



## September 2008 quarterly report & Appendix 5B

### September quarter activities:

- Longtom-4 development well successfully drilled and flow tested.
- VCAT approval received by Santos (NT) Pty Ltd ("Santos") for upgrade works to the Orbest gas processing plant for the process of Longtom gas.
- Crux field development plan submitted to the designated authorities for approval.
- Ocean Epoch drilling rig secured to drill the Libra prospect in the December 2008 quarter.
- Sidestep-1 exploration well drilled in the NT/P66 exploration permit.
- Memorandum of Understanding (MOU) signed for the sale of a 25% interest in the Crux liquids project in exploration permit AC/P23 and a 20% interest in exploration permit AC/P41.
- Share purchase plan raised gross proceeds of A\$8.3 million.
- Nexus cash balance at period end A\$53 million.

### Post quarter end and forecast activities for the December quarter:

- Completion of farm-out agreement for exploration permit AC/P41 with Mitsui E&P Australia Pty Ltd for US\$20 million cash plus a carry of three wells at Nexus' remaining interest of 30%.
- Withdrawal of the previous intended purchaser for a 25% interest in the AC/P23 permit due to the global financial crisis.
- Formal global sale process commenced for a substantial interest in the AC/P23 exploration permit.
- Drill the Libra-1 exploration well in the AC/P41 exploration permit adjacent to the Crux field.

**Susan Robutti**  
Company Secretary

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## **DEVELOPMENT PROJECTS**

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

Development of the Longtom gas project continued with first gas expected in mid 2009. The project budget was revised during the quarter and reported as US\$237 million, including US\$19 million contingency, with the increase largely driven by higher offshore installation costs resulting from the requirement to re-tender some offshore installation contracts due to delays in the installation of the offshore gas pipeline.

Project activity during the September quarter included:

- The Longtom-4 development well was successfully drilled and flow tested. The test of the primary production zone within the Admiral Formation flowed at a rate of 58 MMscf/d through a 64/64" choke through a test separator limited to 60 MMscf/d. The well was suspended as a future producer for the Longtom gas field. Analysis of the production performance indicates that Longtom-4 alone will be capable of meeting the anticipated contract requirements of the Longtom field.
- Santos as operator of the Orbest onshore gas processing plant, received a decision from the Victorian Civil and Administrative Tribunal (VCAT) directing the East Gippsland Shire Council to issue a planning permit and affirming the decision of the Environmental Protection Authority to grant the works approval for upgrade works to process gas from the Longtom gas field.
- Construction work for the upgrade of the Santos' onshore Orbest gas plant commenced.
- The Aussie 1 pipe lay barge was launched in Singapore in early June. The barge is scheduled at the Longtom gas field for the offshore installation of the pipeline, the control umbilical and the associated subsea hardware and control equipment in the first quarter of 2009.

### **Crux liquids project (Nexus 85%) AC/P23 Permit – Browse Basin, Western Australia**

Nexus has completed the definition engineering for the Crux liquids project. Critical long lead items including all major subsea equipment contracts as well as a drilling unit for well construction and completion work are secured. The upstream capital estimate, assuming a leased floating production storage and offloading (FPSO) vessel, is US\$650-700 million gross, including contingency, with approximately 75% of the costs now defined. The commitment to time critical equipment is expected to deliver first production in the first half of 2011. The company continues to work towards a Final Investment Decision ("FID") for the Crux project by the end of 2008, with project financing close in the first half of 2009.

Project activity during the September quarter included:

- Field development plan and production licence application submitted to the regulator.
- Contract for the Transocean Legend semi-submersible drilling rig for the Crux development wells was executed. The rig is currently scheduled to arrive in June 2009.
- Finalised the Crux liquids project "Basis of Design".
- Received formal proposals for the Engineering, Procurement and Construction (EPC) topsides and integrated FPSO vessel services contract.
- Negotiating a contract for FPSO turret and mooring system.

