McGrathNicol

McGrathNicol
Partnership
ABN 41 945 982 761
Level 31, 60 Margaret Street
Sydney NSW 2000, Australia
GPO Box 9986
Sydney NSW 2001, Australia
T +61 2 9338 2600
F +61 2 9338 2699
mcgrathnicol.com

31 October 2014

ASX ANNOUNCEMENT

Nexus Energy Limited (Subject to Deed of Company Arrangement) (ASX: NXS) (Nexus)

Further to the Deed Administrators' announcement on 20 October 2014, we provide the following update:

Explanatory Statement and Reports

In our previous announcement (20 October 2014) we advised that on 17 October 2014 the Deed Administrators had filed an application for relief under section 444GA of the *Corporations Act* 2001 (Cth) (**Act**) in the Supreme Court of New South Wales (**Court Application**). The relief sought in the Court Application is to satisfy a condition precedent under the deed of company arrangement executed on 22 August 2014 (**DOCA**) and is necessary to permit the proposed transfer of all of the issued shares in Nexus to SGH Energy (No 2) Pty Ltd (**SGH No 2**) provided under clause 7.5 of the DOCA.

The return date for the Court Application is 31 October 2014 at 10am in the Supreme Court of New South Wales (**Court**) before Justice Black. At the return date the Deed Administrators will seek a final hearing date and a timetable for the preparation of the matter for final hearing.

To assist Nexus shareholders in:

- understanding the DOCA and how it affects Nexus shareholders; and
- deciding whether they wish to take any action in relation to the DOCA, including in respect of the Court Application,

Nexus has prepared an explanatory statement, which is attached to this announcement (**Explanatory Statement**). The Explanatory Statement includes an independent expert's report prepared by Lonergan Edwards & Associates, which is an independent assessment of the value of the Nexus shares currently on issue, and a technical specialist's report prepared by Gaffney, Cline & Associates (together, the **Reports**).

The Explanatory Statement and the Reports are being released to all Nexus stakeholders (including Nexus shareholders, ASIC and SGH No 2) concurrently.

Any Nexus shareholder or other interested party who would like to receive a hard copy of the Explanatory Statement (including the Reports) should contact Penny Bundell of McGrathNicol on +61 3 9278 1056.

Further updates

The Deed Administrators will release an ASX announcement setting out the orders made by the Court on 31 October 2014, including any date for final hearing and timetable for the preparation of the matter for final hearing.

Funding Facility and DOCA – Conditions Precedent

The term of the $165 million Facility (as described in the ASX announcement dated 3 October 2014) has been extended to 14 November 2014. An amendment fee of $2 million is payable and capitalised on 31 October 2014.

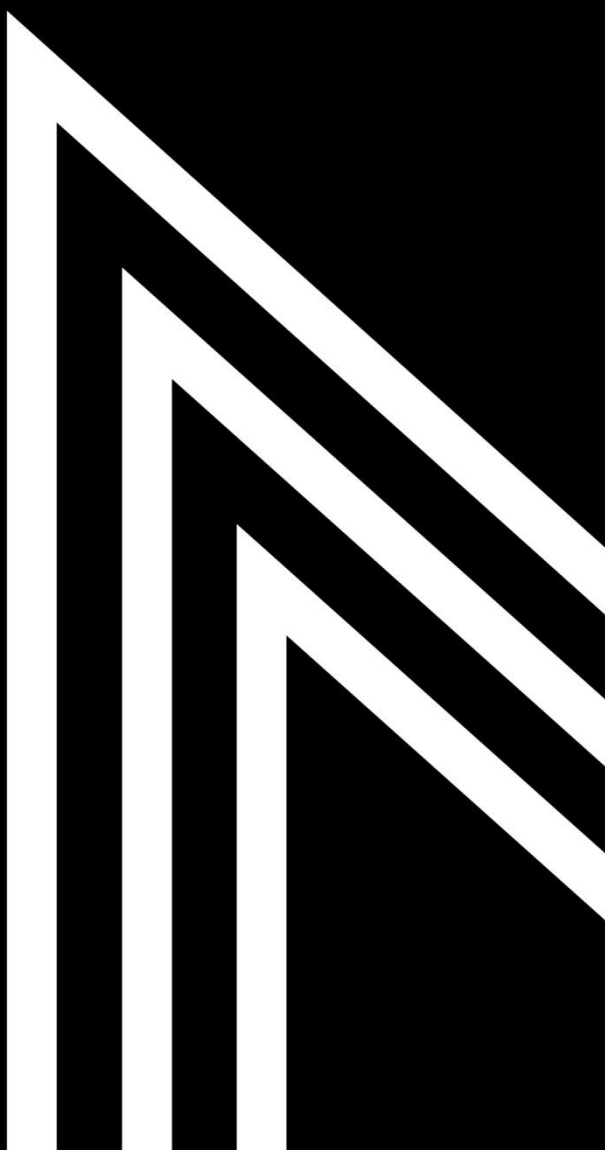
The date for satisfaction of the DOCA conditions precedent has been extended to 14 November 2014 by agreement between the Deed Administrators and SGH No 2, in accordance with clause 4.3 of the DOCA.

Media inquiries to Nicholas Owens, Director, Sefiani Communications Group, ph. (02) 8920 0700, mobile 0421 977 062, email *nowens@sefiani.com.au****.***

Nexus Energy Limited (Subject to Deed of Company Arrangement)

Explanatory Statement

31 October 2014



McGrathNicol

Contents

1 Overview

1.1 Purpose of this report

This document is an Explanatory Statement issued by Nexus in relation to the deed of company arrangement proposed by SGH No 2 and entered into by Nexus, the Deed Administrators and SGH No 2 (i.e. the Nexus DOCA) under which, if implemented, all of the Shares in Nexus will be transferred to SGH No 2 and the Shareholders will cease to own any Shares in Nexus.

This Explanatory Statement provides information to the Shareholders regarding the Nexus DOCA in order to enable the Shareholders to:

a) understand the Nexus DOCA and how it affects the Shareholders; and

b) decide whether they wish to take any action in relation to the Nexus DOCA, including in respect of the Section 444GA Application.

1.2 The Nexus DOCA

Details relating to the Nexus DOCA are set out at paragraph 11.2 of the Section 439A Report.

Implementation of the Nexus DOCA is subject to a number of conditions (see section 3.3 for further information regarding the conditions to the Nexus DOCA), including the Deed Administrators obtaining the relief sought in the Section 444GA Application (see section 3.4 for further details relating to the Section 444GA Application).

1.3 Independent Expert's Report on the Nexus DOCA

The Deed Administrators engaged the Expert to provide an independent opinion on whether the proposed Share transfer will unfairly prejudice the Shareholders. For the purposes of the Expert's opinion, the Expert was instructed to assume that the proposed Share transfer will not unfairly prejudice Shareholders if the Shares have no value.

The Independent Expert's Report will be relied upon by the Deed Administrators for the purposes of the Section 444GA Application. See Attachment 1 for a full copy of the Independent Expert's Report. As set out in the Independent Expert's Report, The figures used by the Expert in calculating the value of Nexus were based on an estimate of the total amount outstanding under Nexus's financing arrangements as at 30 September 2014.

At the request of ASIC the Expert was instructed to consider two scenarios:

- Scenario 1 – based on a "fundamental going concern valuation of the assets, assuming non-distressed seller and buyer, in an arms' length transaction, and assuming immediate ongoing funding was available to continue operations"; and
- Scenario 2 – using the going concern valuation as a starting point and applying any applicable discounts or adjustments having regard to the relevant factual circumstances and funding requirements and risks of Nexus.

By way of summary, the key findings of the Expert, as set out in Independent Expert's Report, are summarised in the table below:

Valuation summary					
	Value of equity in Nexus		**Value per Nexus share**		
	Low	**High**	**Low**	**Mid**	**High**
	A$m	**A$m**	**Cents**	**Cents**	**Cents**
Scenario 1	(74)	27	(5.5)	(1.8)	2.0
Scenario 2	(195)	(128)	(14.5)	(12.0)	(9.5)

The Expert concludes that:

- Scenario 1 assesses value on the basis that the financial difficulties being experienced by Nexus are disregarded, and assumes that immediate on-going funding is available to the company. The Scenario 1 valuation therefore does not take into account the fact that Nexus is in administration and does not currently have the funding in place to meet all of its capital commitments; and
- as a result, the Scenario 1 valuation range overstates the realisable value of Nexus' assets in the absence of the DOCA. The more relevant valuation assessment is therefore Scenario 2; and
- under Scenario 2 the equity in Nexus has no value. Accordingly, the proposed Share transfer to SGH No. 2 does not unfairly prejudice Shareholders.

The Expert also concludes that ordinarily value is assessed within a range, however if a single point estimate is required they would adopt the mid-point of the range. On this basis the Expert notes that the mid-point of the Scenario 1 valuation range also implies no value for the Shares in Nexus.

Shareholders should consider the Independent Expert's Report in its entirety before deciding whether to take any action in relation to the Nexus DOCA including in relation to the Section 444GA Application.

1.4 Effect of the Nexus DOCA on Shareholders

If the Section 444GA Application is successful, and the Nexus DOCA is fully implemented, the Shares will be transferred by the Deed Administrators to SGH No 2 in accordance with the terms of the Nexus DOCA. In those circumstances, the Shareholders will receive nil consideration for the transfer of their Shares.

1.5 Important information

Shareholders (and their advisors and any other interested parties) should read this Explanatory Statement (including the documents referred to in this Explanatory Statement) in its entirety before making a decision regarding whether or not to take any action in relation to the Nexus DOCA including in relation to the Section 444GA Application.

Further details regarding the Section 444GA Application are set out in section 3.4.

The Section 444GA Application has been issued in the Supreme Court of New South Wales. The return date for the Section 444GA Application is 31 October 2014 at 10 am in the Supreme Court of New South Wales. At the return date, the Deed Administrators will seek a final hearing date and a timetable for the preparation of the matter for final hearing, which is likely to include the dates by which any interested person must file with the Court and serve on the Deed Administrators a notice of appearance and any affidavit evidence on which that person intends to rely.

If you wish to appear at the return date of the Section 444GA Application of 31 October 2014 to make submissions on the timetable to be set down by the Court, and/or oppose the Section 444GA Application at the final hearing, you will need to file at the Court and serve on the Deed Administrators a notice of appearance in the prescribed Court form and any affidavit on which you intend to rely. The timetable that the Deed Administrators anticipate the Court will set down on 31 October 2014 is likely to provide a date by which any appearance and affidavit must be filed and served by an interested party who wishes to oppose the Section 444GA Application at the final hearing.

We strongly suggest you seek legal advice in this respect.

The Deed Administrators will release an ASX announcement setting out the timetable once it has been set by the Court. The Deed Administrators will seek the earliest practical hearing date given the limited funding and timing within which to satisfy the Conditions – see sections 2.2 and 3.3 below.

The Deed Administrators will accept service of any appearance and affidavit at Clayton Utz, Level 18, 333 Collins Street, Melbourne, Victoria 3000 (Attention: Paul James or Alissa Crittenden) or pjames@claytonutz.com or acrittenden@claytonutz.com, or at the Clayton Utz Sydney office at Level 15, 1 Bligh Street, Sydney 2000 (Attention: Jennifer Ball).

Please note that this Explanatory Statement does not constitute financial product advice and has been prepared without reference to the investment objectives, financial situation, taxation position or particular needs of any and every Shareholder. Whether or not to take any action in relation to the Nexus DOCA or in respect of the Section

444GA Application is a decision for each individual Shareholder and will depend, amongst other things, on an assessment of the relevant Shareholder's individual financial circumstances. Accordingly, as the professional, financial, legal and taxation consequences of such a decision may be different for each particular Shareholder, each Shareholder should seek professional financial, legal and taxation advice before making a decision.

1.6 ASIC

A copy of the Explanatory Statement (including the Independent Expert's Report) has been provided to ASIC at the same time as the issuance of this Explanatory Statement. Neither ASIC nor any of its officers takes any responsibility for its contents.

1.7 Relevant Date

The hearing of the Section 444GA Application is returnable before the Court on 31 October 2014 at 10 am. At the time of issuing this Explanatory Statement, the Deed Administrators intend to seek the earliest practical date for a final hearing of the Section 444GA Application at the return date on or before 14 November 2014, as further outlined at section 1.5 above.

1.8 Defined Terms

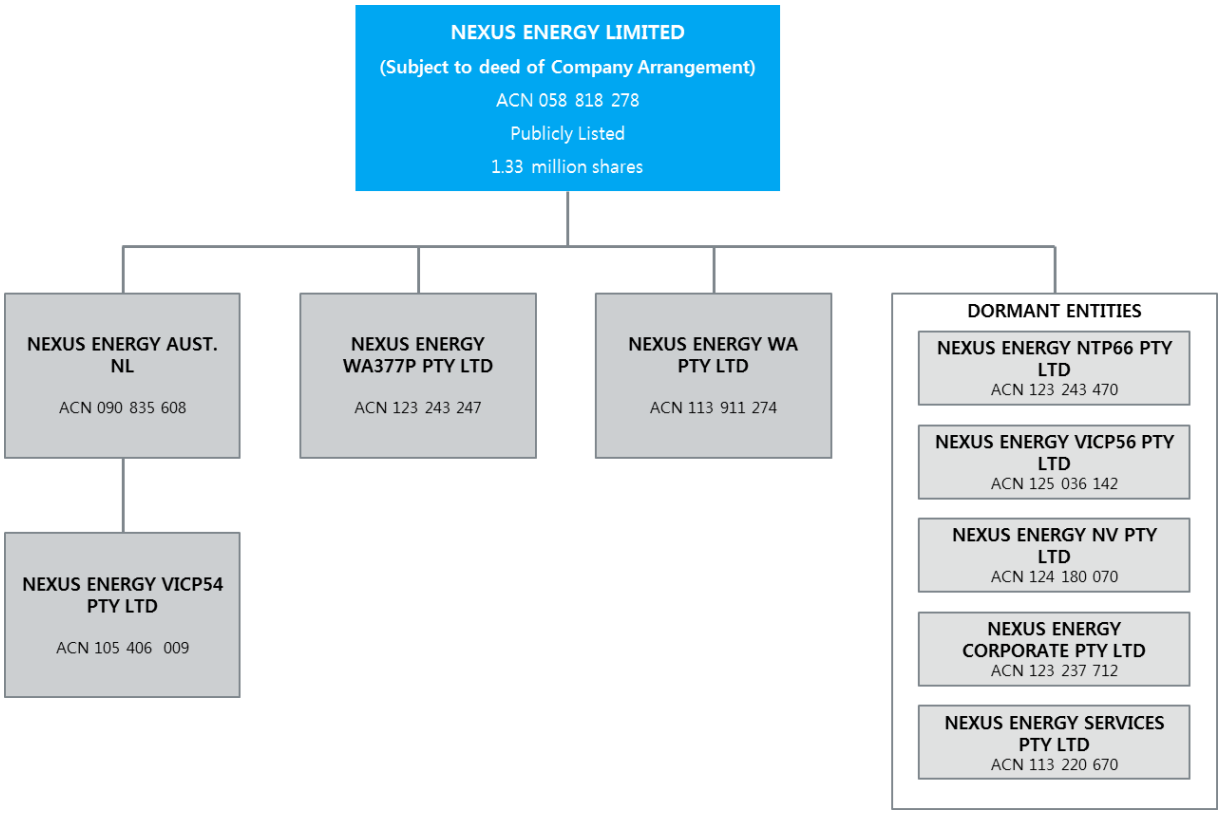
Capitalised terms used in this Explanatory Statement have the meanings as defined in Schedule 1

2 Nexus

2.1 Current organisational structure

Nexus is an ASX listed company with nine subsidiaries (i.e. the Nexus Subsidiaries). The structure of the Nexus Group is set out in the diagram below. The Deed Administrators are appointed to Nexus only. As at the date of this Explanatory Statement, the Nexus Subsidiaries remain under the control of their directors.

As noted in section 3.1, the Shares are currently suspended from trading on the ASX.



2.2 Summary of financing arrangements

See paragraphs 4.8 and 7.3 of the Section 439A Report for a summary of the financing arrangements in place as at 4 August 2014 (i.e. the date of the Section 439A Report).

Paragraph 7.3 of the Section 439A Report refers to the Administrators' Funding Facility. The purpose of the Administrators' Funding Facility is to preserve value and meet the cash requirements of Nexus and certain of the Nexus Subsidiaries. As noted in the Section 439A Report, the Administrators' Funding Facility had an original facility limit of $30 million. However, on 3 October 2014 by way of the Amending Deed, the 'Termination' Date of the Administrators' Funding Facility was extended to 31 October 2014 and the 'Commitment' was increased to $165 million on terms including payment by Nexus of an 'Amendment Fee' of $10 million as set out in the Amending Deed. On 31 October 2014, by way of a further Amending Deed the termination date of the Administrators Funding Facility was extended to 14 November 2014.

Including facility fees, commitment fees and interest, the total amount outstanding in relation to all amounts drawn under all of Nexus's financing arrangements as at 30 October 2014 is approximately $210.5 million.

The Administrators' Funding Facility is secured against the assets of the Nexus Group and ranks ahead of the Senior Debt Facility, Bridge Facility, Notes and unsecured creditors. The Administrators' Funding Facility is due to expire on 14 November 2014, unless terminated earlier in accordance with its terms (such as upon the occurrence of an 'Event of Default' as defined in the Administrators' Funding Facility).

3 The Nexus DOCA

3.1 Background to the Nexus DOCA

Since September 2012, Nexus (and its advisers) implemented certain strategies regarding the future of Nexus including the potential sell down of certain of Nexus' assets. This included conducting sale processes in relation to the sale of Nexus or its assets.

For further details in relation to these sell down strategies, see sections 4.3, 4.5 and 4.6 of the Scheme Booklet.

On 12 June 2014, a meeting of Shareholders was held for the purposes of approving the Scheme. The intention of the Scheme was to facilitate the acquisition by SGH No 2 of all the Shares in return for the payment of 2 cents per share to Shareholders. The Scheme was not approved by Shareholders at the Scheme Meeting. Prior to the Scheme Meeting, on 12 June 2014, the Shares were placed in a trading halt and, following the appointment of the Administrators on 12 June 2014, the Shares were suspended from trading on the ASX and have remained in suspension since then.

On 12 June 2014, following the Scheme Meeting, the Administrators were appointed as joint and several voluntary administrators of Nexus.

The Administrators undertook an extensive sale process with respect to the assets of Nexus and the Nexus Subsidiaries during the course of the administration of Nexus.

See section 10.2 of the Section 439A Report for further details relating to the Administrators' Sale Process.

Following the Administrators' Sale Process (which concluded on 30 July 2014):

- no binding offers were received for any of Nexus's assets; and
- the only deed of company arrangement proposal received by the Administrators was from SGH No 2 in respect of the Nexus DOCA.

On 11 August 2014, at the Second Meeting, the creditors of Nexus resolved that Nexus execute a deed of company arrangement and creditors trust (i.e. the Nexus DOCA and Creditors Trust) substantially in the form of the deed of company arrangement and creditors trust tabled at the Second Meeting. The Nexus DOCA and Creditors Trust were executed on 22 August 2014. See Attachment 2 for a copy of the Nexus DOCA and Creditors Trust.

3.2 Overview of the Nexus DOCA

The key terms of the Nexus DOCA are, subject to satisfaction or waiver of the Conditions:

- All the Shares will be transferred to SGH No 2.

- Payment by SGH No 2 of an amount which, as at the date of this Explanatory Statement is an aggregate amount of approximately $208.7 million and includes the following (which must be paid within five business days after the Conditions are satisfied):

  (a) all amounts due to the Senior Lender and NIH (as relevant) under the Senior Facility Agreement, the Bridge Facility and the Administrators' Funding Facility (approximately $82.6 million in total) are to be paid in full;

  (b) any employee priority claims will be paid in full (although there are not expected to be any priority claims because entitlements are preserved);

  (c) a fund amount (i.e. the Trust Fund), sufficient to pay all known trade creditors in full and the Trustee's costs ($855,000) will be paid. Following termination of the Nexus DOCA upon satisfaction of the relevant Conditions, creditors' claims are converted to claims against the Trust Fund;

  (d) all Noteholders will be paid 74.5 cents in the dollar for principal and interest accrued on the Notes up to, but not including, the Implementation Date (approximately $95.3 million including the Notes held by NIH); and

  (e) Sedco will be paid $30 million.

- The amounts due to the Senior Lender and to NIH under its Notes are to be paid directly by SGH No 2 to NIH. SGH No 2 will pay to the Deed Administrators the amounts due to Sedco, the Noteholders (other than NIH) and employee priority claims (if any) for distribution to those persons. Trade creditors and the Trustees' costs are to be paid via the Trust Fund in accordance with the Creditors Trust.
- Employees' contracts will not be terminated under the Nexus DOCA.
- Shareholders are not entitled to participate in or receive any distribution from the Trust Fund or any other form of payment or consideration.
- NIH, as secured creditor, reserves its rights to enforce its security.
- Upon the Nexus DOCA terminating (upon satisfaction of the Conditions and effectuation of the Nexus DOCA), each admissible claim against Nexus is extinguished and released and each trade creditor (excluding Sedco, the Noteholders and 'subordinated creditors' as defined in section 563 of the Act) is entitled to make a claim against the Trust Fund.
- The Trust Fund is to be distributed in accordance with the Creditors Trust and Trust Creditors are to receive their entitlements (i.e. up to 100 cents in the dollar) under the Creditors Trust by sharing in the Trust Fund.

3.3 Conditions of the Nexus DOCA

The Nexus DOCA is conditional upon the following occurring:

- an order made by the Court granting the relief sought in the Section 444GA Application;
- ASIC relief being granted to permit the transfer of the Shares to SGH No 2 pursuant to the Nexus DOCA, on terms satisfactory to SGH No 2 and the Deed Administrators;
- Sedco delivering to the Deed Administrators an executed copy of the Sedco Settlement Deed, which provides Sedco's agreement to accept the $30 million proposed under the Nexus DOCA. This condition has been satisfied; and
- the Deed Administrators and Nexus executing the Creditors Trust. This Condition has been satisfied.

In accordance with the terms of the Nexus DOCA, if any Conditions are not satisfied within the relevant time frame provided for in the Nexus DOCA, or as extended by agreement between the Deed Administrators and SGH No 2, the Deed Administrators are required to convene a meeting of the creditors of Nexus to determine the future of Nexus.

At the time of issuing this Explanatory Statement, the date by which the Conditions must be satisfied has been extended by agreement between the Deed Administrators and SGH No 2 to 14 November 2014.

3.4 Further details relating to the s 444GA application

The Section 444GA Application is an application commenced by the Deed Administrators in the Supreme Court of New South Wales seeking leave from the Court pursuant to section 444GA of the Act for the transfer of the Shares to SGH No 2.

Under subsection 444GA(3) of the Act, the Court may only give leave to transfer the Shares to SGH No 2 if it is satisfied that the transfer would not unfairly prejudice the interests of the Shareholders. The Deed Administrators will rely on the Independent Expert's Report when addressing the issue of unfair prejudice with the Court.

4 Consequences if the Nexus DOCA is not approved

As described in section 3.3, the Court making the orders sought by the Deed Administrators in the Section 444GA Application is one of the Conditions to the Nexus DOCA. If the Court does not make the orders sought in the Section 444GA Application in satisfaction of the relevant Condition, and that Condition is not waived, the Conditions to the Nexus DOCA will not be satisfied. The Deed Administrators consider it unlikely that the relevant Condition concerning the Section 444GA Application will be waived.

