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## Market update and voluntary suspension extension

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On 11 March 2009, Nexus Energy Limited ("Nexus") requested that its shares be suspended from quotation while it sought to progress negotiations in relation to asset sales, debt raising alternatives and significant contractual obligations. It is now expected that these negotiations will be completed by Tuesday, 31 March 2009.

Nexus is committed to resolving these negotiations as soon as possible, at which time the Company will make a substantive release to the market, such that trading in its shares can resume.

### **Crux asset sales process**

The proposed global asset sale process, managed by Deutsche Bank AG over recent months, for an interest in the Crux liquids project (AC/L9, Browse Basin) has not resulted in an acceptable offer. The divestment process has been adversely impacted by the current low oil price environment and the ongoing deteriorating global financial conditions. Consequently, the indicative offers and expressions of interest received by the company to date at the asset and corporate level have not as yet converted into acceptable firm offers.

The company will continue to consider Crux asset offers but will not actively market an interest in the Crux liquids project at this stage. Nexus has placed the Crux project on hold in the short term and is minimising future capital expenditures, other than resource base enhancement, to enable the company to retain flexibility and maximise the inherent value of the Crux liquids project, until market conditions improve. This decision is market and funding driven, and by no means reflects a change in the company's view of the value of this asset.

Nexus is negotiating to secure funding for the drilling of the Auriga structure, located within AC/L9, commencing late May 2009. The structure is estimated to contain a most likely recoverable resource of around 42 MMbbl and is within tie-back range of the Crux field. The prospectivity of Auriga has been enhanced following the successful Libra discovery in the adjacent AC/P41 exploration permit. Nexus expects that if Auriga is successful, its inclusion in the Crux development would significantly improve recoverable reserves and therefore project economics as the cost of extracting the extra condensate will be minimal. Success at Auriga will also significantly increase the gas resources in the Crux area, thereby enhancing the potential to recover the liquids in conjunction with an LNG development at a later date. Further gas and liquids potential also exists in the adjacent Caelum structure.

## **Longtom gas project**

The Longtom gas project is fully funded and remains on schedule for an expected first gas supply to Santos Limited in mid 2009. The Aussie 1 pipelay barge has been mobilised and is on tow from Singapore to the Bass Strait prior to pipelay work which is expected to commence in April 2009. It is pleasing to note that Longtom is about to progress from a development asset into a production asset in a market with a growing demand for natural gas.

Longtom will generate positive cash flows for Nexus from financial year 2009/2010. This is a significant milestone for Nexus and reinforces our ability to take an asset from exploration into production during these difficult funding and economic global conditions.

## **Other assets**

Nexus has also commenced the farm-out of a highly attractive appraisal and exploration opportunity at Echuca Shoals in WA-377-P in the Browse Basin, offshore Western Australia. It is anticipated that a well will be drilled later this year if a farm-out can be achieved to test the resource potential of the field. Echuca Shoals is potentially an LNG scale appraisal / exploration opportunity with discovered gas.

## **Funding and strategy**

As referenced in the company's half-year financial accounts, lodged with the ASX on 17 March 2009, Nexus is currently negotiating with international parties to secure a financing package for the company's work program. Further funding is also expected from the sale of an interest in an exploration permit.

Nexus also continues to manage its business and contractual obligations to defer and reduce cash outflows and increase flexibility. Negotiations are currently underway with suppliers regarding a reduction in contractual commitments.

Nexus recognises that this is a difficult market in which to sell assets with many buyers seeking to maximise opportunities and taking a "wait and see" approach towards investment. The company's strategy remains to secure sufficient funding and minimise spending to be relatively cash neutral in the second half of this year coupled with the start up of the Longtom gas project. Minimising or removing funding pressure is expected to allow the company to have the time and the resilience to consider and effectively negotiate the best options to maximise value from its unique asset base.

## **Management changes**

Nexus also advises that Peter Thomas has resigned from the position of Chief Financial Officer. Nexus' company secretary Susan Robutti, assisted by Michel Mamet, will assume the responsibilities of the CFO position with the support of Mr Thomas during this transitional period. Mr Mamet, a former Morgan Stanley executive, is familiar with Nexus having worked closely with the company in his previous role.

The Board is also continuing its process, as announced in January 2009, to review candidates to appoint an appropriate Non Executive Director(s).

### **Chairman statement**

Michael Fowler said, "We, the Board, appreciate the effect of the difficult global financial conditions in which we are now operating. The company is focused on maintaining our unique diversified asset and reserve positions. Finding funding solutions, whilst ensuring Longtom achieves a cash flow positive position as soon as possible, is a key priority. We are mindful of shareholder value and the need to be fully funded.

We appreciate the hard work of the staff of Nexus along with the support given by our shareholders, who share our passion to successfully navigate through these difficult times. Nexus' primary objective remains to crystallise significant value for all stakeholders."

**Susan Robutti**  
**Company Secretary**

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