



---

## June 2009 quarterly report & Appendix 5B

---

### June quarter activities

- Longtom gas project: 17 kilometre offshore pipeline to connect Longtom to the existing Patricia Baleen facilities and the Longtom control umbilical laid on the seabed.
- Crux liquids project: Minimisation and rescheduling of certain capital commitments for the project, providing flexibility to maximise long term value.
- Conditional sale of a 50% interest in the Longtom gas project and exploration permit VIC/P54 to AED Oil Limited ("AED").
- Cash balance at quarter end A\$55 million.
- Transocean Inc.'s, Sedco Forex International terminated a drilling contract with Nexus Energy WA Pty Ltd relating to the supply of the Transocean Legend for exploration/development drilling in the AC/L9 licence. Nexus Energy WA Pty Ltd has disputed Sedco Forex's entitlement to terminate the contract. Sedco Forex has foreshadowed a damages claim, which Nexus will be vigorously defending.

### Post quarter end and forecast activities for the September 2009 quarter

- Offshore installation activities for completion of the Longtom gas project.
- Progress towards execution of the sale of a 50% interest in Longtom to AED.
- Ongoing interaction with parties seeking to purchase an interest in the Crux liquids project.

## **Development projects**

### **Longtom gas project (Nexus 100%) VIC/L29 – Gippsland Basin, Victoria**

Development of the Longtom gas project continued with the completion of installation work now scheduled to occur between 28 September and 15 October 2009. The range of scheduled completion dates account for variations in the mobilisation date for the alternative diving support and installation vessel that was required to be secured and potential weather interruptions during the installation work program. Development costs for the project are expected to increase by around 5% to A\$315 million.

Activity during the June quarter included:

- Onshore construction work for the upgrade of Santos' Orboast gas plant.
- 17 kilometre offshore pipeline to connect Longtom to the existing Patricia Baleen facilities and the Longtom control umbilical laid on the seabed.

### **Sale of a 50% interest in Longtom**

On 28 May 2009, Nexus announced the conditional sale of a 50% interest in Longtom and exploration permit VIC/P54 to AED for A\$155 million. The transaction delivered Nexus near term funding and upon completion of the sale will provide new capital to fund activities into 2010.

As part of the transaction, Nexus received a A\$35 million cash deposit with the remaining A\$120 million to be paid once completion conditions are met. Nexus will use some of the funds from the sale to repay part of the existing Longtom project debt and associated expenses. It is expected that this will leave surplus funds of approximately A\$65 million. The parties have executed an agreement which sets out the conditions that must be satisfied or waived, including:

- Necessary regulatory approvals and third party consents being obtained;
- The completion of the Longtom project construction by Nexus; and
- AED obtaining finance on satisfactory terms.

### **Crux liquids project (Nexus 85%) \*\* AC/L9 – Browse Basin, Western Australia**

Crux appraisal and engineering has now matured to a point where the proposed liquids project could be sanctioned within a short period of time. The current global financial conditions have constrained potential partners from purchasing an interest in the project. Nexus continues to explore the option of a part sell-down and development of the liquids project with the introduction of an additional new partner.

Activities during the June quarter included the minimisation and rescheduling of certain capital commitments for the Crux liquids project, providing flexibility to maximise long term value. Placing the project on hold enables potential parties to enter without significant pre-commitment to expenditures.

On 19 May 2009, Transocean Inc.'s, Sedco Forex International terminated a drilling contract with Nexus Energy WA Pty Ltd relating to the supply of the Transocean Legend for exploration/development drilling in the AC/L9 licence. Nexus Energy WA Pty Ltd has disputed Sedco Forex's entitlement to terminate the contract. Sedco Forex has foreshadowed a damages claim, which Nexus will be vigorously defending. Further information will be provided when a claim is initiated.

*\*\*Nexus holds an 85% interest in the liquids in AC/L9 which may be recovered via a liquids project prior to 2021 or alternatively, in circumstances where the liquids joint-venture unanimously decides not to progress with a liquids stripping project and notifies Shell of the same prior to 31 December 2020, via a possible Shell operated gas and liquids project in which case the 2021 end date does not apply.*

## **Appraisal and exploration assets**

Exploration activity has focused on maturing plans for potential prospects, subject in certain cases to securing appropriate farm-out arrangements. Prospects include, in the Browse Basin: Auriga-1 in the Crux permit AC/L9, Fossetmaker-2 in WA-377-P (Echuca Shoals); Dusky-1 and Leopard-1 in the Gippsland Basin permit VIC/P49; and Yngling-1 in the Perth Basin in WA-368-P.