If the Conditions are not satisfied or waived, pursuant to the Nexus DOCA, the Deed Administrators are required to convene a meeting of the creditors of Nexus to determine the future of Nexus. If the creditors of Nexus pass a resolution terminating the Nexus DOCA at the relevant meeting, pursuant to the terms of the Nexus DOCA, Nexus will be taken to have passed a special resolution that it be voluntarily wound up and that the Deed Administrators be appointed as liquidators of Nexus.

As noted above, the Expert has concluded that if Nexus was placed into liquidation and the Nexus Subsidiaries placed into voluntary administration or liquidation, there would be no return to the Shareholders.

5 Additional information

5.1 ASIC Relief

On 15 August 2014, the Deed Administrators applied to ASIC for relief from the operation of section 606 of the Act with respect to the transfer of the Shares. At the time of issuing this Explanatory Statement, that application has not been determined by ASIC. The Deed Administrators will issue further ASX announcements in relation to the ASIC application as updates and developments occur.

5.2 Material interests of the Deed Administrators

See paragraph 3.1 of the Section 439A Report and the DIRRI at Appendix II of the Section 439A Report.

Schedule 1 – Glossary of terms

In this Explanatory Statement, capitalised terms have the meanings set out in the following table:

Act	*Corporations Act 2001* (Cth)
Administrators	Anthony McGrath, Jason Preston and Matthew Caddy (of McGrathNicol)
Administrators' Funding Facility	The funding facility provided by NIH to Nexus pursuant to a facility agreement dated 25 June 2014 as amended by the Amending Deed
Amending Deed	The amending deeds to the Administrators' Funding Facility between Nexus and NIH dated 3 October 2014 and 31 October 2014.
ASIC	The Australian Securities and Investments Commission
ASX	The Australian Securities Exchange
Bridge Facility	The facility provided pursuant to the Bridge Facility Agreement
Bridge Facility Agreement	Bridge facility agreement for a cash advance facility to be provided by NIH, a subsidiary of SGH, to Nexus Group
Conditions	The conditions set out in clause 4.1 of the Nexus DOCA
Court	Supreme Court of New South Wales
Creditors Trust	The document entitled 'Nexus Creditors' Trust Deed' between the Deed Administrators, Nexus and SGH No 2 dated 22 August 2014, a copy of which is at Attachment 2
Crux	Nexus' development asset in the east browse basin, offshore Western Australia
Deed Administrators	Anthony McGrath, Jason Preston and Matthew Caddy (of McGrathNicol)
DIRRI	Declaration of independence, relevant relationships and indemnities
Echuca Shoals	Nexus' exploration interest in the central browse basin, offshore Western Australia
Expert	Lonergan Edwards & Associates Limited ABN 53 095 445 560
Explanatory Statement	This document as described in section 1.1
Gresham	Gresham Advisory Partners Ltd
Implementation Date	Has the meaning as defined in the Nexus DOCA

Independent Expert's Report	The report by the Expert as described in section 1.3 and as annexed to this Explanatory Statement at 0
Longtom	Nexus's gas production operations in the Gippsland basin, off the south east coast of Victoria
NEA	Nexus Energy Aust. NL ACN 090 835 608 – subsidiary of Nexus
NEC	Nexus Energy Corporate Pty Ltd ACN 123 237 712 – subsidiary of Nexus
Nexus	Nexus Energy Ltd (Subject to Deed of Company Arrangement) ACN 058 818 278
Nexus DOCA	The deed of company arrangement between the Administrators, Nexus and SGH No 2 in respect of Nexus and dated 22 August 2014, a copy of which is at Attachment 2, the date by which the Conditions must be satisfied was extended pursuant to the Nexus DOCA Extension Letters
Nexus DOCA Extension Letters	The letters dated 29 September 2014 and 31 October 2014 setting out the agreement between SGH No 2 and the Deed Administrators to extend the date by which the Conditions are to be satisfied in accordance with the Nexus DOCA to 31 October 2014 and 14 November 2014, respectively
Nexus Group	The consolidated group of Nexus (including the Nexus Subsidiaries)
Nexus Subsidiaries	The wholly owned subsidiaries of Nexus
NIH	Network Investment Holdings Pty Ltd
Notes	Tranche A Notes issued by Nexus pursuant to the Note Trust Deed
Noteholders	Holders of Nexus' subordinated unsecured notes
Note Trust Deed	Note Trust Deed dated 30 July 2010 between Nexus as issuer and the Note Trustee, including the conditions (as that term is defined in the Note Trust Deed) in schedule 1 to the Note Trust Deed
Note Trustee	BNY Trust Company of Australia Limited (ABN 49 050 294 052) as trustee under the Note Trust Deed
Scheme	The proposal by SGH No 2 to acquire all of the issued shares of the Company as set out in the Scheme Booklet

Scheme Booklet	Scheme Booklet in relation to the scheme dated 7 May 2014 in respect of the acquisition of all of the issued shares of the Company by SGH No 2 (No 2) Pty Limited, a wholly owned subsidiary of SGH, through a Scheme of Arrangement. A copy of the Scheme Booklet can be found on the Nexus Energy website: http://www.nexusenergy.com.au/assets/97/Files/Scheme%20Booklet%20and%20Reinstatement%20of%20Shares.pdf.
Scheme Meeting	The meeting of Shareholders held on 12 June 2014 in order to approve the Scheme as described in section 3.1
Second Meeting	The second meeting of creditors of the Company held on 11 August 2014 in accordance with section 439A of the Act
Section 439A Report	A copy of the section 439A Report can be obtained from the McGrathNicol website: http://www.mcgrathnicol.com/app/uploads/D14-140804-NEXUENE01-s439A-Report-final.pdf in accordance with section 439A of the Act dated 4 August 2014.
Section 444GA Application	The application by the Deed Administrators pursuant to section 444GA of the Act as described in section 3.4
Senior Debt Facility	The debt facility provided pursuant to the Senior Facility Agreement
Senior Facility Agreement	The senior facility agreement dated on or about 11 May 2007 between Nexus, VICP54, NEA, NEC, and the Senior Lender
Senior Lender	BOS International (Australia) Ltd
Sedco	Sedco Forex International Inc.
SGH	Seven Group Holdings Ltd (ACN 142 003 469)
SGH No 2	SGH Energy (No 2) Pty Ltd (ACN 168 935 644) a wholly owned subsidiary of SGH
Shares	All the issued share capital of Nexus
Shareholders	Means the shareholders of Nexus as at the date of the Explanatory Statement
Trust Creditors	Has the meaning as defined in the Nexus DOCA
Trust Fund	The trust fund contemplated by the Nexus DOCA and established under the Creditors Trust
Trustees	Anthony McGrath, Jason Preston and Matthew Caddy (of McGrathNicol) in their capacity as trustees of the Creditors Trust
VICP54	Nexus Energy VICP54 Pty Ltd ACN 108 405 009 – subsidiary of Nexus

Attachment 1 – Independent Expert's Report

LONERGAN EDWARDS
& ASSOCIATES LIMITED

ABN 53 095 445 560
AFS Licence No 246532
Level 27, 363 George Street
Sydney NSW 2000 Australia
GPO Box 1640, Sydney NSW 2001

Telephone: [61 2] 8235 7500
Facsimile: [61 2] 8235 7550
www.lonerganedwards.com.au

Messrs Tony McGrath, Jason Preston & Matthew Caddy
Voluntary Administrators of Nexus Energy Limited
Level 6, 171 Collins Street
Melbourne Vic 3000

30 October 2014

Subject: Valuation of the shares in Nexus Energy Limited

Dear Sirs

Introduction

1 On 12 June 2014 the Directors of Nexus Energy Limited (Nexus or the Company) appointed Messrs Tony McGrath, Jason Preston & Matthew Caddy as joint and several administrators (Administrators) of Nexus pursuant to Section 436A of the *Corporations Act 2001 (Cth)* (Corporations Act).

2 The Administrators of Nexus have recommended that creditors enter into a Deed of Company Arrangement (DOCA) with SGH Energy (No 2) Pty Limited (SGH Energy), a wholly owned subsidiary of Seven Group Holdings Limited (SGH).

3 On 11 August 2014, creditors resolved that the Administrators execute the DOCA (and the related Creditors Trust). Under the terms of the DOCA:

(a) all creditors other than the Noteholders and Sedco Forex International Inc (Sedco) will be paid from the Fund Amount. Based on creditor claims received to date, creditor claims should be paid in full

(b) Noteholders will be paid 74.5% of the amount owed to them (the amount owing to the Noteholders comprising face value of the notes plus accrued interest)

(c) Sedco will receive A$30 million

(d) Nexus shareholders will not receive any consideration for their Nexus shares.

Liability limited by a scheme approved under Professional Standards legislation

Scope

4 Implementation of the DOCA is conditional upon ASIC granting relief from the operation of section 606 of the Corporations Act and the Court granting leave under section 444GA of the Corporations Act to transfer all the shares in Nexus to SGH Energy. Pursuant to section 444GA(3) of the Corporations Act, the Court will only approve such a transfer if it is satisfied that the proposed share transfer will not *"unfairly prejudice the interests of members of the company"*.

5 The Administrators have therefore requested that we set out our independent opinion on whether or not the proposed share transfer will unfairly prejudice Nexus shareholders for use in the Court application under section 444GA of the Corporations Act.

6 For the purposes of our opinion we have been instructed to assume that the proposed share transfer will not unfairly prejudice Nexus shareholders if Nexus shares have no value.

Summary of opinion

7 For the purposes of determining the Administrators application for relief from the operation of section 606 of the Corporations Act, ASIC has requested that the value of Nexus shares be assessed on the following two bases:

(a) **Scenario 1** - based on a *"fundamental going concern valuation of the assets, assuming non-distressed seller and buyer, in an arms' length transaction, and assuming immediate ongoing funding was available to continue operations"*

(b) **Scenario 2** - using the going concern valuation as a starting point and applying any applicable discounts or adjustments having regard to the relevant factual circumstances and funding requirements and risks of Nexus.

8 Our assessed values for the shares in Nexus under these scenarios are summarised below:

Valuation summary

	Value of equity in Nexus		Value per Nexus share		
	Low A$m	High A$m	Low cents	Mid cents	High cents
Scenario 1	(74)	27	(5.5)	(1.8)	2.0
Scenario 2	(195)	(128)	(14.5)	(12.0)	(9.5)

9 Ordinarily we assess value within a range. However, if a single point estimate is required we would adopt the mid-point of our valuation range.

10 Scenario 1 assesses value on the basis that the financial difficulties being experienced by Nexus are disregarded, and assumes that immediate on-going funding is available to the company. The Scenario 1 valuation therefore does not take into account the fact that Nexus is in administration and does not currently have the funding in place to meet all of its capital commitments.

11 As a result, the Scenario 1 valuation range overstates the realisable value of Nexus' assets in the absence of the DOCA. The more relevant valuation assessment is therefore Scenario 2.

12 Under Scenario 2 the equity in Nexus has no value[1]. Accordingly, we have concluded that the proposed share transfer of Nexus shares to SGH Energy does not unfairly prejudice Nexus shareholders.

Yours sincerely

Craig Edwards
Authorised Representative

Grant Kepler
Authorised Representative

1 In addition, we note that the mid-point of our Scenario 1 valuation range also implies no value for Nexus shares.

LONERGAN EDWARDS & ASSOCIATES LIMITED

Table of contents

Appendices

I Key terms of the DOCA

Terms

13 SGH Energy (No 2) Pty Limited (SGH Energy)[2] has proposed a Deed of Company Arrangement (DOCA) in relation to Nexus. Under the terms of the DOCA:

(a) all creditors other than the Noteholders and Sedco Forex International Inc (Sedco) will be paid from the Fund Amount. Based on creditor claims received to date, creditor claims should be paid in full

(b) Noteholders will be paid 74.5% of the amount owed to them (the amount owing to the Noteholders comprising face value of the notes plus accrued interest)

(c) Sedco will receive A$30 million

(d) Nexus shareholders will not receive any consideration for their Nexus shares.

Conditions

14 The DOCA is conditional upon:

(a) Court approval under section 444GA of the Corporations Act to transfer all the shares in Nexus to SGH Energy

(b) Australian Securities & Investments Commission (ASIC) relief being granted on terms satisfactory to SGH and the Administrators

(c) Sedco agreeing to settle their legal claim against the Group for A$30 million

(d) the Administrators and Nexus executing the Trust Deed.

2 A wholly owned subsidiary of Seven Group Holdings Limited (SGH).

II Scope of our report

Purpose

15 Implementation of the DOCA is conditional upon ASIC granting relief from the operation of section 606 of the Corporations Act and the Court granting leave under section 444GA of the Corporations Act to transfer all the shares in Nexus to SGH Energy. Pursuant to section 444GA(3) of the Corporations Act, the Court will only approve such a transfer if it is satisfied that the proposed share transfer will not *"unfairly prejudice the interests of members of the company"*.

16 The Administrators have therefore requested that we set out our independent opinion on whether or not the proposed share transfer will unfairly prejudice Nexus shareholders.

17 We understand that this report will be used:

(a) in the Administrators application to the Court under section 444GA of the Corporations Act; and

(b) by ASIC in connection with determining the Administrators application for relief from the operation of section 606 of the Corporations Act.

18 We are aware that the Administrators will tender this report to the Court as part of the evidence in support of their section 444GA application. As a consequence, we have read the Expert Witness Code of Conduct contained in Schedule 7 of the Uniform Civil Procedure Rules 2005 (NSW) and have prepared this report on the basis that we are bound by it.

Basis of assessment

19 For the purposes of our opinion we have been instructed to assume that the proposed share transfer will not unfairly prejudice Nexus shareholders if Nexus shares have no value.

20 For the purposes of determining the Administrators application for relief from the operation of section 606 of the Corporations Act, ASIC has requested that the value of Nexus shares be assessed on the following two bases:

(a) **Scenario 1** - based on a *"fundamental going concern valuation of the assets, assuming non-distressed seller and buyer, in an arms' length transaction, and assuming immediate ongoing funding was available to continue operations"*

(b) **Scenario 2** - using the going concern valuation as a starting point and applying any applicable discounts or adjustments having regard to the relevant factual circumstances and funding requirements and risks of Nexus.

Limitations and reliance on information

21 Our opinions are based on the economic, sharemarket, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

22 Our report is also based upon financial and other information provided by Nexus and the Administrators. We have considered and relied upon this information.

23 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the value of the shares in Nexus. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of this report.

24 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters.

Reliance on technical experts

25 To assist us to assess the value of Nexus' oil and gas assets we appointed Gaffney, Cline & Associates (GCA) to provide an opinion on technical matters including the reliability of reserve and resource estimates, oil and gas production profiles and the appropriate operating and capital cost estimates. GCA has also provided an opinion on the value of Nexus' exploration assets under Scenario 1 (going concern basis). GCA provides a range of technical advisory services to the oil and gas industry and has significant experience in the oil and gas sector.

26 LEA has relied on the work undertaken by GCA (referenced above) when forming our opinion on the value of Nexus' oil and gas assets[3]. A copy of the GCA report is included at Appendix G.

27 In making references to Nexus' reserves and resources in this report we have relied on the report prepared by GCA.

3 GCA has only provided a valuation opinion on Nexus' exploration assets under Scenario 1 (refer paragraph 157).

III Profile of Nexus

Overview

28 Nexus is a Melbourne based oil and gas exploration and production company. Its principal assets are:

(a) its 100% interest in the Longtom project[4]

(b) its 15% interest in the Crux project[5]; and

(c) a 100% interest in the Echuca Shoals exploration asset.

29 On 12 June 2014, Nexus was placed into voluntary administration. This followed a proposal from Seven Group Holdings Limited (SGH) to acquire all the Nexus shares on issue for $0.02 per share, which did not proceed as the proposal was not approved by the required majority of shareholders.

Key business operations

Longtom Gas Project (100% Nexus)

Overview

30 Longtom is a gas and condensate field located within the Gippsland Basin, offshore Victoria. Nexus supplies gas and condensate from the offshore subsea wells, Longtom-3 and Longtom-4. The gas and condensate are processed at the Patricia-Baleen plant owned by Santos Limited (Santos) and the products are sold to Santos under the Longtom Agreement, containing a long term gas sales agreement. Longtom is Nexus' sole producing asset.

31 In May 2013 Nexus executed a revised Longtom Agreement with Santos with respect to the Longtom Project, which incorporated a defined work program that was less capital intensive.

32 Subject to the receipt of required funding, the development plan was optimised to meet the revised gas supply requirements and included:

(a) Longtom-5 infill well targeted to commence drilling by mid-2015

(b) Longtom-4 workover targeted for March quarter 2015 to open up previously unexploited proven gas sands; and

(c) inlet pressure reduction at the Patricia-Baleen plant to increase recovered volumes.

Recent asset history and current production issues

33 On 14 March 2012, Nexus announced a downgrade in proven and probable reserves at the Longtom field post a full and detailed independent review by Gaffney, Cline & Associates. As a result of the reserves downgrade, the Board of Nexus impaired the Longtom asset by approximately $163 million, which was reflected in the half year accounts to 31 December 2011 and full year accounts to 30 June 2012.

---

4 Including related exploration potential.

5 Ibid.

34 On 6 June 2012, Nexus announced that production at Longtom had been suspended as a result of an intermittent electrical fault. Post the successful identification of the electrical fault on 22 June 2012, production start-up activities initiated on 28 June 2012 with full production achieved shortly thereafter.

35 On 14 January 2013, Nexus announced that production at the Longtom gas processing facility was suspended as a result of an electrical fault. Two offshore campaigns were completed and on 27 May 2013 (following repair by Santos to the Patricia Baleen electrical system), Nexus announced that production recommenced on 26 May 2013.

36 On 21 February 2014, production at the Longtom gas processing facility was again suspended due to an electrical fault. On 6 March 2014, a Nexus-led offshore intervention program commenced work on the field to locate, inspect and potentially rectify the electrical fault that suspended production. The intervention program identified the location of the electrical fault within the Longtom-3 subsea facilities. As a result, the Longtom-3 well was isolated and is currently not producing. On 11 March 2014, Longtom gas production recommenced from the Longtom-4 well.

37 In relation to the Longtom-3 subsea facilities, Nexus has been developing alternative options to enable Longtom-3 production to recommence. These options include a standalone offshore campaign (with limited scope) and an offshore campaign (with full rectification scope) integrated with the proposed Longtom-5 subsea work program in mid 2015. In assessing the options, Nexus considered the scope of work and the availability of suitable vessels and equipment specific to the scope of work for each particular option over the short to medium term and a range of potential scenarios of the type of work required. It then compared this to a scenario where the rectification works are not undertaken and the financial implications under the terms of the Longtom Agreement of Longtom-3 not being returned to production. Preliminary capex estimates are in the order of $3 million to $7 million (including contingency) depending on the option chosen.

38 On 11 April 2014 Nexus announced that, in the event that Nexus does not carry out any rectification works at Longtom-3, the loss of revenue and associated implications under the Longtom Agreement would result in a negative net present value (NPV) adjustment of approximately $18 million, taken against the carrying value of the asset as at 1 January 2014. In calculating the NPV impact, the same underlying assumptions used as part of the 31 December 2013 Half Year Review Financial Statements were applied.

Crux Project (15% Nexus)

Overview

39 Crux is a gas and condensate resource located in the Browse Basin, offshore Western Australia. Based on data from the five subsurface intersections, the reservoirs have positive reservoir characteristics including high porosity and permeability, good liquids content and low CO_2 content.

40 In the financial year ended 30 June 2012, Nexus recognised an impairment charge on the Crux development asset of approximately $81 million, which related to the write down of long lead items associated with the former Crux liquids project.

41 In 2012, Nexus' wholly owned subsidiary, NEWA, entered into the Crux Consolidation Agreement with Shell and Osaka Gas to consolidate the gas and condensate interests in Crux

under a single Shell-led integrated gas and liquids development to commercialise the Crux asset. Initially, the participating interests in the Crux Joint Venture were Nexus 17%, Shell 80% (operator) and Osaka Gas 3%. In December 2012 Nexus exercised a put option to sell a 2% interest for $75 million.

42 The Crux Petroleum Retention Lease AC/RL9 and work program (issued in February 2013 and subsequently varied in July 2014) provides a framework for the Crux joint venture (Shell (now 82% and operator), NEWA (15%) and Osaka Gas (3%)) to meet the Government's expectation of the earliest commercialisation of the Crux asset. The detailed work program requires the Crux joint venture to finalise the development concept within 30 days of the start of Year 5 (2017) with a view to progressing to a final investment decision. Included in the work program are technical studies, the drilling of a firm commitment well in Year 2 (2014) as a test of the Auriga prospect and plugging and abandonment operations of the existing Crux-2/ST-1, Crux-3 and Crux-4 wells (which are to be carried out at the cost of NEWA (85%) and Osaka Gas (15%) up to an agreed cap formula). These obligations are secured by charges over Crux. A commercial viability test is required in Year 3 (2015).

43 On 23 July 2014, the National Offshore Petroleum Titles Administrator approved a variation of the Title Conditions to the AC/RL9 Petroleum Lease to accommodate a deferral of the year 2 drilling activities that were required by the original work program to be completed by February 2015. The variation to the Crux Title conditions provide that the original detailed work program activities for Years 2 through to Year 5 be consolidated with all activities now being required to be completed within the remaining term of the Crux Title (i.e. by February 2018). The report outlining the final development concept(s) for the Crux field is required within 90 days of the start of Year 5.

Echuca Shoals (100% Nexus)

Overview

44 Echuca Shoals is an exploration asset located in the Browse Basin, offshore Western Australia. The Echuca Shoals petroleum exploration permit is currently in year two of a five year renewal term with one firm well commitment to be drilled by September 2015 (noting that this commitment was extended from March 2015).

Reserves and resources

45 Proven and probable (2P) reserves[6] at Longtom are summarised below:

6 Defined as those reserves which have a 50% likelihood of being equalled or exceeded.

2P reserves as at 31 July 2014				
Gas/Condensate Field	**License**	**Nexus %**	**Sales gas PJ[1] 2P**	**Condensate MMstb 2P**
Longtom as at 31 July 2014	Vic/L29	100	79	0.87

Note:
1 Sales Gas volumes are net of fuel and flare quantities and have a gross heating value of 1.135 PJ/Bscf. The sales gas reference point is the last flange as the connection of the Patricia-Baleen gas plant to the export gas pipeline.

PJ – petajoules. Joules are a metric measure unit for energy. A petajoules is equal to 1 joule times 10^{15}.
Bscf – billion standard cubic feet, a measure of gas volume.
MMstb – million stock tank barrels.
Source: GCA (refer to Appendix G).

46 The above 2P reserve estimate has been determined by GCA as at 31 July 2014. It should be noted that this reserve estimate is significantly lower than the 2P reserve estimate as at 30 June 2013 after adjusting for production in the intervening period. The reduction in 2P reserves largely reflects the exclusion of the previous 2P reserves relating to Longtom 6. As a result of significant increases in upfront development costs (which have only been identified in recent weeks), GCA believes that Longtom 6 is not economically viable at this time (based on information made available to it).

47 Contingent resources (being potentially recoverable resources from known accumulations, but which are not currently considered to be commercially recoverable due to one or more contingencies) are as follows:

2C resources as at 31 July 2014				
Gas/Condensate Field	**License**	**Nexus %**	**Gas Bscf (Nexus interest only) 2C**	**Condensate MMstb (Nexus interest only) 2C**
Longtom	Vic/L29	100	115	1.45
Grayling-1A	Vic/L29	100	25	0.15
Crux	AC/RL9	15	222	8.10
Echuca Shoals-1	WA-377-P	100	27	0.69

Note:
1 Gas volumes for Longtom and Crux are Sales Gas in billion standard cubic feet (Bscf), a measure of gas volume. Conversion of Sales gas in Bscf to PJ is based on a gross heating value of 1.135PJ/Bscf. Grayling-1A and Echuca Shoals-1 gas volumes are raw gas.

Source: GCA.

