.9	4.0	4.1
Change in Working capital	A\$m	-	(0.6)	(0.7)	0.4	0.0	0.1	(0.0)	0.0	0.0	(0.1)	0.1	0.0	(0.1)	0.0	(0.1)	(0.0)	0.0	(0.0)	(0.0)	0.2	0.4	0.3	
Total pre-tax cash flows		2.8	13.1	9.3	8.3	7.6	7.7	7.5	6.9	8.4	7.4	6.9	7.7	7.2	7.7	7.7	7.7	7.4	7.4	7.8	7.8	5.5	1.0	(2.3)
Corporate tax	A\$m	52.86	2.2	4.6	3.1	2.9	2.7	2.7	2.6	2.4	2.9	2.5	2.4	2.6	2.4	2.6	2.6	2.4	2.4	2.5	2.5	1.6	0.0	-
Total post tax cash flows		22.0	0.6	8.4	6.1	5.4	4.9	5.0	4.9	4.5	5.5	4.9	4.5	5.1	4.7	5.1	5.1	4.9	5.0	5.3	5.3	4.0	0.9	(2.3)
Discount rate	15.0%	0.0	0.8	0.7	0.0	0.5	0.5	0.4	0.4	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Net present value (100%)		32.3	0.5	6.8	4.3	3.3	2.6	2.3	2.0	1.6	1.7	1.3	1.0	0.8	0.8	0.8	0.7	0.6	0.5	0.5	0.4	0.3	0.1	(0.1)
Net present value - Mosaic's share (50%)		16.4																						

(72)

(73)



APPENDIX E

DISCOUNT RATE ANALYSIS

Overview

The discount rate applicable for fair market valuation purposes represents the required market rate of return for capital invested in the company or asset being valued. The cost of capital for a company reflects the opportunity cost of the funds employed. This means that a company must obtain sufficient return on its assets to cover the required return to equity and debt holders as reflected by the capital markets.

The expected rate of return for invested capital is conventionally derived using the Weighted Average Cost of Capital ("WACC") approach after considering available market evidence for the company being examined.

The cost of capital comprises a required rate of return on equity plus the current tax-effected rate of return on debt, weighted by the relative proportions of equity and debt comprising the financial structure.

For equity investors, the cost of equity capital has two components; an explicit opportunity cost such as dividend payments and an implicit opportunity cost in the form of an expected cash equivalent gain in share price. The expected return to debt investors (the cost of debt) represents the interest payments and the amortisation of any difference between the market value of debt and its face value.

Significant judgement is inherent in the selection of discount rates. Discount rates can be derived using a framework which is theoretically sound, however when determining required future rates of return, there is inherently a substantial degree of subjectivity involved in estimating variables, which by definition are unable to be observed.

The formulation of the WACC using modern finance theory and commonly accepted practice is derived in the first instance on a post-tax, nominal basis as the parameters comprising WACC are observable in the market on this basis.

The determinants of the WACC calculation are derived from observable market data for the select company (if listed) or a peer group, which is consistent with the definition of fair market value. The peer group companies are selected primarily on the basis of the industry and geographic region in which they operate. Considerations of size, asset quality, growth prospects and revenue sources are also taken into account.



Cost of equity

The cost of equity is typically considered to be an estimate of an equity investor’s required rate of return for a given risk level associated with an investment.

The most commonly used tool to estimate the required rate of return on equity for a given level of risk is the Capital Asset Pricing Model (“CAPM”) framework. Under CAPM, the expected return on equity is measured as the return on a risk free investment plus a premium for the non-diversifiable risk associated with the relevant asset or company.

The CAPM model states that:

$$K_e = R_f + \beta_e * (EMRP)$$

where:

K_e	=	expected (or required) return on equity for investment
R_f	=	risk free rate
β_e	=	equity beta for investment
EMRP	=	the equity market risk premium which is the expected return on a broad portfolio of stocks in the market less the risk free rate

Each of the above elements is described below.

Risk free rate

The risk free rate represents the minimum return an investor will accept from investing in any asset or company, being the amount an investor could earn on an equivalent investment with zero risk. The required return reflects the time value of money and expected inflation over the investment period.

The most commonly used proxy for a risk free investment is the return on long dated government bonds which are assumed to be close to risk free in many developed countries. For example, Australian Government bonds are assumed to be ‘risk free’ if they are held to maturity.

The risk free rate selected should reflect a period consistent with the longevity of the cash flows of the underlying asset or company. Typically, the yield on a 10 year bond is a widely used and accepted benchmark for the risk free rate in Australia and is applied for long term cash flows.



Equity market risk premium

The Equity Market Risk Premium ("EMRP") is the premium over the risk free rate that investors require from equity capital, generally measured as the difference between actual long term historical returns on a market share portfolio and long term Government bonds.

Theoretically, the premium should be based on expected returns over the future investment horizon. However, historical returns earned by equity investors over an extended period are typically used as a proxy given expected returns cannot be observed. Empirical evidence collected by a number of academics and valuation practitioners over periods of up to 100 years suggests the long term average EMRP is between 4% and 8%.

Recent studies have highlighted that current economic conditions may support the need for a higher EMRP given equity investors perceive greater risk in capital markets at present. Notwithstanding this, the EMRP is based on long term historical data including periods of both positive and negative returns experienced during various stages of a market cycle.

Beta

Beta is a measure of systematic risk reflecting the sensitivity of a company's share price to the movements of the stock market as a whole. Whilst expected betas cannot be observed, conventional practice is to estimate an appropriate beta with reference to the historical betas for a company over a finite period. It is also appropriate to consider betas for comparable companies and sector averages as a proxy, particularly in the case where the subject company is not listed.

Observed betas in the market place, known as equity betas, are affected by the gearing of the individual company. The beta for equity reflects the non-diversifiable or systematic risk of a company. Equity betas incorporate the operational risk of the underlying company assets and other financial risk associated with the financial structure of the company (ie the combination of debt and equity employed to finance the company assets), whereas asset betas reflect only the operational risk.

The beta of an investment represents relative risk, not a measure of the total risk of a particular investment. Under the CAPM framework, the greater a security's beta, the greater the required return. This is indicated by a beta greater than one, which implies that firms with higher volatility of returns (as measured by standard deviation) will have higher required returns due to greater risk, other things being equal.

As mentioned above, determination of a beta can be undertaken with reference to analysis of comparable companies. It is generally necessary to make adjustments to the



observed equity betas in the market place to remove the impact of the different capital structures and levels of gearing in the companies examined. This process, known as de-levering, involves removing the gearing of the subject company to arrive at the asset beta and subsequently re-levering in line with the target level of gearing.

PwCS adopted the Harris Pringle formula to de-lever and re-lever the beta as follows:

$$\text{Asset beta (un-g geared)} = \text{Equity beta (geared)} / [1 + (D/E)]$$

$$\text{Equity beta (re-geared)} = \text{Asset beta (un-g geared)} \times [1 + (D/E)]$$

where:

E	=	market value of equity
D	=	market value of debt
D/E	=	company's debt to equity ratio

The betas of the comparable companies have been calculated relative to the Australian share market by reference to the ASX 200 index.

Company specific risk

Company specific risk adjustments are often made to the cost of capital to reflect attributes of a company's operation that may not be adequately reflected in the forecast cash flows or the observable inputs. Common adjustments include allowances for country specific risk and size relative to the market as a whole.

Cost of debt

The cost of debt is the rate a prudent debt investor would require on interest-bearing debt after considering the appropriate capital structure and the nature and risks pertaining specifically to the company's operations.

Since the interest on debt is deductible for income tax purposes, the WACC incorporates the after-tax interest rate in the calculation. For the purpose of assessing WACC, the existing effective Australian corporate tax rate of 30% has been used.

In assessing an appropriate cost of debt, PwCS normally has regard to corporate debt issued by the company (where available) or its comparator group, the existing and expected future cost of debt provided by financiers, and current market conditions in debt markets. The yield of a corporate issued bond is typically higher than the yield on a Government bond, reflecting a premium for credit risk. The premium or debt margin is



calculated as the difference or spread between the yield on a corporate and a Government bond with the same duration or maturity.

Capital structure

In order to calculate an appropriate post-tax cost of capital, it is necessary to determine the optimal or target level of debt funding (or debt and equity mix) for the subject company. Optimal capital structures are not readily observable. In practice, the existing capital structures of comparable companies are used as a guide to estimate the likely optimal capital structure for the company being valued, taking into consideration the specific financial circumstances of that company.

Typically, the gearing changes over time and differs between comparable companies. In order to remove the impact of the fluctuations in the level of gearing over time, the five year average level of gearing of the comparable company set was considered in selecting an appropriate target debt and equity mix. This is consistent with the period over which betas have been observed and removes the effect of current market events such as depressed equity markets and lack of debt financing possibilities.

WACC

The cost of equity and the cost of debt are combined to arrive at the WACC using the following formula:

$$WACC = [K_e * E / (D+E)] + [K_d * (1-T_c) * D / (D+E)]$$

The key inputs are defined as follows:

K_e	=	the cost of equity
E	=	the market value of equity
K_d	=	the cost of debt
T_c	=	the marginal effective tax rate
D	=	the market value of debt (net of surplus cash)
E	=	the market value of equity

Mosaic discount rate

A nominal post-tax discount rate range of 14 to 15% has been selected for Mosaic to apply to the ungeared post tax cash flows adopted for valuation purposes. PwCS considers this discount rate reflects the rate of return that investors would use in the current market in assessing the company operations of Mosaic.



Risk free rate

The risk free rate for Mosaic has been based on the 10 year Australian Treasury bond representing the longest dated benchmark for the risk free rate in the Australian market. This bond had a yield of 5.18% as at 2 August 2010.

Equity market risk premium

Widespread market practice for Australian company valuation has been to adopt an EMRP of 6.0%. This figure is within the range of generally accepted figures for the long term market risk premium applied to companies within the Australian capital markets and is consistent with empirical research¹.

The EMRP varies over time and economic cycles. In selecting the EMRP for use in the assessment of the relative merits of the Offer, we have been mindful that the rate adopted should reflect the prospective estimate of EMRP over the timeframe of the cash flows modelled. This will include not just the current economic circumstances, but periods of both positive and negative returns experienced during various stages of future market cycles. The long term historical average EMRP is generally adopted as the most appropriate measure for this and as such PwCS has adopted 6.0% as the EMRP.

Beta

In determining an appropriate beta range to adopt, PwCS has considered the observed beta for ASX listed comparable companies to Mosaic over a five year period. The companies within the peer group all operate within the oil and gas industry and predominantly include companies with interests in conventional onshore exploration or development assets in Australia.

PwCS has used the current gearing to de-lever the observed betas of the companies in the peer group. The table below summarises the observed and de-levered betas for the comparable company set:

¹ Officer & Bishop (2008) and Grabowski and Damodaran (2009)



Company	Market Capitalisation ¹	Equity Beta ²	Leverage ³	Asset Beta ⁴
Mosaic Oil N.L. (ASX:MOS)	123.3	1.59	0.0%	1.59
Bounty Oil & Gas NL (ASX:BUY)	68.5	1.7	0.0%	1.74
Carnarvon Petroleum Limited (ASX:CVN)	271.3	1.8	0.0%	1.84
Central Petroleum Ltd. (ASX:CTP)	51.7	1.5	0.0%	1.51
Cooper Energy Limited (ASX:COE)	118.5	1.2	0.0%	1.19
Cue Energy Resources Limited (ASX:CUE)	190.7	1.3	0.0%	1.30
Drillsearch Energy, Ltd. (ASX:DLS)	135.8	1.7	0.0%	1.73
Icon Energy Ltd. (ASX:ICN)	83.6	1.5	0.0%	1.51
Kairiki Energy Limited. (ASX:KIK)	55.5	2.0	3.6%	1.96
Nido Petroleum Ltd. (ASX:NDO)	162.1	1.5	1.2%	1.49
Octanex N.L. (ASX:OXX)	53.2	1.4	0.0%	1.44
Sundance Energy Australia Limited (ASX:SEA)	66.6	1.6	0.0%	1.60
Mean	115.1	1.58	0.4%	1.57
Median	101.0	1.56	0.0%	1.55

Notes:

1. Obtained from Bloomberg as at 2 August 2010, local currency in millions.

2. As obtained from Bloomberg. Based on 5 year monthly regression and includes Bayesian Adjustment (to account for statistical error).

3. Calculated based on information obtained from Bloomberg as at 2 August 2010 (Net Debt / Enterprise Value).

4. Calculated using Harris Pringle formula.

Mosaic is a listed company with historical returns that can be observed. Accordingly, PwCS has had primary regard to its observed beta for the purposes of determining an appropriate discount rate. The asset beta for Mosaic is 1.59 being broadly consistent with the mean and median of the comparator group.

The adoption of specific adjustments to market observed betas is highly subjective and is typically only applied where there are limitations associated with observable returns or a change in the risk profile of the company's activities going forward. We have not made an adjustment in relation to Mosaic for the purposes of determining a discount rate to apply in our valuation given that its operations over the forecast period largely reflect a continuation of existing onshore oil and gas exploration and production.

Accordingly, PwCS has adopted an asset beta of 1.57 for our valuation, being the average asset beta for the comparator group above.

Cost of debt

PwCS has estimated a pre-tax cost of debt capital of 7.2% appropriate after considering the capital structure and nature of Mosaic. This represents a debt margin of 2% above the risk free rate.

To reflect the tax shield advantage of debt in the cost of capital calculation, PwCS has applied the existing corporate tax rate of 30%. This corresponds to a post-tax cost of debt of 5.0%



Capital structure

In determining an appropriate level of gearing, PwCS has had regard to:

- the mean and median gearing levels of the comparable companies being 3.6% and 0.0% respectively;
- Mosaic does not have any outstanding debt facility balances at the time of the valuation; and
- the optimal level of gearing adopted by various brokers in their analysis of the value of Mosaic.

Based on the above, PwCS has adopted no gearing in determining the WACC for Mosaic.

WACC

Based on the above, PwCS has assessed appropriate post tax nominal discount rate to apply to cash flows of Mosaic to be in the range of 14% to 15%.

WACC Calculation	Mosaic
Risk free rate (10yr Aus Govt Bond)	5.2%
Market risk premium	6.0%
Beta (re-levered)	1.57
Cost of Equity (Ke)	14.7%
Debt margin	2.0%
Cost of debt (pre-tax)	7.2%
Tax	30%
Cost of debt (post-tax)	5.0%
Net Debt/EV	0.0%
WACC (nominal)	14.7%

Source: Bloomberg and PwCS Analysis

APPENDIX F

Comparable Company Analysis

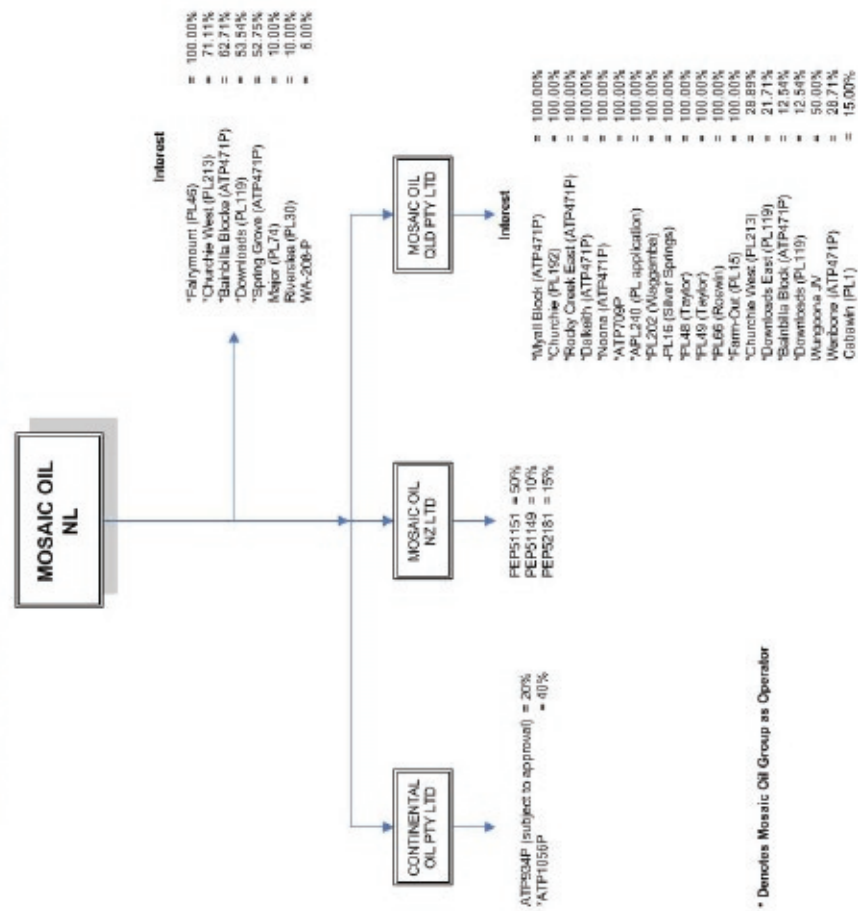
Company	Minority Interest	Premium for control		Net Debt 30/06/2010	Controlling interest basis		2P Reserves		
	Market Cap (\$m) (2/08/10)	20% (\$m)	30% (\$m)		Enterprise value (\$m) at 20%	Enterprise value (\$m) at 30%	MMboe	PwC EV / BOE at 20%	PwC EV / BOE at 30%
AWE Limited (ASX:AWE)	811.5	973.8	1,266.0	(137.0)	836.8	1,129.0	74.0	11.3	15.3
Beach Energy Limited (ASX:BPT)	753.9	904.6	1,176.0	(169.9)	734.7	1,006.1	64.5	11.4	15.6
Bow Energy Limited (ASX:BOW)	381.6	458.0	595.3	(74.5)	383.5	520.9	19.6	19.6	26.6
Camaron Petroleum Limited (ASX:CVN)	271.3	325.5	423.2	(31.2)	294.3	392.0	25.0	11.8	15.7
Cue Energy Resources Limited (ASX:QUE)	190.7	228.8	297.4	(15.3)	213.5	282.2	56.0	3.8	5.0
Roc Oil Company Limited (ASX:ROC)	280.3	312.4	406.1	(57.7)	254.7	348.4	14.0	18.2	24.9
First Australian Resources Ltd (ASX: FAR)	36.9	44.2	57.5	(7.8)	36.4	49.7	8.3	4.4	6.0
Nido Petroleum Ltd. (ASX:NDO)	162.1	194.5	252.9	(21.7)	172.8	231.1	122.0	1.4	1.9
Pan Pacific Petroleum NL (ASX:PPP)	108.9	130.7	169.9	(87.5)	43.2	82.4	15.0	2.9	5.5
Victoria Petroleum NL (ASX:VPE)	137.3	164.7	214.2	(37.4)	127.4	176.8	17.4	7.3	10.2
<hr/>									
Comparator group average EV / 2P							9.21	12.66	
Comparator group max EV / 2P							19.56	26.57	
Comparator group min EV / 2P							1.42	1.89	
Mosaic reported 2P reserves at 30/06/2010 (Mmboe)									
Implied Mosaic EV based on average EV / 2P (\$m)							152.8	210.2	
<hr/>									
PwC Mosaic valuation range							Low	High	
Enterprise value							111.2	170.7	
Implied EV / 2P							6.7	10.3	

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APPENDIX G

CORPORATE STRUCTURE

MOSAIC OIL GROUP'S INTEREST FLOWCHART





APPENDIX H

RISC TECHNICAL EXPERT'S REPORT



Independent Technical Specialist Report on Petroleum Assets of Mosaic Oil NL

August 2010

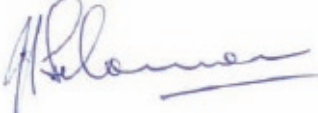


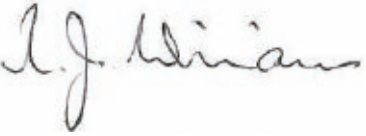
INTEGRITY EXPERIENCE ADVICE

DOCUMENT CONTROL

Mosaic Independent Technical Specialist Report August 2010

Client Name	Mosaic Oil	Client Representative	Alex Parks		
RISC Coordinator	Joe Salomon	RISC Job #	10.008	Client Order #	

Approvals

	Name	Signature	Date
Prepared By	Joe Salomon		26/08/2010
Prepared By	Mike Shaw		26/08/2010
Prepared By	Dogan Seyyar		26/08/2010
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Mosaic Independent Technical Specialist Report
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1 EXECUTIVE SUMMARY

1.1 Asset Overview

AGL Energy Limited ("AGL") and Mosaic Oil NL ("Mosaic") have announced that they have entered into a Scheme Implementation Deed, under which AGL proposes to acquire all of the issued shares in Mosaic by way of a scheme of arrangement. RISC, in its role as Independent Technical Specialist, has reviewed Mosaic key assets which include interests in three Basins in Australia and one in New Zealand, as summarised in the following table.

Licence	Location	Equity	Operator	Status
Surat/Bowen Basin Queensland				
PL192	Churchie Field	100%	Mosaic	Producing
PL202	Waggamba Field	100%	Mosaic	Producing
PL46	Fairymount Field	100%	Mosaic	Producing
PL 16, 48,49	Taylor Field	100%	Mosaic	Producing
ATP471P	Bainbilla Block	75%	Mosaic	Exploration
PL16	Silver Springs	100%	Mosaic	Potential Gas Storage
Cooper/Eromanga Basin Queensland				
ATP1056P		40%	Mosaic	Exploration
ATP 934P		20%	Bengal Energy	Preferred Tenderer
Carnarvon Basin Western Australia				
WA -208-P		6%	Santos	Exploration
Taranaki Basin New Zealand				
PEP 51149		10%	Todd Exploration	Exploration
PEP 51151		50%	L&M Energy	Exploration
PEP 52181		15%	Roc Oil	Exploration
	Kahjili Block	75%		Application

Table 1-1 Key Asset List

Mosaic's Surat/Bowen Basin assets include four main producing fields, namely Churchie, Waggamba, Fairymount and Taylor (Figure 1-1).