### **AC/L9 Licence (Nexus 85%)**

#### **Browse Basin, Western Australia**

Two near field appraisal opportunities at Auriga and Caelum have been identified as possible additions to the Crux field. The successful Libra-1 gas/condensate discovery in the adjacent exploration permit AC/P41 has increased the confidence of encountering significant additional hydrocarbons in the Auriga structure. Drilling activity is on hold until a new partner is identified.

### **Echuca Shoals gas discovery (Nexus 66%)**

#### **WA-377-P Permit – Browse Basin, Western Australia**

Additional geological studies have indicated that the Echuca Shoals Tithonian reservoir section is stratigraphically isolated, highlighting the up-dip potential for additional trapped gas. The Fossetmaker-1 well is interpreted to have intersected the gas-water-contact and detailed seismic inversion studies and an assessment of the well data indicate that the potential gas in place at the Echuca Shoals gas field within WA-377-P is approximately 2 Tcf, with the potential for associated condensate. Geological studies also indicate the presence of a deeper exploration target which has the potential to add another 2 Tcf of gas in place.

Another well will be required to test this potential and several possible well locations are being considered. Nexus is targeting this follow-up well to be drilled subject to successfully farming-out the cost of the well. The farm-out process is ongoing.

### **VIC/L29 Permit (Nexus 100%)**

#### **Gippsland Basin, Victoria**

Results from the Garfish-1 exploration well and Longtom-4 development well are being incorporated into the Longtom gas field reservoir model to review current 1P and 2P reserve estimates. The outcome of this study work is expected in 3Q 2009.

### **VIC/P49 Permit (Nexus 80%)**

#### **Gippsland Basin, Victoria**

The Dusky prospect is a possible extension of the Basker field and is mature for drilling. There is potential for Dusky-1 to be drilled utilising the Kan Tan IV rig in 2H 2010, subject to Joint Venture approval. Interpretation of seismic data over the Tiger and Leopard leads, both large structures in the deep water part of the permit, has been completed and further work to generate drill ready prospects is underway prior to farming out an interest in the permit.

### **WA-424-P (Nexus 100%)**

#### **Browse Basin, Western Australia**

Technical evaluation of WA-424-P has begun with the intention of farming out an interest before a commitment well is scheduled to be drilled in late 2010. Nexus plans to test the large Tristram prospect which will evaluate the potential of a Jurassic aged stratigraphic trap. The oil potential of the permit is confirmed by the small Gwydion oil field which was discovered in 1995.

### **WA-368-P (Nexus 50%)**

#### **Perth Basin, Western Australia**

Yngling is an oil prospect with a mean unrisked resource of 90 MMbbl. Nexus will seek to farm-out equity in the permit prior to drilling the prospect.

### **NT/P66 (Nexus 100%)**

#### **Bonaparte Basin, Northern Territory**

No activity during the quarter. All drilling commitments for this permit have been fulfilled.

## **Corporate**

At the company's request, its securities were placed in a trading halt on 9 March 2009, and then in voluntary suspension on 11 March 2009 while Nexus progressed negotiations relating to asset sales (completed with sale of AC/P41 and part sale of Longtom), financing and significant contractual obligations. The voluntary suspension was lifted following the announcement of the conditional Longtom sale and trading recommenced on 29 May 2009.

## **Cash and funding**

At the end of June the company's cash balance was A\$55 million. Financing activity during the quarter included:

- Conditional sale of a 50% interest in Longtom and exploration permit VIC/P54 to AED for A\$155 million with a A\$35 million deposit received
- Completion of payments for settlement agreement with Viking Oil and Gas International and Viking Shipping Limited (together "Viking")

At 30 June 2009, A\$114 million of the A\$160 million Longtom project finance facility (development facility and cost overrun facility) was drawn, with A\$46 million remaining undrawn. Cash costs to completion on the Longtom project as at 30 June 2009 were estimated at approximately A\$63 million, out of a total revised project cost of A\$315 million.

Nexus has signed a new contract for an alternative vessel to complete the next stage of the Longtom gas development. The company is in continuing discussions with its financiers due to previous reported delays in the project schedule. The financier is supportive of plans for completion of the project and a revised budget has been submitted with credit approval being sought.

## **Board and staff changes**

Nexus has taken steps to strengthen its board of directors. During the quarter Nexus announced the appointment of Michael Arnett as a non executive director. Michael Arnett is a former partner of international law firm Deacons where he practiced in the oil and gas sector for many years and sat on the full board. He brings a wealth of valuable legal and commercial resources industry experience.

As announced on 28 May 2009, Nexus' chairman, Michael Fowler, has assumed an executive role in the short to medium term to provide additional support with the direct management of the company.