Capital commitments

49 Nexus has significant capital commitments in relation to its projects, as summarised below:

Capital commitments	Estimated amount $m	Description
Longtom Capital Requirements	170	Capital requirements for the Longtom Project (Nexus 100%), including Nexus' obligations to undertake the Longtom-4 workover (targeted for June 2015 quarter) and commencement of drilling of the Longtom-5 well (targeted for mid-2015 calendar year) and Longtom-3 Remedial works. The terms of the Longtom Agreement require Longtom-5 to be completed by 30 June 2015. The Longtom-3 well is currently not in production due to an electrical fault as identified during the offshore intervention program undertaken in March 2014 following the February 2014 outage of the Longtom project.
Crux Joint Venture Contributions – Auriga Exploration Drilling and Plug and Abandonment Activities	66	Exploration drilling of the Auriga commitment well (planned for mid 2015) and required as a condition of the Retention Lease. Plugging and Abandonment Obligations associated with the Crux-2/ST- 1, Crux-3 and Crux-4 wells (targeted to follow the Auriga drilling) and required as a condition of the Retention Lease. Nexus is liable for 85% of suspended well costs up to a cap determined under the terms of the Crux consolidation agreement and then for 15% of any expenses which exceed this cap. The obligation is based on estimates provided by Shell as operator of the joint venture.
Echuca Shoals – Drilling Commitment Well	60	Drilling of a commitment well under the Echuca Shoals petroleum exploration permit (Nexus 100%) targeted for the second half of 2015. The commitment well is required (as a condition of the permit) to be drilled by September 2015.
Total	296	

Source: Nexus ASX announcement dated 2 June 2014, guidance from Shell re Crux dated 30 September 2014, Nexus management and GCA.

50 In the Scheme Booklet (dated 7 May 2014) the Longtom capital commitments totalled approximately $115 million. As stated in the Scheme Booklet:

(a) this was an internal indicative estimate based on conceptual work completed in December 2012; and

(b) an up to date estimate based on engineering work was expected in mid-2014.

51 As indicated above, the updated cost estimate for Longtom[7] is significantly higher than the earlier indicative estimate, which adversely impacts the value of the project and its level of reserves.

Financial performance

52 The recent financial performance of Nexus is summarised below:

Summary of financial performance

	FY12 A$m	FY13 A$m	FY14(1) A$m
Revenue	80.7	52.0	54.0
EBITDA before non-recurring items	25.3	13.9	12.9
Depreciation and amortisation	(32.1)	(12.7)	(17.9)
EBIT before non-recurring items	(6.8)	1.2	(5.0)
Finance costs	(32.8)	(27.5)	(31.9)
Profit (loss) before tax and non-recurring items	(39.6)	(26.3)	(36.9)
Non-recurring items:			
Gain on sale of 2% interest in Crux	-	45.8	-
Gain on settlement of obligations of long lead items	-	9.3	-
Gain on disposal of former Crux liquids project Long Lead items	-	-	3.8
Impairment charges – Longtom	(162.8)	-	(22.2)
Impairment charges – Crux	(81.0)	-	-
Provision for doubtful recovery against prepayments	-	-	(4.1)
Loss before tax	(283.4)	28.8	(59.4)

Note:
1 Unaudited results.
Source: Nexus, LEA analysis.

53 In relation to the above, we note the following:

(a) revenues from Longtom in FY14 were broadly similar to the level achieved in FY13

(b) the result for FY14 reflected an impairment charge related to Longtom of $22.2 million (which was recognised in the results for the six months ended 31 December 2013). Nexus management have not yet considered whether further impairment charges are appropriate in light of voluntary administrators being appointed.

7 Which excludes capital costs associated with Longtom 6.

Financial position

54 The consolidated financial position of Nexus as at 31 December 2013 and estimated position as at 30 September 2014 is summarised below:

Financial position	31 Dec 13 Actual $m	30 Sep 14 Estimate[1] $m
Cash	10.0	8.1
Trade and other receivables	6.0	11.2
Deferred tax assets	-	-
Carrying value of Crux project	202.8	203.6
Carrying value of Longtom project	94.8	89.1
Carrying value of Echuca Shoals exploration asset	8.2[2]	8.4
Total assets	321.8	320.4
Trade and other payables	6.1	11.3
Accrual for Administration costs	-	2.0
Deferred revenue	4.3	4.1
Borrowings[3]	151.4	201.5
Derivative financial liabilities	0.1	-
Employee entitlements	0.8	0.8
Sedco claim	-	30.0
Total liabilities	162.8	249.7
Net assets	159.0	70.7

Note:
1 Unaudited and prior to considering impairment charges in light of voluntary administrators being appointed.
2 In the 31 December 2013 accounts, exploration and evaluation assets of $12.9 million comprises Echuca Shoals ($8.2 million) and exploration permit Vic/P54 ($4.7 million). In the above table, exploration permit Vic/P54 is included in the Longtom carrying value.
3 Including accrued interest and fees.
Rounding differences exist.
Source: Nexus

55 It should be noted that Nexus' financial statements have been prepared on a going concern basis. No allowance has therefore been made in the above table for the lower asset values expected to be realised upon a liquidation of the Group.

Trade and other receivables

56 Trade and other receivables largely relate to amounts receivable from Santos in relation to Longtom. The receivable (net of a provision for doubtful debts) as at 30 September 2014 is as follows:

Receivables as at 30 September 2014	$m
Receivables (including GST)	25.2
Less provision for doubtful debts	(14.0)
Receivables (net of provision)	11.2

57 Approximately $14 million (excluding GST) of the amount outstanding relates to the June 2013 Longtom take-or-pay (TOP) receivable, which is disputed by Santos. Santos has also claimed a right of set-off in relation to other disputed invoices. Consequently, the amount ultimately recoverable is inherently uncertain.

Deferred tax assets

58 As at 31 December 2013 Nexus had substantial tax losses and Petroleum Resource Rent Tax Credits, as shown below:

Tax losses / credits as at 31 December 2013

	Tax losses / credits $m	Potential benefit at marginal tax rate $m
Income tax losses[1]	163.0	48.9[2]
Capital tax losses	90.4	27.1[2]
Petroleum Resource Rent Tax credits	516.3	144.6[3]

Note:
1 Further income tax losses were incurred in the nine months ended 30 September 2014.
2 At 30%.
3 At 28%.

59 No value has been attributed to these tax losses / credits in Nexus' financial statements, and they would have no value to Nexus on a liquidation.

Carrying value of Crux project

60 The carrying value of the Crux project[8] is shown net of restoration provisions of some $50 million.

61 Whilst Nexus has a 15% interest in the Crux project, it is responsible for 85% of restoration costs relating to the Crux-2/ST-1, Crux-3 and Crux-4 wells (up to an agreed cap) pursuant to the terms of the Crux JV.

62 The restoration provision represents Nexus management's estimate of the present value of costs relating to future site restoration, removal and rehabilitation activities (i.e. the plug and abandonment costs of Crux wells). This provision increased by $25.9 million over the six months ended 31 December 2013 as a result of a reassessment of the restoration provision provided by Shell (the operator of the joint venture), and has been revised further upwards based on guidance received from Shell in September 2014.

8 Prior to considering impairment charges.

Carrying value of Longtom project

63 The carrying value of the Longtom project[9] is as follows:

Carrying value of Longtom project	31 Dec 13 $m	30 Sep 14 $m
Prepaid toll fees	21.5	21.7
Development costs	110.5	105.5
Other exploration (Vic/P54)	4.7	4.9
Restoration provisions	(41.9)	(43.0)
Total	94.8	89.1

64 The Longtom Agreement between Santos and Nexus includes take-or-pay clauses that, in the case of toll processing costs, provide a formula for calculating the minimum volume of gas (the TOP volume) Nexus must put through the plant and pay (processing costs) for each year. In contract years where Nexus does not meet its TOP volume it is required to pre-pay for the processing of the differential between the TOP volume and the volume actually put through the plant. The volume pre-paid for is added to the company's gas bank and is made available for use in future contract years should Nexus exceed the TOP volume.

65 The vast majority of the pre-paid tolling fees recognised on the financial statements were generated in the first two years of the contract where initial start-up was delayed and was shortly followed by a six month shut down to install mercury removal equipment.

Borrowings

66 Borrowings comprise the following amounts:

Borrowings	31 Dec 13 $m	30 Sep 14 $m
Senior Facility	42.4	50.0
Bridge Facility	-	2.6
Senior Subordinated Notes[(1)]	109.0	126.4
Voluntary Administrators Funding Facility[(2)]	-	22.5
Total	151.4	201.5

Note:

1 The Note liability shown as at 31 December 2013 understates the actual amount owing upon repayment due to their accounting treatment at their date of issue (which resulted in a proportion of the face value of the Notes being recognised as equity due to the attaching warrants which were also issued to Noteholders).

2 Adjusted to include the $10 million facility fee agreed to on 3 October 2014.

9 Ibid.

Senior Facility

67 The Senior Facility is fully drawn and had a maturity date of 31 December 2014. On 24 June 2014 (following the appointment of Administrators) an "Acceleration Notice" was issued and all amounts owing under the Senior Facility became immediately due and payable. Subsequently, the Administrators have entered into a standstill agreement with the lender, which means that the senior lender is currently not enforcing its rights.

68 The Senior Facility is a liability of Nexus Energy VICP54 Pty Limited (Nexus VICP54) (being the owner and operator of Longtom), and is secured against all the assets of Nexus Energy VICP54 Pty Limited, certain accounts related to Longtom and the shares held by Nexus in its subsidiaries. As the other borrowings are all liabilities of the parent entity (Nexus), the Senior Facility ranks ahead of the Senior Subordinated Notes (Notes).

69 In April 2014 Network Investment Holdings Pty Limited (NIH), a wholly owned subsidiary of Seven Group Holdings Limited (SGH), became the sole lender under the Senior Facility following its acquisition of the facility.

Bridge Facility

70 Prior to the Administration Nexus had a $40 million Bridge Facility available from NIH. On 19 June 2014 (following the appointment of Administrators) this facility was cancelled.

71 The amount owing under the Bridge Facility as at 30 September2014 reflects establishment fees payable upon the original establishment of the facility, commitment fees up until the date of cancellation and accrued interest.

72 The Bridge Facility ranks equally with the Senior Facility and ahead of the Notes.

Senior Subordinated Notes

73 The Senior Subordinated Notes (Notes) have a face value of $117.6 million[10]. Under the Notes Trust Deed, repayments of $11.8 million were to be made every six months commencing in July 2014, together with a bullet repayment in January 2017 of $58.8 million.

74 However, the appointment of Administrators constitutes an "Event of Default" under the Notes Trust Deed, and provides the Trustee with the right to demand repayment at any time.

75 Interest of approximately $5.0 million was due on 15 July 2014, but was not paid. From July 2014 the interest rate on the Notes increased to 15% per annum (including a 2% premium due to the default).

76 Including accrued interest to 30 September 2014, the total amount outstanding under the Notes is $126.4 million.

77 The Notes are subordinated to the Senior Facility, Bridge Facility and Voluntary Administrators Funding Facility, and rank equally with the unsecured creditors of Nexus (the parent entity).

78 NIH holds 66.67% of the Notes, having acquired its interest (at a price equal to $0.89 per dollar of face value plus accrued interest) in April 2014.

---

10 Whilst the Note terms state that a premium of up to 5% of the face value of the Notes is payable upon early redemption, we are instructed by the Administrators that a dividend from liquidation is not a redemption.

Voluntary Administrators Funding Facility

79 In order to preserve value and meet the urgent cash requirements of certain Nexus subsidiaries, the Administrators obtained short term funding facilities from NIH in June 2014 for an amount of up to $30 million.

80 This initial facility expired on 25 September 2014. The initial facility was extended (via amendment) on 3 October 2014 for an amount up to $165 million. An amendment fee of $10 million was payable[11] on the date of the deed.

81 The facility is secured against the assets of the Group, and ranks ahead of the Senior Facility, Bridge Facility, Notes and unsecured creditors. The facility expires on 14 November 2014, unless terminated early in accordance with its terms (such as upon the occurrence of an "Event of Default").

Sedco claim

82 On 6 July 2011, Sedco Forex International Inc (Sedco) issued Court proceedings against Nexus and its wholly owned subsidiary, Nexus Energy WA Pty Ltd (NEWA). Sedco sought damages against NEWA based on an alleged breach and repudiation of a contract relating to the charter of the Transocean Legend drilling rig and initially lodged a claim for the amount of US$67 million. Sedco also lodged claims against Nexus and NEWA based on alleged misleading and deceptive conduct (together the Sedco Claim).

83 Nexus and NEWA are also defending an associated cross-claim by Osaka Gas Crux Pty Ltd (OG) (the OG Claim).

84 A mediation process occurred with Sedco and OG during February 2014 by which time Sedco's primary claim with interest was approximately US$80 million. Following the mediation process, Sedco and OG entered into a Settlement Deed on 12 March 2014 in relation to the Dispute (defined as both the Sedco Claim and the OG Claim).

85 The Settlement Deed provided for:

(a) the unconditional release and discharge by Nexus and NEWA of an associated cross-claim by OG

(b) the payment by Nexus to Sedco of US$30 million in order to fully resolve the Dispute, conditional upon Nexus executing a binding asset or corporate sale transaction by 2 April 2014 and such a transaction completing by 31 August 2014.

86 Whilst these conditions were not met, the Administrators and Sedco have subsequently entered into a settlement agreement for A$30 million (which is reflected as a liability in the above balance sheet as at 30 September 2014).

TDJV claim

87 In 2007, Nexus entered into an offshore installation contract with TDJV in relation to the Longtom project. TDJV was placed into voluntary administration in December 2009, and subsequently into liquidation. TDJV's liquidators have asserted that Nexus owes TDJV amounts for work performed under the offshore installation contract including with respect to

11 Capitalised.

variations to the original contract scope of works. In November 2013, the liquidators of TDJV conveyed that the claims amounted to approximately $20 million. However, Nexus has asserted it has a larger claim against TDJV relating to the abandonment of the contract.

88 Given the above, for valuation purposes, we have assumed that Nexus will not incur any significant liability in relation to the TDJV claim, but will also not recovery any significant amount from TDJV (due to TDJV being in liquidation).

Reduction in net assets - 31 December 2013 to 30 September 2014

89 As indicated above, the net assets of Nexus have reduced by some $88 million since 31 December 2013. The principal reasons for this reduction are set out below:

Key reasons for reduction in net asset position – 31 Dec 13 to 30 Sep 14	
	$m
Recognition of Sedco claim	30.0
Facility fees in connection with Bridge Facility and Voluntary Administrators Funding Facility	15.0
Review fee under Senior Facility due to administration	3.0
Adjustment to Note liability to reflect face value (and interest)	17.4
Increase in Crux restoration provision	5.4
Operating losses, administration fees and other expenditures	17.5
Total	88.3

Note:

1 The net assets as at 30 September 2014 are based on unaudited management accounts and are prior to considering further impairment charges in light of voluntary administrators being appointed.

IV Valuation methodology

90 Regulatory Guide 111 – *Content of expert reports* (RG 111) outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

(a) the discounted cash flow (DCF) methodology

(b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets

(c) the amount that would be available for distribution to shareholders in an orderly realisation of assets

(d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis

(e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

91 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.

92 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future "maintainable" earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.

93 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, earnings before interest, tax, depreciation and amortisation (EBITDA), earnings before interest, tax and amortisation (EBITA), earnings before interest and tax (EBIT) or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

94 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company are adjusted for the time, cost and taxation consequences of realising the company's assets.

Methodologies selected

95 As stated in Section II, for the purposes of determining the Administrators application for relief from the operation of section 606 of the Corporations Act, ASIC has requested that the value of Nexus shares be assessed on the following two bases:

(a) **Scenario 1** - based on a *"fundamental going concern valuation of the assets, assuming non-distressed seller and buyer, in an arms' length transaction, and assuming immediate ongoing funding was available to continue operations"*

(b) **Scenario 2** - using the going concern valuation as a starting point and applying any applicable discounts or adjustments having regard to the relevant factual circumstances and funding requirements and risks of Nexus.

Scenario 1

96 Given the finite life of the projects we have used the DCF methodology to value the Longtom and Crux projects under Scenario 1. Accordingly, we have assessed the value of the shares in Nexus on a going concern basis by:

(a) undertaking net present value (NPV) analysis to determine the value of Nexus' interests in its two main projects (Longtom and Crux);

(b) appointing GCA to assess the value of Nexus' exploration and appraisal assets; and

(c) deducting the net borrowings and other liabilities of Nexus.

97 Scenario 1 assesses value on the basis that the financial difficulties being experienced by Nexus are disregarded, and assumes that immediate on-going funding is available to the company. The Scenario 1 valuation therefore does not take into account the fact that Nexus is in administration and does not currently have the funding in place to meet its capital commitments.

98 In our view, the Scenario 1 value will therefore overstate the realisable value of Nexus' assets in the absence of the DOCA.

Scenario 2

99 Scenario 2 considers the funding requirements and funding risks faced by Nexus consistent with the requirements of RG 111.15. In Northern Energy Limited [2011] ATP 2, ASIC provided further clarification on the requirements of RG 111.15, stating that *'the valuation should incorporate all relevant discounting factors (including any appropriate dilutionary impact) which reasonably reflect the capital requirements for the project to be developed'*.

100 In considering the value of the shares in Nexus under Scenario 2, we have therefore had regard to the significant funding requirements and funding risks faced by Nexus, including (inter-alia):

(a) Nexus' significant capital commitments in relation to its oil and gas projects (set out in Section III)

(b) the fact that Nexus does not currently have the funding in place[12] to meet the capital commitments in (a), despite significant efforts to do so over the last 18 months (in particular)

(c) the implications of any failure by Nexus to meet its commitments. For example:

  (i) the Longtom agreement could be repudiated by Santos if Nexus fails to meet its contractual commitments

  (ii) Nexus' interest in the Crux project could be diluted or acquired by Shell (and the other joint venture partners) at a discount to an independently determined market value if Nexus fails to meet cash calls in relation to the project

(d) the fact that Nexus will not have any funding facilities available to fund its day to day operations if the DOCA is not approved and implemented

(e) the high interest rates been paid by Nexus on its debt even before Nexus was placed in administration (highlighting the difficulty Nexus has had in funding its operations to date)

(f) the ability of the senior lender to exercise all rights available to them if the DOCA is not implemented.

12 We note that the Voluntary Administrators Funding Facility currently expires on 14 November 2014.

V Value of Nexus shares on a going concern basis (Scenario 1)

Introduction

101 As stated in Section IV, ASIC has requested that the value of Nexus shares be assessed on the following two bases:

(a) **Scenario 1** – based on a *"fundamental going concern valuation of the assets, assuming non-distressed seller and buyer, in an arms' length transaction, and assuming immediate ongoing funding was available to continue operations"*

(b) **Scenario 2** – using the going concern valuation as a starting point and applying any applicable discounts or adjustments having regard to the relevant factual circumstances and funding requirements and risks of Nexus.

102 In this section we set out the value under Scenario 1 only.

Methodology

103 Given the finite life of the projects we have used the DCF methodology to value the Longtom and Crux projects under Scenario 1. Accordingly, we have assessed the value of the shares in Nexus on a going concern basis by:

(a) undertaking net present value (NPV) analysis to determine the value of Nexus' interests in its two main projects (Longtom and Crux);

(b) appointing GCA to assess the value of Nexus' exploration and appraisal assets; and

(c) deducting the net borrowings and other liabilities of Nexus.

104 The value of Nexus' interests in the Longtom and Crux projects are equal to the NPV of the estimated future free cash flows (after tax). In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.

105 Our DCF analyses are based on the free cash flow projections derived based on input from GCA on technical matters including the reliability of reserve and resource estimates, oil and gas production profiles, and the appropriate operating and capital cost estimates. CGA's report on these matters is set out in Appendix G.

106 The DCF analyses therefore reflect GCA's views on technical matters and our opinion on future oil and gas prices, exchange rates, discount rates and other economic and valuation parameters.

107 It should be noted that in respect of these projections:

(a) the major assumptions underlying the projections were formulated in the context of current economic, financial and other conditions

(b) future profits and cash flows are inherently uncertain

(c) the achievability of these projections is not warranted or guaranteed by Nexus, GCA or LEA, as they are projections based fundamentally on predictions of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of management; and

(d) actual results may be significantly more or less favourable than projected.

108 Free cash flow represents the operating cash flows on an un-geared basis (i.e. before interest) less taxation payments[13], capital expenditure and working capital requirements. The free cash flow on an un-geared basis is adopted to enable the value of the assets to be determined irrespective of the level of debt funding employed. Our NPV analyses have been undertaken in nominal (inflation adjusted) terms using nominal cash flows and discount rates.

109 The key assumptions adopted for valuation purposes are discussed below.

Gas and condensate production

Longtom

110 GCA has provided gas and condensate production profiles for the Longtom project in Appendix G. For valuation purposes, we have adopted GCA's best estimate production assumptions which are consistent with the level of 2P reserves determined by GCA. To achieve this production, GCA has assumed that the existing gas sales agreement with Santos will be extended.

Crux

111 A number of different development options are being considered for the Crux project. The main options being considered involve either:

(a) a standalone floating LNG (FLNG) operation (targeting production from 2022); or

(b) an integrated development which would supply gas to the Prelude FLNG facility from potentially either 2024 or 2028, depending on the availability of capacity at Prelude. The Prelude FLNG (67.5% Shell) is the world's first FLNG development and is scheduled for production in FY17.

112 Under both scenarios, total production is estimated at around 1,679 PJ of sales gas and 54 million barrels of condensate[14]. This is consistent with the estimated level of 2C resources.

113 In conjunction with GCA we have assessed the value of Nexus' interest in the Crux project under both alternatives. We have also reviewed the cash flow projections and NPV analysis undertaken by Shell (the project operator) on the various development options for the Crux project.

13 Also calculated on an un-geared basis.

14 Being GCA's 'best estimate' of total production.

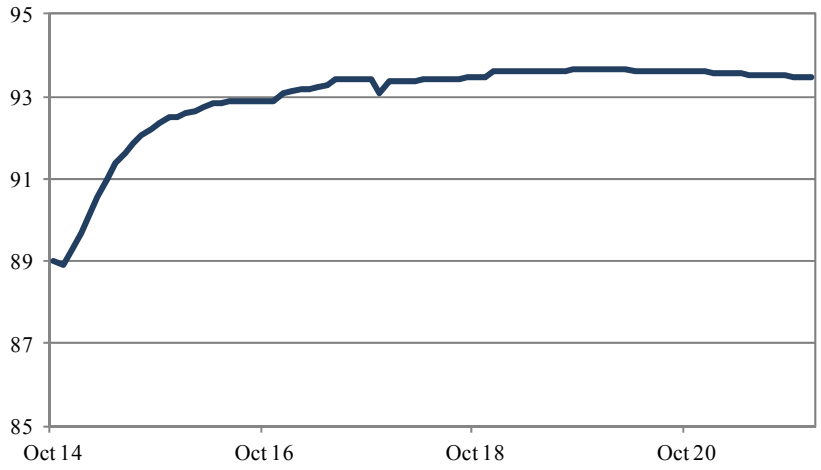
Sales prices

Longtom

114 Consistent with the view expressed by GCA in their report (refer to Appendix G), we have assumed that the gas sales agreement with Santos will be extended to 31 December 2020 and that the current pricing formula will remain in place until that date. Due to the commercial sensitivity of the pricing arrangements, the sales prices cannot be disclosed. For gas sold from 2021 onwards, we have assumed that a new gas pricing arrangement will be set that will be aligned with expectations of higher domestic gas prices (A$8/GJ) increasing at 2.3% per annum).