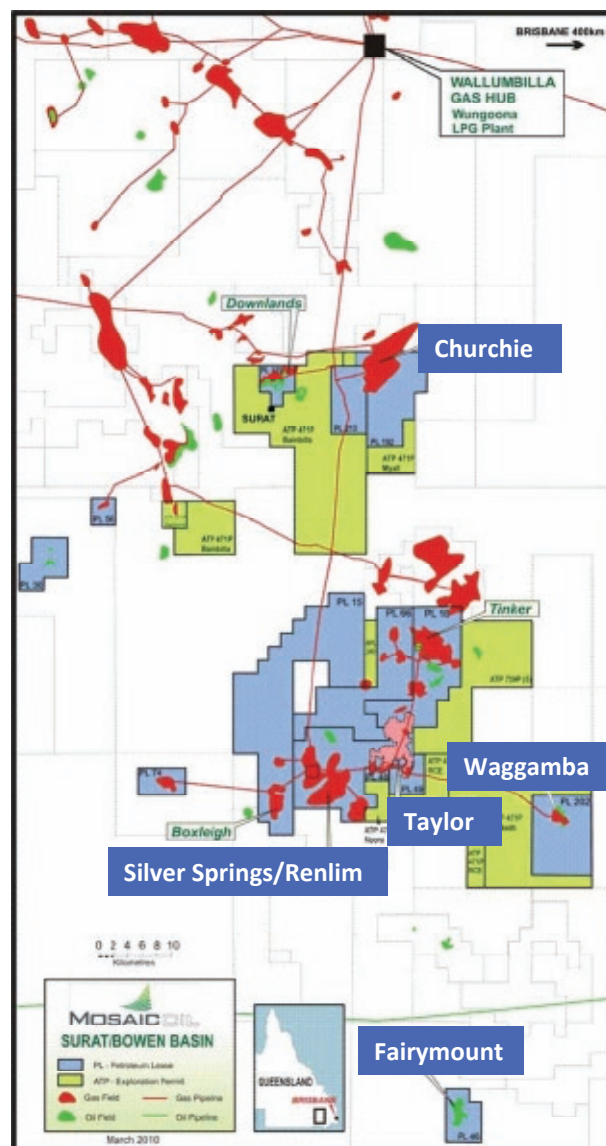


Figure 1-1 Mosaic's Surat/Bowen Basin Acreage

Churchie and Waggamba are gas fields producing from sands within the Permian-aged Tinowon Formation. The fields are primarily stratigraphic traps involving low permeability sands and highly variable reservoir quality. Churchie's current production is around 2.5 MMscfd with a cumulative production of over 11.2 Bcf. Waggamba's current production is around 0.7 MMscfd for a cumulative production of 0.9 Bcf.

The Fairymount oilfield was discovered in 1985. It produces from three sand members in the Mid-Triassic Showgrounds Formation. The lower member is the thickest sand and contains the majority of the STOIP volume. Current production is around 20 bopd with cumulative production of over 1.13 MMstb.

The Taylor Field produces from the Mid-Triassic Showgrounds Formation sandstone reservoir. It is a structurally complex trap developed by sand onlap onto a basement high. In the southern part of the field a gas cap and oil leg are present. Current production is around 0.8 MMscfd gas and 80 bopd. Cumulative production is 9 Bcf gas, 1.6 MMstb oil.

Silver Springs is a future gas storage project involving the nearly depleted Silver-Springs-Renlim gas field which has up to 75 PJ of gas storage capability. The field has produced over 90 Bcf of gas since 1978. Mosaic has undertaken a feasibility study and a marketing campaign aimed at attracting a suitable partner to develop the project.

In addition, Mosaic produces smaller quantities from Downlands, Tinker, Boxleigh, Sirrah and East Glenn fields. These are substantially depleted and are not material assets for Mosaic. They have not been reviewed by RISC.

The remaining licences, located primarily onshore in Australia and New Zealand, present a range of exploration opportunities. In Australia, Mosaic has assets in three basins. In the Surat/Bowen Basin, Mosaic has identified a number of small oil and gas prospects and leads adjacent to production activities. In the Cooper/Eromanga Basin, Mosaic holds a 40% interest in ATP 1056P which lies immediately updip of an existing oil producing fairway on the southern flank of the Cooper Basin. Mosaic reports that more than 60 leads and prospects have been identified. To the north is ATP934P where Mosaic and its partners have been granted Preferred Tenderer status, and where native title process is underway for an anticipated start to exploration in 2011.



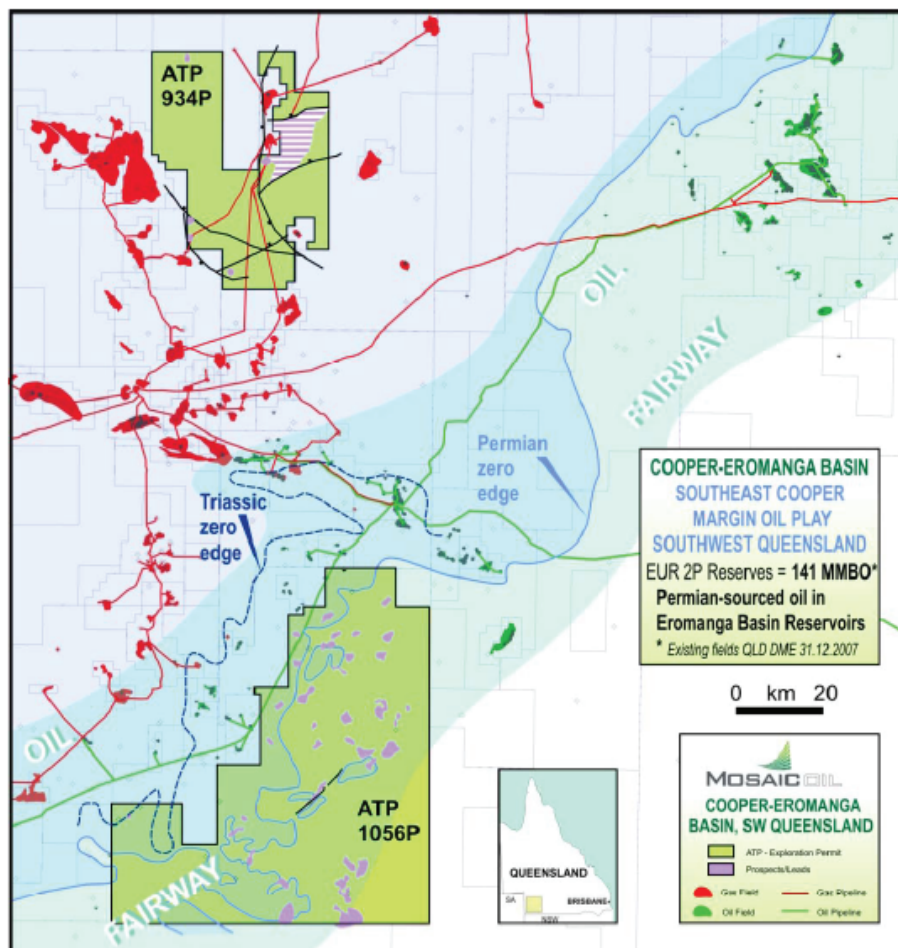


Figure 1-2 Mosaic's Cooper Eromanga Basin Acreage

In the offshore Carnarvon Basin Mosaic holds a 6% interest in WA-208-P. The permit is located over the central and eastern flank of the Dampier Sub-basin, surrounded by a number of oil and gas fields and containing the sub-commercial Hurricane oil and gas discovery. A number of prospects target Jurassic sands that produce in nearby fields. An exploration well is scheduled in 2011.

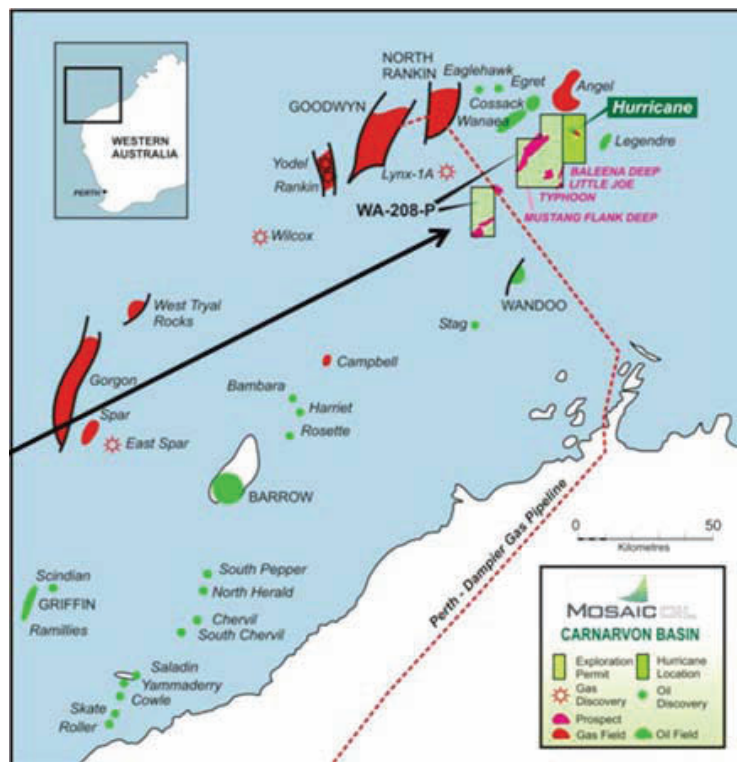


Figure 1-3 Mosaic's Carnarvon Basin Acreage

In New Zealand, Mosaic has interests ranging from 10 to 50% in three exploration blocks in both onshore and offshore areas in the Taranaki basin. Drilling of moderate sized prospects is planned in 2011 in two of the blocks and 2012 in the third. A fourth block is under application.

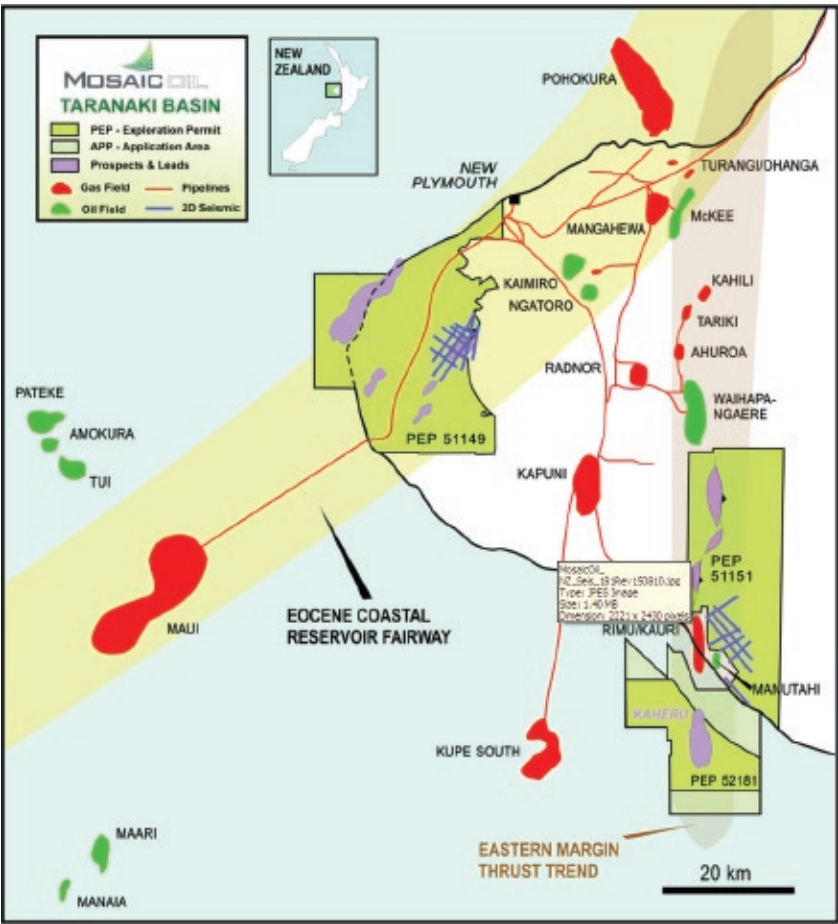


Figure 1-4 Mosaic's New Zealand Acreage

RISC has assessed the value of Mosaic's exploration portfolio in accordance with the Valmin Code's requirements for estimating fair market value of the upside potential. RISC considered a range of accepted industry practices to estimate the value of exploration assets. A 'best estimate' value was derived using the most appropriate methodology. RISC has valued the exploration portfolio at A\$1.3-4.4 million.

In carrying out its evaluation of Mosaic's assets, RISC has reviewed and where appropriate modified the work of other evaluators, including joint venture operators and consultants.

1.2 Resources Estimation Methodology and Summary

RISC has reviewed Mosaic's estimates for Churchie, Waggamba, Fairymount and Taylor recoverable resources, and selected exploration and appraisal opportunities. RISC has made its own estimates of

future production and views of development concepts where possible, and in some cases has used estimates of recoverable volumes provided by Mosaic with appropriate adjustments to reflect our view of the proposed development plans or concepts.

The gas, oil/condensate and LPG volumes attributable to RISC's Best Estimate case are summarized in Table 1-2 below. Note that no economic cutoff has been applied to these volumes. Note also some columns may not add exactly due to rounding.

Field	Best Estimate			
	Raw Gas (Bcf)	Sales Gas (PJ)	Oil/Condensate (MMbbls)	LPG (Ktonnes)
Churchie	167	181	1.6	231
Waggamba	0.7	0.8	0.06	5
Taylor	6	6	0.9	21
Fairymount	-	-	0.1	-
Total	173	188	2.6	257

Table 1-2 RISC's Best Estimate of Mosaic's Recoverable Resources

The gas, oil/condensate and LPG volumes attributable to RISC's Upside case is summarized in Table 1-3 below.

Field	Upside Estimate			
	Raw Gas (Bcf)	Sales Gas (PJ)	Oil/Condensate (MMbbls)	LPG (Ktonnes)
Churchie	177	192	1.7	245
Waggamba	14	16	1.2	93
Taylor	6	6	0.9	21
Fairymount	-	-	0.8	-
Total	197	214	4.5	360

Table 1-3 RISC's Upside Estimate of Mosaic's Recoverable Resources



RISC has not reviewed the exploration portfolio in detail – rather, we have used accepted industry practices to estimate the value of exploration assets.

1.3 Cost Estimation Methodology and Summary

RISC has reviewed Mosaic's estimates of future capital and operating costs for the Churchie, Fairymount, Taylor and Waggamba fields and considers these to be generally reasonable. We have adjusted these costs as necessary to create future capital and operating cost forecasts for the scenarios considered. A summary of the development capital costs is shown in Table 1-4.

Field	Best Estimate Capital Cost (A\$MM)	Upside Capital Cost (A\$MM)
Churchie	90	132
Waggamba	-	24
Taylor	8	8
Fairymount	-	6
Total	98	170

Table 1-4 RISC's Best Estimate and Upside Capital Costs

1.4 Qualifications

RISC was founded in 1994 to provide independent advice to companies associated with the oil and gas industry. RISC now has approximately 40 highly experienced professional staff at offices in Australia and the UK. We have completed over 1000 assignments in approximately 60 countries for nearly 400 clients. Our services cover the oil and gas business lifecycle:

- Oil and gas asset valuations, expert advice to banks for debt or equity finance
- Exploration / portfolio management
- Field development studies and operations planning
- Reserves assessment and certification / Independent Expert / Expert Witness
- Strategy and corporate planning / Gas market advice.

RISC's Geoscience Manager, Jonathan (Joe) Salomon acted as the project manager for the preparation of the Technical Report. Mr. Salomon holds a Bachelor of Applied Science (Geology), has over 25 years of experience in oil and gas exploration and development worldwide, and is a member of the American Association of Petroleum Geologists and the Petroleum Exploration Society of Australia.

1.5 Basis of Opinion

The assessment of petroleum assets is subject to uncertainty because it involves judgments on many variables that cannot be precisely assessed, including reserves, future oil and gas production rates, the costs associated with producing these volumes, access to product markets, product prices and the potential impact of fiscal/regulatory changes.

In preparing this valuation, RISC has relied on information provided by Mosaic as well as information from the public domain. In carrying out its evaluation, RISC has reviewed and, where appropriate, modified the work of other evaluators, including field operators and other consultants. The technical part of RISC's assessment was carried out during July and August 2010.

The statements and opinions attributable to RISC are given in good faith and in the belief that such statements are neither false nor misleading.

While every effort has been made to verify data and resolve apparent inconsistencies, neither RISC nor its servants accept any liability for, or warrant the accuracy or reliability of our conclusions, nor do we warrant that our enquiries have revealed all of the matters, which a more extensive examination may disclose. In particular, we have not independently verified property title, encumbrances, regulations that apply to these assets. RISC has also not audited the opening balances at the valuation date of past recovered and unrecovered development and exploration costs, undepreciated past development costs and tax losses.

1.6 Independence

RISC makes the following disclosures:

- RISC is independent with respect to Mosaic and confirms that there is no conflict of interest with any party involved in the assignment.
- Under the terms of engagement between RISC and the Independent Expert PwCS, RISC will receive a fee for the provision of this report, based on time expended at our current standard terms and conditions, payable by Mosaic. The payment of this fee is not contingent on the outcome of the proposed transaction.
- The Directors and staff of RISC may have from time to time owned shares in Mosaic. No interests are currently held by RISC Directors or staff involved in the preparation of this report.

1.7 Consent

RISC has consented in writing to this Report in the form and context in which it appears being included in the Scheme Booklet which will accompany the notice of meeting to be issued by the directors of Mosaic and which will be distributed to Mosaic shareholders. RISC has not authorised or caused the issue of all or any part of the notice of meeting or the Scheme Booklet other than this report. Neither the whole nor any part of this report nor any reference to it may be included in or with or attached to any other document, circular, resolution, letter or statement without the prior consent of RISC to the form in which it appears.



2.1 Field Overview

The Churchie gas field is located within the well established productive fairway for conventional oil and gas projects in the Surat/Bowen Basin in Queensland (Figure 2-1).

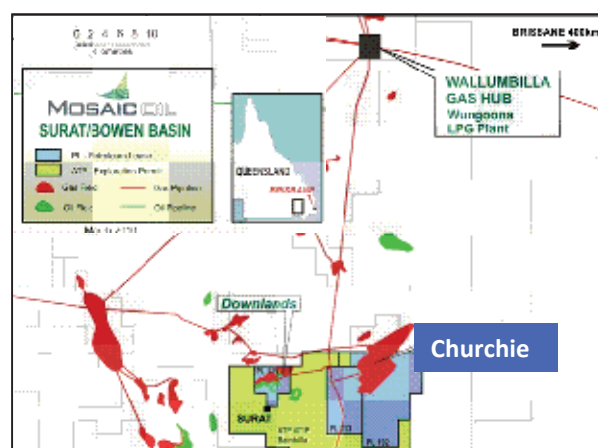


Figure 2-1 Churchie location map

The Churchie gas accumulation was discovered in 1964 by the Myall Creek-1 well located in a structurally updip location in the adjoining production licence, approximately 2.5 km northwest of the Churchie-1 well. There are three main productive units in the area, the Upper and Lower Tinowon sandstones and the Wallabella sandstones. The reservoirs are comprised of stacked fluvial channel sands interbedded with coals and siltstones. Rapid lateral changes in reservoir thickness and quality are observed between wells for all three reservoir zones.

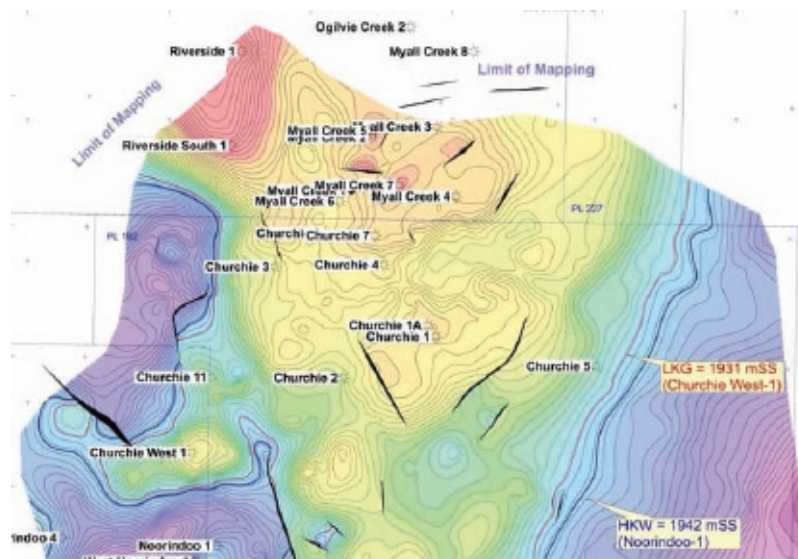


Figure 2-2 Lower Tinowon Sandstone Depth Map - Mosaic

The gas accumulation does not appear to be a conventional structural trap. All wells in the area have encountered gas saturated sands even in significantly downflank locations. While core porosities of over 20% and up to 30%, and permeabilities over 500 mD, have been measured, average porosity values from log analysis are 14.7% for the Upper and Lower Tinowon sands and 14.5% for the Wallabella. Pressure transient analysis provided by Mosaic has estimated the in-situ permeability to gas to range between 0.16 and 12.3mD with a P50 estimate of 1.5mD for the Upper Tinowon. It was concluded that the Lower Tinowon and the Wallabella sands are likely to have lower permeabilities, below 1mD to gas. The volume of water produced is negligible, and only seen in one well, Noorindoo-1 where it has not been definitively identified as formation water. Zones of higher porosities are likely to relate to depositional architecture and the position of major channels. Mosaic has defined a LKG and HKW from wells Churchie West-1 and Noorindoo-1 respectively to constrain volume estimations.

The low permeability nature of the reservoirs has led to a drilling approach using underbalanced drilling and nitrogen. This approach has resulted in some high initial flow rates (Churchie-3, Upper Tinowon) – however, rapid decline also characterises the test and production rates. This drilling approach has also meant that most of the wells have not penetrated below the Upper Tinowon and effectively all of the production in the Churchie Field has been from this sand.

In total, ten Churchie wells have been drilled – Churchie-1 and 1A, Churchie-2 to -7, Churchie-11 and Churchie West- 1. The first well, Churchie-1, was drilled in 2001.

Well	Drill Date	Zone Tested	Drilling Method	Status
Churchie-1	July 2001	Upper and Lower Tinowon	Conventional	Producing (post frac stimulation)
Churchie-2	August 2001	Upper Tinowon, tested gas from Wallabella	Conventional	Producing
Churchie-1A	January 2003	Upper Tinowon	Underbalanced with N2	Shutin (sub-commercial)
Churchie-3	May 2002	Upper Tinowon	Underbalanced with N2	Producing
Churchie-4	December 2003	Upper Tinowon	Underbalanced with N2	Shutin (sub-commercial)
Churchie-5	September 2004	Upper Tinowon	Underbalanced with N2	Suspended (sub-commercial)
Churchie-6	November 2004	Upper Tinowon	Underbalanced with N2	Producing
Churchie-7	November 2004	Upper Tinowon	Underbalanced with N2	Producing
Churchie-11	May 2009	Upper Tinowon	Underbalanced with N2	Producing
Churchie West-1	October 2006	Upper Tinowon	Underbalanced with N2	Producing
Noorindoo-1	September 1970	Upper and Lower Tinowon	Conventional	Long term production test

Table 2-1 Summary of Churchie Area Wells

Production from Churchie reached a maximum of 11 MMscfd in early 2005, as shown in Figure 2-3 below. Current production rate as at June 2010 is approximately 2.45 MMscfd.