## **APPRAISAL AND EXPLORATION ASSETS**

In addition to its appraisal and development activities, Nexus and its various joint venture partners, have plans to drill three exploration wells over the next 12 – 18 months, one in the Gippsland Basin permit VIC/P49 adjacent to the producing Basker oil field, and two in permit AC/P41 in the Browse Basin adjacent to the Crux field.

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

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

Nexus estimates potential gas in place in the Echuca Shoals structure within exploration permit WA-377-P of around 2 Tcf, with the potential for associated condensate. Another well will be required to test this potential. The objectives of such a well will be to test the closure up-dip from the Echuca Shoals-1 and Fossetmaker-1 wells. Geological and geophysical studies are ongoing to identify an optimal well location to test additional appraisal and exploration potential.

### **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 model to review 1P, 2P and 3P booked reserves. The outcome of this study work is expected in the coming months.

### **AC/P41 Permit (Nexus 50%)**

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

Processing of the 500 km<sup>2</sup> Octantis 3D seismic is complete and interpretation of the data is nearing completion. The first exploration well is scheduled to be drilled in the fourth quarter of 2008 on the Libra structure immediately south east of the Crux field in AC/P23.

Libra is targeting a most likely gross resource estimate of 500 Bcf of gas with 19 MMbbl of condensate. Success at Libra will have very positive consequences for the adjacent Auriga structure in the AC/P23 permit that contains the Crux field. The second AC/P41 commitment exploration well is scheduled to be drilled in the June 2009 quarter.

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

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

Acquisition of 1,700 km of 2D seismic data was completed in July 2007 with the majority of the data designed to define the large leads. Tiger and Leopard have been identified on regional seismic lines in the deep water part of the basin. Processing of the data is complete and interpretation of the seismic data over these leads is underway. As part of the survey, seismic data was acquired over a possible extension of the Basker oil field into the VIC/P49 permit (the Dusky prospect adjacent to the Basker oil field). Processing of this data was completed in December 2007 and the Dusky prospect is now mature for drilling. The Kan Tan IV drilling rig has been contracted for the Dusky prospect which is scheduled to become available in the third quarter of 2009.

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

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

The Sidestep-1 exploration well was drilled during the quarter. The well intersected the Intra Mt Goodwyn formation reservoir target as predicted but the sands were found to be water bearing.

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

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

Processing of the 300 km<sup>2</sup> Catalina 3D seismic survey was completed in February 2007 and interpretation of the data has been completed. Plans are underway to contract a drilling rig for the Yngling-1 oil prospect.

## **CORPORATE**

### **Funding**

Funding activity during the September quarter included:

- The issue of 5.8 million new shares via a share purchase plan at A\$1.42 per share raised gross proceeds of A\$8.3 million. The new shares were issued on 16 July 2008.
- The repayment of the A\$50 million Early Stage Project Finance Development Facility provided by BOS International (Australia) Limited ("BOSI") for drilling costs associated with the Crux liquids project.
- Repayments totalling A\$13 million were made on a loan facility established with BOSI for the acquisition of shares in Anzon Australia Limited ("Anzon"). At the end of the quarter A\$26.5 million was drawn on this facility, for which the maturity date has been extended to mid November 2008.
- BOSI provided a A\$60m letter of credit in favour of Santos Offshore Pty Limited on behalf of Nexus in place of a previous \$25m interim letter of credit. The letter of credit is provided as security for completion of certain capital works on the Longtom project and for obligations in respect to gas deliveries.

As at the end of September the company's cash balance was A\$53 million.

Corporate finance activity post the end of the quarter included:

- Nexus accepted the takeover offer by Roc Oil Company Limited ("Roc") for the Anzon shares held and now holds 56.4 million ordinary shares in Roc and received cash of A\$3.5 million.
- A further A\$25 million was drawn in October 2008 under the Longtom senior facility to fund development expenditures. Of this facility, A\$115 million, including a cost overrun tranche of A\$15 million, remains unutilised with availability subject to satisfaction of reserve account funding and other specified conditions at time of drawdown.
- Farm-out for exploration permit AC/P41, which was the subject of a MOU announced on 10 September, was executed with Mitsui E&P Australia Pty Ltd ("Mitsui") following board approvals of both parties and is expected to provide an upfront cash amount of approximately A\$32 million.
- Additional liquidity expected to be provided in current quarter through further farm-outs and discussions are also underway with financial institutions for the provision of further short term funding.