115 The condensate sales contract prices for Longtom are benchmarked to the Brent oil price. For valuation purposes, we have adopted the forward market prices for Brent oil prevailing as at 10 October 2014 (as shown below):

Brent Crude Oil Forward Curve (US$/bbl)
10 October 2014 to 1 December 2021



Source: Bloomberg (accessed 10 October 2014).

Crux project

116 No sales contracts (or LNG off-take agreements) have yet been secured for production from the Crux project.

117 Consistent with the approach adopted for Longtom, we have assumed that the sales price received for condensate from the Crux project is benchmarked to the world oil price. As the Crux project is not expected to be in production until (at least) CY2022 we have adopted an estimate of the long term oil price, having regard to:

(a) analyst forecasts of the long term (Brent) oil price in 2014 dollar terms

(b) the forward market prices above (which imply lower prices than long term analyst forecasts).

118 Based on the above, we have adopted a long-term Brent oil price of US$90 to US$95 per barrel in 2014 dollar terms. These have then been adjusted for inflation at a rate of 2.3% per annum[15], resulting in a Brent oil price for CY2022 of around US$107 to US$113 per barrel.

LNG prices

119 LNG prices vary between international regions. For example, LNG prices in Japan (a major market for Australian exporters) are some four times higher than local gas prices in the USA, due to, inter-alia, the USA's ample supplies of cheap shale gas.

120 The majority of LNG consumed in the Asia-Pacific region is sold under long-term contracts, with the price benchmarked to oil prices. Specifically, LNG pricing in the Asia-Pacific region is typically linked to the Japanese Customs Cleared (JCC) crude oil price per barrel[16] as follows:

Asia Pacific LNG pricing formula (US$/MMbtu)
P(LNG) = ax + b
Where: a = the slope of the price curve (typically between 0.12 and 0.165) x = Japanese Customs Cleared (JCC) Crude oil price (US$/bbl) b = a constant (typically between 0.5 and 1.0)
Note: 1 The values of a & b are negotiated individually in each contract.
Source: Core Energy Group.

121 It has also been common for the LNG pricing formula to incorporate an additional element that limits the upside and downside price movement, thus limiting the price risk for both supplier and purchaser.

122 Based on the range of long-term oil prices adopted (of around US$90 to US$95 per barrel in 2014 dollar terms), the above formula implies long-term LNG prices (in 2014 dollar terms) of around US$14.00 to US$14.50 per Million British Thermal Units (MMbtu).

123 We note that China and Russia recently signed a major LNG supply contract which was reported to be priced at a LNG price of around US$10 per MMbtu (in real terms)[17]. Further, the potential start up of US LNG exports to Asia from 2015 has also opened up the prospect of cheaper gas supplies for Asian buyers. However, industry participants in Australia (such as Santos and Origin) have indicated that this downward pressure on LNG prices is likely to be offset by, inter-alia:

(a) the need for LNG buyers to diversify gas supplies due to the potential for supply disruptions

15 Being the inflation rate implied by the yields on long-term US treasury bonds and inflation indexed bonds.

16 JCC is the average CIF cost value of all oil imported into Japan in a specified trading period (based on statistics maintained by the Japanese Ministry of Finance).

17 Source: Business Spectator, Interview with David Knox (Santos CEO) dated 13 June 2014.

(b) the substantial increase in energy demand per capita from countries such as China and India. In this regard, we note that:

(i) the International Energy Agency (IEA) recently forecast that China's demand for gas will rise by 90% between 2013 and 2019 alone with more LNG required to meet demand[18]

(ii) Russian gas exports to China are only expected to account for 10% of China's demand in 2010 (falling to 6% by 2030)[19].

124 Our LNG pricing assumptions are also consistent with comments made by Santos following the release of their half yearly report on 22 August 2014. When discussing their recent large gas discovery at Lasseter-1 in the Browse basin off the North West Coast of Australia, Santos' CEO was reported as stating that he believed gas could be supplied from the project into Japan at US$14.00 to US$14.50 per MMbtu, which would be "*low enough to be internationally competitive.*"[20]

Exchange rates

125 To convert the US dollar denominated revenues, operating costs and capital expenditure in the models to Australian dollars we have had regard to:

(a) historical and current AUD:USD exchange rates

(b) the forward AUD:USD exchange rates as at 10 October 2014

(c) analyst forecasts of the AUD:USD exchange rates.

126 Our assessment of the AUD:USD exchange rates that we consider appropriate for the purpose of our valuation of the Longtom and Crux projects is based upon a blended analysis of forward market estimates and long-term (and in some instances short-term) historical foreign exchange trends. We have relied upon the actual AUD:USD forward rates for the purpose of determining the appropriate short-term AUD:USD exchange rates, as these reflect the actual unbiased rates at which currency transactions can be locked in today.

127 We have adopted a long-term exchange rate (i.e. for periods beyond CY2021) of A$1.00 = US$0.80. In our opinion, this rate is an appropriate long-term rate for valuation purposes.

128 The AUD:USD exchange rates adopted for valuation purposes are therefore as follows:

AUD:USD exchange rate assumptions

	3 mths to 31 Dec 14	2015	2016	2017	2018	Long-term
AUD:USD exchange rate	0.875	0.861	0.844	0.836	0.824	0.80

Source: Bloomberg and LEA analysis.

18 Source: Business Spectator, 11 June 2014.

19 Source: Business Spectator, Interview with David Knox (Santos CEO) dated 13 June 2014.

20 Source: Australian Financial Review, 23-24 August 2014.

Operating and capital costs

Longtom

129 Longtom operating costs reflect the arrangements with Santos for the processing of gas and condensate. As noted in Section III, the arrangements include take-or-pay clauses that provide a formula for calculating the minimum volume of gas (the TOP volume) Nexus must put through the plant and pay (processing costs) for each year. In contract years where Nexus does not meet its TOP volume it is required to pre-pay for the processing of the differential between the TOP volume and the volume actually put through the plant. The volume pre-paid is then added to the company's 'gas bank' and is made available for use in future contract years should Nexus exceed the TOP volume.

130 Due to production being suspended at the Longtom 3 well, Nexus has had to make payments to Santos for gas processing volumes in excess of production. However, following the commencement of production from Longtom 5 in late 2015, production volumes are expected to exceed the minimum take or pay volumes. As a result pre-paid processing costs are expected to be utilised from that date. The benefit of pre-paid tolling fees recognised on Nexus' balance sheet is therefore reflected in the cash flow model (through net reductions in gas processing costs).

131 Capital expenditure over the forecast period is projected to be approximately A$170 million[21] (based on Nexus' latest estimate)[22]. As stated, above, the upfront development costs associated with Longtom 5 have recently been revised upwards significantly. However, the project is forecast to be cash flow positive from FY16 following production from Longtom 5 (and the recommencement of production from Longtom 3).

132 Abandonment costs of A$60 million in 2014 dollar terms[23] are forecast to be incurred in FY28[24].

Crux

133 The operating and capital costs for the Crux project have been assessed by GCA and are discussed in Appendix G.

134 Upfront development (capital) costs for the standalone FLNG option are projected to be some US$9.2 billion (on a 100% project basis in 2014 dollar terms). Nexus' 15% share of these development costs is therefore approximately US$1.4 billion. However, the Standalone Tariff Case assumes a significantly lower level of capital expenditure due to the assumed sharing of capital costs associated with the FLNG facility with another user.

135 The Prelude FLNG option would require the construction of a 150km pipeline connection from Crux to the Prelude FLNG facility. Capital costs are also substantially lower than the standalone FLNG alternative due to the sharing of infrastructure. Due to the need to pay a capital tolling charge (to recover some of the capital costs invested by the Prelude JV partners), operating costs for the Prelude FLNG option are expected to be significantly higher

---

21 This excludes Longtom 6 which has been valued separately.

22 When assessing the value of the project we have considered the sensitivity of the NPV to changes in the level of capital expenditure (which GCA assessed at between $154 million to $177 million).

23 These costs have been inflation adjusted at 2.3% per annum.

24 This excludes Longtom 6 which has been valued separately.

than for the standalone FLNG alternative. The terms of access to the Prelude FLNG facility also need to be negotiated.

136 Abandonment costs of US$160 million (in 2014 dollar terms) are assumed to be incurred once production ceases. These costs exclude the restoration costs of the Crux-2/ST-1, Crux-3 and Crux-4 wells which were drilled prior to the formation of the current joint venture. As Nexus' is responsible for 85% of the restoration costs (up to an agreed cap) on these wells (which are to be plugged in CY15), this liability[25] has been allowed for separately.

Discount rate

137 As set out in Appendix D we have applied discount rates of 12.0% per annum (after tax) for the Longtom project and 13.5% per annum (after tax) for the Crux project. These discount rates reflect the following variables:

Longtom and Crux projects – adopted discount rate

	Longtom Project		Crux Project	
	Low %	High %	Low %	High %
Cost of equity				
Risk-free rate	4.5	4.5	4.5	4.5
MRP	6.0	6.0	6.0	6.0
Beta	1.4	1.5	1.7	1.8
Cost of equity	12.9	13.5	14.7	15.3
Cost of debt				
Pre-tax	7.0	7.0	7.5	7.5
After tax (x0.7)	4.9	4.9	5.3	5.3
Proportion of equity funding	85.0	85.0	85.0	85.0
Proportion of debt funding	15.0	15.0	15.0	15.0
WACC	11.7	12.2	13.3	13.8
WACC – adopted	**12.0**		**13.5**	

138 The higher discount rate applied to the Crux project reflects its earlier stage of development.

139 It should also be noted that the above discount rates have been assessed from the perspective of prospective purchasers. The above discount rates do not therefore take into account the higher funding risks and costs faced by Nexus due to its financial difficulties.

PRRT credits and income tax losses

140 As set out in Section III, Nexus has substantial income tax and PRRT credits. As the Longtom project is in production these credits have first been applied to the Longtom project. The effect of this is that no income tax or PRRT liability arises in the Longtom cash flow model.

141 Income tax and PRRT liabilities will be payable in connection with the Crux project. Accordingly, we have initially valued the Crux project after full allowance for these tax liabilities. We have then separately quantified the value of Nexus' carried forward tax losses

25 Estimated at A$50.8 million (Nexus' share).

and PRRT credits as these can be applied against Nexus' interest in the project provided both projects continue to be owned by the Group[26] [27].

Summary of Longtom and Crux project values

Longtom

142 Our DCF analysis indicates that the value of the Longtom project is as follows:

Value of the Longtom project	Low A$m	High A$m
Value of 2P reserves[(1)]	50	60
Value of 2C contingent resources[(2)]	-	5
Total[(3)]	50	65

Note:
1 Based on our NPV analysis.
2 Refer below.
3 Excluding exploration potential which has been valued separately.

Value of 2C resources

143 A large proportion of Longtom's estimated 2C resources relate to potential production from the Longtom 6 well[28]. Whilst domestic gas prices are forecast to rise significantly in the medium term, analysis undertaken by GCA indicates that development of the Longtom 6 well has a negative NPV even at domestic gas prices of A$10 per GJ. In part, this reflects substantial increases in the expected upfront development costs.

144 Given the above, the uncertainty associated with future gas prices and the lack of a gas sales agreement, it is clear that the Longtom 6 well would not proceed at this time. In our view, the value of Longtom 6 (and Longtom's 2C resources) is therefore very low.

Crux (15% interest)

145 In assessing the value of Nexus' 15% interest in the Crux project, we have reviewed the reports to the JV participants by Shell on the commercialisation options, and discussed the various development options with GCA.

146 GCA have noted that the Crux production profile is relatively short in comparison to the economic life of the FLNG facility. Accordingly, the highest value will be achieved by either:

(a) utilising the Prelude FLNG facility when capacity becomes available (Prelude Case); or

(b) developing the Crux project in conjunction with another gas project in the region so that the upfront capital costs associated with building a new FLNG facility are shared

26 A higher discount rate of 20% per annum (after tax) has been applied when valuing the potential benefits from utilising the income tax losses and PRRT credits against the income from the Crux project due to the risks associated with utilisation.

27 PRRT credits arising from one project can be utilised against other projects owned by the same group. However, if a project is sold any PRRT credits related to the project are transferred to the purchaser.

28 Gas and condensate resources relating to Longtom 6 are not included in 2P reserves.

(Standalone Tariff Case).

147 Whilst the Prelude development option has been subject to detailed analysis by Shell (and appears to be Shell's preferred development option due to the expected availability of capacity at Prelude), the potential returns from a standalone development (involving the construction of a new FLNG facility) in conjunction with another gas project are more uncertain.

148 GCA's best estimate assumptions assume that first gas production could occur from 2024 (Prelude Case) or 2022 (Standalone Tariff Case). However, we note that:

(a) 2024 is likely to be the earliest date at which gas from Crux could be supplied as backfill to the Prelude FLNG facility

(b) development options for Crux in conjunction with other gas projects have not been yet been explored.

149 Accordingly, we set out below the impact of any delay on the value of the project[29]:

Value of Nexus' 15% interest in Crux

	First gas production				
	2022	**2023**	**2024**	**2025**	**2026**
Low (A$m)	190	171	154	139	126
High (A$m)	220	198	179	161	145

Note:
1 NPV's exclude the benefit of Nexus' PRRT credits and income tax losses carried forward.

150 As the NPV of the Crux project is particularly sensitive to the discount rate[30] [31] and the LNG price adopted, we have also considered the value of Nexus' interest in the Crux project by reference to recent transaction evidence involving gas projects in the Browse and Bonaparte Basins (offshore WA)[32].

151 In our view the most relevant recent transaction is Origin Energy Limited's (Origin) acquisition of its 40% interest in the Poseidon discovery in Western Australia's Browse Basin in June 2014[33]. Options to monetise the Poseidon field's resources include transporting natural gas to LNG production facilities in Darwin or through a standalone FLNG facility.

29 Based on the development scenario with the highest NPV (being the Standalone Tariff Case).

30 A 1% change in the discount rate has a $30 million impact on the value of Nexus' interest in Crux.

31 In contrast, as the cash flow forecast period for the Longtom project is relatively short the NPV of the Longtom project is not sensitive to the discount rate. The gas prices at the Longtom project are also contracted to 31 December 2018.

32 Refer to Appendix E.

33 This is the announcement date of the transaction.

The upfront price paid[34] by Origin reflected a value of US$0.46/Mcfe[35] based on a resource estimate of 3,250 bcfe[36] [37].

152 Origin stated that the acquisition *"will allow the company to establish a strategic position in one of Australia's largest recent offshore gas discoveries at a competitive entry price when compared to recent transactions in the Browse / Bonaparte region"*[38].

153 Due to the significant upfront capital costs associated with the project, and the other capital commitments of the vendor (Karoon Gas), the purchase price may have reflected a discount due to the financial circumstances of the vendor (Karoon Gas)[39]. However, we also note that the Poseidon discovery appears to contain a larger resource than the Crux project .

154 Based on the above (and the other transaction evidence) we have adopted a value for the Crux project of US$0.45 to US$0.55 per Mcfe. On this basis the value of Nexus' interest in the Crux project is as follows:

Value of Crux project based on recent transaction evidence		
	Low	**High**
Crux project 2C resources:		
Gas (bcf)(1)	1,847	1,847
Condensate (bcfe)(2)	318	318
Total 2C resources (bcfe)	2,165	2,165
Value per Mcfe (US$/Mcfe)	0.45	0.55
Value of 100% interest (US$m)	974	1,191
AUD/USD exchange rate	0.88	0.88
Value of 100% interest (A$m)	1,107	1,353
Nexus interest	15%	15%
Value of Nexus interest (A$m)	166	203

Note:
1 Raw gas (rather than sales gas).
2 Converted at 170Mboe = 1TCF.

155 Having regard to the results of our NPV analysis and transaction based valuation above, we have assessed the value of Nexus' 15% interest in the Crux project at $170 million to $210 million.

34 Additional consideration of US$75 million is payable upon a final investment decision, and a further US$75 million is payable upon first production.

35 Thousand standard cubic feet equivalent.

36 Billion standard cubic feet equivalent.

37 Source: Origin Energy Investor Presentation dated 2 June 2014.

38 We note however, that the vendor (Karoon Gas) stated that *"the transaction metrics are broadly in-line with other transactions completed in the Browse Basin, despite difficult market conditions prevailing in the international oil and gas market."*

39 Karoon Gas shares were suspended from trading from 5 May 2014 until 2 June 2014 pending the release of a material announcement in relation to commercial discussions and its funding position.

156 A separate value of $10 million to $20 million[40] has then been added to reflect the NPV of PRRT credits and income tax losses carried forward, which could be used by Nexus to offset PRRT and income tax liabilities arising from its interest in the Crux project.

Exploration assets

157 Nexus has a number of exploration assets which are at an early stage of evaluation. Accordingly, GCA was engaged by us to determine their market values. GCA's valuation of these assets is set out in their report (annexed as Appendix G) and ranges between A$10 million and A$40 million.

158 The above values were derived by attributing a value to each asset's contingent or prospective resources, having regard to (inter-alia) the amount of technical and related exploration work undertaken to date, the confidence level in the resource estimate, the nature, size and location of the prospect and comparable transaction information.

WA-424-P royalty interest

159 Nexus also owns a royalty interest over petroleum exploration permit WA-424-P[41]. Specifically, Nexus is entitled to:

(a) 3% of the actual sales value of petroleum sold from the WA-424-P permit at the first point of sale (net of taxes under the PRRT Act or similar taxes levied on such production) for the first 50 MMbbl or MMBOEs sold from the subject permit; and

(b) 4% of the actual sales value of petroleum sold from the WA-424-P permit at the first point of sale (net of the taxes under the PRRT Act or similar taxes levied on such production) for greater than 50 MMbbl or MMBOE's sold from the subject permit.

160 In assessing the value of this royalty interest, we note that:

(a) WA-424-P had contingent (2C) resources of approximately five million barrels (100% basis) as at 30 June 2014[42]

(b) prospective resources totalled more than 600 million barrels of oil (100% basis). However, this is not based on drilling results and is only an estimate of the quantities of petroleum that **may** potentially be recovered from **undiscovered** accumulations[43]

(c) the Pryderi well in WA-424-P is expected to be drilled shortly at a cost of some A$25 million[44]

(d) IPB's share of these estimated costs are to be fully covered by IPB's Farmout Agreement with CalEnergy[45]

(e) under the IPB Farmout Agreement, CalEnergy can acquire a 60% interest in WA-424-P by spending A$32.4 million (including the cost of the Pryderi well referred to above)[46].

---

40 Calculated under the Prelude and Standalone Tariff Cases using a discount rate of 25% per annum (reflecting the significant uncertainty regarding the utilisation of tax benefits from 2022 onwards).

41 Nexus assigned petroleum exploration permit WA-424-P to IPB Petroleum Limited (IPB) in 2010 in return for an ongoing royalty interest.

42 Source: IPB's 2014 Annual Report.

43 Ibid.

44 Source: IPB's quarterly report ended 30 September 2014.

45 Ibid.

This implies a value for IPB's 40% interest (prior to the results of the well being known) of A$21.6 million

(f) IPB's market capitalisation as at 27 October 2014 implied a value for its petroleum exploration permits (three in total, including WA-424-P) of approximately $36 million. However, only a proportion of this value could be attributed to WA-424-P

(g) the quantum and timing of future royalty payments is inherently uncertain, and depends on future exploration success and development

(h) the value of the royalty interest in a petroleum permit should exceed the value of an equity interest of the same percentage in that permit, as development and operating costs are not incurred by the royalty owner. Based on the value implied for IPB's 40% interest in WA-424-P of A$21.6 million, the value of the royalty interest should therefore exceed approximately A$2 million.

161 Having regard to the above, we have valued the royalty interest at A$4 million to A$8 million. This assessment has been made prior to the results of the upcoming drilling campaign. Accordingly, it should be noted that the value of the royalty interest could change materially once the results of the drilling campaign are known.

Corporate costs

162 If Nexus was to continue as a going concern, on-going head office / corporate costs would be incurred. As these are not incorporated into the project cash flows we have separately quantified the value impact of these costs.

163 In the year ended 30 June 2013 and 9 months ended 31 March 2014, administration (cash) costs were $14.2 million and $10.2 million respectively. These costs included a number of one-off expenses and costs associated with Nexus being a publicly listed company.

164 Based on our review of the costs incurred and discussions with Nexus management we have adopted on-going head office costs of $5.4 million per annum, which we have escalated at 2.3% for the period of the cash flows (i.e. until CY2031).

Other assets

165 As set out in Section III, Nexus had receivables of approximately $25.2 million (including GST) as at 30 September 2014. The large majority of this amount has been outstanding since June 2013 and is disputed by Santos. Nexus has also recognised a provision of $14 million against the receivable reducing its carrying value in Nexus' financial statements to $11.2 million.

166 Given the above we expect that the amount ultimately collected will represent a significant discount to the gross receivable. For the purposes of this report we have therefore assumed that the amount recovered will range from $8 million to $14 million.

167 In addition, Nexus had $8.1 million of cash on hand as at 30 September 2014.

Liabilities

168 Nexus' liabilities at 30 September 2014 adopted for valuation purposes are as follows:

46 Source: IPB's 2014 Annual Report.

Liabilities – as at 30 September 14	
	$m
Trade and other payables	11.3
Accrual for Administration costs	2.0
Deferred revenue[(1)]	-
Borrowings[(2)]	201.5
Employee entitlements	0.8
Sedco claim[(3)]	30.0
Restoration provisions – Crux[(4)(5)(6)]	50.8
Total liabilities	296.4

Note:

1 Deferred revenue of $4.3 million relates to the take-or-pay (TOP) arrangements with Santos in connection with Longtom. The cash flow impact of these TOP arrangements is reflected in our cash flow valuation of the Longtom project.

2 Including accrued interest and fees – including the facilities amendment fee of $10 million on the Voluntary Administrators Funding Facility.

3 Consistent with the terms of the recent Settlement Deed). We have assumed that they would agree to accept this amount in the absence of the DOCA.

4 As noted above, Nexus is responsible for a substantial portion of the restoration costs on the Crux-2/ST-1, Crux-3 and Crux-4 wells which were drilled before the formation of the Crux joint venture. These costs are not included in our cash flow models and therefore need to be included in liabilities.

5 These costs are expected to be incurred in early 2015.

6 These liabilities have been adjusted to reflect the latest estimate from Shell.

Rounding differences exist.

Source: Nexus.

Scenario 1 valuation

169 Based on the above, our assessed value of Nexus shares under Scenario 1 is as follows:

Scenario 1 valuation		
	Low A$m	**High A$m**
Longtom project (100% interest)[(1)]	50	65
Crux project (15% interest)	170	210
Benefit of PRRT credits and income tax losses[(2)]	10	20
Exploration assets	10	40
Royalty interest (WA-424-P)	4	8
Corporate costs	(38)	(42)
Other assets[(3)]	16	22
Liabilities[(4)]	(296)	(296)
Value of Nexus shares	(74)	27
Fully diluted shares on issue (million)	1,346.2	1,346.2
Value per Nexus share (cents)	(5.5)	2.0

Note:

1 Assuming no income tax or PRRT liabilities are incurred due to carried forward losses / credits.
2 This represents the NPV of the benefit arising from carried forward PRRT credits and tax losses utilised against income arising from the Crux project. In Scenario 1 we have assumed that Nexus will continue to own its interests in both the Longtom and Crux projects (as 'immediate ongoing funding' is assumed to be available). This means that carried forward losses and PRRT credits can be applied against income from the Crux project.
3 Cash at 30 September 2014 and value of receivables.
4 We note that although Sedco agreed to a settlement of US$30 million, in the event that Nexus was fully funded (as per Scenario 1), there is a risk that Sedco would seek a larger amount. However, for the purposes of this analysis, we have adopted the settlement amount of US$30 million.