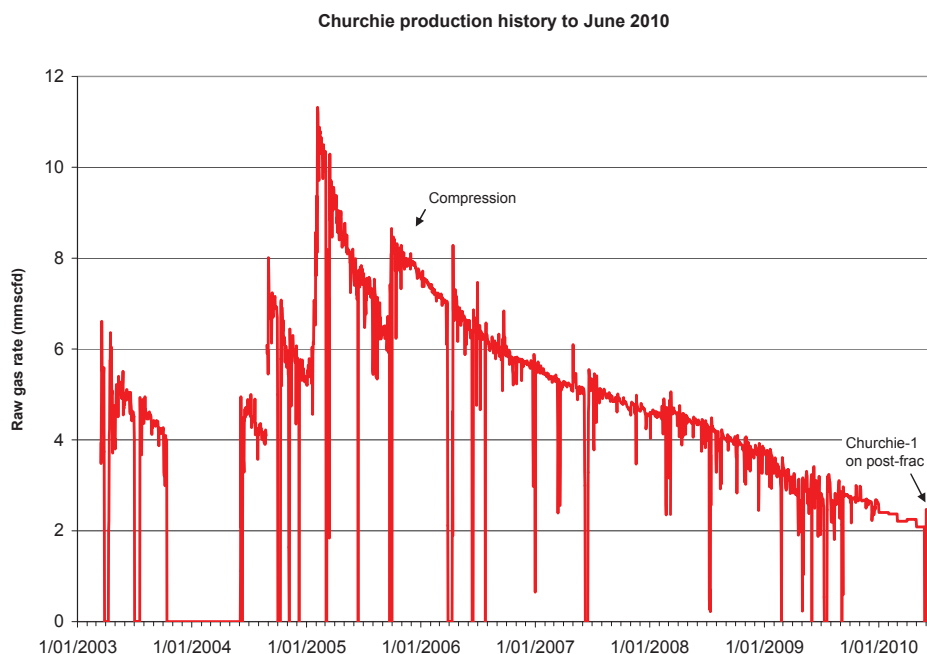


Figure 2-3 Churchie production history to end 2009

2.2 Hydrocarbons in Place

RISC has reviewed, and accepts as reasonable, Mosaic's recently estimated volumes for the three reservoir zones at Churchie field. Deterministic and probabilistic approaches utilise net pay maps constructed from a combination of petrophysically-derived net sand thicknesses from well logs and seismically-derived net sand isopachs to determine net rock volumes. The areal limits of the gas accumulation are not clear as none of the wells have definitively intersected a water contact, and all wells have encountered gas saturations within the Tinowon sandstones that they have intersected. A lowest known gas is recorded in the Churchie West-1 well at -1931mSS which Mosaic has used to define 2P volumes for both Upper and Lower Tinowon sands. Water has been produced from the Noorindoo-1 well at a depth of -1942mSS, and while this is not definitively formation water, Mosaic has used this as a lowest depth to define the area of 3P volumes for both Upper and Lower Tinowon sands. RISC supports this approach.

For the Wallabella sands, a single gross volume based on an LKG from the Churchie-5 well is used. This single GRV was used for all probabilistic cases with a range of net-to-gross and reservoir parameters, centred on the average value from petrophysics.

The deterministic GIIP volumes use the 2P and 3P net rock volumes described above and average petrophysical parameters for porosity and water saturation for the Upper and Lower Tinowon sands (Table 2-2).

Churchie Deterministic Estimate GIIP (Bcf) 100% interest	2P	3P
Upper Tinowon	95	106
Lower Tinowon	84	91
Total	179	197

Table 2-2 Deterministic GIIP estimate for Churchie

The probabilistic estimates use the 2P and 3P net rock volumes for the P50 and P10 cases respectively, and a range of reservoir parameters centred on the average petrophysical parameters for all three reservoir levels (Table 2-3).

	Parameter	P90	P50	P10
Porosity (%)	Upper Tinowon	12.9	14.8	16.7
	Lower Tinowon	12.7	14.8	16.9
	Wallabella	12.0	14.1	16.1
Sw (%)	Upper Tinowon	74	58.5	43
	Lower Tinowon	75.3	70.6	65.9
	Wallabella	62	51	40
FVF (1/Bg)	All Zones	205	210	215

Table 2-3 Churchie Probabilistic Volume Calculation Inputs

The use of these ranges results in the P10 volumes being larger than the 3P volumes (as shown in Table 2-4).

Churchie Probabilistic Estimate GIIP (Bcf) 100% interest	P90	P50	P10
Upper Tinowon	58	95	136
Lower Tinowon	64	84	104
Wallabella Sands	30	87	163
Total	152	281	439

Table 2-4 Probabilistic GIIP Estimate for Churchie

RISC has checked the rock volume calculations by loading surface and isopach grid files into Petrel software and running volumes. Reservoir parameters (and the ranges in the probabilistic estimates) have been checked against petrophysical analysis and found to be reasonable, with a few minor adjustments to maintain consistency between the two approaches.

2.3 Current Development Status

Gas produced from the Churchie field is transported to the Silver Springs – Wallumbilla pipeline and processed at Wungoona gas plant operated by Santos. Produced gas is sold to Santos QNT under a contract of up to 3.5 PJ per year until 1 January 2011, while the condensate is trucked to the 33% Mosaic-owned Lytton Storage tank near Brisbane for marketing. Mosaic constructed the pipeline joining the Churchie field to the north flowing Wallumbilla trunkline in February 2003. The 102 kilometre, 8 inch diameter pipeline from Silver Springs to Wallumbilla is owned by Mosaic (50%) and Santos (50%).

The first gas from the Churchie Field was brought on stream on 17 March 2003 from the Churchie-3 well. Churchie-2 and -4 were connected to production in August 2004. Churchie-6 and -7 were drilled in November-December 2004 and connected for production in January 2005. A compressor installed in September 2005 and a remote production monitoring system installed in 2006 have delivered improved field production of the Churchie field.

The field is located approximately 15 kilometres east of the Surat Township and 60 kilometres from Mosaic's main operational base at the Silver Springs Gas Processing Plant, through which the field operations are supported.

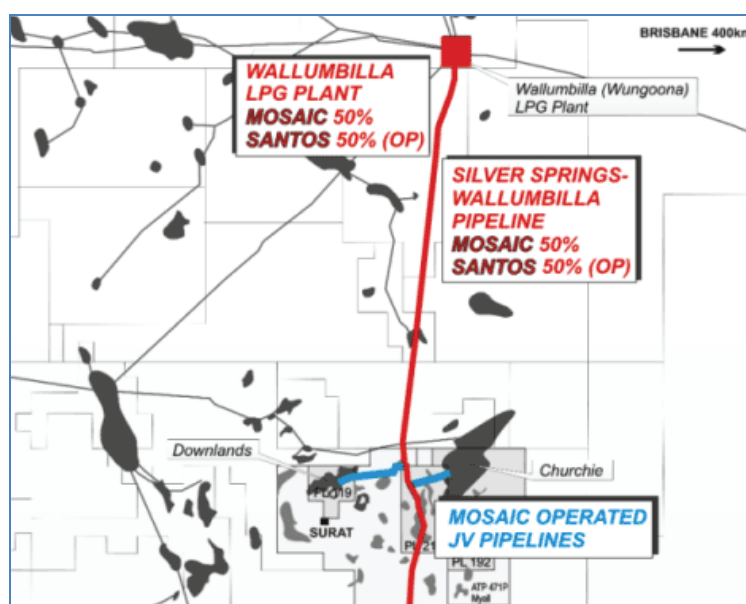


Figure 2-4 Churchie Field Location and Nearby Infrastructure

Mosaic is working to secure ongoing gas contracts for Churchie gas once the current contract with Santos expires on 31 Dec 2010.

The annual field operating cost is budgeted at approximately A\$2 million for FY2010-2011, of which around A\$1 million is considered fixed and the remainder is a variable gas and condensate processing fee at Wungoona Gas Plant.

Mosaic is carrying out field studies to evaluate whether fracture stimulation technology can be successfully applied in the Churchie field (illustrated in Figure 2-5), such that field production could be lifted from its current level of around 3 TJ/d to around 20TJ/d. The Churchie-1 discovery well was tested at 1 MMscf/d before dropping to 0.25 MMscf/d within two days and had not been connected for commercial production. After fracture stimulation in May 2010, the well demonstrated good flow-back of fracturing fluid and gas at 2 MMscf/d, then produced at an average rate of 0.5 MMscf/d for ten days thereafter and was connected to facilities for production. Whilst this result was below expectations, it is believed that 150 barrels of kill weight fluid lost to the formation during production tubing change-out may have damaged the formation and caused adverse phase trapping effects.

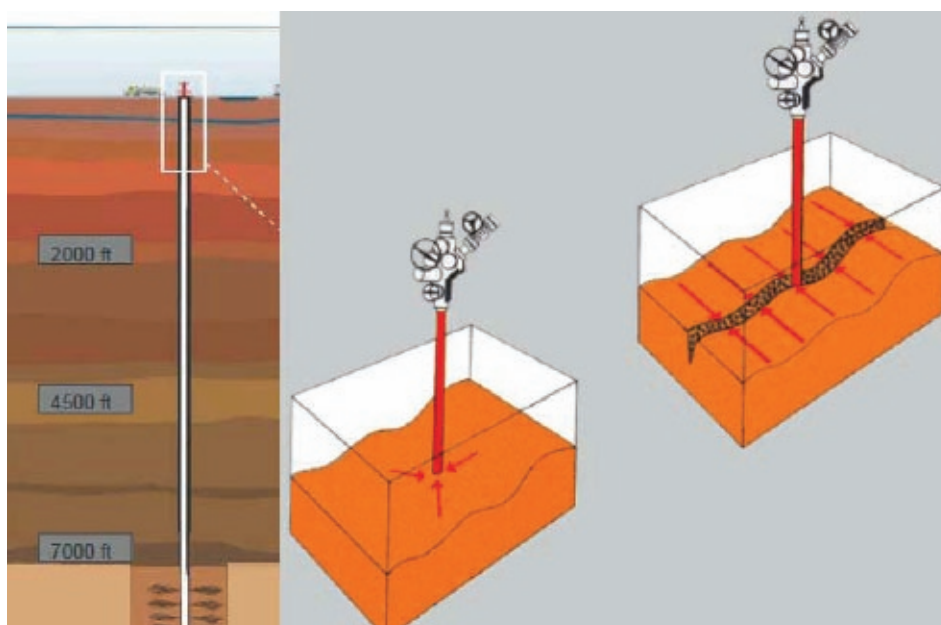


Figure 2-5 Fracture Stimulation

2.4 Resources and Production Forecasts

Hyperbolic decline analysis of the current six Churchie producers (Churchie-2, -3, -6, -7, -11 and Churchie West-1) to a final rate of 0.1 MMscfd indicates remaining ultimate recovery of 7.09 Bcf raw gas, as shown in Table 2-5.

Well	Ultimate Recovery (Bcf)	Produced to June 30, 2010 (Bcf)	Remaining ultimate recovery (Bcf)
Churchie-2	0.46	0.51	0 **
Churchie-3	8.78	5.95	2.83
Churchie-4	0.49	0.49	0
Churchie-6	2.89	2.00	0.89
Churchie-7	5.99	2.98	3.01
Churchie-11	0.12	0.06	0.06
Churchie West-1	0.36	0.06	0.30
Total	19.09	12.05	7.09

Table 2-5 Estimated Ultimate Recovery from existing Churchie wells

**** Note that Churchie-2 is today producing below a level of 0.1 MMscfd, and hence the estimated technical ultimate recovery is less than cumulative production to date.**

To illustrate typical well decline, Churchie-7 historical production is shown in Figure 2-6, matched with hyperbolic decline and extrapolated to a final rate of 0.1 MMscfd, recovering 5.95 Bcf.

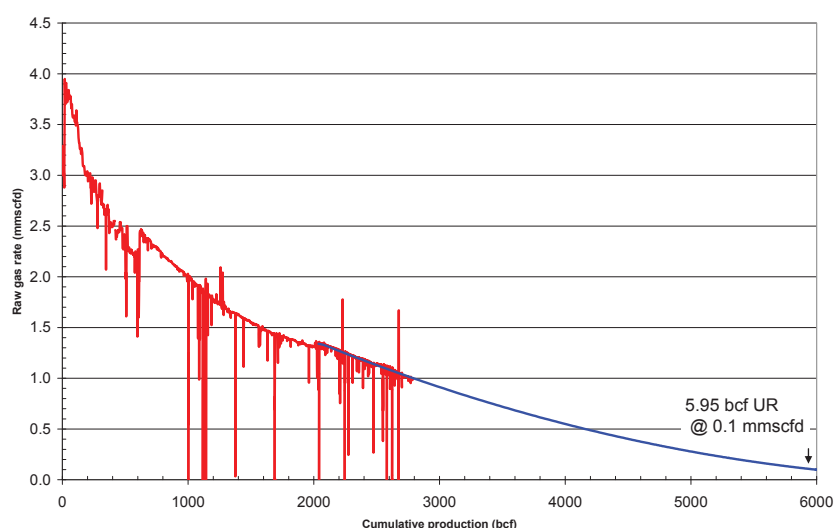


Figure 2-6 Churchie-7 hyperbolic decline trend and projection

For the initial Churchie development wells, the effective drainage radius of wells producing the Upper and Lower Tinowon formations (with average permeability of 1.5 and 0.75 mD respectively) is approximately 130 acres. In contrast, the 0.5 mD Wallabella formation has been assumed to have an effective drainage radius of only 75 acres. Based on average reservoir parameters for the Tinowon and Wallabella formations, each well will access combined GIIP of approximately 4.95 Bcf gas, and recover approximately 4.4 Bcf gas. Based on the assumed 130 acre drainage radius for the Tinowon formation, an initial phase of drilling to cover the mapped area of the field will require 24 wells. A second phase of infill drilling using 20 more wells will develop remaining GIIP and extend production. Due to partial depletion of the reservoir pressure by the first phase wells and thinner formation thickness at these secondary well locations, the GIIP developed by each of the infill wells is estimated to be only 2.9 Bcf with ultimate recovery of 2.44 Bcf per well.

Since fracturing of the Tinowon and Wallabella formations has not been proved effective, we have assumed no fracture stimulation in the Best Estimate forecast. Initial well deliverability is expected to be approximately 8.8 MMscfd for the first development wells, and 2.44 MMscfd for the infill wells. Based on development drilling commencing at the end of 2010, the resultant Best Estimate production forecast is given in Figure 2-7, showing that a plateau offtake rate of 20 MMscfd raw gas can be sustained for around 18 years. A total volume of 166 Bcf raw gas is produced from June 30, 2010 until 2040. This recoverable volume is equivalent to a “2P/2C” level of confidence. Of the 166 Bcf raw gas, 118 Bcf raw gas (or more than 70%) comes from the initial 24 wells.

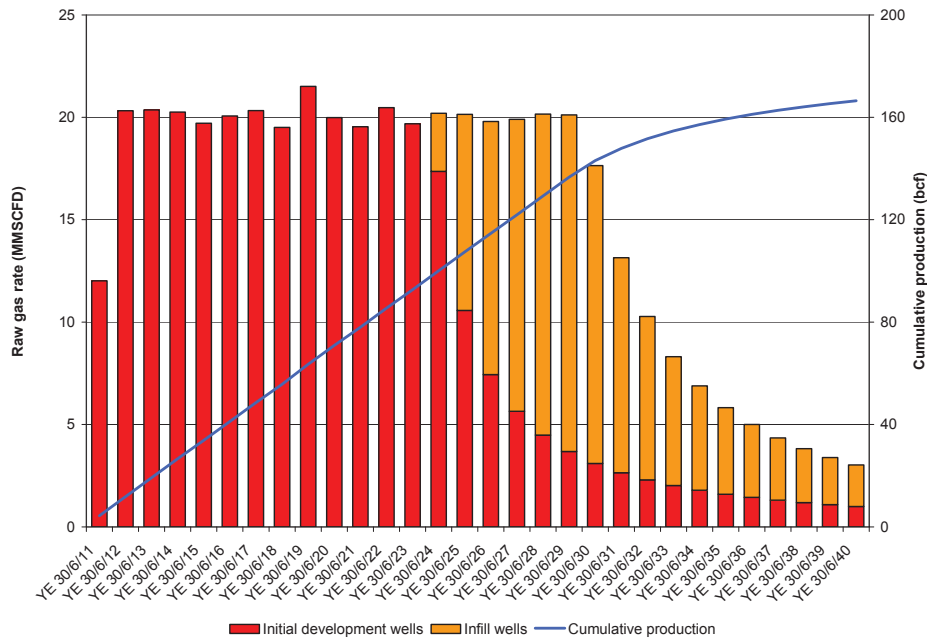


Figure 2-7 Best Estimate production forecast for Churchie

In the Upside Case, we have assumed that fracture stimulation will be successful, allowing the initial well deliverability to be significantly increased to 15 MMscfd for each of the initial development wells and 9.5 MMscfd for the infill wells. The resultant production forecast is given in Figure 2-8, sustaining the higher plateau offtake rate of 30 MMscfd raw gas for 13 years. A total volume of 177 Bcf raw gas is produced from June 30, 2010 until 2040. This recoverable volume is roughly equivalent to a "3P/3C" level of confidence. Of the 177 Bcf raw gas, 118 Bcf (or more than 66%) comes from the initial 24 wells.

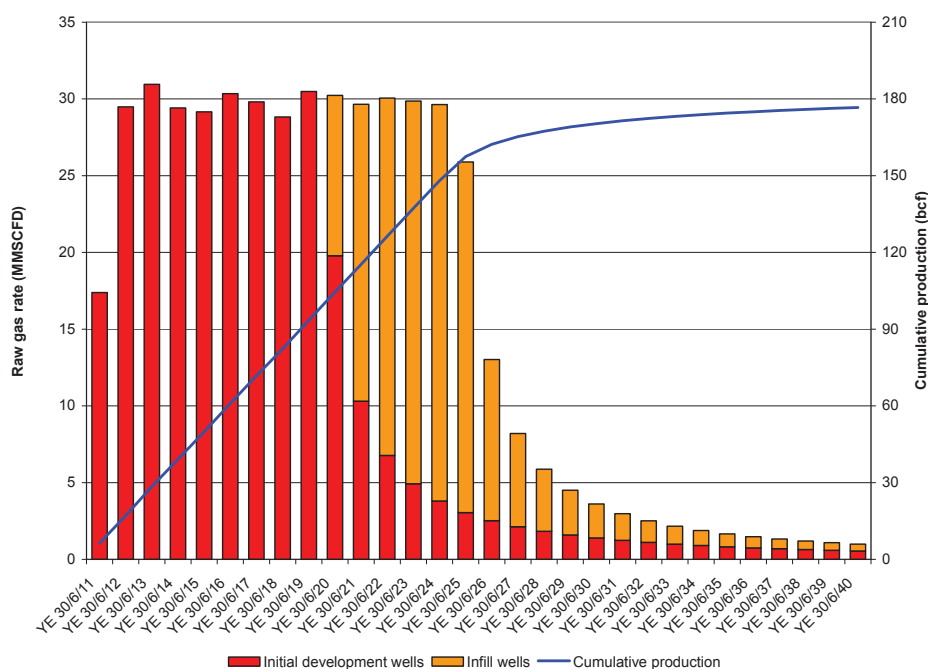


Figure 2-8 Upside Case production forecast for Churchie

Average product yields for Tinowon/Wallabella gas have been derived from gas compositional data (and shown in Table 2-6).

Heating Value (TJ per MMscf)	Condensate yield (bbls per MMscf)	Propane yield (tonne per MMscf)	Butane yield (tonne per MMscf)
1.09	9.55	0.888	0.501

Table 2-6 Churchie average product yields

2.5 Development Schedule and Future Costs

RISC's schedule and cost estimates are based on Mosaic information which has been adjusted for RISC production forecasts. Mosaic's time and cost estimates have been reviewed by RISC and are considered reasonable. The Best Estimate development concept, which has forty-four development wells (with no hydraulic fracturing), is estimated to cost approximately A\$90 million, including A\$6 million for additional field compression. The well cost is based on a time estimate of 13 days drilling plus 2 days completion per well, for a cost of A\$1.82 million (drilling and completion) for a cored well and A\$1.56 million for a well without coring. Every third well is assumed to be cored. An additional tie-in cost of A\$300,000 per well has been assumed. Breakdown of Mosaic's well cost for a cored development well is shown in Table 2-7. Coring cost is estimated at approximately A\$260,000.

	Drilling	Completion	Total
Drilling / Completion Lease & Operating Support	97,950	1,500	99,450
Drilling / Completion Rig Operating Charges	547,000	37,600	584,600
Drilling / Completion Office Support	46,000	0	46,000
Well Site Engineering & Geology Supervision	58,500	3,600	62,100
Mud System: Chemicals & Services	65,600	5,000	70,600
Well Cementing: Chemicals & Services	52,000		52,000
Wireline Services	95,000		95,000
Mudlogging	54,400		54,400
Well Testing Services	0		0
Coring & Other Services	257,000		257,000
10% Contingency	101,645	4,770	106,415
Total Intangibles	1,375,095	52,470	1,427,565
Drill Bits	60,000		60,000
Drilling Tools	2,500		2,500
Equipment Rentals	5,600	0	5,600
Casing	95,500		95,500
Casing & Cementing Accessories	10,000		10,000
Wellhead Equipment	32,500		32,500
Production Tubing		25,200	25,200
Completion Equipment		42,000	42,000
Xmas Tree & Surface Completion Equipment		12,000	12,000
Stimulation		0	0
10% Contingency	20,610	7,920	28,530
Total Tangibles	226,710	87,120	313,830
Total Tangibles and Intangibles	1,601,805	139,590	1,741,395
Total incl. Overhead			\$1,816,951

Table 2-7 Development well cost breakdown for Churchie-12 (Mosaic)

The Best Estimate annual operating cost is estimated to be A\$1.5 million per annum. In addition to this, well servicing cost of A\$2,000 per month per well, and processing and transportation tariff of A\$0.76/GJ for gas and A\$12.76/bbl for condensate produced must be included.

The first development is assumed to be drilled in November 2010, and wells are phased in order to maintain production on plateau.

In the Upside case, the forty-four development wells are assumed to have three-stage hydraulic fracture stimulation. Total capital cost is estimated at approximately A\$132 million, including fracture stimulation cost of A\$897,000 per well (including contingency) for a three-stage fracture stimulation of Upper and Lower Tinowon and Wallabella formations. Included in the total cost is incremental field compression of A\$8.5 million, which is higher than the Best Estimate case to handle higher gas rates. Annual operating cost is assumed slightly higher than the Best Estimate at A\$2 million per year, while the assumptions for incremental well opex and processing and transportation tariff are the same as the Best Estimate forecast.