### **Global sale process commenced for an interest in AC/P23**

A global sale process for an interest in the AC/P23 exploration permit was announced on 7 October 2008. This follows the withdrawal of the purchaser (which had signed a MOU) for the purchase from Nexus of a 25% interest in the Crux liquids project, due to the global financial crisis. The board of Nexus has appointed Deutsche Bank to conduct this process.

The partial sell down had previously only been marketed to a select group of Japanese companies. However, a global sale process for a potentially larger interest in the Crux asset has now commenced and Nexus has already received expressions of interest from numerous major oil and gas companies and national oil companies. The board's target is to execute a sales agreement for the Crux interest by January 2009.

# 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 Sep 2008

### Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (12 months) \$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	(35,635)	(35,635)
	(b) development	(81,159)	(81,159)
	(c) production		
	(d) administration	(2,098)	(2,098)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	3,768	3,768
1.5	Interest and other costs of finance paid	(113)	(113)
1.6	Income taxes paid		
1.7	Other – GST	(1,872)	(1,872)
	<b>Net Operating Cash Flows</b>	<b>(117,109)</b>	<b>(117,109)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets	(512)	(512)
1.9	Proceeds from sale of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other – Sale of liquid gas interests		
	<b>Net investing cash flows</b>	<b>(512)</b>	<b>(512)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(117,621)</b>	<b>(117,621)</b>

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(117,621)	(117,621)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	8,283	8,283
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	(63,000)	(63,000)
1.18	Dividends paid		
1.19	Other		
	– borrowing transaction costs		
	– equity transaction costs	(111)	(111)
	– Finance lease repayments	(1)	(1)
	<b>Net financing cash flows</b>	(54,829)	(54,829)
	<b>Net increase (decrease) in cash held</b>	(172,450)	(172,450)
1.20	Cash at beginning of quarter/year to date	223,807	223,807
1.21	Exchange rate adjustments to item 1.20	1,737	1,737
1.22	<b>Cash at end of quarter</b>	53,094	53,094

**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	181
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

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 (amount available includes \$160m Longtom Project Finance facility with availability subject to satisfaction of reserve account funding and other specified conditions at time of drawdown)	296,500	156,500
3.2 Credit standby arrangements (During the quarter BOS International (Australia) Limited provided a \$60m letter of credit in favour of Santos Offshore Pty Limited on behalf of Nexus Energy in place of a previous \$15m interim letter of credit. The letter of credit is 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	11,500
4.2 Development	101,000
<b>Total</b>	<b>112,500</b>

+ See chapter 19 for defined terms.

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

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**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	12,810	16,480
5.2 Deposits at call	38,347	136,548
5.3 Bank overdraft		
5.4 Other (including escrow accounts and project finance facility reserve account)	1,937	70,779
<b>Total: cash at end of quarter</b> (item 1.22)	<b>53,094</b>	<b>223,807</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	VIC/P56	Exploration Permit	80%	0%
6.2 Interests in mining tenements acquired or increased				

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+ 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	5,845,814	5,845,814	142 cents	
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>	4,431,100 1,101,000 319,500 31,884,058  90,000 99,500 148,000 359,800 97,600		<i>Exercise price</i> 162 cents 162 cents 195 cents 207 cents  225 cents 233 cents 219 cents 225 cents 225 cents	<i>Expiry date</i> 23 December 2008 14 January 2009 27 February 2009 15 January 2013 <i>(warrants)</i> 28 April 2011 27 July 2009 23 May 2011 23 May 2011 28 September 2009

+ 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			<i>Exercise Price</i>	<i>Expiry Date</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 October 2008  
 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.

+ See chapter 19 for defined terms.

- 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.
- 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 September 2008

<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/P23	Browse	85
WA-377-P	Browse	66
AC/P41	Browse	50

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+ See chapter 19 for defined terms.