170 It should be noted that the above valuation range assumes that Nexus is a going concern and has immediate ongoing access to required funding. The valuation therefore does not take into account the fact that Nexus does not have the funding in place to meet its capital commitments. As a result, the Scenario 1 valuation range overstates the realisable value of Nexus' assets in the absence of the DOCA.

VI Scenario 2 valuation

171 The Scenario 2 valuation takes into account the relevant factual circumstances and funding requirements and risks of Nexus. In this regard, we note that:

(a) the Longtom project is not expected to be cash flow positive until FY16 (following production from Longtom 5)

(b) the upfront development costs associated with the Crux project are very high

(c) Nexus does not have any funding in place to meet the above costs in the absence of the DOCA

(d) if Nexus fails to meet its commitments in relation to the Longtom and Crux projects we understand that:

  (i) the Longtom agreement could be repudiated by Santos

  (ii) Nexus' interest in the Crux project could be diluted or acquired by Shell (and the other joint venture partners) at a discount to an independently determined market value

(e) the interest rate on any debt finance obtained by Nexus would be substantially higher than the cost of debt assumed in our discount rate calculation (which was assessed from the perspective of prospective purchasers[47]). For example, the interest rate of Nexus' Bridge Facility (which was negotiated well before Nexus was placed in administration) was 13% per annum

(f) as the Crux project is not expected to be in production until (at least) CY2022, the project is highly sensitive to the discount rate applied. In this regard we note that a 1% increase in the discount rate reduces the NPV of Nexus' interest in the Crux project by some $30 million

(g) if the DOCA is not approved, the standstill agreements negotiated between the secured lender and the Administrators pursuant to which the secured lender has agreed not to demand immediate repayment of outstanding loans will expire, and the secured lender will be free to exercise all rights available to them.

172 The impact of the above on Nexus' main projects is discussed below.

Impact on Longtom value

173 In order for Nexus to supply its contracted gas volumes under the revised Longtom Agreement with Santos[48], Nexus must spend some A$160 million to bring the Longtom 5 well into production. However, in the absence of the DOCA, Nexus does not have the funding in place to do so.

47 But did not take into account the higher funding risks and costs faced by Nexus.

48 Being 83PJ over the period 1 July 2013 to 31 December 2018.

174 Failure to bring the Longtom 5 well into production in the timeframe envisaged in Scenario 1 (i.e. from September 2015) will have significant adverse value consequences for Nexus. This is because:

(a) production from Longtom 5 was expected to account for a significant proportion of the total 83PJ of contracted volumes

(b) failure to produce from Longtom 5 (or an alternate well) will result in Nexus being potentially liable to Santos for in excess of A$60 million in take-or-pay (TOP) payments

(c) Nexus will also be liable to Santos for the additional gas costs incurred by Santos if the cost of replacement gas exceeds the contract prices payable by Santos under the Longtom Agreement

(d) while Nexus would save the upfront capital costs associated with Longtom 5 if the Longtom 5 well does not go ahead, Nexus will also forego the associated significant gas revenue (and be liable for TOP payments as noted above).

175 Our analysis indicates that the NPV of the project in such circumstances would be negative. Given the above, we have adopted a value for the purposes of Scenario 2 of nil to $20 million. While we note that higher (indicative non-binding) offers had been received for the assets (refer to Appendix E), we note that:

(a) the capital expenditure costs of Longtom 5 have increased significantly since the dates of those offers, which has adversely impacted the value of the project

(b) the offers were made in circumstances different to those currently prevailing.

Impact on Crux value

176 It is clear from the above that Nexus (as a standalone entity) could not meet its capital commitments in relation to the Crux project in the absence of the DOCA.

177 If Nexus fails to meet cash funding calls under the Joint Operating Agreement (which governs the operation of the Crux JV), Shell (and the other joint venture partners) could acquire Nexus' interest in the Crux project at a discount to its assessed value. However, Shell may not exercise this right (particularly given that it has pre-emptive rights over Nexus' interest in the project in any event)[49].

178 Even if Shell did not exercise its option to acquire Nexus' interest in Crux, it appears likely that Nexus will need to sell its interest in Crux in order to repay debt. However, such a sale is likely to take place at a significant discount to the projects full underlying value. This is because:

(a) Shell's pre-emptive rights over Nexus' interest are likely to deter prospective purchasers from making an offer

49 We also note that Shell did not submit any offers for Nexus' interest in the Crux project in the recent sales process undertaken on behalf of the Administrators.

(b) Nexus' funding difficulties are well known

(c) Nexus will be perceived by prospective purchasers as a forced seller.

179 Having regard to the recent sales processes undertaken for Nexus and its assets since September 2012 we have estimated the net realisable value of Nexus' interest in the Crux project at $40 million to $80 million (refer to Appendix E). This valuation range is net of Nexus' liability for restoration costs, and implies a gross value for Nexus' interest in the Crux project (i.e. prior to deducting the liability for restoration costs) as follows:

	Low A$m	High A$m
Net realisable value[1]	40	80
Provision for restoration costs[2]	51	51
Gross realisable value[1]	91	131

Note:
1 Inclusive of exploration interests.
2 As noted above, Nexus is responsible for 85% of the restoration costs (up to an agreed cap) on the Crux-2/ST-1, Crux-3 and Crux-4 wells which were drilled before the formation of the Crux joint venture.

180 In addition, if Nexus' interest in Crux was sold the value in Scenario 1 attributed to the utilisation of Nexus' income tax losses and PRRT credits from owning the Crux project interest (which are reflected in our Scenario 1 value of Nexus' interest in Crux) would not be realised.

Impact on Echuca Shoals project

181 Nexus' commitments for the Echuca Shoals project total approximately $60 million in 2015. Given the size of these commitments and the results of recent sales processes (no offers were received despite a number of attempts to solicit offers), in our view, the project is unlikely to realise any significant value in the absence of the DOCA.

Royalty interest (WA-424-P)

182 Given Nexus' funding difficulties, the realisable value of its royalty interest in WA-424-P is likely to be at the lower end of our scenario 1 valuation assessment. Accordingly, we have adopted a scenario 2 valuation range for the royalty interest of A$4 million to A$5 million.

Additional costs during realisation period

183 The financial position set out in Section III includes an accrual for Administration costs. However, if Nexus' assets are sold, additional costs (e.g. redundancies and interest) will be incurred over the realisation period. We have estimated these costs (assuming a three month realisation period) at around $10 million.

184 However, no ongoing corporate costs would be incurred.

Scenario 2 value

185 Our assessed value under Scenario 2 is therefore set out below:

Scenario 2 valuation	Low A$m	High A$m
Longtom project (100% interest) [1]	-	20
Crux project (15% interest) [1] [2]	91	131
Echuca Shoals (100% interest)	-	-
Royalty interest (WA-424-P)	4	5
Corporate costs	-	-
Other assets[3]	16	22
Liabilities	(296)	(296)
Allowance for costs during realisation	(10)	(10)
Value of Nexus shares	(195)	(128)
Fully diluted shares on issue (million)	1,346.2	1,346.2
Value per Nexus share (cents)	(14.5)	(9.5)

Note:

1 Inclusive of exploration interests

2 Prior to taking into account the liability for restoration costs in relation to the Crux-2/ST-1, Crux-3 and Crux-4 wells, which is included in liabilities.

3 Cash as at 30 September 2014 plus the estimated value of receivables.

VII Opinion on whether the DOCA unfairly prejudices Nexus shareholders

186 Our assessed values for the shares in Nexus are summarised below:

Valuation summary	Value of equity in Nexus		Value per Nexus share		
	Low A$m	High A$m	Low cents	Mid cents	High cents
Scenario 1	(74)	27	(5.5)	(1.8)	2.0
Scenario 2	(195)	(128)	(14.5)	(12.0)	(9.5)

187 Scenario 1 assesses value on the basis that the financial difficulties being experienced by Nexus are disregarded, and assumes that immediate on-going funding is available to the company. The Scenario 1 valuation therefore does not take into account the fact that Nexus is in administration and does not currently have the funding in place to meet its capital commitments[50].

188 As a result, the Scenario 1 valuation range overstates the realisable value of Nexus' assets in the absence of the DOCA. The more relevant valuation assessment is therefore Scenario 2.

189 Under Scenario 2 the equity in Nexus has no value[51]. Accordingly, we have concluded that the proposed share transfer of Nexus shares to SGH Energy does not unfairly prejudice Nexus shareholders.

50 Nexus' share of the upfront development costs for the Crux project have been estimated at US$1.4 billion.

51 In addition, we note that the mid-point of our Scenario 1 valuation range also implies no value for Nexus shares.

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.

2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

3 The Corporations Act authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of this report.

4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in this report. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of this report, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

6 This report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

7 You should consider your own objectives, financial situation and needs when assessing the suitability of this 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.

Fees, commissions and other benefits we may receive

8 LEA charges fees to produce reports. These fees are negotiated and agreed with the entity who engages LEA 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 entity who engages us. In the preparation of this report, LEA is entitled to receive a fee estimated at $150,000 plus GST.

9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

Appendix A

10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.

11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

12 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.

13 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 Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

Contact details

14 LEA can be contacted by sending a letter to the following address:

Level 27
363 George Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications and declarations

Qualifications

1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.

2 This report was prepared by Mr Craig Edwards and Mr Grant Kepler, who are each authorised representatives of LEA. Mr Edwards and Mr Kepler have over 20 years and 19 years experience respectively in the provision of valuation advice.

Declarations

3 This report has been prepared at the request of the Administrators for the purposes set out in Section II. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the proposed share transfer will unfairly prejudice the shareholders of Nexus.

Interests

4 At the date of this report, neither LEA, Mr Edwards nor Mr Kepler have any interest in the outcome of the DOCA. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.

Indemnification

5 As a condition of LEA's agreement to prepare this report, the Administrator agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of the Administrator which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Appendix C

Glossary

Term	Meaning
2C	Best estimate of contingent resources
2P	Proven and probable reserves
Administrators	Jason Preston, Tony McGrath and Matthew Caddy
ASIC	Australian Securities & Investments Commission
Assets	Nexus' interest in the Crux project, the Longtom project and the Echuca Shoals permits
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
Bcfe	Billion standard cubic feet equivalent (of gas)
Bscf	Billion standard cubic feet, a measure of gas volume
Corporations Act	*Corporations Act 2001 (Cth)*
Dispute	Together the Sedco Claim and OG Claim
DOCA	Deed of Company Arrangement
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FLNG	Floating LNG
FOS	Financial Ombudsman Services Limited
FSG	Financial Services Guide
FY	Financial year
GCA	Gaffney, Cline & Associates
Group	Nexus and its subsidiaries
IER	Independent expert's report
IPB	IPB Petroleum Ltd
JOA	Joint Operating Agreement
LEA	Lonergan Edwards & Associates Limited
MMbtu	Million British thermal units
Mcfe	Thousand standard cubic feet equivalent (of gas)
MMboe	Million barrels of oil equivalent
MMstb	Million stock tank barrels
NEWA	Nexus Energy WA Pty Ltd
Nexus of the Company	Nexus Energy Limited
Nexus VICP54	Nexus Energy VICP54 Pty Ltd
NIH	Network Investment Holdings Pty Limited
Notes	Senior Subordinated Notes
NPV	Net present value
OG	Osaka Gas Crux Pty Ltd
OG Claim	OG's cross-claim against Nexus and NEWA
Origin	Origin Energy Limited
PJ	Petajoules
PRRT	Petroleum Resource Rent Tax
RG 111	Regulatory Guide 111 – *Content of expert reports*
Santos	Santos Limited
Sedco	Sedco Forex International Inc
Sedco Claim	Sedco's claim against Nexus and NEWA
Settlement Deed	The settlement deed between Sedco and OG dated 12 March 2014
SGH	Seven Group Holdings Limited
SGH Energy	SGH Energy (No 2) Pty Limited
TOP	Take-or-pay

Appendix D

Appropriate discount rates for Longtom and Crux projects

1 The determination of the discount rate or cost of capital for an asset requires identification and consideration of the factors that affect the returns and risks of that asset, together with the application of widely accepted methodologies for determining the returns demanded by the debt and equity providers of the capital employed in the asset.

2 The discount rate applied to the projected cash flows from an asset represents the financial return that will be demanded before an investor would be prepared to acquire (or invest in) the asset.

3 Businesses are normally funded by a mix of debt and equity. The weighted average cost of capital (WACC) is a widely used and accepted basis to calculate the "representative" rate of returns required by debt and equity investors. The required rate of return for equity is frequently evaluated using the capital asset pricing model (CAPM) and the required rate of return for debt funding is determined having regard to various factors such as current borrowing costs and prevailing credit ratings. The cost of equity and the cost of debt are weighted by the respective proportions of equity and debt funding to arrive at the WACC.

4 Consequently, we set out below an explanation of:

(a) the WACC and its elements (including the CAPM, its application in determining the cost of equity, the cost of debt and debt equity mix)

(b) our assessment of the appropriate parameters to be used when determining the discount rate from the perspective of prospective purchasers. It should therefore be noted that the discount rates set out in this Appendix do not take into account the higher funding risks and costs faced by Nexus due to its financial difficulties.

Weighted average cost of capital

5 The generally accepted WACC formula is the post-tax WACC, without adjustment for imputation[52] as shown below:

WACC formula

$$WACC = R_e \frac{E}{V} + R_d(1-t)\frac{D}{V}$$

where:
R_e = expected equity investment return or cost of equity in nominal terms
R_d = interest rate on debt (pre-tax)
t = corporate tax rate
E = market value of equity
D = market value of debt
V = market value of debt plus equity

[52] Given free capital flows between developed countries and the small size of the Australian stock market (as a percentage of global markets), the cost of capital of listed companies (other than perhaps regulated infrastructure assets) should be assessed in a global context ignoring Australian imputation. This is the approach generally adopted by independent experts.

Appendix D

CAPM and the cost of equity

6 The CAPM stems from the theory that a prudent investor would price an investment so that the expected return is equal to the risk-free rate of return plus an appropriate premium for risk. The CAPM assumes that there is a positive relationship between risk and return. That is, rational investors are risk adverse and demand higher returns for accepting higher levels of risk.

7 The CAPM is based on the concept of non-diversifiable risk and calculates the cost of equity as follows:

Cost of equity calculation

$$R_e = R_f + \beta_e\left[E(R_m) - R_f\right]$$

where:

R_e	=	expected equity investment return or cost of equity in nominal terms
R_f	=	risk-free rate of return
$E(R_m)$	=	expected market return
$E(R_m) - R_f$	=	market risk premium (MRP)
β_e	=	equity beta

8 The individual components of the CAPM are discussed below.

Risk-free rate

9 We have applied a risk-free rate of 4.5% per annum. This exceeds the average yield to maturity currently prevailing on 20 year Australian Government bonds (of approximately 3.79% per annum as at 20 October 2014) as we believe current yields (notwithstanding their long-term nature) remain at unsustainably low levels due to, inter alia, the effect of quantitative easing measures by major overseas central banks to stimulate economic activity.

Market risk premium

10 The MRP, $[E(R_m)-R_f]$, represents the additional return above the risk-free rate that investors require in order to invest in a well diversified portfolio of equity securities, i.e. the equity market as a whole. Strictly speaking, the MRP is equal to the expected return from holding shares over and above the return from holding risk-free government securities. Since expected returns are generally not observable, a common method of estimating the MRP is based on average realised (ex-post) returns.

11 Because realised rates of return, especially for shares, are highly volatile over short periods, short-term average realised rates of return are unlikely to be a reliable estimate of the expected rate of return or MRP. Consequently the MRP is measured over a long period of time. It should also be noted that the standard error of the estimate of the mean for longer periods is typically lower than the standard error of the mean where a shorter period is used. This supports more reliance being placed on the average MRP calculated over the longer term.

12 Based on our review of empirical studies on the long-term MRP in Australia, the MRP used in Australian regulatory decisions and by valuation practitioners generally, we adopted an MRP of 6.0%.

Appendix D

Equity beta

13 Beta is a measure of the expected volatility of the return on an investment relative to the market as a whole. The CAPM assumes that beta is the only reason expected returns on an asset differ from the expected return on the market as a whole. A beta greater than 1 suggests that an investment's returns are expected to be more volatile and risky than average (and accordingly a higher return than the market is required), whereas a beta less than 1 suggests that future returns will be less volatile and risky.

14 Similar to MRPs, expected equity betas are not observable. Historical betas are usually estimated and used as a reference to determine the appropriate forward-looking betas. In addition, factors such as betas of comparable companies and relevant industry sectors and a qualitative assessment of the systematic risks of the subject business are also considered. The determination of the appropriate beta to apply is, therefore, ultimately a matter of judgement.

15 In determining the appropriate equity beta for the Longtom and Crux projects we have considered:

(a) the beta estimates for Australian companies in the oil and gas sector

(b) the risks associated with the Longtom and Crux projects.

Listed company betas

16 The equity betas for selected Australian companies in the oil and gas sector are set out below:

Australian listed oil & gas company betas						
Company name	**Market cap A$m[1]**	**Gearing %[2]**	**SIRCA beta[3]**	**SIRCA R-square[4]**	**Bloomberg beta[5]**	**Bloomberg R-square[4]**
Nexus Energy	n/a	n/a	2.75	0.23	2.9	0.2
Large diversified producers						
Woodside Petroleum	34,571	4	1.35	0.45	1.4	0.6
Santos Limited	13,773	27	1.32	0.23	1.2	0.4
Smaller oil and gas companies						
Beach Energy	2,133	(15)	1.38	0.32	1.4	0.2
AWE	873	(10)	1.64	0.20	1.4	0.2
Drillsearch Energy	666	10	2.03	0.22	nm	-
Senex Energy	740	(16)	1.73	0.27	1.6	0.1
Karoon Gas	901	(25)	2.63	0.25	2.7	0.2
Roc Oil Company	464	(17)	1.57	0.17	1.3	0.2
Cooper Energy	155	(31)	1.41	0.22	1.1	0.1
Carnarvon Petroleum	77	(34)	2.15	0.09	2.1	0.2
Cue Energy Resources	91	(124)	1.05	Na	1.1	0.1

Note:
1 Market capitalisation as at 7 August 2014.
1 Gearing calculated as net debt divided by EV. A negative gearing ratio indicates that the company had net cash as at the most recent reporting date.
2 SIRCA betas are estimated as at 31 March 2014 using four years of monthly data.
3 R-square is a statistical measure of how well the regression line approximates the real data points. It has a value between zero and 1. The closer R-square is to 1 the more reliable the beta estimate.
4 Betas obtained from Bloomberg using five years of monthly data as at 7 August 2014.
na – not available. nm – not meaningful.

17 The above comparable betas vary widely which reflects differences in size, leverage, stage of development, asset portfolios and operational risks. However, we note that the betas of these companies are generally well above the average market beta of 1, indicating a higher level of systematic risk for oil and gas operations generally.

18 The high beta for Nexus Energy is likely to reflect the company's financial difficulties, the operational problems experienced at its Longtom project in recent years, and the uncertainties associated with the development of the Crux project. Further, the betas for individual stocks are generally significantly less reliable than the betas for industry sectors (as evidenced by the low R-squared values for individual stocks).

19 Accordingly, we set out below the industry betas for the Australian oil and gas sector:

Data period ended[(1)]	Oil & gas sector	
	Beta	R-square
March 2014	1.18	0.72
March 2013	1.22	0.80
March 2012	1.24	0.70
March 2011	1.19	0.66
March 2010	1.14	0.61
March 2009	1.28	0.63

Note:
1 Using four years of monthly returns.
Source: SIRCA.

20 The above industry betas are consistent with our expectation that the beta for the Longtom and Crux projects should be greater than one (due, in part, to the sensitivity of business performance to factors including changes in exchange rates and commodity prices).

Project risks

21 As stated above, we have also considered the risks associated with both projects:

Project risks	
Longtom	**Crux**
• Sales agreement in place with Santos providing market for gas and condensate produced to 31 December 2018 • Gas and condensate sales prices in cash flow model reflect agreed pricing mechanism • The Longtom project is currently producing gas and condensate, although significant development costs need to be incurred to bring the Longtom-5 well into production • To date, the Longtom project has been plagued with problems, including: – a material downgrade in proven and probable reserves in 2012 (resulting in impairment charges of $163 million) – numerous production suspensions due to electrical faults within the subsea facilities	• The timing and nature of project development is uncertain • The cash flow projections have been prepared based on the joint venture pursuing the project as a standalone FLNG facility (which involves higher risks compared to on-shore developments), or alternatively, as a tie in to the Prelude FLNG facility (the terms of access to which are yet to be negotiated) • The sales prices received are uncertain as no sales contracts (or LNG off-take agreements) have yet been secured • Upfront development capital expenditure is substantial, and the project is not estimated to be in production until (at least) 2022

22 Having regard to the above, we have concluded that:

(a) the beta for the Longtom project should exceed the betas for Woodside and Santos (which are substantially larger and have diversified production bases) and the energy and gas industry betas; and

(b) a higher beta should be adopted for the Crux project due to its much earlier stage of development.

23 We have therefore adopted the following beta estimates for the Longtom and Crux projects:

Adopted beta estimates		
	Low	**High**
Longtom project	1.4	1.5
Crux project	1.7	1.8

Gearing

24 The gearing level adopted should represent the level of debt that the asset can reasonably sustain and is not necessarily equivalent to the gearing level of the entity owning the asset. The factors that affect the "optimum" level of gearing will differ between assets. Generally, the major issues to address in determining this optimum level will include:

(a) the variability in earnings stream

(b) working capital requirements

(c) the level of investment in tangible assets

(d) the nature and risk profile of the tangible assets.

25 In general, the lower the expected volatility of cash flows (i.e. risk), the higher the debt levels which can be supported (and vice versa). Furthermore, as the equity beta is a function of both business risk and financial risk (being the level of financial leverage or gearing), it is important to adopt in the WACC calculation a level of gearing which is consistent with the gearing ratios of the listed companies for which equity betas were used to assess the appropriate beta. If this is not done then, in theory, the equity beta would need to be adjusted to reflect the different level of gearing adopted. However, this adjustment is subject to considerable estimation error and is therefore not preferred. Consequently, when assessing the appropriate gearing level it is appropriate to consider the gearing levels of "comparable" listed companies over the period over which the beta estimates were calculated.

26 As indicated in paragraph 16 of this Appendix, the gearing ratio of listed Australian oil and gas companies are generally low, with many companies holding net cash. Santos' gearing ratio (27% net debt to enterprise value) is also expected to reduce once its GLNG project comes into production in 2015.

27 Accordingly, for the purposes of our discount rate assessment we have adopted a gearing ratio of 15% debt to 85% equity. This gearing ratio also recognises the debt servicing capacity of the Company and the stage of development of the projects.

Cost of debt

28 A cost of debt of 7.0% and 7.5% per annum has been adopted for the Longtom and Crux projects respectively. This reflects a borrowing margin of 2.5% and 3.0% above the adopted risk-free rate for the respective projects. In our view, the greater level of uncertainty associated with the Crux project (due to its stage of development) justifies a higher cost of debt for the project.