RISC has reviewed Mosaic's estimated abandonment costs. We have assumed A\$75,000 per well to cover the abandonment costs of all wells (including existing producers) and associated field gathering / processing facilities at the end of economic field life. The abandonment cost of central processing facilities is assumed to be offset by the salvage value of these plants.

A summary of costs is shown in Table 2-8.

100% interest , A\$MM	Best Estimate	Upside
Capex	89.9	131.9
Peak Annual Opex	2.6	3.0

Table 2-8 Churchie field development cost summary



3.1 Field Overview

The Waggamba field is located within PL202 (Figure 3-1). The field has been developed to supply gas under contract to CS Energy for its Swanbank power station.

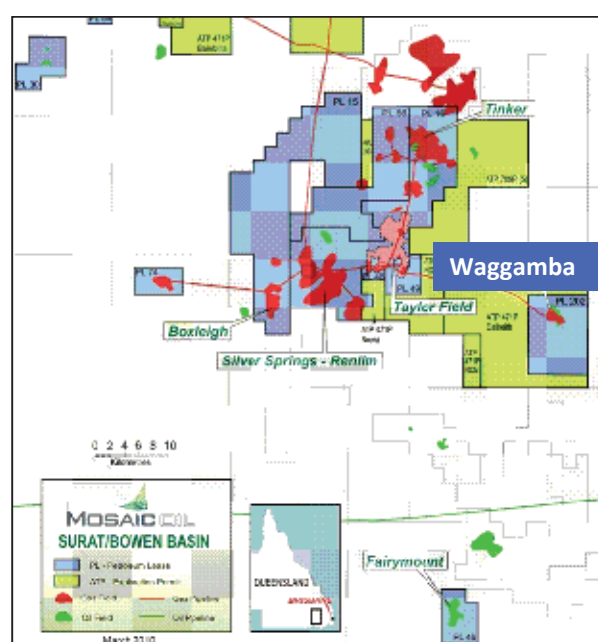


Figure 3-1 Waggamba location map

The reservoir is the Permian-aged Upper Tinowon sandstone consisting of stacked fluvial channel sands, minor shales and coals. The sands typically display variable mineralogy and rapid lateral changes in quality, thickness and net to gross.

The Lower Tinowon displays similar character to the Upper sands in the Waggamba-1 well.

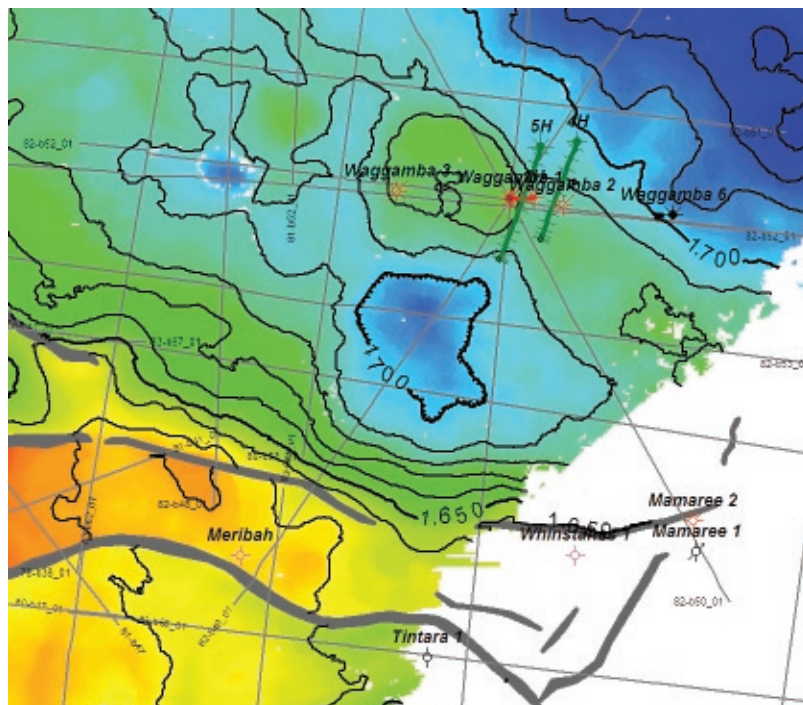


Figure 3-2 Two Way Time Structure Map – Upper Tinowon Sandstone

The discovery well was drilled in 1981 and was completed in the Upper Tinowon sandstone at about 2,600m as a gas condensate producer. The well tested 2.4 MMscfd and 72 bbl/d of condensate after completion. The Lower Tinowon sands tested at non-commercial rates. Significant decline occurred within a few months and the well was produced intermittently up to 1994.

Mosaic drilled two further wells in 2004 using underbalanced coil tubing through the Upper Tinowon in an attempt to arrest the production decline rate from the Waggamba-1 well. Waggamba-2 tested at 0.37 MMscfd declining. Waggamba-3 was drilled in a crestal location but failed to encounter significant shows.

In 2006, Waggamba-1 was re-entered and a slant well drilled out through the reservoir (Waggamba-1H). It was drilled conventionally at near balance and tested 0.13 MMscfd with 13.5 bbl/d condensate.

Two horizontal wells, Waggamba-4H and -5H were drilled underbalanced in 2008. The -4H well tested at a declining rate from 1.51 to 1.39 MMscfd with 74 bbl condensate. The -5H well tested on clean up at 4 MMscfd and quickly declined to 0.58 MMscfd with condensate rates declining from 70 to 25 bbl/d. Two sidetracks were subsequently drilled to overcome a blockage and in an attempt to contact better sands. Production rates declined from 1.2 to 0.6 MMscfd.

Reservoir permeability for the Upper Tinowon is estimated from 0.05 to 0.6 mD with an average of 0.17 mD based on pressure transient analysis. The better permeabilities were encountered in

The field is covered by 3D seismic for which Mosaic have developed a number of attribute volumes including spectral decomposition and acoustic impedance. From these volumes, an area of thickened reservoir section has been interpreted lying in an arc around the existing wells (Figure 3-3).

By end June 2010, the field had produced 1.3 Bcf at rates up 1.5 MMscf/d (as shown in Figure 3-4, with 0.6 Bcf or almost 50% coming from the Waggamba-4H well.

Waggamba production history to June 2010

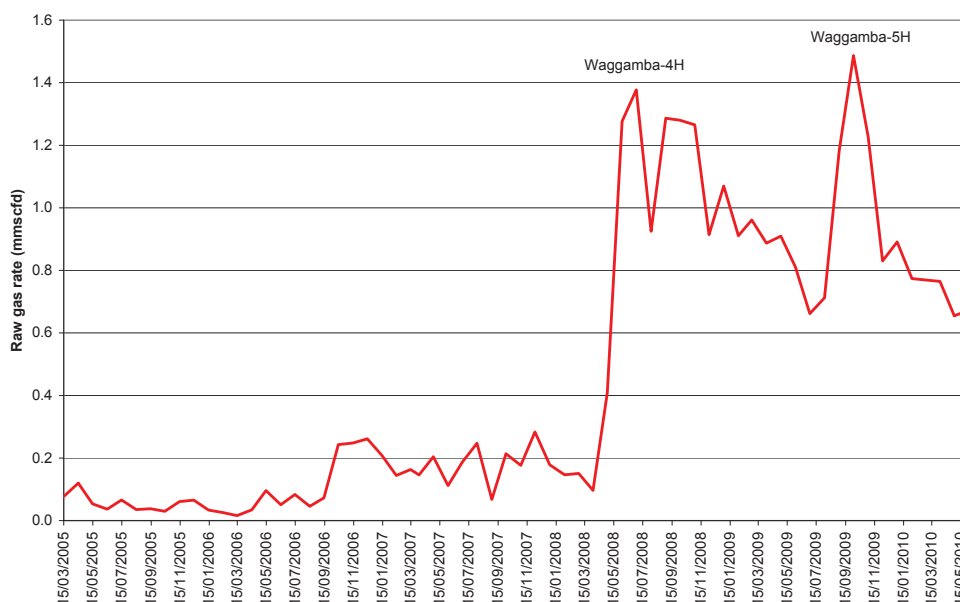


Figure 3-4 Waggamba production history to June 2010

3.2 Hydrocarbons in place

Mosaic has assessed Gas Initially in Place (GIIP) probabilistically, defining 2P and 3P reserve areas using the seismic attribute study and particularly the Spectral Decomposition property to define areas related to an interpreted fluvial channel where thicker reservoir section is expected (Figure 3-3).

RISC considers that Best Estimate volumes are restricted to the area around the existing cluster of producing wells. Given that the channel model is as yet unproven, volumes within the inferred channel area carry reasonable geological risk.

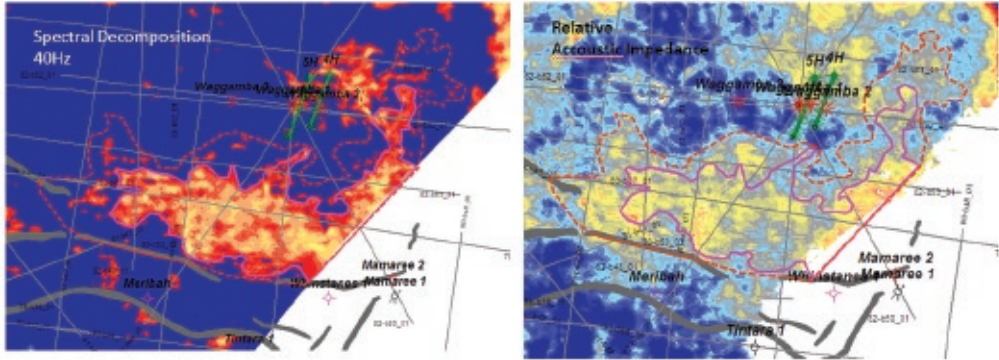


Figure 3-5 Waggamba Attribute Images for A) Spectral Decomposition 40 Hz, B) Relative Acoustic Impedance. Pink polygon is P50 area and Orange Dash Polygon is P10 area for volume calculations.

GIIP volumetrics have been calculated based on P50 and P10 areas defined by the seismic attributes (Figure 3-3) as re-defined by RISC. The P90 area is determined from the log normal spread. Input parameters are shown in Table 3-1 and are derived from both Waggamba well data and Churchie area analogue wells to capture the inherent uncertainty range. The best Churchie wells define the high side parameters.

Parameter	P90	P50	P10
Area (km ²)	2.1	4.6	10.2
Gross Reservoir (m)	10	16	26
Net:Gross (%)	30	60	90
Porosity (%)	11.1	13	15.5
Sw (%)	74	60	46
FVF (1/Bg)	249	250	251

Table 3-1 Input Parameters for Waggamba Volumetrics

The resulting GIIP volumes are summarized in Table 3-2.

100% interest	P90	P50	P10
GIIP (Bcf)	4.5	15.2	45.9

Table 3-2 RISC Estimate of Waggamba GIIP

RISC's GIIP estimate is approximately half that of Mosaic's estimate, as a result of a reduction in both the channel area and the net reservoir section.

3.3 Current Development Status

The gas produced from the Waggamba field is transported to the Silver Springs – Wallumbilla pipeline and processed at Wungoona gas plant operated by Santos. Produced gas is sold to CS Energy under a contract of up to 4 PJ per year, while the condensate is trucked to the 33% Mosaic-owned Lytton Storage tank near Brisbane for marketing. The 102 kilometre, 8 inch diameter pipeline from Silver Springs to Wallumbilla is owned by Mosaic (50%) and Santos (50%).

Waggamba field is currently producing from four development wells. First production from Waggamba occurred in March 2005 from the Waggamba-1 well. Most recently, the Waggamba-4H and -5H wells came on stream in May 2008 and December 2008 respectively.

3.4 Resources and Production Forecasts

Exponential decline analysis of the current four Waggamba producers (Waggamba-1, -2, -4H and -5H) to a final rate of 0.01 MMscfd indicates remaining ultimate recovery of 0.662 Bcf raw gas, as shown in Table 3-3.

Well	Ultimate Recovery (Bcf)	Produced to June 30, 2010 (Bcf)	Remaining ultimate recovery (Bcf)
Waggamba-1H	0.145	0.124	0.021
Waggamba-2	0.19	0.102	0.088
Waggamba-4H	1.15	0.65	0.50
Waggamba-5H	0.11	0.057	0.053
Total	1.615	0.933	0.662

Table 3-3 Estimated Ultimate Recovery from Waggamba wells

As an example, Waggamba-4H historical production is shown in Figure 3-6, matched with exponential decline and extrapolated to a final rate of 0.01 MMscfd, recovering 1.15 Bcf.

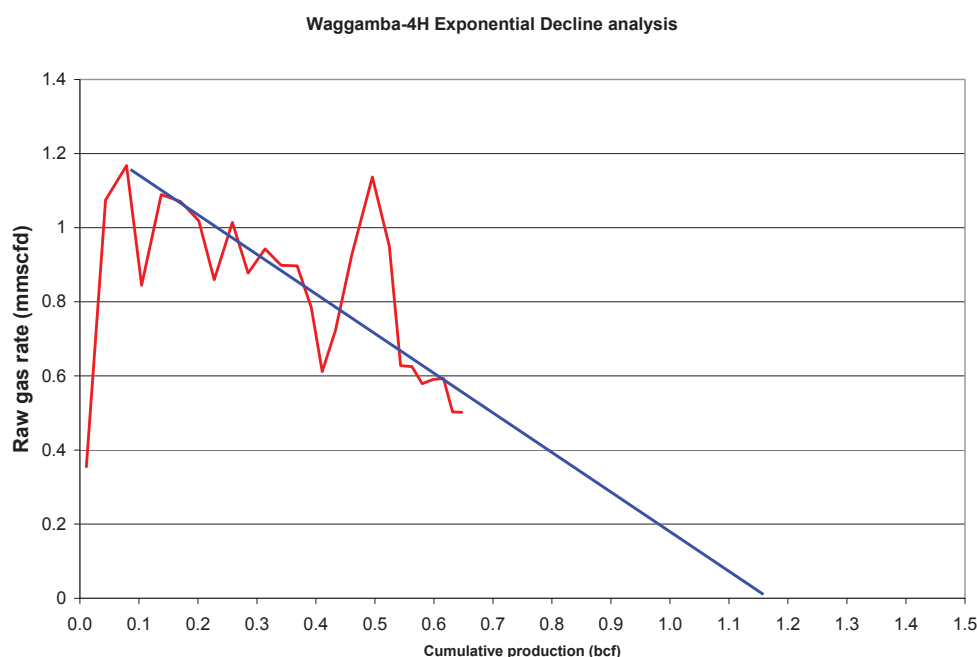


Figure 3-6 Waggamba-4H exponential decline

The Best Estimate production forecast assumes production only from the existing wells. As discussed above, in our view the channel amplitude concept has not been demonstrated with sufficient confidence for inclusion in the Best Estimate case. Although the Waggamba-4H and -5H wells are interpreted to have intersected the flank area of the channel based on spectral decomposition and residual acoustic impedance maps, we are unable to determine if the higher rate from Waggamba-4H is from the channel sequence or not. Further, Waggamba-5H is assessed to also produce from this same channel but flows at much lower rates consistent with Waggamba-1 and -2.

For the Upside Case, we have assumed that the channel will be proven and be developed using vertical wells and fracture stimulation which will give a drainage area of 160 acres per well. For RISC's mapped extent of the gas channel, seven development wells will be required. Fracture stimulation will allow the initial production rate from each well to be 2.5 MMscfd and recover 1.62 Bcf. This level of deliverability will be sufficient to support a plateau production rate for about four years. Total recovery from the existing and seven new wells will be 13.9 Bcf at a final rate of 0.1 MMscfd. However, due to the degree of geological risk associated with the channel amplitude play, we believe this Upside case should be valued using an EMV (or Expected Monetary Value) approach, which offsets the value of the development by the cost to discover/delineate it. It is likely that one or two exploration/appraisal wells (with a likely total cost of approximately A\$5 million) will be required to delineate the channel extent and prove the amplitude-based concept.

The Best Estimate and Upside production forecasts are shown in Figure 3-7.

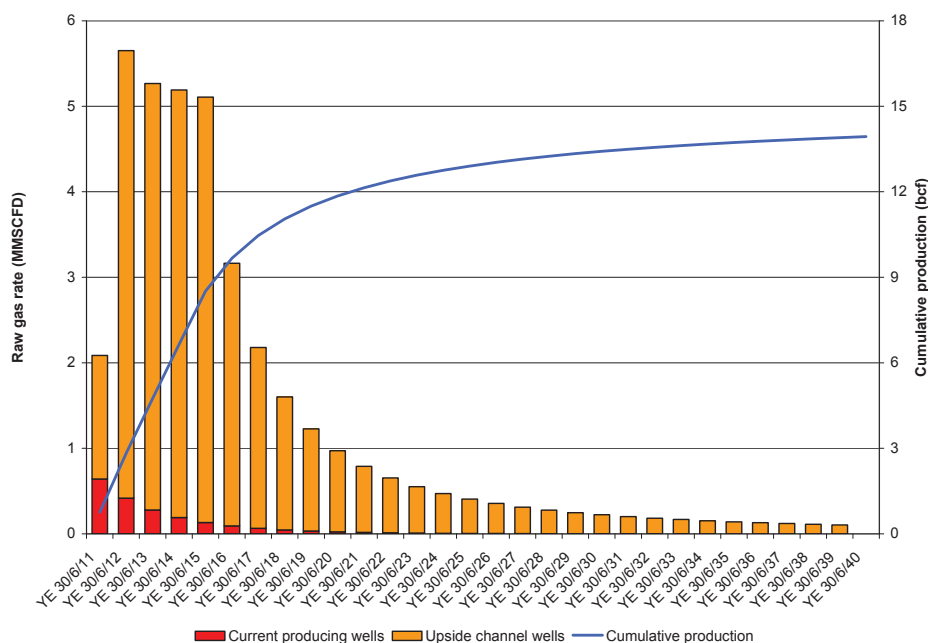


Figure 3-7 Waggamba Best Estimate and Upside production forecasts

Based on compositional data, the following product yields for Waggamba gas have been derived (and shown in Table 3-4) –

Heating Value (TJ per MMscf)	Condensate yield (bbls per MMscf)	Propane yield (tonne per MMscf)	Butane yield (tonne per MMscf)
1.13	84	3.892	2.812

Table 3-4 Waggamba average product yields

3.5 Development Schedule and Future Costs

RISC's schedule and cost estimates are based on Mosaic information which has been adjusted for RISC production forecasts. Mosaic's time and cost estimates have been reviewed by RISC and are considered reasonable.

Since the Best Estimate case assumes production is only from existing wells, no future capital costs are included. Future operating costs are assumed to gradually reduce from its current level of A\$570,000 per annum to approximately A\$340,000 per annum over five years, as production

declines. In addition to this, processing and transportation tariff of A\$1.05/GJ for gas and A\$12.67/bbl for condensate must be included.

The Upside case assumes a seven well development in the channel at an estimated capital cost of A\$24 million, including A\$4 million for incremental field compression. This cost is based on a well cost of A\$2.75 million (as shown in Table 3-5) including drilling, completion and fracture stimulation for a cored well, and A\$2.5 million for a non-cored well, with an assumption that every third well is cored. The fracture stimulation cost is estimated at A\$625,000 per well (including contingency). A tie-in cost of A\$265,000 per well has been assumed to cover wellhead skid, flowline and metering.

	Drilling	Completion	Total
Drilling / Completion Lease & Operating Support	103,700	1,100	104,800
Drilling / Completion Rig Operating Charges	717,000	37,600	754,600
Drilling / Completion Office Support	56,000		56,000
Well Site Engineering & Geology Supervision	81,000	3,600	84,600
Mud System: Chemicals & Services	89,600	1,000	90,600
Well Cementing: Chemicals & Services	64,000		64,000
Wireline Services	95,000		95,000
Mudlogging	73,400		73,400
Well Testing Services	0		0
Coring & Other Services	217,000		217,000
10% Contingency	149,670	4,330	154,000
Total Intangibles	1,646,370	47,630	1,694,000
Drill Bits	65,000		60,000
Drilling Tools	2,500		2,500
Equipment Rentals	5,600	0	5,600
Casing	124,750		95,500
Casing & Cementing Accessories	10,000		10,000
Wellhead Equipment	32,500		32,500
Production Tubing		31,200	25,200
Completion Equipment		42,000	42,000
Xmas Tree & Surface Completion Equipment		12,000	12,000
Stimulation		567,775	567,775
10% Contingency	24,035	8,520	32,555
Total Tangibles	264,385	718,242	982,627
Total Tangibles and Intangibles	1,910,755	765,872	2,676,627
Total incl. Overhead			2,752,183

Table 3-5 Waggamba well cost breakdown

The Upside case operating cost is estimated at A\$1 million per annum. In addition, well servicing cost of A\$2,000 per month per well, and processing and transportation tariff of A\$1.05/GJ for gas and A\$12.67/bbl for condensate produced must be included.

The first development well in the Upside Case is assumed to be drilled in January 2011, with further wells coming online to maintain capacity in accordance with RISC's production forecast.

RISC has reviewed Mosaic's estimated abandonment costs. We have assumed A\$75,000 per well to cover the abandonment costs of all wells (including existing producers) and associated field gathering / processing facilities at the end of economic field life. The abandonment cost of central processing facilities is assumed to be offset by the salvage value of these plants

A summary of costs is shown in Table 3-6.

100% interest, A\$MM	Base	Upside
Capex	-	24
Peak Annual Opex	0.57	1.2

Table 3-6 Waggamba cost summary



4 FAIRMOUNT OIL FIELD

4.1 Field Overview

The Fairymount oil field is located within PL46 some 100 km south of the Churchie Field (Figure 4-1).

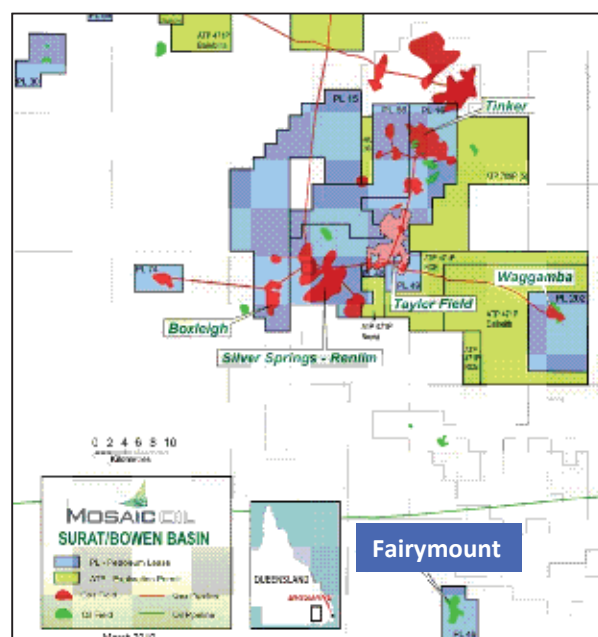


Figure 4-1 Fairymount location map

The field was discovered in 1985. It produces from the mid Triassic Showgrounds sandstone (as shown in Figure 4-2) with three producing intervals. The lowest interval contains the thickest sandstone section and the majority of the oil in place volumes.