During the quarter Nexus took steps to reduce operating costs and overheads which incorporated a reduction in personnel levels. This included the departure of David Nolan from the position of Chief Operations Officer as a result of placing the Crux liquid project on hold.

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

**For further information please contact:**

**Ian Tchacos**  
**Managing Director**  
Ph: +61 3 9660 2500

**Jodie Phillips**  
**Investor Relations Manager**  
Ph: +61 3 9660 2500

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Nexus Energy Ltd

ABN

64 058 818 278

Quarter ended ("current quarter")

30 June 2009

### Consolidated statement of cash flows

		Current quarter	Year to date (12 months)
		A\$'000	A\$'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors		
1.2	Payments for		
	(a) exploration and evaluation	(729)	(46,976)
	(b) development	(90,019)	(285,876)
	(c) production		
	(d) administration	(5,266)	(17,703)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	179	4,599
1.5	Interest and other costs of finance paid	312	(1,850)
1.6	Income taxes paid		
1.7	Other – GST, FX gains/losses	1,761	877
<b>Net Operating Cash Flows</b>		<b>(93,762)</b>	<b>(346,929)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets	40	(987)
1.9	Proceeds from sale of:		
	(a) prospects		
	(b) equity investments		33,054
	(c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other – Sale of permit interests	35,000	133,345
<b>Net investing cash flows</b>		<b>35,040</b>	<b>165,412</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(58,722)</b>	<b>(181,517)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(58,722)	(181,517)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.		8,283
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	57,500	94,089
1.17	Repayment of borrowings		(89,500)
1.18	Dividends paid		
1.19	Other		
	– borrowing transaction costs		(112)
	– equity transaction costs		(10)
	– Finance lease repayments	(5)	
	<b>Net financing cash flows</b>	57,495	12,750
	<b>Net increase (decrease) in cash held</b>	(1,227)	(168,767)
1.20	Cash at beginning of quarter/year to date	61,250	223,807
1.21	Exchange rate adjustments to item 1.20	(4,646)	337
1.22	<b>Cash at end of quarter</b>	55,377	55,377

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	449
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Increase in loan facilities available and used resulting from capitalised interest during the quarter amounted to \$ 6.9 million.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	293,866	247,956
3.2 Credit standby arrangements (\$60m letter of credit provided as security for completion of certain capital works on the Longtom project and for obligations in respect to gas deliveries)	60,000	60,000

**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	1,400
4.2 Development	51,500
<b>Total</b>	<b>52,900</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

---

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	46,578	44,568
5.2	Deposits at call	1,613	1,597
5.3	Bank overdraft		
5.4	Other (including escrow accounts and project finance facility reserve account)	7,186	15,085
<b>Total: cash at end of quarter (item 1.22)</b>		<b>55,377</b>	<b>61,250</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

---

+ See chapter 19 for defined terms.

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	645,350,183	645,350,183		
7.4 Changes during quarter (a) Increases through issues  (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	31,884,058		<i>Exercise price</i> 207 cents	<i>Expiry date</i> 15 January 2013 (warrants)
	90,000		225 cents	28 April 2011
	99,500		233 cents	27 July 2009
	148,000		219 cents	23 May 2011
	359,800		225 cents	23 May 2011
	97,600		225 cents	28 September 2009
	2,590,700		150 cents	24 December 2012
	5,076,000		Zero	30 June 2012

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

7.8	Issued during quarter			<i>Exercise Price</i>	<i>Expiry Date</i>
7.9	Exercised during quarter			<i>Exercise Price</i>	<i>Exercise Date</i>
7.10	Expired during quarter	725,400		<i>Exercise Price</i> <i>Zero</i>	<i>Expiry Date</i> <i>30/06/2012</i>
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <i>(totals only)</i>				

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: ..... Date: 31 July 2009  
 Company secretary

Print name: Susan Robutti

**Notes**

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Cash Flows Statement* apply to this report.

+ See chapter 19 for defined terms.

- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

Schedule of Exploration Permits  
Held by Consolidated Entity  
At 30 June 2009

<u>Permit</u>	<u>Basin</u>	<u>Interest %</u>
VIC/P54	Gippsland	100
Longtom Sole Risk Programme (VIC/L29)	Gippsland	100
VIC/P49	Gippsland	80
NT/P66	Bonaparte	100
WA-368-P	Perth	50
AC/L9* (Formerly AC/P23)	Browse	85
WA-377-P	Browse	66
WA-424-P	Browse	100

\*Production licence AC/L9 was granted in February 2009.

== == == == ==