Calculation of WACC

29 Based on the above we have adopted a discount rate of 12.0% per annum and 13.5% per annum (after tax) for the Longtom and Crux projects respectively:

Appendix D

Longtom and Crux projects – adopted discount rate				
	Longtom Project		Crux Project	
	Low %	High %	Low %	High %
Cost of equity				
Risk-free rate	4.5	4.5	4.5	4.5
MRP	6.0	6.0	6.0	6.0
Beta	1.4	1.5	1.7	1.8
Cost of equity	12.9	13.5	14.7	15.3
Cost of debt				
Pre-tax	7.0	7.0	7.5	7.5
After tax (x0.7)	4.9	4.9	5.3	5.3
Proportion of equity funding	85.0	85.0	85.0	85.0
Proportion of debt funding	15.0	15.0	15.0	15.0
WACC	11.7	12.2	13.3	13.8
WACC – adopted		**12.0**		**13.5**

Appendix E

WA oil and gas transaction evidence

1 There have been a number of transactions in the Australasian oil and gas sector in recent times. We have had regard to transactions involving the Browse, Bonaparte and Carnarvon Basins off the coast of WA. This analysis provides some evidence of the prices that potential purchasers might be prepared to pay for Nexus' 15% interest in the Crux project:

WA oil and gas transactions

				2P reserves		2C resources	
			EV[2]	PJ	EV/GJ	PJ	EV/GJ
Basin	Target	Acquirer	A$m	x	x	x	x
Bonaparte							
Jun 12	Caldita and Barossa	SK Holdings	933.3	-	na	4,184.0	0.22
Oct 11	Evans Shoal	ENI	668.8	-	na	7,890.0	0.08
Aug 09	Petrel, Tern & Frigate	GDF Suez S.A.	403.2	-	na	1,279.5	0.32
Browse							
Jun 14	Browse Basin WA-315-P & WA-398 -P	Origin Energy	1,622.3	-	na	3,885.0	0.42
Feb 13	Browse Basin WA-315-P & WA-398 -P	PetroChina	2,050.0	-	na	3,885.0	0.53
Dec 12	East & West Browse JV	PetroChina	14,705.9	-	na	20,377.0	0.72
Jul 12	East & West Browse JV	Mitsubishi	13,265.3	-	na	20,377.0	0.65
Carnarvon							
Jan 12	WA 191-P permit	Santos	264.6	81.4	3.25	-	na

Note:
1 Date of announcement.
2 100% basis.
na – not available.
Source: LEA analysis using data from ASX announcements, broker reports and company annual reports.

Appendix F

Summary of recent sales processes

1 Since September 2012 an extensive sale process in relation to Nexus and its assets has been conducted, as summarised below:

Date	
September 2012	Nexus appointed advisers to explore strategic options in relation to its interest in Crux. These advisers conducted a global process to identify parties interested in acquiring all or part of Nexus' interest in the Crux project.
February 2013	Nexus received non-binding, indicative proposals in respect of its 15% interest in the Crux project from two parties.
July 2013	Nexus extends the sale process to include the divestment of an interest in the Longtom project.
July 2013	Financial advisers appointed to assist Nexus identify parties interested in either acquiring (or farming out an interest in) the Echuca Shoals permit.
October 2013	Discussions commence with a large resource company regarding possible terms of a strategic alliance, including a placement of shares, the sale of an interest in Crux and a farmout of an interest in the Echuca Shoals permits.
November 2013	Nexus receives non-binding, indicative proposals in respect of Longtom from two parties.
February 2014	Nexus receives a conditional proposal from SGH to acquire all of the shares in Nexus.
March 2014	Nexus receives a non-binding, conditional, indicative offer for 100% of its interest in Longtom.
March 2014	Nexus enters into Merger Implementation Agreement with SGH for SGH to acquire 100% of the shares in Nexus (subject to shareholder approval).
June 2014	Following the appointment of voluntary administrators, Gresham was appointed to undertake a sale process in relation to the Crux and Longtom projects, and the Echuca Shoals permits. Over 70 potential purchasers were contacted, including those which previously expressed interest, industry participants, a number of private equity investors and other stakeholders such as Noteholders and shareholder groups. Binding offers from interested parties were due on or before 30 July 2014.

2 A summary of the offers received is set out below:

Appendix F

Summary of offers received			
Asset	**Date**	**Implied value of Nexus interest**	**Comments**
Longtom	Nov 13	A$45m - A$95m	Non-binding indicative offers for 50% interest only. The highest bidder did not proceed with its offer.
	Mar 14	A$49m	Non-binding indicative offer.
	Jul 14	-	No offers were received following the recent sales process.
Crux	Feb 13	US$33m – US95m	Non-binding indicative offers. Whilst the highest offer received in February 2013 was US$95 million, in our view, the net realisable value is likely to be significantly lower if Nexus was placed in liquidation. The second best offer was only US$33 million.
	Jul 14	-	No offers were received following the recent sales process.
Echuca Shoals	Jul 13	-	No proposals were received following discussions with numerous parties.
	Jul 14	-	No offers were received following the recent sales process.
Enterprise value	Mar 14	A$216m	Enterprise value implied by MIA with SGH.
(i.e. all projects)	Jul 14	A$181m	Enterprise value implied by DOCA from SGH.

Note:
1 All offers were inclusive of exploration interests.

3 In the most recent sales process (which ended on 30 July 2014):

(a) no binding offers were received for any of Nexus' assets

(b) the only DOCA proposal received was from SGH, which implied a total value for the Crux project, the Longtom project and the Echuca Shoals permits (the Assets) of around A$181 million[53].

4 The DOCA proposal from SGH may attribute some value to Nexus' substantial income tax losses and Petroleum Resource Rent Tax (PRRT) credits[54]. However, if Nexus is liquidated it is unlikely that a potential purchaser will be able to utilise the corporate tax losses, and the PRRT credits from the Longtom project cannot be able to be transferred to the Crux project. SGH is therefore likely to reduce its offer for the assets in the event Nexus is liquidated. In addition, the upfront development costs associated with Longtom 5 have increased materially since the date of the DOCA.

53 For the purposes of this calculation, the liability for restoration costs associated with the Crux-2/ST-1, Crux-3 and Crux-4 wells has been netted off the enterprise value.

54 Refer to Section III.

Appendix F

5 If the DOCA is not implemented there is also a significant risk that SGH will not make a further offer to acquire all the Assets. As a result the aggregate proceeds are likely to be lower, and some assets (e.g. the Echuca Shoals permits) may not be able to be realised.

6 Given the above, in our opinion, the realisable value of Nexus' interests in the Assets under a realisation scenario is likely to be significantly less than the value implied by the DOCA.

Appendix G

Report of Gaffney, Cline & Associates dated 30 October 2014

Gaffney, Cline & Associates

INDEPENDENT TECHNICAL SPECIALIST'S REVIEW OF NEXUS' ASSETS AS AT 31ST JULY, 2014

Prepared for

LONERGAN EDWARDS & ASSOCIATES LIMITED

OCTOBER, 2014

CONFIDENTIAL

This document is confidential and has been prepared for the exclusive use of Lonergan Edwards & Associates Limited (LEA) to assist with its reporting requirements to the Australian Securities and Investments Commission (ASIC) in connection with determining the Administrators' application for relief from the operation of section 606 of the Corporations Act 2001. This report may also be used in the Administrators' application to the Court under section 444GA of the Act. This report may not be distributed or made available, in whole or in part, for any other purpose or to any other company or person without GCA's prior written consent. It must be considered in its entirety taking into careful consideration the qualifications, assumptions and limitations expressed herein. To the fullest extent permitted by law, GCA disclaims all liability for actions or losses derived from any actual or purported reliance on this report (or any other statements or opinions of GCA) by LEA or by any other person or entity.

www.gaffney-cline.com

Gaffney, Cline & Associates

DOCUMENT APPROVAL & DISTRIBUTION

Copies: Client (5 hard copies or as applicable)
Electronic (1 copy, if requested)
Third Party (if applicable)

Project No: PY-14-2012

Prepared for: Lonergan Edwards & Associates Limited

This report was approved by the following Gaffney, Cline & Associates personnel:

Project Manager	**Signature**	**Date**
Paul McGhee Senior Advisor		30th October, 2014
Reviewed by		
Stephen Lane Technical Director		30th October, 2014
Robert George Vice President		30th October, 2014

Table of Contents

Tables

Figures

Appendices

Gaffney, Cline & Associates

Gaffney, Cline & Associates Pty. Ltd.
Level 16, 275 Alfred Street
North Sydney NSW 2060, Australia
Telephone: +61 2 9955 6157

www.gaffney-cline.com

PMG/chw/PY-14-2012/1224 **30th October, 2014**

Mr Craig Edwards
Managing Director
LONERGAN EDWARDS & ASSOCIATES LIMITED
Level 27, 363 George Street
Sydney NSW 2000
E-mail: cedwards@lonerganedwards.com.au

Dear Sirs,

INDEPENDENT TECHNICAL SPECIALISTS REVIEW OF NEXUS' ASSETS AS AT 31ST JULY, 2014

INTRODUCTION

Gaffney, Cline & Associates (GCA) was retained by Lonergan Edwards & Associates Limited (LEA), in accordance with GCA's Proposal for Services reference **DJH/als/L0349/2014/PY-14-2012** dated 27th August, 2014, to provide a Technical Specialists Review of the oil and gas assets held by Nexus Energy Limited (Subject to a Deed of Company Arrangement) (Nexus), and an opinion on value for certain exploration assets. Lonergan Edwards has in turn been engaged to provide an opinion in its Independent Expert's Report (IER) on whether the proposed share transfer will unfairly prejudice shareholders.

A meeting of shareholders was convened on 12th June, 2014 to consider a proposed Scheme of Arrangement under which Seven Group Holdings Limited (SGH) would have acquired, through a wholly owned subsidiary, all of the issued shares in Nexus (Scheme).

Following the non-approval of the Scheme, the Nexus Board appointed the Administrators to Nexus.

GCA understands that the Administrators sought offers to purchase the company and its subsidiaries and/or its assets. The only offer which resulted was Deed of Company Arrangement proposal by SGH Energy (No. 2) Pty Ltd (DOCA).

On 11th August, 2014, at a second meeting of creditors, creditors resolved that Nexus enter into the DOCA and the Administrators be appointed Deed Administrators. As part of satisfying the DOCA conditions precedent, GCA has been requested to provide technical specialist advice to LEA in relation to Nexus' assets.

The scope of GCA's work was to assist LEA with its valuation of Nexus' assets by providing advice on the appropriateness of the assumptions used in the Nexus financial models, which included the provision of production and cost profiles for the Longtom gas project and the Crux project. The assignment also included an assessment of Nexus' oil and gas reserves and contingent resources for these projects based on an audit approach. For the purposes of this report GCA has made the assumption that Nexus remains a going concern.

The scope further included the provision of an opinion on the asset value range for Nexus' exploration portfolio and for Contingent Resources associated with two undeveloped gas discoveries in Nexus' portfolio; Grayling-1A offshore Victoria and Echuca Shoals-1, offshore Western Australia. A description of the basis and rationale behind each of the valuation methodologies employed was also requested.

GCA understands that the results of its assessments provided in this Technical Specialists Review will be attached to LEA's IER, which will be a public document. GCA confirms that one of the purposes for which its report has been prepared is for the Australian Securities and Investments Commission (ASIC) to use the report in connection with determining the Administrators' application for relief from the operation of section 606 of the Corporations Act 2001. GCA also understands that this report may be used in the Administrators' application to the Court under section 444GA of the Act.

Nexus has assets generating a combination of cashflow and potential upside value through discovered, appraised and exploration hydrocarbon resource volumes. Key assets include the producing Longtom gas project (Nexus 100%) in the Gippsland Basin off the south-east coast of Victoria plus the Crux asset (Nexus 15%) in the Browse Basin, off the north-west coast of Western Australia. Nexus also holds WA-377-P (Nexus 100%), an exploration permit in the Browse Basin.

A summary of Nexus License interests is presented in **Table 0.1**.

TABLE 0.1

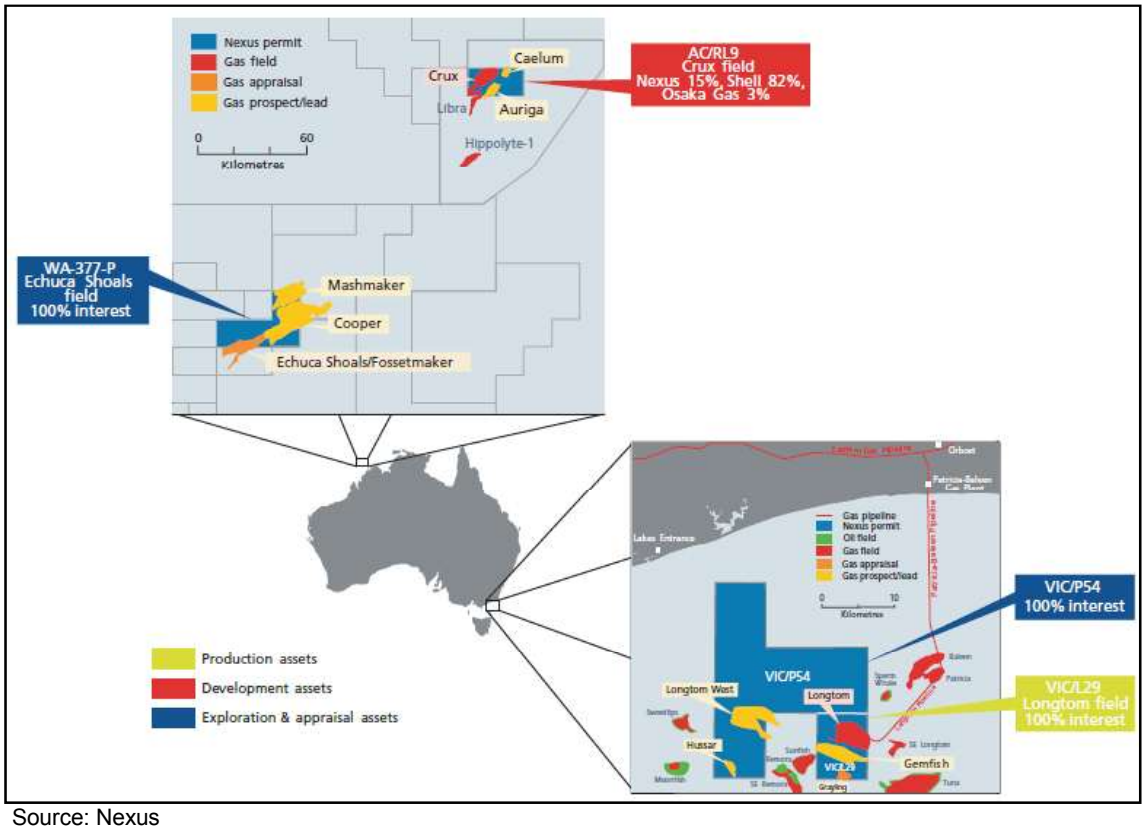
NEXUS LICENSE SUMMARY
AS AT 31ST JULY, 2014

Project	License	Nexus WI	Basin	Status
Longtom	VIC/L29	100%	Gippsland Basin	Producing Gas, Discovery, Appraisal & Exploration Potential
Longtom West	VIC/P54	100%	Gippsland Basin	Exploration Potential
Crux	AC/RL9	15%	Browse Basin	Discovery, Appraisal & Exploration Potential
Echuca Shoals	WA-377-P	100%	Browse Basin	Discovery, Appraisal & Exploration Potential

The locations of the Nexus assets are shown in **Figure 0.1**.

FIGURE 0.1

NEXUS ASSETS LOCATION MAP



Source: Nexus

GCA's assessment of Nexus' oil and gas reserves and resources was based on an audit approach. The audit focused on cross checks of previous evaluations by the operator and/or its contractors of the geology and geophysics, petrophysics, reservoir and production engineering, with particular emphasis on those aspects considered to be subject to the greatest uncertainty. The aim was to provide an independent opinion on the existing interpretations to establish whether Nexus' models are acceptable and that its hydrocarbons-in-place estimates are reasonable, and could therefore be used as a basis for GCA's independent assessment of reserves and resources.

As part of the audit process, and in the preparation of its estimates of reserves and resources, GCA has modified aspects of certain interpretations or analyses provided, and has noted in the report where this was so. GCA then scrutinised Nexus' development plans and prepared its own independent assessment of future production. Future CAPEX and OPEX estimates presented by Nexus were also independently reviewed and adjusted where considered necessary.

This report relates specifically and solely to the subject matter as defined in the scope of work as set out in GCA's Proposal for Services dated 27th August, 2014 and any mutually agreed amendments as set out in this report, and is conditional upon the assumptions described herein. The report must be considered in its entirety and must only be used for the purpose for which it was intended.

Industry Standard terms and abbreviations are contained in the attached Glossary (**Appendix I**), not all of which have necessarily been used in this report.

BASIS OF OPINION

This document reflects GCA's informed professional judgment based on accepted standards of professional investigation and, as applicable, the data and information provided by the Client and/or obtained from other sources (e.g., public domain), the limited scope of engagement, and the time permitted to conduct the evaluation.

In line with those accepted standards, this document does not in any way constitute or make a guarantee or prediction of results, and no warranty is implied or expressed that actual outcome will conform to the outcomes presented herein. GCA has not independently verified any information provided by or at the direction of the Client and/or obtained from other sources (e.g., public domain), and has accepted the accuracy and completeness of these data. GCA has no reason to believe that any material facts have been withheld from it, but does not warrant that its inquiries have revealed all of the matters that a more extensive examination might otherwise disclose.

The opinions expressed herein are subject to and fully qualified by the generally accepted uncertainties associated with the interpretation of geoscience and engineering data and do not reflect the totality of circumstances, scenarios and information that could potentially affect decisions made by the report's recipients and/or actual results. The opinions and statements contained in this report are made in good faith and in the belief that such opinions and statements are representative of prevailing physical and economic circumstances.

In the preparation of this report GCA has used definitions contained within the Petroleum Resources Management System (PRMS), which was approved by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers in March 2007 (see **Appendix II**).

There are numerous uncertainties inherent in estimating reserves and resources, and in projecting future production, development expenditures, operating expenses and cash flows. Oil and gas resources assessment must be recognised as a subjective process of estimating subsurface accumulations of oil and gas that cannot be measured in an exact way. Estimates of oil and gas resources prepared by other parties may differ, perhaps materially, from those contained within this report. The accuracy of any resource estimate is a function of the quality of the available data and of engineering and geological interpretation. Results of drilling, testing and production that post-date the preparation of the estimates may justify revisions, some or all of which may be material. Accordingly, resource estimates are often different from the quantities of oil and gas that are ultimately recovered, and the timing and cost of those volumes that are recovered may vary from that assumed.

Oil and condensate volumes are reported in millions (10^6) of barrels at stock tank conditions (MMstb). Natural gas volumes have been quoted in billions (10^9) of standard cubic feet (Bscf) and are volumes of sales gas, after an allocation has been made for fuel and process shrinkage losses. Standard conditions are defined as 14.696 psia and 60° Fahrenheit.

GCA prepared an independent assessment of the Reserves and Resources based on data and interpretations provided by the Client.

It is GCA's opinion that the estimates of total remaining recoverable hydrocarbon liquid and gas volumes at 31st July, 2014 are, in the aggregate, reasonable and the Reserves and Resources classification and categorization is appropriate and consistent with the definitions and guidelines for Reserves and Resources.

Definition of Reserves and Resources

Reserves are those quantities of petroleum that are 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 categorized 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. All categories of Reserves volumes quoted herein have been derived within the context of an economic limit test (pre-tax and exclusive of accumulated depreciation amounts) assessment prior to any NPV analysis.

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no evident viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

It must be appreciated that the Contingent Resources reported herein are unrisked in terms of economic uncertainty and commerciality. There is no certainty that it will be commercially viable to produce any portion of the Contingent Resources. Once discovered, the chance that the accumulation will be commercially developed is referred to as the “chance of development.”

Prospective Resources are those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated “chance of discovery” and a “chance of development”. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates, assuming their discovery and development, and may be sub-classified based on project maturity.

There is no certainty that any portion of the Prospective Resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources. Prospective Resource volumes are presented as unrisked. It must be appreciated that Prospective Resources are risk assessed only in the context of identifying the stated 'Geological Chance of Success,' a percentage which pertains to the percentage probability of achieving the status of a Contingent Resource (where the Geological Chance of Success is unity). This dimension of risk assessment does not incorporate the considerations of economic uncertainty and commerciality.

A site visit and inspection was not part of the scope of work. As such, GCA is not in a position to comment on the operations or facilities in place, their appropriateness and condition and whether they are in compliance with the regulations pertaining to such operations. Further, GCA is not in a position to comment on any aspect of health, safety or environment of such operation.

This report has been prepared based on GCA's understanding of the effects of petroleum legislation and other regulations that currently apply to these properties. However, GCA is not in a position to attest to property title or rights, conditions of these rights including environmental and abandonment obligations, and any necessary licenses and consents including planning permission, financial interest relationships or encumbrances thereon for any part of the appraised properties.

In carrying out this study, GCA is not aware that any conflict of interest has existed. As an independent consultancy, GCA is providing impartial technical, commercial and strategic advice within the energy sector. GCA's remuneration was not in any way contingent on the contents of this report. In the preparation of this document, GCA has maintained, and continues to maintain, a strict independent consultant-client relationship with LEA. Furthermore, the management and employees of GCA have no interest in any of the assets evaluated or related with the analysis carried out as part of this report.

Staff members who prepared this report hold appropriate professional and educational qualifications and have the necessary levels of experience and expertise to perform the work.

EXECUTIVE SUMMARY

The Nexus-operated (100% Nexus) Longtom Gas Field was discovered in 1995 by BHP, but was not considered to be commercially viable at that time. In 2006, the Longtom-3H well was drilled, confirming the commercial potential of the field. In December, 2005, a Gas Sales Agreement (GSA) was entered into with Santos, with a final commitment to proceed with the development agreed to in April, 2007. Gas deliveries from Longtom commenced in October, 2009.

The Longtom field is comprised of reservoirs derived from river and lake systems, and are separated into several separate compartments as demonstrated by the production performance from Longtom-3H (LT-3H) and Longtom-4H (LT-4H) wells and as supported by the latest 3D seismic data. The volumes associated with the current development activities, which includes the currently producing LT-4H well, the planned LT-4H work-over, LT-3H Repair and a proposed new Longtom-5H (LT-5H) well are classified as Reserves.

Longtom Gas Field Reserves

There are two subsea development wells installed; LT-3H and LT-4H, that have been delivering gas through the Patricia-Baleen Pipeline to the Santos-operated onshore gas plant at Orbost and produced condensate is trucked to the Shell refinery at Geelong. Electrical problems with the subsea equipment on LT-3H have resulted in only LT-4H currently producing.

Nexus' current plan is to conduct remedial work on the LT-3H well, along with a work over of LT-4H, in conjunction with the drilling of the proposed new LT-5H well in 2015. Nexus commenced FEED for the project in January, 2014 and procurement of long lead items in March, 2014. Prior to the company's current financial situation, the Final Investment Decision (FID) was expected at the end of Q3 2014. At the time of writing this report a FID had not been made on this plan, although GCA has classified these volumes as Reserves under the "Justified for Development" sub-category on a "going concern" assumption that an FID is reasonably certain to be forthcoming in the foreseeable future.

The Current GSA for Longtom gas will expire on 31st December, 2018 and as such, GCA has only included forecast production volumes up to the current GSA expiry in its 1P Reserves estimates. However, based on conditions for the expected gas market in South East Australia, and therefore the probability that the GSA will be extended or a new GSA negotiated, GCA has assigned reserves up to 2020 for the 2P volumes and in the 3P case it is assumed that the GSA will be further extended to until the field economic limit in 2023.

GCA's assessment of the Longtom Reserves as at 31st July, 2014, is provided in **Table 0.2**.

TABLE 0.2

LONGTOM FIELD RESERVES
AS AT 31ST JULY, 2014

	Reserves Net to Nexus 100% NWI		
	1P	2P	3P
Sales Gas (Bscf)	45	69	90
Sales Gas (PJ)	51	79	103
Condensate (MMstb)	0.56	0.87	1.13

Notes:
1. Sales gas volume is after shrinkage (~1.5%) and fuel usage and flare at surface facilities.
2. Conversion of sales gas in Bscf to PJ is based on a gross heating value of ~1.135 PJ/Bscf.
3. Hydrocarbon volumes include small percentages of CO_2 and N_2 within the sales stream.