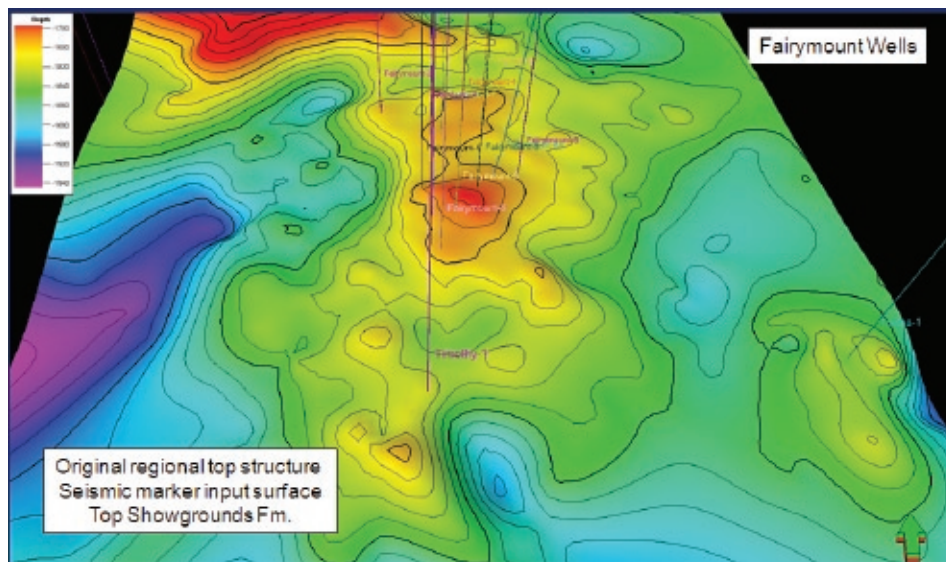


Figure 4-2 Fairymount Top Showgrounds Formation Structure Map (RPS)

Cumulative production to end June 2010 is 1.13 MMstb, with average field production levels during the first half of 2010 of around 20 bopd.

Fairymount production history to June 2010

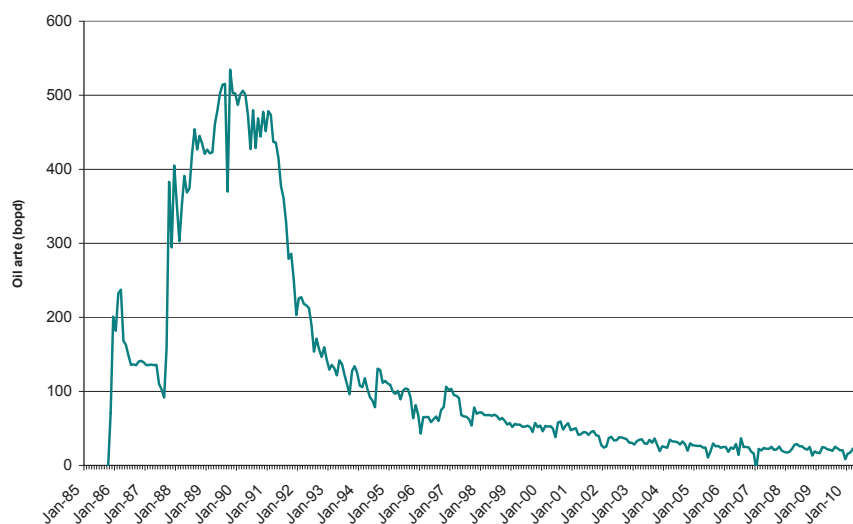


Figure 4-3 Fairymount production history to June 2010

4.2 Current Development Status

A total of eight production wells have been drilled in the Fairymount field. At present, only four (Fairymount-3,-4,-8 and -9) are producing. Production from Fairymount-1 commenced in November 1985. Fairymount-3,-4 and -5 came onstream during September to November 1987. The most recent well, Fairymount-9 came onstream in April 2008.

A detailed geological modelling and reservoir simulation study ¹ by RPS for Mosaic has assessed Oil Initially in Place (STOIIP) from the dynamic model of 6.27 MMstb, of which 6.03 MMstb is within the lower channel. RISC has not audited the RPS models. However, the volumes are regarded as likely to be reasonable given the maturity of the field production. The model was history matched to the field's twenty-five years of production performance and multiple prediction cases were run to identify remaining development opportunities in the field. The history-matching evaluation was reviewed by RISC and is considered reasonable. The optimal future development case involves three new infill wells (designated C-1, AB-1 and AB-2) located as shown in Figure 4-4.

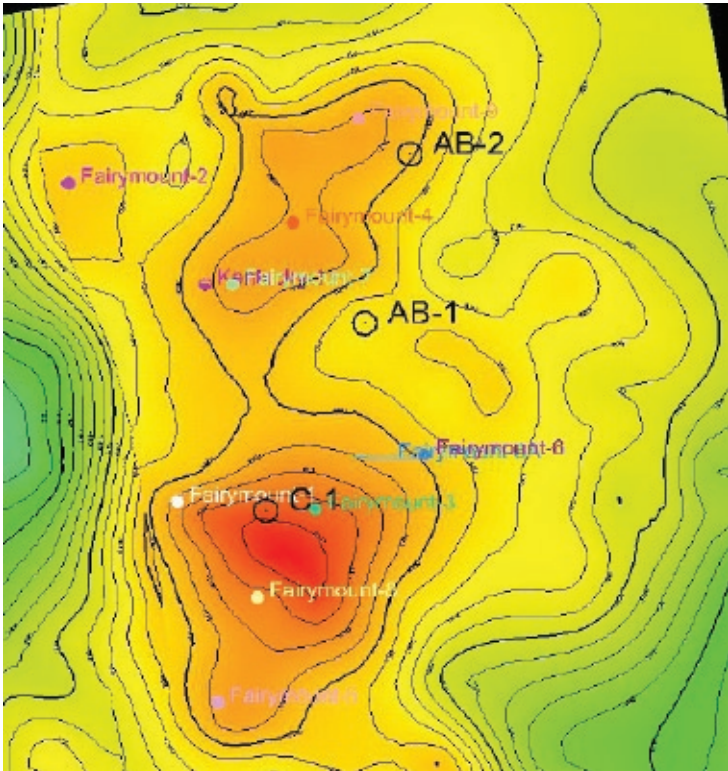


Figure 4-4 Fairymount well locations (including infill wells AB-1, AB-2 and C-1)

¹ RPS Energy Pty Ltd, Fairymount Oil Field 3D Dynamic Model, July 2010

From the simulation study, these infill well locations are anticipated to develop an incremental 0.65 MMbbls production above the existing production levels.

4.3 Resources and Production Forecasts

Production from the existing four wells has been evaluated and is best fitted by harmonic decline. From this analysis, the total ultimate recovery from the four current producers is estimated to be 0.977 million barrels to a terminal oil rate of 1 bopd (as shown in Table 4-1). Remaining ultimate recovery is 0.246 million barrels.

Well	Ultimate Recovery (bbls)	Produced to June 30 2010 (bbls)	Remaining ultimate recovery (bbls)
Fairymount-3	477,000	424,400	52,600
Fairymount-4	282,000	214,900	67,100
Fairymount-8	191,000	90,000	101,000
Fairymount-9	27,000 **	1,800	25,200
Total	977,000	731,100	245,900

Table 4-1 Fairymount well ultimate recovery from decline analysis

**** Note that Fairymount-9 is a recent well, with limited production history. The estimated ultimate recovery is based on continuing production level of 2 bopd until end of field life. This is supported by the simulation model.**

An example of the fit of harmonic decline (log oil rate versus cumulative production) to the Fairymount-8 well is shown in Figure 4-5.



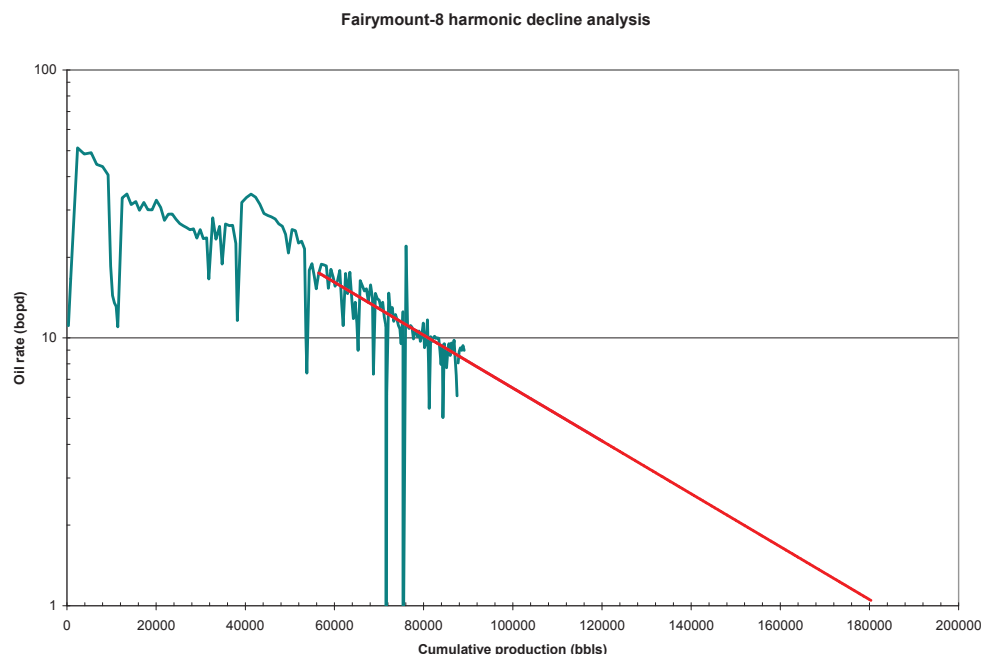


Figure 4-5 Fairymount-8 harmonic decline analysis

In the Best Estimate forecast, we have included only the current producers. Whilst the infill drilling program has identified some viable opportunities and is technically robust, there is not yet sufficient demonstrated commitment by Mosaic to undertaking the drilling program for it to be included in our Best Estimate forecast.

However, the infill drilling program is included in the Upside Case. We anticipate that the infill drilling program could commence in early 2011. In our Upside forecast, only three of the current producers continue to produce (i.e. the Fairymount-3 well is essentially replaced by the nearby and more crestal C-1 infill well). Based on the history-matched simulation model, the C-1 infill well is expected to produce initially at 400 bopd for nine months before declining, with the AB-1 and -2 infill wells producing initially at 50 bopd each for between 2.5 to 4 years before declining.

The resultant Best Estimate and Upside production forecasts are given in Figure 4-6 below. Note that the blue curve shows cumulative oil produced from July 2010 onwards (not total cumulative production).

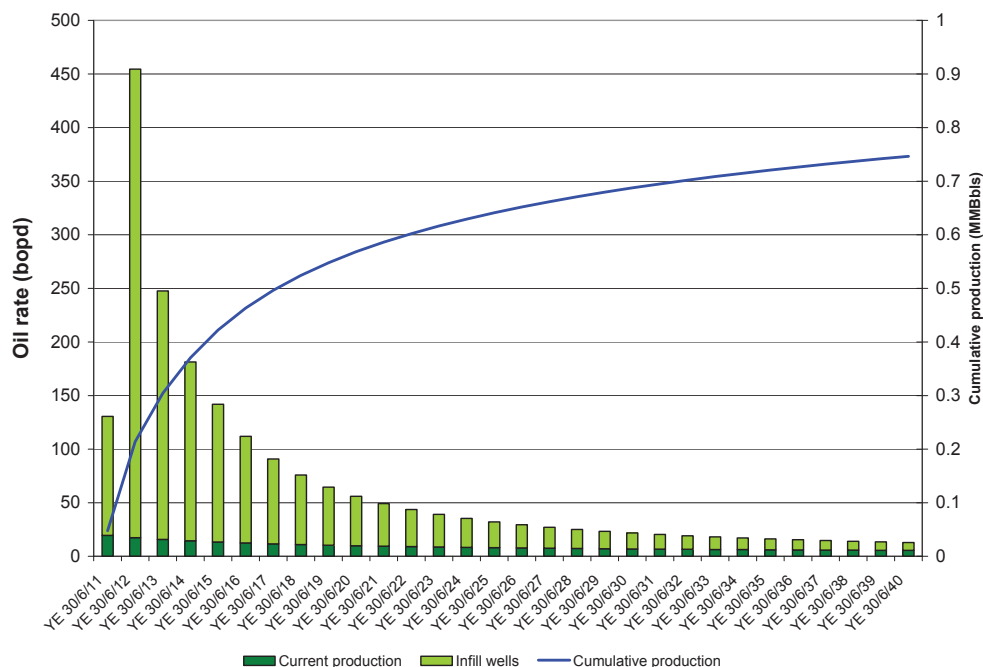


Figure 4-6 Fairymount Best Estimate and Upside production forecasts

4.4 Development Schedule and Future Costs

RISC's schedule and cost estimates are based on Mosaic information which has been adjusted for RISC production forecasts. Mosaic's time and cost estimates have been reviewed by RISC and are considered reasonable.

Since the Best Estimate case assumes production is only from existing wells, no additional capital cost has been included. Annual operating cost is assumed to be reduced to A\$225,000 from its current level of A\$280,000 gradually as production further declines. In addition to this, transportation and storage tariff costs of A\$12.67/bbl for oil produced must also be included.

For the Upside Case, total development cost for three infill wells is estimated to be A\$5.3 million. Assumed to be completed in March 2011, the first well will be a horizontal well with a 300 metre horizontal section in the reservoir at a depth of 2100 m. This will be followed by two more vertical wells. The wells will not be fracture stimulated. RISC has estimated a well cost of A\$2.2 million for the horizontal well and A\$1.56 million for each of the vertical wells. In addition to this, we have also included tie-in costs of A\$265,000 per well.

The annual operating cost in the Upside Case is estimated at A\$360,000 per annum. In addition to this, well servicing costs of A\$2,000 per month per well and transportation and storage tariff of A\$12.67/bbl for oil produced must be included.

RISC has reviewed Mosaic's estimated abandonment costs. We have assumed A\$75,000 per well to cover the abandonment costs of all wells (including existing producers) and associated field

gathering / processing facilities at the end of economic field life. The abandonment cost of central processing facilities is assumed to be offset by the salvage value of these plants.

A summary of costs is shown in the following table.

100% interest, A\$MM	Best Estimate	Upside
Capex	-	6.1
Peak Annual Opex	0.280	0.432

Table 4-2 Fairymount cost summary

5 TAYLOR OIL AND GAS FIELD

5.1 Field Overview

The Taylor field is located within PLs 16, 48 and 49 approximately 50 kilometers to the south of the Churchie gas field (Figure 5-1).

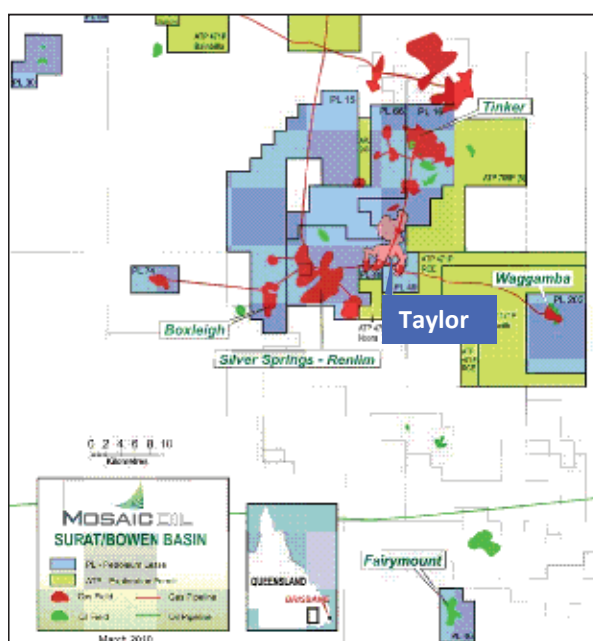


Figure 5-1 Taylor location map

The Taylor field produces gas, gas condensate and oil from the middle Triassic Showgrounds formation (as shown in Figure 5-2). The reservoir consists of sandstone deposited in a fluvial environment up to 5 m thick over an area of approximately 20 km². The elevation of the field ranges from a top of 1650 m tvdss in the gas cap down to a gas-oil contact at approximately 1677 m tvdss and oil-water contact at approximately 1690 m tvdss at original conditions. The field is characterised by a series of “bald highs”, or basement highs, upon which the Showground formation overlies the underlying Permian formations and basement.

The field is divided into distinct Northern and Southern reservoirs. All wells within each pool appear to be in good communication with each other. Initial deliverability rates appeared to be substantial, but oil production dramatically decreased once water influx, from the underlying Showgrounds aquifer, reached the wells. The Taylor aquifer is in communication with the nearby Silver Springs field and other adjacent producing fields. The decrease in production was exacerbated by the depletion of the gas cap. As the gas rates decreased, fluid was unable to be lifted to the surface.

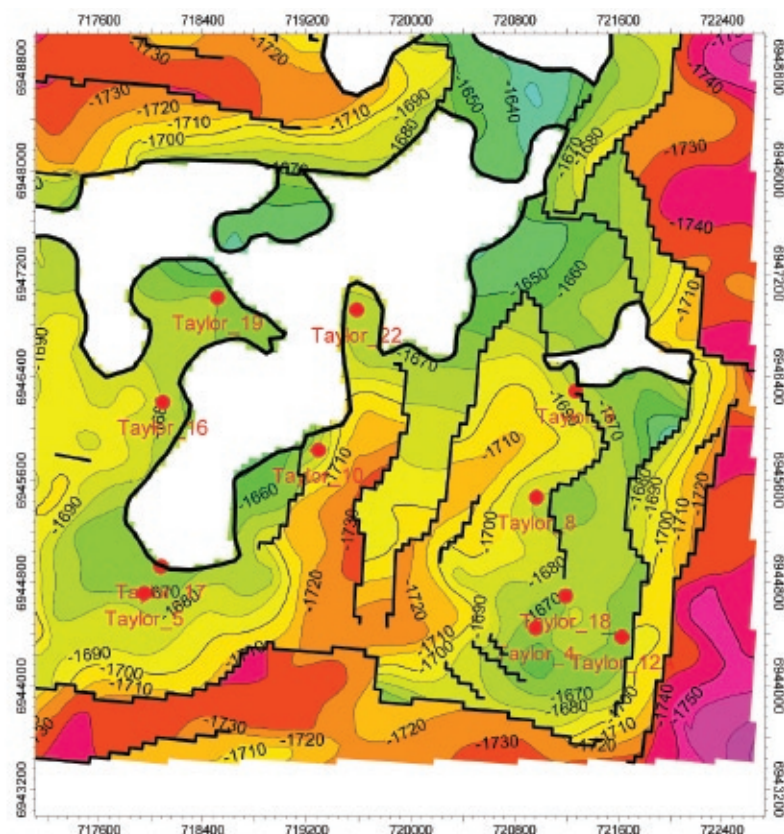


Figure 5-2 Taylor Field (Top of Showgrounds Formation)

Initially, wells that stopped free flowing were equipped with gas lift systems. Lately, a number of Taylor wells have been fitted with beam pumps.

Static pressure data indicates two accumulations in distinct pressure regimes. The northern pool contains two productive wells, Taylor-1 and Taylor-11. The southern Pool contains the remaining producing wells in the field. Both pools are gas cap driven, with additional pressure support from the underlying aquifer.

Production from the southern pool began from Taylor -4 in May 1988. By January 1989, five additional wells were placed on stream (Taylor-5, -8, -9, and -10). The northern pool was placed on production January 1989 with Taylor- 11. Water production began very soon after initial production and increased rapidly. By February 1991 the water cut in the field had increased to 73%. Gas rates again increased in early 1992 as Taylor-7 was placed on continuous production at rates in excess of 3.0 MMcfd. By December 2000, two oil wells were reactivated in the southern pool.

Historical production from the Taylor field is shown in Figure 5-3.

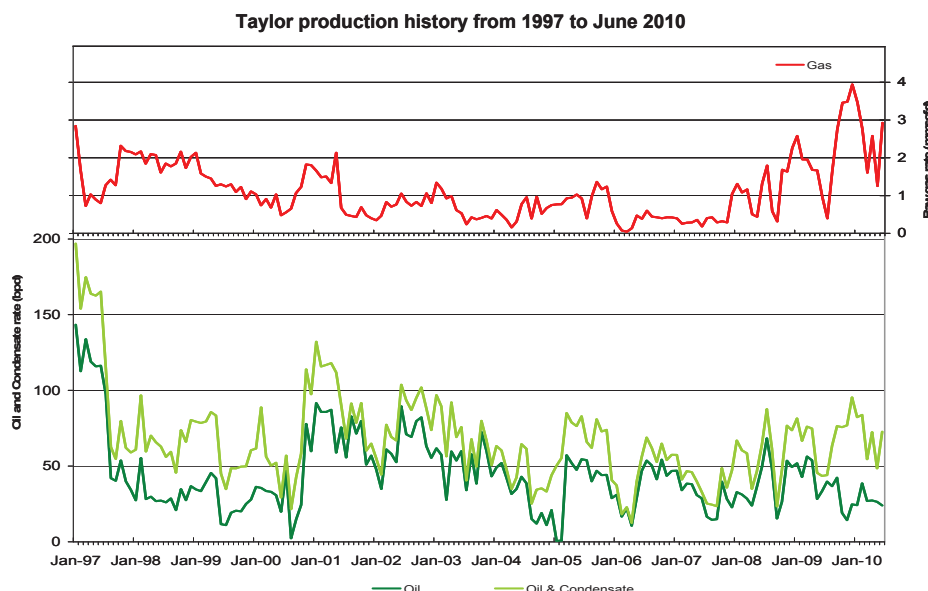


Figure 5-3 Taylor production history to June 2010

5.2 Current Development Status

A total of eleven producers have been drilled in the Taylor field – of these, eight wells are currently producing (Taylor-4, -5, -8, -12a, -16, 18, 19 and -22). Cumulative production to end June 2010 is 1.66 million barrels oil, 0.27 million barrels of condensate and 18.5 Bcf gas, with current field production levels through 2010 of 28 bpd of oil, 41 bpd of condensate and 2.4 MMscfd gas.

Most of the wells in the Taylor field have been worked over, including reperforation. The majority were seen to have an increase in inflow after the workover with either no change, and in some cases even a decrease, in the water cut being produced.

Taylor -16 and Taylor-1 were perforated with through-tubing perforating guns and were ineffective, unlike the other workovers that were completed with tubing conveyed perforating guns. Taylor- 4 was re-perforated several times with negative results. It is believed that the Showgrounds formation can be easily be damaged by incompatible fluids, or if insufficient time is allocated to allow the well to clean up.

