



1 September 2009

Hendrike Koehler
Adviser, Issuers (Perth)
ASX Markets Supervision Pty Ltd
Level 8 Exchange Plaza
2 The Esplanade
Perth WA 6000

Dear Hendrike

Trading Halt Request

In accordance with ASX Listing Rule 17.1, Nexus Energy Limited (Nexus) requests a trading halt on its securities in relation to a capital raising proposed to be carried out by the company. In advance of this capital raising a general company update is attached.

It is requested that the trading halt continue until the earlier of two days from the date of this letter or when a market release indicating the recommencement of trading.

Nexus is not aware of any reason why the trading halt should not be granted.

Yours sincerely

Susan Robutti
Company Secretary



Company update

Nexus Energy Limited ("Nexus") provides the following activity update.

Longtom gas project

Nexus has contracted with TSMarine to utilise the *Rem Etive* dive support vessel to complete the offshore installation work for the Longtom gas project. The remaining offshore work is primarily diving related hook-up and commissioning work on the subsea gas pipeline to connect Longtom production wells to Santos Ltd's Patricia Baleen offshore pipeline, and the Longtom control umbilical, both of which have already been laid on the seabed.

The *Rem Etive* is currently in Australian waters where final preparations are being undertaken prior to the commencement of installation work. As previously advised, the revised work scope for completion of installation work is expected to be concluded by 15 October 2009 with first gas sales soon thereafter. Costs to complete the Longtom project, as at 30 June 2009, were estimated at approximately A\$63 million, resulting in a total revised project cost of A\$315 million.

The delays to the start up and the increased cost to complete the project have resulted in a review of the Longtom financing facility. Nexus and BOS International (Australia) Limited (BOSI), the financier for the Longtom project, have reached agreement on variations in relation to the facility to deal with the financial impact on the project of the delays.

The revised conditions to the financing facility include an agreement that Nexus will raise equity to part fund the remainder of Longtom project. BOSI and Nexus have also agreed to reset the dates for achieving project milestones, such as the date for first gas and project completion.

The delay to the completion of the Longtom gas project will result in certain conditions required under the conditional sale of a 50% interest in the Longtom gas project to AED Oil Limited ("AED") being unable to be fulfilled by 15 September 2009. Nexus is in discussions with AED to determine a mutually acceptable way forward. Crystallising value from the Longtom asset via a part sale provides further funding to enhance the company's asset base and the opportunity to de-leverage Nexus' balance sheet.

Crux asset

Ongoing facility optimisation studies for the Crux liquids project have identified a number of potential opportunities to reduce cost and facility complexity. These potential modifications to the project's basis of design will be further investigated over the coming months with a view to enhancing commerciality. Furthermore, Nexus is seeing renewed interest from third parties with the stabilisation of oil prices above US\$60/bbl. The combination of increasing confidence in future oil pricing, the expectation of reduced capital costs, recognition of the reserves materiality and the readiness of the project for sanction is working in favour of the project. Nexus continues to pursue options for a part sell-down of Nexus' interest to assist in providing funding for the development of the liquids project with the introduction of an additional new partner. The company is currently in preliminary discussions with multiple interested parties.

As reported in the company's June quarterly activities statement (lodged with the ASX on 31 July 2009), Nexus has successfully rescheduled manufacture and delivery of certain long lead capital commitments for the Crux liquids project in line with the expected development time frame. As at the end of June 2009, Nexus has pre-invested \$65 million in long lead items for the Crux liquids project which will offset future development expenditures.

As previously reported, Nexus has a potential liability to Sedco Forex International Inc ("Sedco") in relation to Sedco's termination of the Transocean Legend drilling rig contract. Nexus has disputed Sedco's entitlement to terminate and Sedco has foreshadowed a damages claim in relation to the termination of the Transocean Legend drilling rig contract. Further, Sedco has claimed that Nexus has additional liability to Sedco because Sedco terminated its drilling contract with Oilex (JPDA 06-103) Limited ("Oilex") as a result of the termination of the Nexus contract.

Nexus considers that its maximum potential liability is the profit lost by Sedco on a contract (not the gross day rate under the contract). Nexus considers its potential for the liability to be a fraction of the total contract value as a result of the rig being used by third parties during the expected contract term. In this regard, Nexus understands that the Transocean Legend drilling rig has been contracted to ConocoPhillips for two wells for a period of approximately 148 days with options to increase this period for a further six wells. However Nexus advises that the total value of the Nexus contract, based on the full day rate set out in the contract, is US\$117 million, and that Sedco claims the total value of the Oilex contract is approximately US\$59 million.

Nexus recognises that risks exist in relation to the magnitude and timing of any settlement of Sedco's claims. Nexus will vigorously defend any claims brought by Sedco in relation to either the Nexus contract or the Oilex contract.

Appraisal and exploration update

The company has matured four appraisal and exploration prospects for drilling in the next 18 months. The prospects are a combination of oil and gas targets with high current Nexus equity positions. The company plans to fund drilling activities via farm-outs across the exploration portfolio.

Nexus continues to review the Echuca Shoals gas/condensate discovery in exploration permit WA-377-P. There is renewed third party interest following the exploration success of other parties with several new play types encountered in surrounding acreage of the Browse Basin. The company expects to launch a dedicated farm-out campaign later in the year to attract an additional partner to fund Nexus' share of the costs of an appraisal well.

Susan Robutti
Company Secretary

For further information please contact:

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