Longtom Contingent Resources

There are mapped areas of the field with reservoir compartments (including the LT-6H area) that cannot be accessed by the existing well penetrations, and are located beyond those areas targeted by current development operations outlined above. Recovery of resource volumes in these areas will require additional wells but as there is no adequately defined plan for their development they have been classified as Contingent Resources.

The Contingent Resources of gas and condensate associated with these areas are presented in **Table 0.3.**

TABLE 0.3

LONGTOM FIELD CONTINGENT RESOURCES
AS AT 31ST JULY, 2014

	Contingent Resources Net to Nexus 100% NWI		
	1C	2C	3C
Sales Gas (Bscf)	70	115	181
Sales Gas (PJ)	79	130	205
Condensate (MMstb)	0.76	1.45	2.56

Notes:
1. Sales gas volume is after shrinkage (~1.5%) and fuel usage and flare at surface facilities.
2. Conversion of sales gas in Bscf to PJ is based on a gross heating value of 1.135 PJ/Bscf.
3. Hydrocarbon volumes include small percentages of CO_2 and N_2 within the sales stream.
4. Contingent Resources are 100% of the volumes estimated to be recoverable from the asset in the event that it is developed.
5. The volumes reported here are “unrisked” in the sense that no adjustment has been made for the risk that the asset may not be developed in the form envisaged or may not go ahead at all (i.e. no “Chance of Development” factor has been applied).
6. Contingent Resources should not be aggregated with Reserves because of the different levels of risk involved.

Crux Contingent Resources

The Crux Field, located in the AC/RL9 Retention Lease (granted in February, 2009 to the original exploration permit, AC/P23), was discovered in 2000 by Nippon Oil. Nexus acquired its 100% interest in 2005, and subsequently transferred all the gas rights to Shell in 2006, retaining all the liquids rights. Nexus subsequently sold 15% of its liquids interest to Osaka Gas. The Consolidation Agreement entered into in August, 2012 now allows for all parties to participate in all aspects of the future development. The current situation, after Nexus exercised a put option and sold 2% of its interest to Shell is: Shell is the Operator with an 82% interest, Nexus with a 15% interest and Osaka Gas with a 3% interest.

GCA has based its evaluation of the future development options for Crux on two specific development solutions which are considered to be the most technically viable and currently preferred concepts:

A. FPSO tie-back to the Shell-operated Prelude FLNG project to "back-fill" decline, and
B. A stand-alone FLNG project, based on the same implied tariff as Shell uses when tariffing out Prelude services to Crux in the "back-fill" project above.

Based on its review of the two development scenarios, GCA has estimated Contingent Resources for the Crux asset based on the integrated development of Prelude and Crux (Scenario A).

This decision is based in part on the consideration that Shell as Operator of the Prelude project, and also of any future Crux development, will be more inclined to maximize its considerable investment in the Prelude FLNG facilities and therefore select the "back-fill" option to extend the life of the Prelude FLNG plant, rather than commit to a similar level of investment to construct a stand-alone FLNG facility at Crux.

Contingent Resource volumes as at 31st July, 2014, associated with Scenario A are provided in **Table 0.4**.

TABLE 0.4

CRUX FIELD CONTINGENT RESOURCES
SCENARIO A – PRELUDE FLNG BACK-FILL
AS AT 31ST JULY, 2014

	Contingent Resources (Gross 100% Field)			Contingent Resources Net to Nexus 15% NWI		
	1C	2C	3C	1C	2C	3C
Sales Gas (Bscf)	1,312	1,480	1,647	197	222	247
Sales Gas (PJ)	1,490	1,679	1,869	223	252	280
Condensate (MMstb)	44	54	66	6.6	8.1	9.9

Notes:
1. Gross Contingent Resources are 100% of the volumes estimated to be recoverable from the asset in the event that it is developed in the manner contemplated.
2. Fuel and Flare losses and reduction for Inert gases (CO_2, N_2) of ~ 20% have been accounted for before deriving the Contingent Resources (Sales Gas)
3. Conversion of sales gas in Bscf to PJ is based on a gross heating value of ~1.135 PJ/Bscf.
4. The volumes reported here are "unrisked" in the sense that no adjustment has been made for the risk that the asset may not be developed in the form contemplated or may not go ahead at all (i.e. no "Chance of Development" factor has been applied).
5. Contingent Resources should not be aggregated with Reserves because of the different levels of risk involved.

Grayling-1A and Echuca Shoals-1 Contingent Resources

The Grayling-1A gas discovery (100% Nexus) is located in the VIC/L29 Production Licence in the Gippsland Basin, close to the Longtom Gas Field and the undrilled Gemfish prospect. Nexus holds a 100% NWI in the discovery, and this could be developed as a tie-back to Longtom if further Exploration/Appraisal drilling is successful.

GCA's assessment of the Grayling-1A Contingent Resources as at 31st July, 2014, is provided in **Table 0.5**. Economic analysis discussed in **Section 4** of the small estimated volumes of Grayling-1A Contingent Resources suggests that this discovery is sub-economic and based on present data and conditions GCA considers the Grayling-1A discovery to have no meaningful value.

TABLE 0.5

GRAYLING-1A CONTINGENT RESOURCES
AS AT 31ST JULY, 2014

	Contingent Resources Net to Nexus 100% NWI		
	1C	2C	3C
Raw Gas (Bscf)	16	25	37
Condensate (MMstb)	0.02	0.15	0.39

Notes:

1. Contingent Gas volumes are inclusive of CO_2. GCA has estimated the CO_2 content range to be 19%-18%-17%, respectively, for the three Contingent Resource categories.
2. Contingent Resources are 100% of the volumes estimated to be recoverable from the asset in the event that it is developed.
3. Raw Gas numbers are provided as there is no defined development currently
4. The volumes reported here are "unrisked" in the sense that no adjustment has been made for the risk that the asset may not be developed in the form contemplated or may not go ahead at all (i.e. no "Chance of Development" factor has been applied).
5. Contingent Resources should not be aggregated with Reserves because of the different levels of risk involved.

The Echuca Shoals-1 (100% Nexus) discovery is located in Exploration Permit WA-377-P in the Browse Basin, close to both the Central Browse and East Browse LNG processing facilities. Nexus holds a 100% NWI in the Block, which has one discovery well on the border of the block, Echuca Shoals-1, and one dry exploration well drilled in 2007, Fossetmaker-1. In March, 2012, the Exploration Permit was extended for a further 5 years, with a work programme that requires the Operator to conduct further technical studies and to drill a commitment well by September, 2015.

GCA's assessment of the Echuca Shoals-1 discovery Contingent Resources as at 31st July, 2014, is provided in **Table 0.6.** Economic analysis discussed in **Section 4** of the small estimated volumes of Echuca Shoals-1 Contingent Resources suggests that this discovery is sub-economic and based on present data and conditions. GCA considers the Echuca Shoals-1 discovery to have no meaningful value.

TABLE 0.6

ECHUCA SHOALS-1 CONTINGENT RESOURCES AS AT 31ST JULY, 2014

	Contingent Resources Net to Nexus 100% NWI		
	1C	2C	3C
Raw Gas (Bscf)	15	27	48
Condensate (MMstb)	0.24	0.69	1.55

Notes:

1. Contingent Gas volumes are inclusive of CO_2. GCA has estimated the CO_2 content range to be 15%-9%-3%, respectively, for the three Contingent Resource categories.
2. Contingent Resources are 100% of the volumes estimated to be recoverable from the asset in the event that it is developed.
3. Raw Gas numbers are provided as there is no defined development currently
4. The volumes reported here are “unrisked” in the sense that no adjustment has been made for the risk that the asset may not be developed in the form contemplated or may not go ahead at all (i.e. no “Chance of Development” factor has been applied).
5. Contingent Resources should not be aggregated with Reserves because of the different levels of risk involved.

Prospective Resources

Nexus also has a portfolio of exploration prospects that have been reviewed by GCA as part of this assessment. Details of this potential upside are discussed in **Sections 1.7 -1.13, 2.7,** and **3.4**, later in this report. A summary of the Prospective Resources for those prospects with positive Expected Monetary Value (EMV), along the associated estimated Geological Chance of Success (GCoS) and Chance of Development (CoD) is presented in the **Table 0.7**.

TABLE 0.7

NEXUS' EMV POSITIVE PROSPECTIVE RESOURCES PORTFOLIO AS AT 31ST JULY, 2014

Licence/Prospect	WI (%)	Prospective Resources Net to Nexus WI						GCoS (%)	CoD (%)
		Raw Gas (Bscf)			Condensate (MMBbls)				
		Low (P90)	Best (P50)	High (P10)	Low (P90)	Best (P50)	High (P10)		
AC/RL9 (Nexus 15%)									
Auriga	15%	59	97	162	2.8	3.4	4.0	41%	90%
Caelum	15%	49	92	155	3.0	3.1	3.3	31%	90%
WA-377-P (Nexus 100%)									
Echuca Shoals - Fossetmaker	100%	428	535	653	13.0	16.2	19.8	25%	90%[6]
Mashmaker	100%	363	818	2,137	11.0	24.8	64.8	22%	50%

Notes:

1. The Geological Chance of Success (GCoS) reported here represents an indicative estimate of the probability that drilling this Prospect would result in a discovery. This does not include any assessment of the risk that the discovery, if made, may not be developed.
2. The volumes reported here are "unrisked" in the sense that no adjustment has been made for the risk that no discovery will be made or that any discovery would not be developed.
3. Identification of Prospective Resources associated with a prospect is not indicative of any certainty that the Prospect will be drilled, or will be drilled in a timely manner.
4. Prospective Resources should not be aggregated with each other, or with Reserves or Contingent Resources, because of the different levels of risk involved.
5. Chance of Development (CoD) represents an indicative estimate of the probability of the prospect being developed within a meaningful timeframe post-discovery.
6. It is assumed that an Echuca Shoals – Fossetmaker well will only be drilled on the basis of a development at Mashmaker. Thus, the Echuca Shoals – Fossetmaker EMV requires further adjustment by the assessed probability of this occurring (11%).

The Auriga prospect is due to be drilled in 2015 as a commitment well required under the AC/RL9 lease extension, and the Caelum well may also be drilled if Auriga is successful. As both prospects could be tied in to the Crux development, it is considered that there is a high chance that, if successful, they would be developed.

In arriving at a valuation range for Nexus' prospects, GCA considered the possibility of using the EMV, comparable transactions and past cost approaches, this is discussed in more detail in **Section 4** of this report.

In consideration of the analyses conducted, GCA's opinion of the Fair Market Value (FMV) of these prospects is between **A$10 MM and A$40 MM**, the mid-point of which is **A$25MM**.

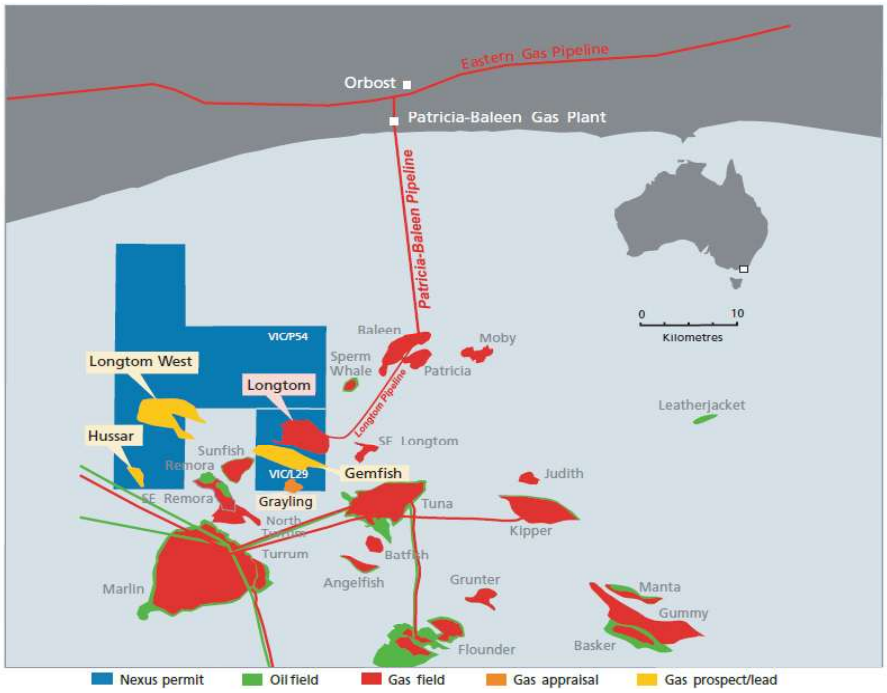
DISCUSSION

1. VIC/L29 - LONGTOM

The production licence for petroleum VIC/L29 was granted to Nexus and Apache Northwest Pty Ltd (Apache) on 24th September, 2007. VIC/L29 encompasses graticular block No. 1852 (approximately 80 km^2) and was part of Petroleum Exploration Permit VIC/P54 as indicated in **Figure 1.1**. The Longtom field, the Grayling-1A discovery well and also Nexus' Gemfish exploration prospect are situated in the licence. The Co-ordination Deed of 11th June, 2007 between Apache and Nexus was an agreement to transfer the licence to Nexus as the sole registered titleholder upon grant of the production licence which occurred in September of the same year.

FIGURE 1.1

LONGTOM LOCATION MAP



Source: Nexus

The Nexus Longtom field supplies gas and condensate from the offshore subsea horizontal wells, Longtom-3H and Longtom-4H (LT3H & LT4H. The gas and condensate are processed at the Santos owned Patricia-Baleen (PB) plant and the products are sold to Santos under a long term Gas Sales Agreement (GSA). Due to electrical subsea equipment issues the LT-3H well is currently shut-in. The Longtom Field has produced an estimated 59.9 PJ of sales gas and 0.55 MMbbl of condensate as at 31st July, 2014.

On 14th May, 2013, Nexus announced that amendments to the terms of the GSA had been agreed with Santos which would cover the delivery of the remaining contract quantity of 83 PJ of gas to 31st December, 2018.

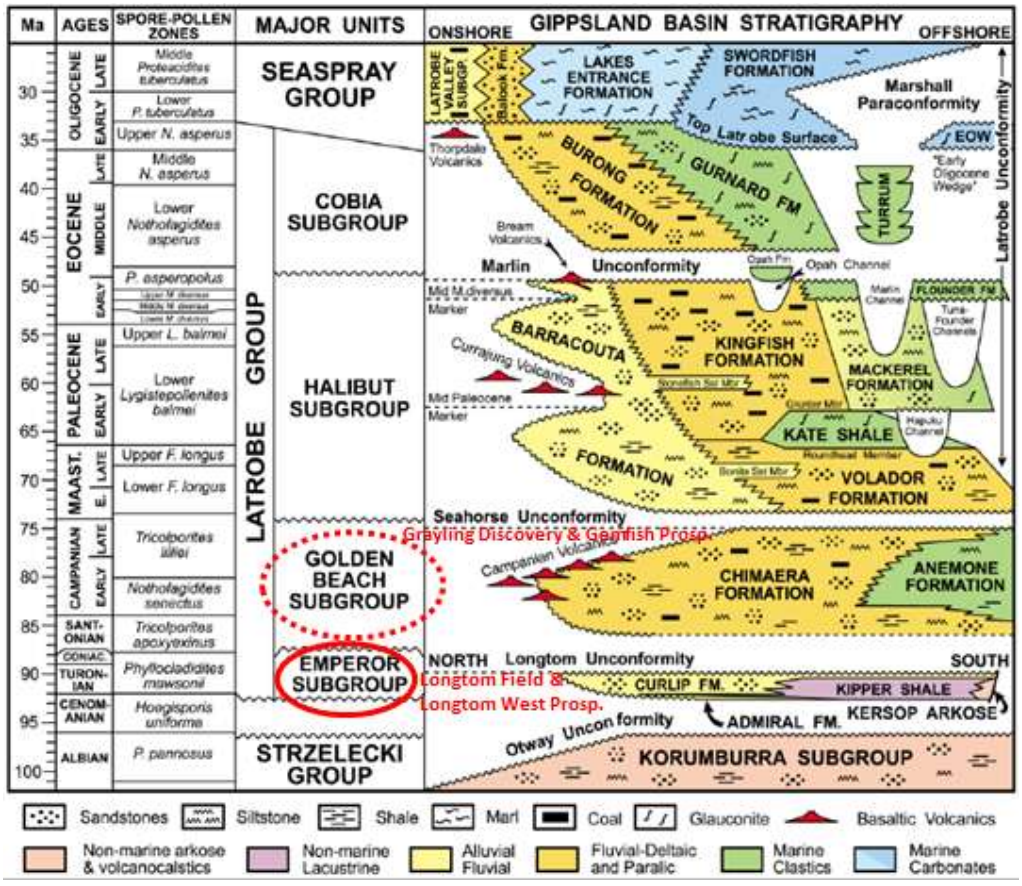
1.1 Geological Setting

The Longtom Field **(Figures 1.1, 1.3)** is a 3-way dip closure into a large down to the south normal fault. The field lies within a WNW-ESE trending terrace which is bounded to the North by regional faults associated with the Rosedale Fault system in the Gippsland Basin. Lateral seal is provided by faulting, which allows for juxtaposition of the Admiral Formation against the Strzelecki Formation in the North, and to the South by a large down to the south normal fault system allowing for juxtaposition with the Kipper Shale Top seal is the regional Kipper Shale and intra-formational shales. Gas in the field occurs in sands of the Admiral Formation in the Emperor Sub-Group (lower member of the Latrobe Group which were deposited in a fluvial-lacustrine setting) **(Figure 1.2)**.

Six reservoir sands (50, 100, 200, 300, 400, 500 sands) have been identified overlaying the Top Turonian Volcanics. The major gas production is from predominantly the 100, 200 and 400 sands and to a lesser extent the 50 sand. There is a smaller gas contribution from the 300 and 500 sands.

FIGURE 1.2

GIPPSLAND STRATIGRAPHY



Source: Bernecker & Partridge

1.2 Technical Review

The GCA technical review focused on reviewing the updates to the production forecasts and reservoir models since GCA's Statement of Reserves and Resources previously produced for Nexus in April, 2012. No additional wells have been drilled and the reservoir models have not been significantly changed since the date of this report.

The production data from 31st December, 2011 to 30th June, 2014 was examined and compared to Nexus' Longtom Base Case dynamic reservoir simulation model. The Nexus model only included production data up to 31st December, 2013. GCA considered the dry gas and condensate production, as well as the wellhead and well bottomhole pressure measurements and deemed that the simulation model still provided a suitable history match to the historical data. The Nexus Base Case simulation model gas forecast was subsequently reviewed by GCA. Based on this forecast, the Estimated Ultimate Recovery (EUR) for the Longtom Field was consistent with GCA's estimate in the April, 2012 report.

The timing for development activities (described in **Section 1.4.1**) on the Longtom Field in the model were based on Nexus' view of the development schedule as at 31st December, 2013. GCA's view as at 31st July, 2014 of the timing of development activities differs from the current Nexus view provided in the VDR. The EUR associated with the producing LT-4H well and the incremental EUR with each development activity was therefore assessed separately, based on the outputs of the Nexus simulation model. GCA generated a Base Case gas technical production profile by adjusting the production outputs of the simulation model to be consistent with GCA's view on the schedule of development activities. The profile was based on the production decline for each development activity from the simulator, within the constraints of well deliverability and gas demand nominations. The production forecast was also reconciled for historical gas production from January, 2014 to June, 2014. Low and High Case production profiles were generated consistent with the Low and High Case EUR from the April, 2012 GCA report. These included the wells LT-5H and LT-6H which have not as yet been drilled.

Low, Best and High Case condensate production forecasts were generated by applying an average Condensate Gas Ratio (CGR) to the respective Low, Best and High Case gas production forecasts. The CGR was based on the historical field CGR and the expected CGR from new production zones and new wells.

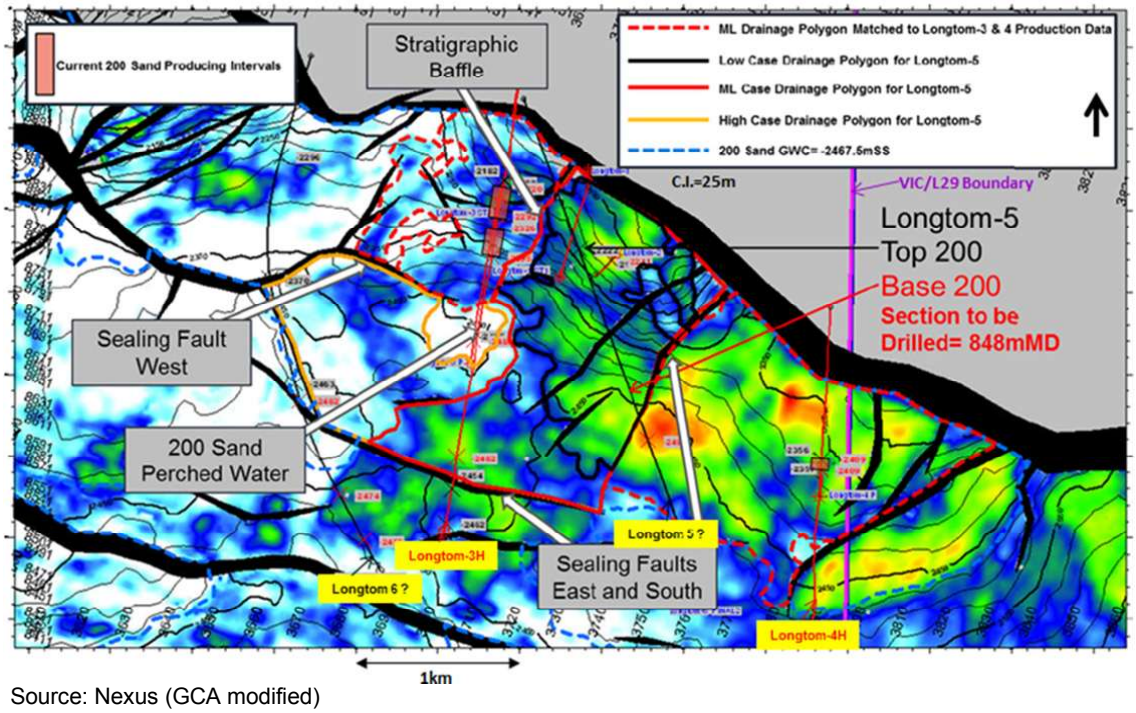
In April, 2012, the GCA work focused on the compartmentalised nature of the reservoir sands by reviewing the integration of the Nexus Seismic Inversion based Fluid Index volume analysis in conjunction with the production data. The processed Seismic attribute volumes were utilized by Nexus to extract attribute maps for the 50, 100, 200, 400 reservoir horizon time interpretations to help define the compartments or "connected volumes" by calibrating to the production data (via material balance and simulation runs) for the developed LT-3H and LT-4H well areas.

The attribute maps for each Longtom reservoir were utilized in conjunction with the Gas Water Contact (GWC) information from pressure data and wireline logs as well as the structural (Top & Base) surfaces. Polygons were interpreted within the limits of the data provided by the wells so as not to contradict any of the logged information. The polygons were utilized in conjunction with the Petrel structural model provided by Nexus and the appropriate GWC for each sand to estimate ranges for the gross rock volume input into the subsequent gas in place estimates for developed and undeveloped GIIP volumes. In addition, GCA previously utilized 1D Monte-Carlo computations to independently verify the 3D model-based approach described above.

An example of the Fluid Index inversion attribute map with the GWC and depth structure contours is shown in **Figure 1.3** for the 200 sand. The area polygons were defined based on an interpretation of the attributes to match the volumes defined by the producing LT-3H and LT-4H wells via the material balance and simulation runs. The undeveloped polygon areas to be targeted by possible future wells LT-5 and LT-6 are also indicated.