Taylor-9 and Taylor-11 were fracture stimulated. Both wells showed a significant improvement in the inflow performance. In both cases gas lift, which was previously being used, was suspended as a result.

Acidizing did not prove to be as successful when performed on Taylor-9, and Taylor-16. Acidizing Taylor-9 resulted in the temporary increase of production, but rates soon decreased to pre-acid levels. Taylor-16 showed no increase in the well's inflow performance. The well was subsequently re-perforated with TCP guns substantially improving inflow.

Two development wells were added in 2008 (Taylor -18 and -19), and a further two producers in

2009 (Taylor -20 and -22).

A recent detailed geological modelling and reservoir simulation study ² by RPS for Mosaic, has assessed Oil and Condensate Initially in Place of 12.45 MMstb, and Gas in Place of 33.1 Bcf. RISC has not technically audited the RPS work. However, the volumes are likely to be reasonable given the maturity of the field production. This model has been used to assess further development opportunities in the Taylor field. The model was history matched to the field's twenty-two years of production performance and multiple prediction cases were run to identify remaining development opportunities in the field. The history-matching evaluation was reviewed by RISC and is considered reasonable. The optimal future development case (with well locations shown in Figure 5-4) involves three new infill wells (two gas wells designated GW-1 and GW-2 and one horizontal oil well designated SE-3), plus retrofitting electric submersible pumps (ESP's) to five of the existing producers (Taylor-4, -8, -12a, -16 and -18).

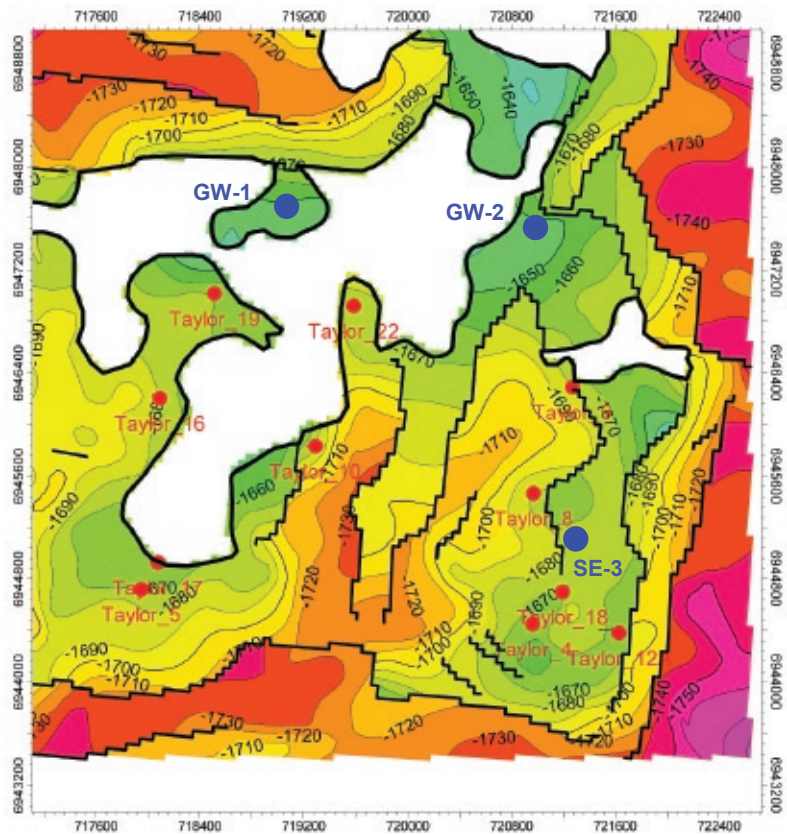


Figure 5-4 Taylor infill well locations

² RPS Energy Pty Ltd, Dynamic Reservoir Modelling of the Taylor Field, July 2010

5.3 Resources and Production Forecasts

From the history-match simulation model, the current producing wells alone (without ESP's) would be expected to recover an additional 0.224 million barrels oil and 1.29 Bcf gas from July 2010 onwards. With the addition of ESP's on five producers, plus the new infill wells, we anticipate that this would increase to 0.759 million barrels oil and 5.9 Bcf gas (as shown in Figure 5-5)

There is a reasonable degree of confidence that the ESP retrofitting and infill drilling program will be undertaken by Mosaic, as evidenced by the inclusion of installing ESP's in two Taylor wells (Taylor-4 and -12a) in the firm 2010-11 Work Program and Budget, plus the success of the recent Taylor-19 and -22 infill wells. Consequently, our Best estimate forecast includes the full work program of retrofitting five ESP's to existing producers plus three new infill wells. There is no incremental Upside Case.

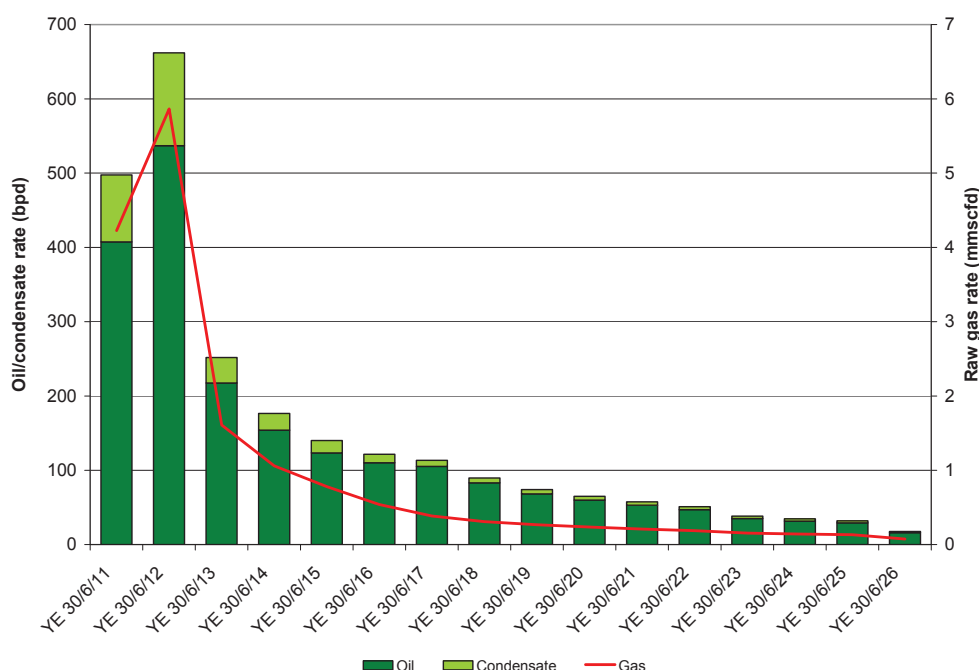


Figure 5-5 Taylor Best Estimate production forecast

5.4 Development Schedule and Future Costs

RISC's schedule and cost estimates are based on Mosaic information which has been adjusted for RISC production forecasts. Mosaic's time and cost estimates have been reviewed by RISC and are considered reasonable.

The Best Estimate case assumes three infill development wells which are assumed to be completed in January-February 2011. The first two new wells will be vertical gas producers. These will be

followed by a horizontal oil well with ESP installed. Five existing wells are also assumed to be retrofitted with ESP's in the following months. The wells will not be fracture stimulated. RISC has estimated well costs of A\$2.2 million for the horizontal well and A\$1.56 million for the vertical wells. ESP cost per well is assumed at A\$372,000 per well based on information provided by Mosaic. In addition to this, well tie-in costs of A\$265,00 per well must be included.

The annual operating cost is estimated at A\$300,000 per annum. In addition to this, well servicing cost of A\$2,000 per month per well, and processing, transportation and storage tariff of A\$0.84/GJ for gas and A\$12.67/bbl for oil/condensate must be included.

RISC has reviewed Mosaic's estimated abandonment costs. We have assumed A\$75,000 per well to cover the abandonment costs of all wells (including existing producers) and associated field gathering / processing facilities at the end of economic field life. The abandonment cost of central processing facilities is assumed to be offset by the salvage value of these plants.

Note that RISC believes that there is no further upside development opportunities in the Taylor field.

A summary of costs is shown in Table 5-1.

100% interest, A\$MM	Best Estimate Case
Capex	8.4
Peak Annual Opex	0.372

Table 5-1 Taylor cost summary

6 SILVER SPRINGS GAS STORAGE PROJECT

6.1 Field Overview

The Silver Springs-Renlim gas fields are located in the Surat Basin of south-east Queensland (Figure 6-1).

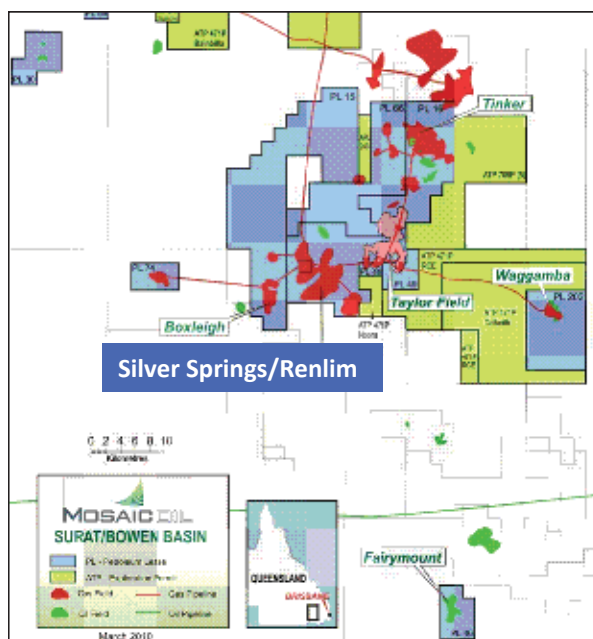


Figure 6-1 Silver Springs/Renlim location map

The Silver Springs field was discovered in 1974 and placed on production in 1978 from the Showgrounds formation (as shown in Figure 6-2). Production substantially ceased in 2000 (although one well still remains in active service).

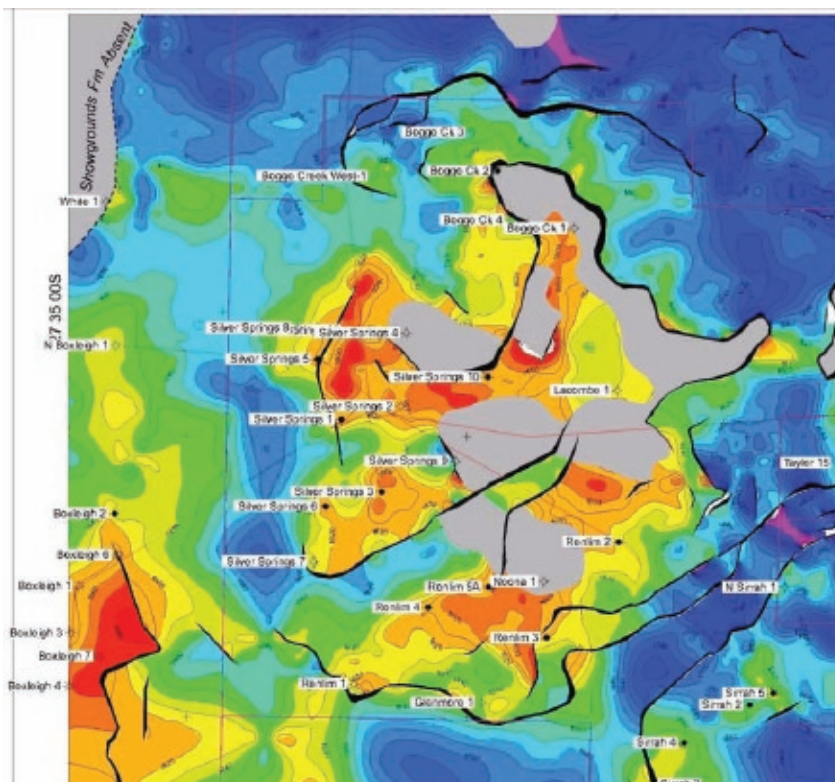


Figure 6-2 Silver Springs Top Showgrounds Structure Map

Approximately 90 Bcf of gas has been produced from the fields prior to 2000, commencing initially at 5 MMscfd building to a maximum of 30 MMscfd (Figure 6-3). Around 1992, the first signs of water production were observed, increasing slowly until 1996. In that year, a water management program commenced, which required some of the gas producers to be converted to water producers. It was thought that the lives of the updip gas producers could be enhanced by producing water from the aquifer at high rates to inhibit the further movement of the gas water contact. As a result, water production increased significantly to around 4000 bpd by 1997. However, there was no measureable increase in gas production.

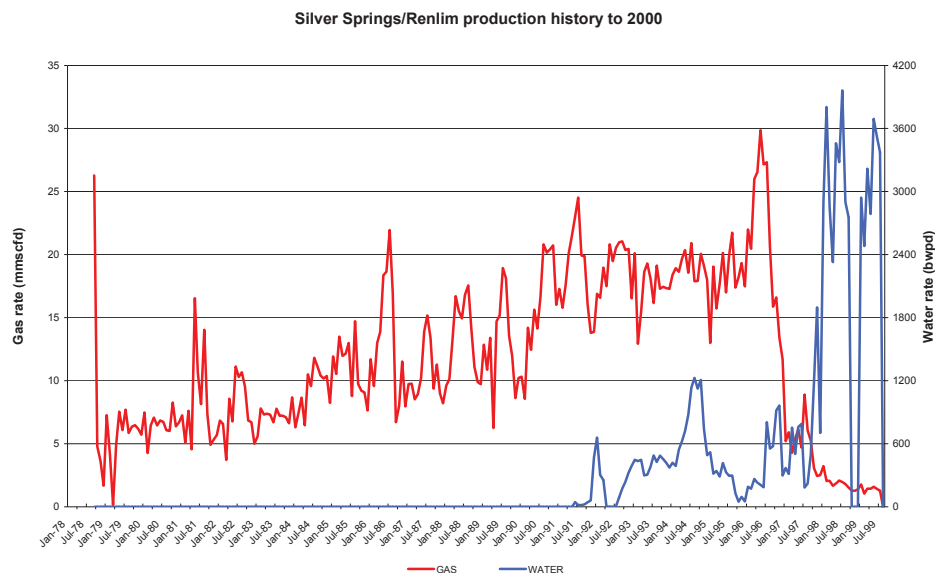


Figure 6-3 Silver Springs/Renlim field production history to 2000

There is some uncertainty as to whether or not the field is operating with aquifer pressure support. A P/z plot for the field shows straight line decline (Figure 6-4), which is diagnostic of a depletion drive reservoir.

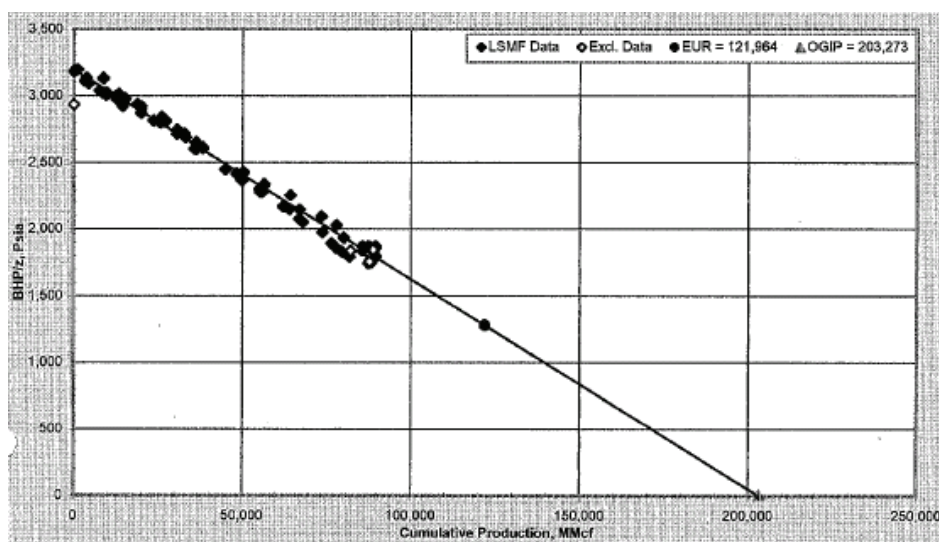


Figure 6-4 Silver Springs/Renlim field P/z plot

However, water production from wells across the field would be diagnostic of aquifer pressure support. Figure 6-5 shows that water production has occurred areally across the field. Variability in the date of water arrival versus the structural position of the wells across the field indicates that the water advancement is not straightforward and may indicate 'fingering' of water to the wells has occurred.

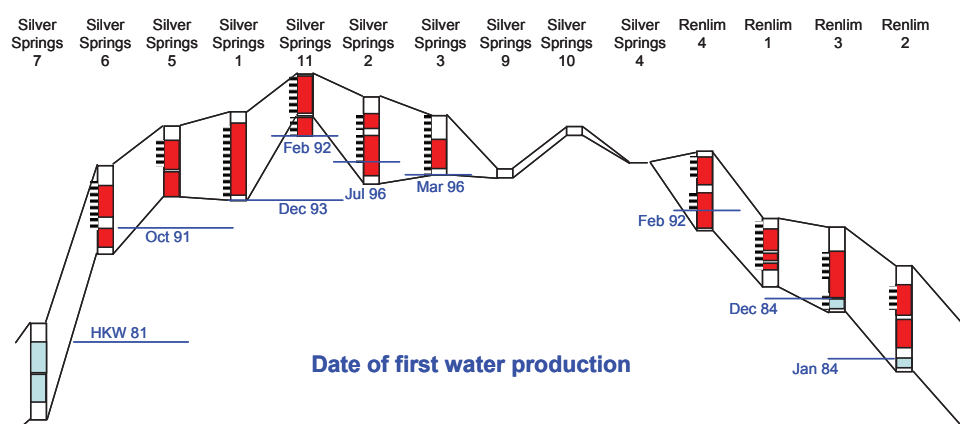


Figure 6-5 Silver Springs/Renlim field structural cross section, showing water arrival times

If aquifer support is active, material balance calculations indicate that the most likely GIIP is approximately 115 Bcf. For the produced gas volume to date of approximately 90 Bcf, this would suggest a recovery factor of almost 80%, which is highly optimistic for an aquifer drive gas reservoir. On the other hand, straight line extrapolation of the P/z plot (for a depletion drive reservoir) suggests an estimated GIIP of 203 Bcf for a current recovery factor of only 44%. Based on these bounding cases plus the fact that the field has produced 90 Bcf of gas, it is reasonable to assume that there is sufficient volumetric potential in the field to support a gas storage project of at least 88 Bcf.

Based on minimum production separator pressure of 500 psi and maximum injection pressure of 2180 psi, the calculated well injectivity and deliverability for the current wells recompleted with 5-1/2" production tubing indicates that there is sufficient well capacity to support a gas storage project.

7 EXPLORATION AND APPRAISAL PORTFOLIO

The tenements within Mosaic's exploration portfolio present a range of opportunities located within a number of basins, including the Surat-Bowen and Cooper-Eromanga Basins in Queensland, the offshore Carnarvon Basin in Western Australia and the onshore and nearshore Taranaki Basin in New Zealand.

7.1 Description of Assets

SURAT-BOWEN BASIN, SE QUEENSLAND

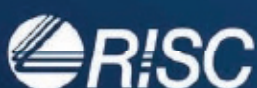
Mosaic operates two exploration permits, ATP 471P and ATP 709P (Figure 1-1), and is the Preferred Tenderer for two recently announced permits, ATP 1057P and ATP 1060P. The permits are located on the western flank of the Surat-Bowen Basin in SE Queensland. Targets are the Permian and Triassic Bowen Basin reservoirs (which produce oil, gas and condensate from Petroleum Leases in the same area) and Jurassic Surat Basin reservoirs in the case of the SW Bainbilla Block of ATP 471P (an extension of the productive Kincora-Yarrabend trend). Near-field prospects and a number of structural prospects and leads adjacent to fields that target oil and gas within the Showgrounds and Rewan Formations have been mapped. P50 OIIP resource estimates for the Showgrounds in these prospects is typically less than 1 MMBbl oil – however, drilling, development and operating costs are typically low. Mosaic's strategy is to offer for farm-out a multi-well drilling program selected from mapped prospects and appraisal/development locations in Taylor or Fairymount fields.

A number of potentially large Permian stratigraphic prospects and leads have been identified, several of which were drilled in the 1970's and 1980's and tested gas at rates considered at that time to be non-commercial. A number of the reservoirs have been identified as potential fracture stimulation targets and offer follow up to a successful Waggamba development.

In the SW Bainbilla Block of ATP 471P, potential targets include a gas-condensate play in the Jurassic Evergreen Formation/Boxvale Sandstone on the southern extension of the producing Kincora-Yarrabend trend. Fields on this trend have reserves of up to 18 Bcf gas with potential for high flow rates. Seismic is planned in this area for late 2010 to confirm a well location for the Dalley prospect.

COOPER-EROMANGA BASIN, SW QUEENSLAND

Mosaic operates ATP 1056P, and has preferred bidder status for ATP 934P (Figure 1-2). ATP 1056P is a very large permit only recently granted for a twelve year exploration term after a lengthy Native Title consultation process. The permit lies on the prospective southern Cooper margin trend, a productive oil play fairway along which oil sourced from the underlying Cooper Basin, migrates into Jurassic and Cretaceous reservoirs of the overlying Eromanga Basin section where it is trapped in a variety of structural and stratigraphic closures. Development of this part of the fairway has been in limbo due to the lengthy Native Title process, and the area has not benefited from the application of 3D seismic surveys. The block has been sparsely explored with limited 2D seismic acquisition and only twelve exploration wells drilled in the area. Hydrocarbon shows have been recorded in a number of these wells. Interpretation of the existing seismic has identified a large number of structural leads and prospects, however existing seismic control is inadequate for exploration drilling. A 600 square kilometer 3D seismic survey is being planned in the north of the permit, in an area adjacent to existing oil fields and containing a number of leads. A five well drilling program is planned for the second quarter of 2012, with further drilling to follow based on the results of the



initial program.

ATP 934P is operated by Bengal Energy and is in close proximity to a major gas-producing trend. The block application is going through the Native Title negotiation process. This permit has only been sparsely explored, with no wells drilled to date. Exploration of this permit will focus on Permian Cooper Basin gas-condensate plays, in particular targeting potential stratigraphic traps at Toolachee and Patchawarra levels on the northern flank of the Barrolka High that contains several hundred Bcf gas. A number of adjacent, small Eromanga Basin oil fields indicate an oil play may also exist in this permit.

CARNARVON BASIN, OFFSHORE WESTERN AUSTRALIA

Mosaic holds a minor interest in the offshore permit WA-208-P (Figure 1-3), operated by Santos. It is located over the central and eastern flank of the Dampier Sub-basin, surrounded by a number of oil and gas fields and containing the Hurricane oil and gas discovery. The joint venture has delineated a number of prospects on 3D seismic targeting oil or gas in structural and stratigraphic traps. The targeted reservoirs are mostly Jurassic sands that produce in nearby fields, and located in deep-water. An exploration well is scheduled to be drilled in this permit in 2011.

TARANAKI BASIN, NEW ZEALAND

Mosaic has three permits on two of the major producing trends in the Taranaki Basin, i.e. the Eocene coastal reservoir fairway (PEP 51149) and the Eastern Margin thrust trend (PEP 51151 & 52181) (Figure 1-4). The PEP 51149 exploration program is targeting gas-condensate in Eocene reservoir sands. A number of prospects and leads have been delineated on both 2D and 3D seismic, with the first exploration well planned for early/mid 2011 and a second well in 2012. A large, higher risk stratigraphic play has also been identified within this permit, with further seismic planned for 2011.

Both PEP 51151 and PEP 52181 lie on the Eastern Margin trend, immediately adjacent to the sub-thrust Rimu oil and gas field and Kauri gas-condensate and oil field, and the shallow Manutahi oil field, all currently operated by Origin Energy. This prominent structural trend contains ten fields and discoveries with cumulative reserves of 360 Bcf gas and 89 MMBbls of oil and condensate, with production from various reservoir levels. The Kaheru prospect in PEP 52181 lies on the southern end of this trend, located near-shore in shallow waters and has the potential for oil and/or gas-condensate being trapped at several reservoir levels within this structure. The prospect has 3D seismic coverage and drilling is anticipated in 2012.

PEP 51151 straddles the onshore extension of the Eastern Margin thrust trend, on trend with the Rimu and Kauri fields. The exploration strategy is to first attempt to establish oil production from a shallow Pliocene oil play that produces in the adjacent Manutahi oil field, before exploring this deeper, sub-thrust play. An exploration well is planned for Q1 2011.

Mosaic has participated in an application for a permit over the suspended Kahili gas-condensate field. This shut-in, one well field is located on the Taranaki Basin Eastern Margin trend and was surrendered by the previous operator due to corporate difficulties. A further well is required to be drilled to re-establish production from the Tariki Sandstone reservoir, however further seismic control is required prior to drilling. Kahili field has the potential to contain up to 58 Bcf GIP up-dip of the shut-in producer, and has gas transport and processing infrastructure already in place.

7.2 Valuation Methodology

RISC has assessed the value of Mosaic's exploration portfolio in accordance with the Valmin Code's requirements for estimating fair market value of the upside potential.

The definition of fair market value in the Valmin Code is *"the amount of money (or the cash equivalent of some other consideration) determined by the Expert in accordance with the provisions of the Valmin Code for which the petroleum asset or security should change hands on the Valuation Date in an open and unrestricted market between a willing buyer and a willing seller in an 'arm's length' transaction, with each party acting knowledgeably, prudently and without compulsion"*.

The determination of the fair market value of oil and gas exploration assets uses a combination of techniques that are discussed below. Fair market value that is ascribed in this section refers to the premium that may be realized over future work commitments. RISC considered a range of accepted industry practices to estimate the value of exploration assets, as listed below. A 'Best Estimate' value was derived using the most appropriate of these methodologies:

EMV (Expected Monetary Value)

The EMV is the risk-adjusted net present value (NPV) of a prospect. EMV is calculated as the success case NPV times the probability of success less the NPV of failure multiplied by the probability of failure. The EMV method is best used as a ranking tool within a company's portfolio of exploration prospects. For valuation purposes it is primarily used for mature prospects within proven plays where the chance of success and volumes can be assessed with a reasonable degree of predictability, and there is a likelihood that the identified prospects can be evaluated in the remaining term of the tenement.

Within the Mosaic tenements, the identified prospects are either unlikely to be fully evaluated before the expiry of the remaining term of the tenement, or are insufficiently mature for the use of this technique. As a result, RISC has relied on transactional evidence and forward work commitments as the basis of the valuation of Mosaic's exploration portfolio.

Transaction Data

The public reporting of recent farm-ins or sales of exploration assets in the Basins of interest has been used to benchmark the values of permit interests, based on the premium (or carry or promote) paid by farmees over their equity share of work activity obligations. The premiums paid for an acquired interest have been used to determine a \$/% value for the permit. A summary of recent transactions in the Cooper-Eromanga, Surat-Bowen and onshore Taranaki Basins that RISC has relied on can be found in Appendix B.

Estimated Work Programme Expenditure

The third method used to form an opinion of exploration permit values is based on using historic precedents of farm-in premiums or work expenditure carry that have been paid in recent farm-in transactions. Most farm-ins involve a carry on a specified level of activity, usually an exploration well as the minimum. For permits that Mosaic has applied for directly, the transactional value of the permit is assumed to be based on the promote over the first exploration well to be drilled within the permit's work programme. The work programme promotes (or premiums) used for each basin have been derived from the recent farm-in transactions that are summarized in Appendix B.



7.3 Exploration Asset Valuation

7.3.1 Cooper-Eromanga Basin

Mosaic's main exploration assets in the Cooper-Eromanga Basin are its 40% interest in ATP-1056P, which it farmed into in April 2010 for a headline value of A\$ 16 million, and its 20% interest in ATP-934P, for which it is part of the Preferred Bidder joint venture.

Based on the terms of its farm-in to ATP-1056P, which included:

- an upfront payment of A\$2.7 million;
- 45 million of its shares (which were valued at the time at approx A\$0.1/share) issued to the farmor, and
- a carry of 10% of a future exploration programme of 600 sq-km of 3D seismic and 10 wells,

Mosaic set a benchmark value of \$245k per percentage equity point for this permit, a value which is much higher than has been transacted on farming in to an interest in this basin over the past 5 years. However, much of this premium was contained in the upfront consideration. RISC assesses Mosaic's 10% carry of the future work programme at \$65k per equity point. This is comparable to the average premium realised in the basin over recent years, while the highest premium achieved (excluding Mosaic's farm-in to this permit) has been approximately \$130k per equity point. Consequently, it is conceivable that, based on similar transactions in the past, that Mosaic's interest in ATP-1056P could be valued at up to \$2.6 million.

Recent transactions in the Cooper-Eromanga Basin have involved promotes of between 1.25-3.67:1 on drilling costs, usually for the first well, with a promote of 2:1 being fairly common. On that basis, and on Mosaic's exploration well cost estimates of \$2.5 million per well, the value that RISC would ascribe for Mosaic's 20% interest in permit ATP-934P is \$0.5 million, or \$25k/% equity.

7.3.2 Surat-Bowen Basin

Mosaic's major exploration assets in the Surat-Bowen comprise its 100% interests in ATP-471P (with the exception of the Bainbilla block in which it holds 75.252% interest* and the Weribone block in which it holds a 28.71% interest) and in ATP-709P. (*Note: In the ATP-471P Bainbilla Spring Grove Sole Risk JV, Mosaic has a 52.752% interest only).

ATP-471P is due to expire in February 2011, when one-third of the existing permit area is to be surrendered. Recent farm-ins have been transacted at between \$0-15k per equity point. (See Appendix B). However, with no identified prospects that RISC is aware of that are likely to be commercial (i.e., larger than 10 Bcf or 150 Mbbbl), RISC has ascribed no material premium value to this block.

ATP-709P is due to expire in August 2013. The work programme for the permit term comprises Geological and Geophysical (G&G) studies, 35 km 2D seismic and an exploration well. With no sizeable identified prospects that RISC is aware of in this block, no premium has been ascribed to this block over the future work commitments.

7.3.3 Carnarvon Basin

Mosaic holds a 6% interest in WA-208-P. The permit expires in January 2014. The permit hosts a sub-

commercial discovery and two sub-economic sized prospects. It is off-trend of the main basin fairway that has been delivering world scale gas discoveries. Consequently, RISC ascribes no net or premium value to this permit over and above the exploration well commitment.

7.3.4 Taranaki Basin

Mosaic's Taranaki Basin exploration assets consist of -

- 50% equity interest in onshore block PEP 51151, an interest that Mosaic successfully applied directly for
- 10% equity interest in the mainly onshore block PEP 51149 which Mosaic farmed in to April 2010 by paying a share of past costs for 60 km of 2D seismic and technical studies
- 15% equity interest in offshore block PEP 52181, an interest that Mosaic successfully applied directly for

In addition, Mosaic has also applied for a 75% equity interest in the Kahili block. The award of the block is still outstanding. RISC has ascribed no net value to this block over work programme commitments.

Recent Taranaki Basin farm-ins have been transacted at premiums limited to \$300k-600k for minority interests or approximately \$30k per percent equity. It is therefore unlikely that Mosaic would achieve any premium over its already committed farm-in obligations for block PEP 51149.

For block PEP 51151, due to the relatively limited prospectivity of the block in this mature basin, RISC ascribes a premium value of up to \$300k to Mosaic's interest over its work commitment obligations.

Block PEP 52181 lies on the prospective Eastern Margin trend of the Taranaki Basin, and is adjacent to the Rimu oil and gas field and the Kauri gas/condensate field. The permit has existing 3D seismic coverage, including coverage over the block's Kaheru Prospect, which has multiple potential reservoir targets and the potential to contain an estimated mean prospective resource of 350 billion cubic feet of gas and 10 million barrels of condensate. The work programme for the block comprises G&G studies and the option to drill an exploration well estimated at \$40 million in Year 3, 2013. Based on past transactions in PEP38524 and the similarly sized Tuatara prospect in that block, RISC considers that the premium value of Mosaic's interest would range between \$0.5 – 1 million.

7.4 Exploration Portfolio Valuation

A brief summary of the valuation of Mosaic's exploration assets is contained in the following table:



Exploration Block	Basin	Ascribed Net/Premium Value, A\$ million	Comment
ATP-1056P	Cooper-Eromanga	0 - 2.6	Based on achieving the limit of the highest premium achieved in the permit over Mosaic's forward work programme and carry commitments
ATP-934 P	Cooper-Eromanga	0.5	Based on Preferred Bidder Status and 2:1 promote on first well commitment
ATP-471P	Surat-Bowen	0	Permit in mature part of the Basin due to expire in February 2011, with no identified commercial-sized prospects
ATP-709P	Surat-Bowen	0	Permit in mature part of the Basin, with no identified commercial-sized prospects
WA-208-P	Carnarvon	0	Permit in mature part of the Basin, with no identified commercial-sized prospects
PEP 51151	Taranaki (onshore)	0.3	Limit of recent transactions in the Basin
PEP 51149	Taranaki (onshore)	0	Mosaic's farm-in obligations approach premiums that have recently been achieved in the Basin
PEP 52181	Taranaki (near shore)	0.5 – 1.0	Based on past transactions in PEP38524 and the Tuatara prospect in that block which is similarly sized to the Kaheru prospect
Kahili Block	Taranaki (onshore)	0	Award of block is pending
Total		1.3 – 4.4	

APPENDIX A

Recent Cooper-Eromanga Basin Block Transactions

Date	Basin	Permit	Farmee	Farmor	Interest earned	Terms	Incremental Interest earned	Estimated Incremental cost	Estimated \$/%
Apr-10	Cooper-Eromanga	ATP1056P	Mosaic Oil	Discovery Geo Corporation	40%	A\$2.7 million + 45 million shares + 1.25:1 promote on 600 square km of 3D seismic and 10 wells + A\$6.25 million production bonus (contingent amount)	40%	\$9.8m	\$245k
Oct-09	Cooper-Eromanga	ATP 855P	Beach Petroleum	Icon Energy	25%	3.2:1 promote on seismic reprocessing and acquisition of 300km of 2D	25%	\$1.65m	\$66k
					40%	3.67:1 promote on drilling costs up to \$7 million	15%	\$3.5m	\$233.3k (\$128.8k combined)
Sep-09	Cooper-Eromanga	PEL115	Monitor Energy	Victoria Petroleum	37.5%	2.67:1 promote on 1st well	37.5%	\$1.25m	\$33k
					75%	1.67:1 promote on 2nd well	37.5%	\$0.625m	\$16.7k (\$25k combined)
May-09	Cooper-Eromanga	PEL218	Beach Petroleum	Adelaide Energy	90%	\$5.14 million cash + 1.1 : 1 promote up to \$25 million gross expenditure	90%	\$7.64m	\$85k
Mar-09	Cooper-Eromanga	PEL218	Bounty Oil & Gas	Deka Resources Ltd & Well Traces Pty Ltd	5.5%	9.1:1 promote on 210km 2D	5.5%	\$0.08m	\$14k
					23.28%	2.5:1 promote on well to top Permian	17.78%	\$1.02m	\$57.5k (\$47.3k combined)
Oct-07	Cooper-Eromanga	PEL105	Adelaide Energy	Austin Exploration Ltd	50%	2:1 promote on 1st commitment well	50%	\$1.75m	\$35k

Date	Basin	Permit	Farmee	Farmor	Interest earned	Terms	Incremental Interest earned	Estimated Incremental cost	Estimated \$/%
Jan-07	Cooper-Eromanga	PEL106 Red Sky Survey Block	Red Sky	Great Artesian Oil & Gas Limited	50.0%	2:1 promote on 1 well	50.0%	\$1m	\$20k
May-06	Cooper-Eromanga	PEL106 Paprika Block	Kompliment Pty Ltd	Great Artesian Oil & Gas Limited	37.5%	2:1 promote on Paprika 1	37.5%	\$0.75m	\$20k
May-06	Cooper-Eromanga	PEL106 Spinel Block	Kompliment Pty Ltd	Great Artesian Oil & Gas Limited	50.0%	2:1 promote on 1 well & 350 km ² + up to 3 wells	50.0%	\$4m -7m	\$80k - \$140k
May-06	Cooper-Eromanga	PEL106 Beach farmin Block	Beach Petroleum	Great Artesian Oil & Gas Limited	50.0%	2:1 promote on 3 wells & 145 km ² 3D	50.0%	\$4.5m	\$90k

Recent Surat-Bowen Basin Block Transactions

Date	Basin	Permit	Farmee	Farmor	Interest earned	Terms	Incremental Interest earned	Estimated Incremental cost	Estimated \$/%
Jan-09	Surat	ATP754P	Bounty	Ausam	50%	Portfolio transaction exchanged for A\$500,000. (Note; "Estimated incremental cost" & "Estimated \$/%" prorated on notional potential resource estimates)	50%	\$0.29m	\$5.8k
Jan-09	Surat	ATP470P F	Bounty	Ausam	45%		45%	\$0.01m	\$0.2k
Jan-09	Surat	ATP471P B	Bounty	Ausam	24.75%		24.75%	\$0.05m	\$2k
Jan-09	Surat	ATP471P SG	Bounty	Ausam	24.75%		24.75%	\$0.03m	\$1.2k
Jan-09	Surat	ATP552P	Bounty	Ausam	25%		25%	\$0m	\$0k
Jan-09	Surat	ATP552P BW	Bounty	Ausam	25%		25%	\$0m	\$0k
Jan-09	Surat	PL119(Downlands)	Bounty	Ausam	24.75%		24.75%	\$0.07m	\$2.8k
Jan-09	Surat	PL71 - Parknook/ Namarah	Bounty	Ausam	20%		20%	\$0.06m	\$3k
Jun-08	Surat	ATP608P Stratton	Mosaic Oil	Bow Energy	35%	2:1 promote on 2D seismic + 1:1 equity share of 20km seismic reprocessing + 1.33:1 promote on a well	35.0%	\$0.55m	\$15.7k

Date	Basin	Permit	Farmee	Farmor	Interest earned	Terms	Incremental Interest earned	Estimated Incremental cost	Estimated \$/%
Jun-08	Surat	ATP608P Rookwood	Mosaic Oil	Bow Energy	35%	2:1 promote on a well after earning option by funding 300km seismic reprocessing in the southwest Surat Basin	35.0%	\$0.52m	\$14.8k
Jun-08	Surat	ATP664P/ ATP706P/ ATP807P/ ATP805P	Mosaic Oil	Bow Energy	50%	2:1 promote on a well after earning option by funding 300km seismic reprocessing in the southwest Surat Basin	50.0%	\$0.75m	\$15k

Recent onshore Taranaki Basin Block Transactions

Date	Basin	Permit	Farmee	Farmor	Interest earned	Terms	Incremental Interest earned	Estimated Incremental cost	Estimated \$/%
Jul-10	Taranaki (offshore)	PEP38524	Carnarvon Petroleum	AWE	10%	1.4-1.5:1 promote on well up to \$2.8million farmee share	10%	\$0.8m	\$80k
Apr-10	Taranaki (onshore)	PEP51149	Mosaic Oil	Todd Exploration	10%	Payment of past costs for 60km 2D seismic + technical studies	10%	\$0.3m	\$30k
Oct-09	Taranaki (onshore)	PEP51313	Cue Energy	Todd Exploration	20%	Payment of share of past permit costs + carrying part of Todd's 3D seismic costs (assumed 2:1 promote)	20%	\$0.54m	\$27k
Oct-09	Taranaki (onshore)	PEP51149	Cue Energy	Todd Exploration	20%	Payment of share of past permit costs	20%	\$0.6m	\$30k

8 LIST OF TERMS

The following lists, along with a brief definition, abbreviated terms that are commonly used in the oil and gas industry and which may be used in this report.

Abbreviation	Definition
1P	Equivalent to Proved reserves or Proved in-place quantities, depending on the context.
2P	The sum of Proved and Probable reserves or in-place quantities, depending on the context.
3P	The sum of Proved, Probable and Possible Reserves or in-place quantities, depending on the context.
AFE	Authority for Expenditure
Boe	US barrels of oil equivalent
Bbl	US barrel
bbl/d	US barrels per day
Bcf	Billion (10 ⁹) cubic feet
Bcm	Billion (10 ⁹) cubic meters
BFPD	Barrels of fluid per day
BOPD	Barrels of oil per day
BTU	British Thermal Units
BWPD	Barrels of water per day
C	Celsius
Capex	Capital expenditure
CGR	Condensate Gas Ratio – usually expressed as bbl/MMscf
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources as defined in the SPE-PRMS.

Abbreviation	Definition
CO ₂	Carbon dioxide
Cp	Centipoise (measure of viscosity)
CPI	Consumer Price Index
Deg	Degrees
Eg	Gas expansion factor. Gas volume at standard (surface) conditions / gas volume at reservoir conditions (pressure & temperature)
EMV	Expected Monetary Value
ESP	Electric submersible pump
EUR	Economic ultimate recovery
Expectation	The mean of a probability distribution
F	Degrees Fahrenheit
FDP	Field Development Plan
FID	Final investment decision
FWL	Free water level
FVF	Formation volume factor
GIIP	Gas Initially In Place
GJ	Giga (10 ⁹) joules
GOC	Gas-oil contact
GOR	Gas oil ratio
GRV	Gross rock volume
GWC	Gas water contact
H ₂ S	Hydrogen sulphide
HHV	Higher heating value
K	Thousand



Abbreviation	Definition
Kh	Horizontal permeability
km ²	Square kilometers
kPa	Kilo (thousand) pascal (measurement of pressure)
Mstb/d	Thousand US barrels per day
LNG	Liquefied Natural Gas
M	Metres
mD	Millidarcies (permeability)
MJ	Mega (10 ⁶) Joules
M	Thousand
MM	Million
MMbbl	Million US barrels
MMscf(d)	Million standard cubic feet (per day)
MMstb	Million US stock tank barrels
Mscf	Thousands standard cubic feet
Mstb	Thousand US stock tank barrels
MPa	Mega (10 ⁶) pascal (measurement of pressure)
Mss	Metres subsea
MSV	Mean Success Volume
mTVDss	Metres true vertical depth subsea
NTG	Net to Gross (ratio)
ODT	Oil down to
OGIP	Original Gas In Place
OOIP	Original Oil in Place
Opex	Operating expenditure

Abbreviation	Definition
OWC	Oil-water contact
P90, P50, P10	90%, 50% & 10% probabilities respectively that the stated quantities will be equaled or exceeded. The P90, P50 and P10 quantities correspond to the Proved (1P), Proved + Probable (2P) and Proved + Probable + Possible (3P) confidence levels respectively.
PJ	Peta (10^{15}) Joules
POS	Probability of Success
Possible Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.
Probable Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Probable Reserves are those additional Reserves that are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
Prospective Resources	Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations as defined in the SPE-PRMS.

Abbreviation	Definition
Proved Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. Often referred to as 1P, also as "Proven".
Psia	Pounds per square inch pressure absolute
PVT	Pressure, volume & temperature
rb/stb	Reservoir barrels per stock tank barrel under standard conditions
Real Terms (RT)	Real Terms (in the reference date dollars) as opposed to Nominal Terms of Money of the Day
Reserves	RESERVES are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.
RISC	Resource Investment Strategy Consultants (t/a RISC Pty Ltd Authors of this report)
RT	Measured from Rotary Table or Real Terms, depending on context
Scf	Standard cubic feet (measured at 60 degrees F and 14.7 psia)
Sg	Gas saturation
Sgr	Residual gas saturation
SPE	Society of Petroleum Engineers

Abbreviation	Definition
SPE-PRMS	Petroleum Resources Management System, approved by the Board of the SPE March 2007 and endorsed by the Boards of Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council and Society of Petroleum Evaluation Engineers.
s.u.	Fluid saturation unit. e.g. saturation of 80% +/- 10 s.u. equals a saturation range of 70% to 90%
Ss	Subsea
Stb	Stock tank barrels
STOIIP	Stock Tank Oil Initially In Place
Sw	Water saturation
Tcf	Trillion (10 ¹²) cubic feet
TJ	Tera (10 ¹²) Joules
TVD	True vertical depth
US\$	United States dollar
US\$ million	Million United States dollars
WHFP	Well Head Flowing Pressure





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ANNEXURE E: INVESTIGATING ACCOUNTANT'S REPORT

E



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1 September 2010

Members of the Due Diligence Committee

The Directors
AGL Energy Limited
Level 22, 101 Miller Street
North Sydney 2060 NSW

Dear Directors and Committee Members

Investigating Accountants' Report on Pro Forma Financial Information

Introduction

Deloitte Touche Tohmatsu ('Deloitte') has been engaged by the Directors of AGL Energy Limited ('AGL' or 'Company') to prepare this Investigating Accountants' Report ('Report') for inclusion in the Scheme Booklet to be dated on or around 6 September 2010 and to be issued by AGL in respect of AGL's proposed acquisition of the issued share capital of Mosaic Oil NL ('Mosaic') by way of a scheme of arrangement ('the Scheme').

Capitalised terms in this report have the same meaning as they are given in the Glossary of the Scheme Booklet unless otherwise defined herein.

Pro Forma Financial Information

Deloitte has been requested to prepare a report covering the following Pro Forma Financial Information, as set out in Section 7.3 of the Scheme Booklet:

- The Historical Balance Sheet of AGL as at 30 June 2010 ('AGL Consolidated Balance Sheet');
- The Historical Balance Sheet of Mosaic as at 30 June 2010 ('Mosaic Balance Sheet');
- The Pro forma adjustments as described in Section 7.3 of the Scheme Booklet; and
- The Pro forma Combined Balance Sheet of AGL and Mosaic (post acquisition of Mosaic) as at 30 June 2010,

together the 'Pro Forma Financial Information'.



The Pro Forma Financial Information presented in the Scheme Booklet has been derived from the audited financial statements of AGL and its controlled entities for the year ended 30 June 2010 and the audited financial statements of Mosaic and its controlled entities for the year ended 30 June 2010 after reflecting the pro forma adjustments detailed in the Scheme Booklet.

The financial statements of AGL and its controlled entities for the year ended 30 June 2010 were audited by Deloitte Touche Tohmatsu. Our audit of AGL and its controlled entities was conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial information is free from material misstatement. The audit opinion issued by Deloitte Touche Tohmatsu to the members of AGL relating to those financial statements was unqualified.

The financial statements of Mosaic and its controlled entities for the year ended 30 June 2010 were audited by Mosaic's external auditor, an accounting firm other than Deloitte Touche Tohmatsu. The audit was carried out in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial information is free from material misstatement. The audit opinion issued by Mosaic's external auditor to the members of Mosaic relating to those financial statements was unqualified.

The directors of AGL are responsible for the preparation and presentation of the Pro Forma Financial Information, including the determination of the pro forma adjustments and the assumptions on which they have been based.

The Pro Forma Financial Information is presented in an abbreviated form insofar as it does not include all of the disclosures required by Australian Accounting Standard (including the Australian Accounting Interpretations) applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

Scope

Review of the Pro Forma Financial Information

We have reviewed the Pro Forma Financial Information in order to report whether anything has come to our attention which causes us to believe that the Pro Forma Financial Information set out in Section 7.3 of the Scheme Booklet, does not present fairly:

- The AGL Consolidated Balance Sheet;
- The Mosaic Balance Sheet;
- The Pro forma adjustments as described in Section 7.3 of the Scheme Booklet; and
- The Pro forma Combined Balance Sheet of AGL and Mosaic (post acquisition of Mosaic) as at 30 June 2010,

in accordance with the basis of preparation as described in Section 7.3 of the Scheme Booklet.



Our review has been conducted in accordance with Australian Auditing Standard on Review Engagements (ASRE) 2405 "*Review of Historical Financial Information Other than a Financial Report*". We have made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, including:

- Analytical procedures on the Pro Forma Financial Information;
- A review of work papers, accounting records and other documents;
- A review of the Pro forma adjustments and the assumptions on which they are based as described in Section 7.3 of the Scheme Booklet;
- A comparison of consistency in application of the recognition and measurement principles of accounting policies adopted by AGL as disclosed in the audited AGL Consolidated Financial Statements for the year ended 30 June 2010; and
- Enquiry of the directors and management of AGL.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Pro Forma Financial Information.

Review Statement

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the Pro Forma Financial Information set out in Section 7.3 of the Scheme Booklet does not present fairly:

- The AGL Consolidated Balance Sheet;
- The Mosaic Balance Sheet;
- The Pro forma adjustments as described in Section 7.3 of the Scheme Booklet; and
- The Pro forma Combined Balance Sheet of AGL and Mosaic (post acquisition of Mosaic) as at 30 June 2010,

in accordance with the basis of preparation as described in Section 7.3 of the Scheme Booklet.

Subsequent Events

Apart from the matters dealt with in this Report, and having regard for the scope of our Report, nothing has come to our attention that would cause us to believe that matters arising after 30 June 2010, other than matters dealt with in this report, would require comment on, or adjustments to, the information contained in this report, or would cause such information to be misleading or deceptive.

Independence and Disclosure of Interest

Deloitte Touche Tohmatsu do not have any interest in the outcome of the Scheme other than the preparation of this Report, and other related services in relation to the Scheme, for which normal professional fees will be received. Deloitte Touche Tohmatsu is the independent auditor of AGL.



Consent

Deloitte Touche Tohmatsu has consented to the inclusion of this Investigating Accountants' Report in the Scheme Booklet in the form and context in which it is so included, but has not authorised the issue of the Scheme Booklet. Accordingly, Deloitte Touche Tohmatsu makes no representation regarding, and takes no responsibility for, any other documents or material in, or omissions from, the Scheme Booklet.

Yours faithfully

A handwritten signature in dark ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in dark ink that reads "B J Pollock".

B J Pollock
Partner
Chartered Accountants

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**ANNEXURE F:
MOSAIC'S ASX
ANNOUNCEMENTS**

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F

Date	Headline
02/09/2010	IER concludes AGL Scheme is fair and reasonable
30/08/2010	Change in substantial holding
20/08/2010	Change in substantial holding by Deutsche Bank Group
20/08/2010	Exploration commences in Cooper-Eromanga Taipan Block
19/08/2010	Becoming a substantial holder
17/08/2010	Record Profit for Financial Year ended 30 June 2010
17/08/2010	Full Year Statutory Accounts – Year ended 30 June 2010
10/08/2010	Mosaic Completes Sale of Kimu to Talisman
09/08/2010	Change in substantial holding from DBA
06/08/2010	Details of Company Address
30/07/2010	Quarterly Activities and Cashflow Reports
27/07/2010	Becoming a substantial holder
23/07/2010	Becoming a substantial holder
14/07/2010	AGK: AGL and Mosaic enter into Scheme Implementation Deed
14/07/2010	Mosaic Board Unanimously Recommends Acquisition
14/07/2010	Trading Halt
06/07/2010	Update for Shareholders
01/07/2010	Notice of initial substantial holder from AGK
01/07/2010	AGK:AGL confirms proposal to acquire Mosaic at 15c per share
01/07/2010	Mosaic Oil Receives Proposal to Acquire Company
30/06/2010	Appendix 3B – Allotment to Staff – Employee Share Ownership
25/06/2010	Mosaic Sells PNG Subsidiary for minimum US\$11M
09/06/2010	Update on Fracture Stimulation Churchie-1 Well
01/06/2010	Update on Fracture Stimulation of Churchie-1 Well
21/05/2010	LME: Awarded PEP 52181 (Kaheru), Off shore Taranaki Basin
21/05/2010	MOSAIC TO COMMENCE FRACTURE STIMULATION OF CHURCHIE-1 WELL
20/05/2010	Mosaic Oil Awarded Kaheru Block in NZ Taranaki Basin
20/05/2010	ROC Increases New Zealand Acreage Position
30/04/2010	Quarterly Activities and Cashflows Report
19/04/2010	Excellence in Oil and Gas Presentation
19/04/2010	MOS Farms In to Large Cooper-Eromanga Basin Permit
14/04/2010	Mosaic Oil strengthens New Zealand Holdings
29/03/2010	Update on Churchie Fracture Stimulation
08/03/2010	Half Year Financial Results
08/03/2010	Half Yearly Report and Accounts
02/03/2010	LME: Operations update
18/02/2010	Fracture Stimulation Planned for Churchie 1 Well
11/02/2010	LME: Operations Update
03/02/2010	Final Director's Interest Notice – John Armstrong
03/02/2010	Director Resignation – Dr John Armstrong
29/01/2010	Quarterly Activities and Cashflow Report – Dec 09 Qtr
23/12/2009	Change of Director's Interest Notice – John Armstrong
23/12/2009	Change of Director's Interest Notice – Peter Barrow
23/12/2009	Change of Director's Interest Notice – Andy Rigg
23/12/2009	Change of Director's Interest Notice – David Herlihy
23/12/2009	Appendix 3B – Allotment of Shares to Directors

Date	Headline
23/12/2009	Allotment of Shares to Directors
30/11/2009	Gas Supply Contract Extended
25/11/2009	Results of Meeting – AGM
24/11/2009	AGM Presentation
17/11/2009	Appendix 3B – Share Purchase Plan
13/11/2009	Share Purchase Plan raises \$10.3M
10/11/2009	SPP Issue Price set at 11.0 cents
02/11/2009	Quarterly Activities and Cashflows Report
30/10/2009	Oct/Nov Investor Presentation
20/10/2009	Annual Report to shareholders
20/10/2009	Notice of Annual General Meeting/Proxy Form
14/10/2009	SPP Cleansing Notice
14/10/2009	Share Purchase Plan – Offer Letter
07/10/2009	Appendix 3B – Placement Raises \$11M
06/10/2009	Placement – Cleansing Notice – Section 708A
06/10/2009	Initial Director's Interest Notice – John Armstrong
05/10/2009	Placement Raises \$11M
01/10/2009	Trading Halt
30/09/2009	Director Appointment – Dr John Armstrong
17/09/2009	Corporate Presentation – RBS Morgans Conference
16/09/2009	AGM to be held 24 November 2009
14/09/2009	Presentation – Rodman and Renshaw
07/09/2009	ACCC welcomes third party access to Brisbane oil storage
07/09/2009	Lytton Tank Joint Venture
02/09/2009	RIU Good Oil Conference Presentation
31/08/2009	Year End Financial Results – Solid Profit
31/08/2009	Full Year Statutory Accounts

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**ANNEXURE G:
NOTICE OF COURT
ORDERED MEETING
OF SHAREHOLDERS
OF MOSAIC**

G

Notice of Court ordered General Meeting of Members

Notice is given that by an Order of the Federal Court of Australia (the **Court**) made on 3 September 2010, under section 411(1) of the Corporations Act, the Court has directed that a meeting of the Shareholders of Mosaic Oil N.L. (**Mosaic**) will be held at the Justice and Police Museum, corner Albert and Phillip Streets, Circular Quay, Sydney, on 7 October 2010 at 10.00 am (Sydney time) (**Scheme Meeting**).

The Court has appointed David Herlihy, or failing him Andrew Rigg, to act as chairman of the Scheme Meeting (**Chairman**) and has directed that the Chairman report the result of the Scheme Meeting to the Court.

Purpose of Meeting

The purpose of the Scheme Meeting is to consider and, if thought fit, to agree (with or without modification or conditions required by the Court to which Mosaic agrees) to a scheme of arrangement proposed to be made between Mosaic and its Shareholders (**Scheme**).

To enable you to make an informed voting decision, further information on the Scheme is set out in the explanatory statement accompanying this Notice (**Scheme Booklet**). A copy of the Scheme is set out in Annexure B to the Scheme Booklet and its purpose and effect are discussed throughout the document.

Terms used in this Notice have the meaning given to them in the glossary to the Scheme Booklet or as defined within the Scheme Booklet.

Resolution – approval of Scheme of Arrangement

To consider and, if thought fit, pass the following resolution in accordance with Section 411(a)(ii) of the Corporations Act:

*“That pursuant to and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between Mosaic Oil NL (**Mosaic**) and the holders of Mosaic Shares (other than Excluded Shareholders), as contained in and more particularly described in the Scheme Booklet accompanying the notice convening this meeting, is agreed to and the board of directors of Mosaic are authorised to agree to such alterations or conditions as are thought fit by the Court and, subject to approval of the Scheme by the Court, to implement the Scheme with any such alterations or conditions.”*

In accordance with section 411(4)(b) of the Corporations Act, the Scheme is subject to the approval of the Court. If the resolution put to the Scheme Meeting is approved in accordance with section 411(4)(a)(ii) of the Corporations Act, Mosaic intends to apply to the Court for the approval of the Scheme.

Majority required

In accordance with section 411(4)(a)(ii) of the Corporations Act, the resolution must be approved by:

- a majority in number of the holders of Mosaic Shares present and voting (either in person, by proxy or attorney or in the case of a corporate holder, by duly appointed corporate representative) at the Scheme Meeting; and
- at least 75% of the votes cast on the resolution being cast in favour of the resolution.

Court approval

If the resolution is approved at the Scheme Meeting by the requisite majorities, the implementation of the Scheme (with or without modification) will be subject, among other things, to the subsequent approval of the Court.

Voting entitlement

The Court has ordered that, for the purposes of the Scheme Meeting, entitlements to vote at the Scheme Meeting will be determined with reference to those persons who are registered as Mosaic Shareholders as at 7.00 pm (Sydney time) on Tuesday, 5 October 2010. Accordingly, transfers registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting.

In the case of joint holders of a Mosaic Share, the joint holder who is named first on the Share Register will be entitled to vote to the exclusion of the votes of other joint holders. All joint holders are entitled to attend the Meetings.

On a poll, holders of Mosaic Ordinary Contributing Shares have a fraction of a vote equivalent to the proportion which the amount paid (excluding any amount paid, or credited as paid, in advance of a call) bears to the total issue price of each Mosaic Ordinary Contributing Share held by them.

How to vote

Those entitled to vote at the Scheme Meeting can vote at the Scheme Meeting:

- in person;
- by proxy;
- by corporate representative (if you are a corporate shareholder); or
- by attorney.

You will be counted as being present at the Scheme Meeting if you vote in any of the ways outlined above.

Voting in person

If you wish to vote in person at the Scheme Meeting, please attend the Scheme Meeting.

Voting by proxy or attorney

If you wish to appoint a proxy for the Scheme Meeting, you should complete the green Proxy Form enclosed with the Scheme Booklet and lodge it with Mosaic's share registry, Registries Limited (**Share Registry**), in accordance with the green Proxy Form instructions. Green Proxy Forms or appointment of attorney (in the event you wish to appoint an attorney to attend and vote at the Meetings) **MUST** be received at the Share Registry no later than 7.00pm (Sydney time) on Tuesday, 5 October 2010. Proxy Forms received after this time will be invalid.

Lodging a green Proxy Form will not preclude personal attendance and voting at the Scheme Meeting.

A proxy need not be a Mosaic Shareholder. In selecting a proxy a Shareholder may, provided they can cast 2 or more votes, appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the appointment of two proxies does not specify the proportion of number of votes, each proxy may exercise half of the votes of that shareholder. To request a second green Proxy Form please contact the Mosaic Information Line on 1800 285 677 (toll free in Australia) or +61 2 8280 7472 (if overseas) between 9.00am and 5.00pm (Sydney time), Monday to Friday.

Shareholders can return the completed green Proxy Form or appointment of attorney in the reply paid envelope, or by delivering the proxy form or appointment of attorney to the Share Registry's office at the address below, or by faxing it to the Share Registry, or by submitting it online (in the case of Proxy Form only) as set out below, by no later than 7.00pm (Sydney time) on [Tuesday, 5 October] 2010:

Delivery address

Level 7
207 Kent Street
Sydney NSW 2000

Postal address

GPO Box 3993
Sydney NSW 2001

Facsimile

(02) 9279 0664

Online lodgement

www.registries.com.au/vote/mosaicscheme

Where the green Proxy Form is executed under a power of attorney, the power of attorney or a certified copy of the power of attorney **MUST** be lodged with the green Proxy Form (if you have not already lodged the power of attorney with the Share Registry).

Corporate Shareholders

Corporate Shareholders may appoint a proxy or alternatively appoint a corporate representative. In order to appoint a corporate representative, corporate shareholders will be required to complete a 'Certificate of Appointment of Representative' form to enable a natural person to attend on its behalf. Please contact the Share Registry on (02) 9290 9600 for this form.

Proxies given by corporations must be executed in accordance with the Corporations Act.

Further information

If you have any questions please contact the Mosaic Information Line on 1800 285 677 (toll free in Australia) or +61 2 8280 7472 (if overseas) between 9.00am and 5.00pm (Sydney time), Monday to Friday.

Dated: 6 September 2010

By order of the Board of Mosaic Oil NL



Andrew John Cooke
Company Secretary

ANNEXURE H: NOTICE OF EXTRAORDINARY GENERAL MEETING

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H

Notice of Extraordinary General Meeting of Members

ANNEXURE H: NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is given that a meeting of the Shareholders of Mosaic Oil NL (**Mosaic**) will be held at the Justice and Police Museum, corner Albert and Phillip Streets, Circular Quay, Sydney at the later of 10.30am and the conclusion or adjournment of the Scheme Meeting on Thursday, 7 October 2010 (**Extraordinary General Meeting**).

David Herlihy, or failing him Andrew Rigg, will act as chairman of the Extraordinary General Meeting (**Chairman**).

Purpose of Meeting

The purpose of the Extraordinary General Meeting is to consider and, if thought fit, to agree (with or without modification) to the removal of the transfer restrictions on Mosaic Contributing Ordinary Shares issued under the Mosaic Employee Share Scheme.

The removal of these transfer restrictions is necessary in order to facilitate the transfer of Mosaic Shares to AGL under the Scheme. To enable you to make an informed voting decision, further information on the removal of transfer restrictions and its relevance to the proposed scheme of arrangement is set out in the explanatory statement accompanying this Notice (**Scheme Booklet**). The purpose and effect of removing the transfer restrictions are discussed throughout the Scheme Booklet.

As AGL intends to acquire 100% of the Mosaic Shares pursuant to the Scheme, the Employee Share Scheme Amendment Resolution must occur in order for the Scheme to be implemented.

The Employee Share Scheme Amendment Resolution is conditional upon the Scheme becoming Effective. If the Employee Share Scheme Amendment Resolution is approved by the requisite majority but the Scheme does not become Effective, the Mosaic Employee Share Scheme will not be amended.

Terms used in this Notice have the meaning given to them in the glossary to the Scheme Booklet or as defined within the Scheme Booklet.

Resolution – Employee Share Scheme Amendment

To consider and, if thought fit, pass the following resolution as a special resolution:

“That, subject to and conditional upon the Scheme becoming Effective, and upon the Record Date of the Scheme, the Mosaic Employee Share Scheme be amended by deleting the entire text of clause 5.1 and replacing with the words ‘Not used’.”

Voting exclusion

Mosaic will disregard any votes cast on this resolution by an officer of Mosaic and any associate of such officer. However, Mosaic need not disregard a vote if it is cast by an officer as a proxy for a person who is entitled to vote, in accordance with the directions of the proxy form, or it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Majority required

In accordance with clause 7.2 of the Mosaic Employee Share Scheme an amendment to the Mosaic Employee Share Scheme in respect of Mosaic Ordinary Contributing Shares issued prior to the Mosaic Annual General Meeting on 28 November 2001 must be approved by a special resolution of Mosaic Shareholders. This means that at least 75% of the total number of votes cast at the Extraordinary General Meeting by Mosaic Shareholders entitled to vote (whether in person or by corporate representative, proxy or attorney) must be voted in favour of the resolution.

Clauses proposed to be deleted from the Mosaic Employee Share Scheme

The text of the clause proposed to be deleted from the Mosaic Employee Share Scheme is as follows:

“Shares issued pursuant to the Scheme are not assignable or transferrable and may not be encumbered until they are quoted by ASX in accordance with clause 4.1.”

Voting Entitlement

For the purposes of the Extraordinary General Meeting, entitlements to vote at the Extraordinary General Meeting will be determined with reference to those persons who are registered as Mosaic Shareholders as at 7.00pm (Sydney time) on Tuesday, 5 October 2010. Accordingly, transfers registered after this time will be disregarded in determining entitlements to vote at the Extraordinary General Meeting.

In the case of joint holders of a Mosaic Share, the joint holder who is named first on the Share Register will be entitled to vote to the exclusion of the votes of other joint holders. All joint holders are entitled to attend the Meetings.

On a poll, holders of Mosaic Ordinary Contributing Shares have a fraction of a vote equivalent to the proportion which the amount paid (excluding any amount paid, or credited as paid, in advance of a call) bears to the total issue price of each Mosaic Ordinary Contributing Share held by them.

How to vote

Those entitled to vote at the Extraordinary General Meeting can vote at the Extraordinary General Meeting:

- in person;
- by proxy;
- by corporate representative (if you are a corporate shareholder); or
- by attorney.

You will be counted as being present at the Extraordinary General Meeting if you vote in any of the ways outlined above.

Voting in person

If you wish to vote in person at the Extraordinary General Meeting, please attend the Extraordinary General Meeting.

Voting by proxy or attorney

If you wish to appoint a proxy for the Extraordinary General Meeting, you should complete the green Proxy Form enclosed with the Scheme Booklet and lodge it with Mosaic's share registry, Registries Limited (**Share Registry**), in accordance with the green Proxy Form instructions. Green Proxy Forms or appointment of attorney (in the event you wish to appoint an attorney to attend and vote at the Meetings) **MUST** be received at the Share Registry or by submitting it online as set out below no later than 7.00pm (Sydney time) on 5 October 2010. Green Proxy Forms received after this time will not be valid.

Lodging a green Proxy Form will not preclude personal attendance and voting at the Extraordinary General Meeting.

A proxy need not be a Mosaic Shareholder. In selecting a proxy a shareholder may, provided they can cast 2 or more votes, appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the appointment of two proxies does not specify the proportion of number of votes, each proxy may exercise half of the votes of that shareholder. To request a second green Proxy Form please contact the Mosaic Information Line on 1800 285 677 (toll free in Australia) or +61 2 8280 7472 (if overseas) between 9.00am and 5.00pm (Sydney time), Monday to Friday.

Mosaic Shareholders can return the completed green Proxy Form or appointment by attorney in the reply paid envelope, or by delivering the green Proxy Form or appointment by attorney to the Share Registry's office at the address below, or by faxing it to the Share Registry or by submitting it online (in the case of the Proxy Form only) as set out below, by no later than 7.00pm (Sydney time) on Tuesday, 5 October 2010:

Delivery address

Level 7
207 Kent Street,
Sydney NSW 2000

Postal address

GPO Box 3993
Sydney NSW 2001

Facsimile

(02) 9279 0664

Online lodgement

www.registries.com.au/vote/mosaicscheme

Where the green Proxy Form is executed under a power of attorney, the power of attorney or a certified copy of the power of attorney **MUST** be lodged with the green Proxy Form (if you have not already lodged the power of attorney with the Share Registry).

Corporate Shareholders

Corporate Shareholders may appoint a proxy or alternatively appoint a corporate representative. In order to appoint a corporate representative, corporate shareholders will be required to complete a 'Certificate of Appointment of Representative' form to enable a natural person to attend on its behalf. Please contact the Share Registry on (02) 9290 9600 for this form.

Further information

If you have any questions please contact the Mosaic Information Line on 1800 285 677 (toll free in Australia) or +61 2 8280 7472 (if overseas) between 9.00am and 5.00pm (Sydney time), Monday to Friday.

Dated: 6 September 2010

By order of the Board of Mosaic Oil NL



Andrew John Cooke
Company Secretary

CORPORATE DIRECTORY

Mosaic Oil NL

Directors

David Herlihy
Andrew Rigg
Peter Barrow
Peter Reid

Company secretary

Andrew Cooke

Registered office

Level 12
10 Bridge Street
Sydney NSW 2000

Share Registry

Registries Limited

Level 7
207 Kent Street
Sydney NSW 2000
Fax : +61 2 9279 0664

Financial Advisors

UBS AG, Australia Branch

Level 16, Chifley Tower
2 Chifley Square
Sydney NSW 2000

Legal Advisors

Chang, Pistilli & Simmons

Plaza Building, Australia Square
Level 13
95 Pitt Street
Sydney NSW 2000

Website

www.mosaicoil.com



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