FIGURE 1.3

LONGTOM 200 SAND RESERVOIR: SEISMIC ATTRIBUTE MAP WITH LT-3H, LT-4H PRODUCING WELLS & LT5 & 6 PROPOSED WELLS



Source: Nexus (GCA modified)

Volumes associated with areas beyond those targeted by the development activities described in **Section 1.3** below including the area targeted by the possible LT-6H well have no adequate development definition at present and have been classified as Contingent Resources. The Low, Best and High Case recoverable volumes for areas with firm development plans are consistent with those from the GCA April, 2012 report.

1.3 Field Development Plan

The Longtom Field currently has 4 wells drilled, of which LT-1 and LT-2 are plugged and abandoned. The remaining wells, LT-3H and LT-4H are developed as subsea completions, produced as a single comingled fluid through a pipeline from the Longtom Field connected to the existing Patricia Baleen (PB) infrastructure, and in particular with the pipeline connected into the PB PLEM (pipeline end manifold).

Control of these wells is from the PB onshore plant operated by Santos, using an umbilical in which electrical and hydraulic systems provide control of the two wells. Each well is connected by jumpers to the pipeline. The umbilical can also transport Mono Ethylene Glycol (MEG) for use in hydrate control and corrosion protection chemicals.

Each well has a separate control module, receiving signals from the onshore plant via the umbilical, which can also control glycol and corrosion inhibition, as well as wellhead functions and measurements.

Tests have confirmed that a fault has occurred with the LT-3H subsea equipment. In order to permit production to continue from the field the LT-3H well has been isolated and taken off stream, leaving production to continue from LT-4H.

1.3.1 Development Schedule

The current prognosis for future operations in the field, which forms the basis for GCA's production profiles are as follows:

- The LT-3H well will be rectified and brought on stream in Q4 2015.
- The existing LT-4H well will continue in operation through 2014, and the workover will allow production from the 400 Sand in the latter part of 2015. (Whilst this may have a temporary effect on production it should be a short term impact and will not require any modification to existing equipment).
- The proposed new LT-5H well will be brought on stream in Q4 2015 if FID is approved, reaching full production in 2016 according to Nexus. The current plan appears to utilise the existing pipeline for transport of the additional production to the PB onshore plant. It is understood that the necessary connection point was incorporated into the pipeline design from its inception, facilitating the addition of LT-5H. LT-5H will require an additional subsea control module (SCM) and umbilical termination assembly facilities (UTA) to take the electro hydraulic signals from the existing connection. It is assumed that the original design incorporated all the necessary channels in the telemetrics to permit this to be implemented without radical design changes.

1.4 CAPEX, OPEX and ABEX

Please note all costs deemed by GCA to be commercially sensitive have not been included in this report.

1.4.1 LT-3H Repair

Nexus has provided a cost for the LT-3H repair work. Electrical problems associated with subsea equipment can be notoriously difficult to identify and correct. Unless the exact subsea fault is already identified, the requirements for offshore time involved in investigation and testing, with possible replacement of parts, could grow extremely quickly.

The LT-3H repair will be conducted from a drill rig in a campaign which may also include the LT-4H workover and the proposed new drill of the LT-5H well in 2H 2015. This will share the rig mobilisation/demobilisation costs across the three development activities. GCA's assumptions for LT-4H and LT-5H are based on the rig campaign approach.

GCA has deemed the provided cost for repairing the LT-3H well reasonable and used this value as the estimate in the High Case. In the Best and Low Case GCA has estimated a repair cost of ~35% higher to capture the possibility of increases in repair time and associated cost growth.

1.4.2 LT-4H Workover

The LT-4H workover task is relatively straightforward since the well is reportedly equipped with a sliding sleeve to access the 400 Sand, which has been perforated.

For the Best and High Cases the Nexus estimate was deemed by GCA to be reasonable based on an expected 25 days on location for the rig. The Low Case included additional costs to capture the possibility of increased rig time on location.

1.4.3 LT-5H Development

The proposed new LT-5H well is presumed to be a horizontal well with a total length of ~ 5000mand completed across a similar number of producing zones as the existing wells. This well could be drilled by a jack-up rig in this water depth, but it has been assumed in the costing that a Dynamically Positioned (DP) semisubmersible rig is available. This will provide some advantage to the installation activity for the LT-4H work over and the LT-3H repair in terms of the relative mobility around the field compared with a jack-up.

The engineering documentation available for the export pipeline, indicate that one spare valved connection is available. It is assumed that the LT-5H well can utilise this connection and the wellhead flowlines can be diver connected. The existing high integrity pressure protection system (HIPPs) system and control modules are all assumed to have the connections and capacity to allow diver connections for the new well.

Installation of the LT-5H equipment would therefore be limited to installation of the subsea wellhead complete with leads and jumpers to connect umbilicals and flowlines, completed with testing and commissioning of the system. The cost of this has been checked against benchmark prices based on evidence from GCA's database for technically similar applications with horizontal wells and sub-sea tie backs which indicated a similar pricing range with the sub-sea tie back. In-house estimating techniques were also used to verify the costs.

The drilling time for a horizontal well with a 4,600 m total length was estimated at 105 days. It is also assumed that the existing Longtom subsea control modules and onshore control system has sufficient capacity to serve the LT-5H well without extra costs.

The latest Nexus estimate for the LT-5H well was provided. Based on the similarity to the results from benchmarking and in-house estimation, GCA has deemed this value reasonable and used it as a cost estimate in its economic analyses.

1.4.4 LT-6H Development

Although there is little technical detail available to set the specification for LT-6H, it is likely to be similar to LT-5H. However what is not apparent is the capability of the existing installation to accommodate a second new well. There is no definitive evidence of availability of an existing connection into the pipeline, nor of the pipeline having sufficient capacity to handle the total fluids flow from all 4 operating wells, without serious consequence on well head back pressure (and reduced recovery). Because of this it is difficult to give a definitive estimate. However if one assumes that a worst case solution to the addition of LT-6H would be the addition of an extra flowline connecting the sub-sea well to the installation at the Patricia-Baleen field where there may possibly be redundant capacity since the PB wells are at or near the end of their lives.

The addition of an extra flowline to the design equivalent of LT-5H also requires that extra control and umbilical materials are included to connect up to the sub-sea well.

The extra cost, in addition to the single well cost of LT-5H, of providing an autonomous sub-sea well LT-6H tied back to PB field has been estimated by GCA for use in the economic analysis.

In the GCA 2012 Report, GCA included the LT-6H in the reserves volumes for the field considering that the well could be added to the field coming on stream in 2017 and reaching peak production in 2019. However, economic analysis for this well under current economic assumptions show that the well is sub-economic due to higher costs for additional subsea infrastructure required to tie-in the LT-6H well and the lower forecast EUR than LT-5H. In this assessment the well was therefore not included in the development schedule and the associated recoverable volumes have been re-categorised as Contingent Resources.

1.4.5 Operating Costs

The Longtom OPEX includes a processing toll for both gas and condensate at the Santos-operated Patricia-Baleen gas processing facilities. The tolls for sales gas and condensate are escalated at a defined percentage each year. There is an additional transport cost for trucking the produced condensate to the Geelong refinery for processing. Plant and labour costs are fixed per annum. Other OPEX costs include replacement of Mercury Removal Unit beds, annual replacement of Mono-Ethylene Glycol, field studies and contingency for offshore maintenance/repairs.

1.4.6 Abandonment Costs

The ABEX estimated by Nexus was reviewed by GCA. The estimate and planned deferral until 2028 is deemed by GCA to be consistent with abandonment costs and practice in Australia. Abandonment cost is estimated on a per well basis with clean-flooding of associated pipelines expected to be a minimal cost.

1.5 Economic Analysis

The Reserves volumes presented in this report were derived using an Economic Limit Test (ELT) under the GCA SPE Forecast Pricing Scenario valid for 3rd Quarter 2014. This test is run to support the classification of such volume as is required under SPE PRMS. The ELT is based on GCA's understanding of the fiscal and contractual terms governing the assets and the economic assumptions for the development of the Longtom Field.

1.5.1 Fiscal Terms

The VIC/L29 production license is governed by the Australian PRRT Fiscal Regime, with the terms summarized below:

- No State Royalty; Overriding Royalty to High Peak Royalties Limited at 2.9375%.
- Petroleum Resource Rent Tax (PRRT) is applied at 40% of taxable profits derived from oil and gas production. PRRT payments are deductible for income tax purposes. The tax applies to profits derived from a petroleum project and not on the value or volume of production produced as with royalty and excise regimes. Deductions are available for all allowable expenditures and uplifts applied to carried-forward expenditure to ensure that PRRT taxes the economic rent generated from a petroleum project in a financial year.

- For PRRT calculation, taxable profit is calculated as follows:
  - Taxable Profit = Assessable Receipts – Deductible Expenditure
  - PRRT Payable = Taxable Profit x PRRT Rate (40%)
  - Assessable Receipts include assessable petroleum receipts, tolling receipts, exploration recovery receipts, property receipts, miscellaneous compensation receipts, employee amenities receipts, incidental production receipts.
  - Expenditures which are incurred are deductible in the year they are incurred. Expenditures include general project expenditures, exploration expenditure or closing-down expenditures.
  - General project expenditures are costs incurred in the carrying on or providing the operations, facilities and other activities in relation to an oil and gas project.
  - Exploration expenditure is cost incurred in the exploration for oil and gas in an eligible exploration or recovery area.
  - Closing-down expenditure related to abandonment and decommissioning costs.
  - Expenditures that are excluded are financing costs, dividend payments, acquisition costs, private overriding royalties, income tax and GST payments and indirect administration costs.
- Carry forward PRRT credits of A$516 MM based on the PRRT reported filing on 30th December, 2013 have been included. The PRRT balance does not impact the Economic Limit Test (ELT) used to estimate Reserves.
- For taxable income calculation as at 31st July, 2014, loss carried forward of A$156 MM has been assumed based on the tax filing on 28th March, 2014. For taxable income calculations, capital expenditure is depreciated according to a diminishing-value method with the effective life of tangible assets between 15 to 20 years. The tax loss brought forward does not impact the ELT used to estimate Reserves.
- Applicable income tax rate of 30%.
- Carbon Tax has not been considered as per updated legislation.

1.5.2 Economic Environment

The economic analysis used escalated prices and costs consistent with SPE PRMS requirements. The analysis assumed an Effective Date of 31st July, 2014.

The GCA SPE Forecast Pricing Scenario valid for 3rd Quarter 2014 was assumed (**Table 1.1**). GCA used the Brent crude price as the “marker price” for this evaluation which is valid for Longtom condensate. The contractual arrangements for the sale of Longtom condensate is confidential, but is based on a discount to Brent crude price.

TABLE 1.1

GCA SPE 3RD QUARTER 2014 PRICE SCENARIO

Year	GCA SPE Forecast Scenario Brent Price (U$$/Bbl)
2014	111.6
2015	107.9
2016	103.3
2017	100.7
2018	101.8
2019	104.9
Thereafter	+ 2.0% p.a.

Longtom gas is sold under a Gas Sales Agreement (GSA) with Santos, which is currently in force through 31st December, 2018.

GCA has only included forecast production volumes up to the current GSA expiry in its 1P Reserves estimates. However, based on conditions for the expected gas market in South East Australia, and therefore the probability that the GSA will be extended or a new GSA negotiated, GCA has assigned reserves up to 2020 for the 2P volumes and in the 3P case it is assumed that the GSA will be further extended to until the field economic limit in 2023. For gas sold from 2021 onwards, GCA has assumed that a new gas price will be set that will be aligned with expectations on higher domestic gas prices.

GCA understands that there could be a potential shortfall of produced vs. contract gas in 2015 and there could be penalty payments. GCA has not included the potential penalty payment in the economic analysis as GCA assumes that this payment will be made at the corporate level. CAPEX and OPEX are assumed to escalate at 2.5% p.a. from 1st January, 2015.

1.5.3 Reserves

Nexus' current plan is to conduct remedial work on the LT-3H well, along with a work over of LT-4H, in conjunction with the drilling of the proposed new LT-5H well in 2015. Nexus commenced FEED for the project in January, 2014 and procurement of long lead items in March, 2014. Prior to the company's current financial situation, FID was expected at the end of Q3 2014. At the time of writing this report a Final Investment Decision (FID) had not been made on this plan, although GCA has classified these volumes as Reserves under the "Justified for Development" sub-category on a "going concern" assumption that an FID is reasonably certain to be forthcoming in the foreseeable future.

The Longtom production forecasts for the Low, Best and High Cases for sales gas and condensate used for the Reserves estimates were provided to LEA, but considered as confidential by Nexus; thus, have not been included in this report. Associated cost profiles have also been provided to LEA but not included in this report for the same reason.

An economic analysis was performed on the incremental technical production forecasts for each of the development activities in the Low, Best and High Cases and was used to determine GCA's view on which development activities in each of the Low, Best and High Cases would be undertaken by the operator.

Before consideration of the impact of already-incurred abandonment liability, each of the LT-4H workover, LT-3H, and LT-5H planned investment activities exhibits positive incremental economics. However, the significant cost of abandonment means that when this is taken into account each of those incremental investments, along with the Low Case production from the currently producing LT-4H well, produces a negative economic outcome. As such negative outcomes are only due to the impact of recognition of abandonment costs, which will be incurred whether or not production continues on LT-4H or the incremental investments are undertaken, the volumes associated with the Low Case production from LT-4H, and those associated with the three planned investment activities, are still classified as Reserves. Reserves for the Longtom field are summarised in **Table 1.2**.

TABLE 1.2

STATEMENT OF REMAINING HYDROCARBON VOLUMES FOR THE LONGTOM FIELD, GIPPSLAND BASIN, AUSTRALIA, AS AT 31ST JULY, 2014

RESERVES	Gross (100%) Field & Net to Nexus		
	Proved	Proved + Probable	Proved + Probable + Possible
Sales Gas (Bscf)	45	69	90
Sales Gas (PJ)	51	79	103
Condensate (MMstb)	0.56	0.87	1.13

Notes:
1. Sales gas volume is after shrinkage (1.5%) and fuel usage and flare at surface facilities.
2. Conversion of sales gas in Bscf to PJ is based on a gross heating value of 1.135 PJ/Bscf.
3. Hydrocarbon volumes include small percentages of CO_2 and N_2 within the sales stream.

1.6 Longtom Contingent Resources

Contingent Resources for the Longtom field are summarised in **Table 1.3**. These include volumes identified in the 2012 GCA Report associated with areas beyond those targeted by the development activities under consideration by Nexus and described in **Section 1.3.1**. In addition, the estimated recovery from the LT-6H well, which was included in the reserves volumes reported in GCA's 2012 assessment, have also been re-classified as Contingent Resources as the current incremental economic analysis for this well is sub-economic for the Low, Best and High case EURs.

There is a chance that some of these Contingent Resources volumes could be commercially developed in the future. They could be monetized using the existing infrastructure available for gathering and delivering the gas and condensate to market. However, any such development will be dependent on a significant improvement in the price of gas in Eastern Australia based upon the current CAPEX and OPEX estimates.

TABLE 1.3

STATEMENT OF CONTINGENT RESOURCES FOR THE LONGTOM FIELD, GIPPSLAND BASIN, AUSTRALIA, AS AT 31ST JULY, 2014

CONTINGENT RESOURCES	Gross 100% Field & Net to Nexus		
	1C	2C	3C
Sales Gas (Bscf)	70	115	181
Sales Gas (PJ)	79	130	205
Condensate (MMstb)	0.76	1.45	2.56

Notes:
1. Sales gas volume is after shrinkage (1.5%) and fuel usage and flare at surface facilities.
2. Contingent Resources are 100% of the volumes estimated to be recoverable from the asset in the event that it is developed.
3. The volumes reported here are "unrisked" in the sense that no adjustment has been made for the risk that the asset may not be developed in the form envisaged or may not go ahead at all (i.e. no "Chance of Development" factor has been applied).
4. Contingent Resources should not be aggregated with Reserves because of the different levels of risk involved.
5. Sales gas volume is after shrinkage (1.5%) and fuel usage and flare at surface facilities.
6. Conversion of sales gas in Bscf to PJ is based on a gross heating value of 1.135 PJ/Bscf.
7. Hydrocarbon volumes include small percentages of CO_2 and N_2 within the sales stream.

1.7 VIC/L29 Grayling-1A Discovery

The Grayling-1A well is located in the southeast corner of permit VIC/L29 **(Figure 1.1)** approximately 8 km south of the Longtom Gas Field on a northwest-southeast trending terrace block within a faulted anticline in 58.5 m of water. The well was completed on 11th January, 2005 after intersecting a gas column at the top of the Golden Beach Subgroup (Late Cretaceous), in addition to smaller gas pay zones in the Lower Kingfish Formation (~Early Eocene).

Petrophysical analysis in the Well Completion Report interpreted an 8.8 m gross gas column that contains 8.8 m net pay within the Lower Kingfish Formation. Average porosity and water saturations are 22.2% and 34.0%, respectively. The base of the sandstone unit represents a 'gas-down-to' level as no gas-water contact is evident on logs. The Golden Beach Formation has been interpreted to contain a 68.2 m gross gas column with 31.6 m net pay. Average porosity and water saturations are 15.4% and 36.2% respectively. The gas-water contact is evident at -2,617.2 mTVDss (2,639.1 mMDRT).

A pressure survey was run over the Lower Kingfish Formation and Golden Beach Formation intervals and 20 pressure points were acquired. Interpretation of these survey points suggests that the gas column identified within the Golden Beach Sub-group comprises two zones, with the upper zone gas-water contact at –2,594.0 mTVDss (2,615.9 mMDRT), and the lower zone gas-water contact consistent with the log analysis. The Kingfish pressure data is not considered reliable by GCA, therefore only the Golden Beach volumes are included.

GCA reviewed the mapping and the petrophysical analysis for the discovery well. Polygons were constructed from scaled maps in the virtual data room to estimate area ranges for volumetric computations in conjunction with the reservoir parameters audited from the client's well data analysis. A 1D Monte Carlo probabilistic methodology was used to estimate in-place hydrocarbons. A Recovery Factor (RF) range was also applied

probabilistically to estimate Gas and Condensate Resource ranges. GCA's CGR range is lower than the Operator's as it takes into account the high percentage of CO_2 measured during compositional analysis of the only gas sample from the Grayling-1A well.

The results of GCA's analysis are summarized in **Table 1.4**. The range of gas Contingent Resources is similar to that estimated by Nexus however; the condensate Contingent Resource volumes are much smaller due to lower range of CGR.

The Grayling-1A Contingent Resource volumes are lower than the estimated EUR for the LT-6H well. Development of the resource via an assumed tie-in to the Longtom subsea facilities would require a similar level of capital expenditure as the LT-6H well. Economic analysis of the small estimated volumes of Grayling-1A suggests that these are sub-economic and based on present data and conditions GCA considers them to have no meaningful value.

TABLE 1.4

GRAYLING-1A CONTINGENT RESOURCES
AS AT 31ST JULY, 2014

CONTINGENT RESOURCES	Gross 100% Field & Net to Nexus		
	1C	2C	3C
Raw Gas (Bscf)	16	25	37
Condensate (MMstb)	0.02	0.15	0.39

Notes:
1. Contingent Resources are 100% of the volumes estimated to be recoverable from the asset in the event that it is developed.
2. The volumes reported here are "unrisked" in the sense that no adjustment has been made for the risk that the asset may not be developed in the form envisaged or may not go ahead at all (i.e. no "Chance of Development" factor has been applied).
3. Contingent Resources should not be aggregated with Reserves because of the different levels of risk involved.
4. Contingent Gas volumes are inclusive of CO_2. GCA has estimated the range to be 19-18-17%.
5. CGR ranges are 1-5-20 (bbl/MMscf)
6. Gas RFs were applied probabilistically utilizing a range of 60, 70 and 80%

1.8 VIC/L29 Grayling Appraisal Prospect

Nexus has also conducted analysis on additional Prospective Resources for the Grayling structure via a possible future Grayling appraisal program. The Grayling-1A field may extend to the west beyond the local crest at the well location, but there is some uncertainty in depth conversion based on the data provided. A North-South trending line of saucer-shaped volcanic sills near the permit boundary has also been interpreted by Nexus to potentially form the seal to the west, adding to the risk. GCA concurs with the lower GCoS for any additional Grayling Appraisal drilling based on the geological risks stated above and the lower quality of seismic attributes produced from Nexus' seismic work which indicates the seismic anomalies are localized in the vicinity of the drilled Grayling 1-A well **(Figure 1.4)**.

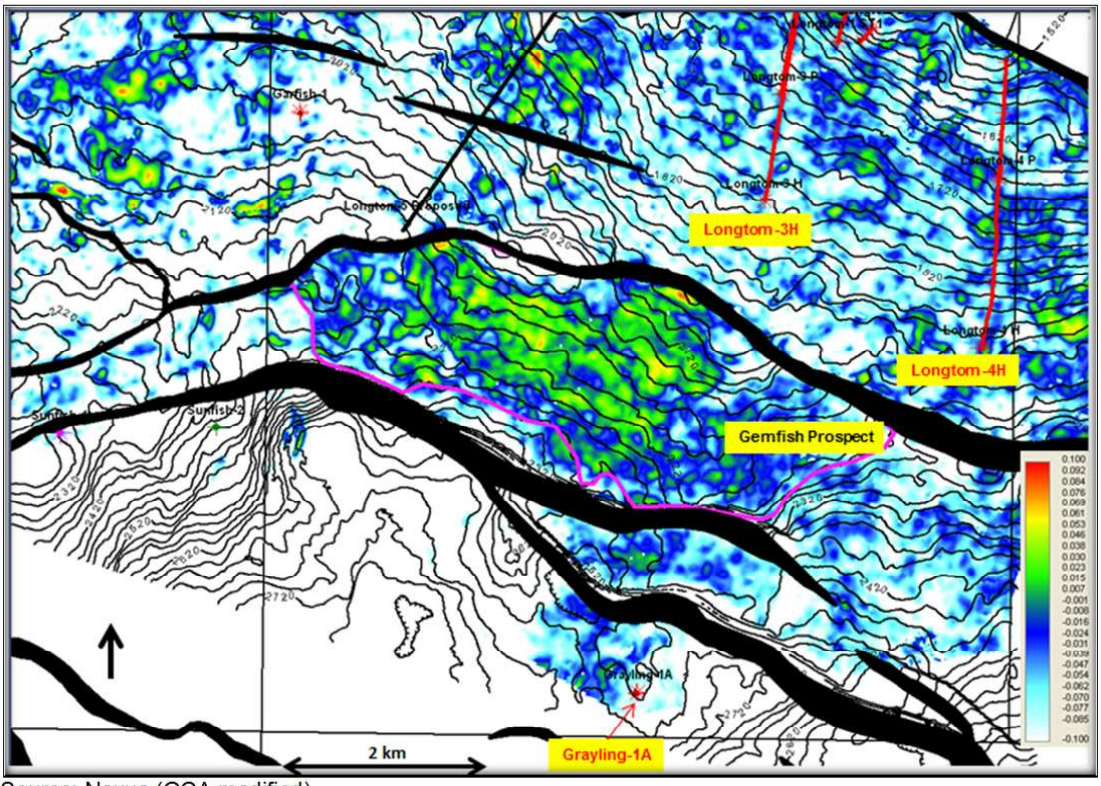
1.9 VIC/L29 Gemfish Prospect

The Gemfish Prospect (previously South Longtom) is located on a fault terrace to the south of the Longtom Field. The Grayling-1A gas discovery is located in the fault terrace immediately to the south (**Figure 1.4**).

The Gemfish structure is a northwest to southeast trending fault block which is dip closed to the south and along strike to the northwest and southeast. Cross fault seal to the northeast is the critical risk however this is mitigated by the presence of the Kipper and east Pilchard Fields which lie along strike to the east on the same fault block. The 3D Seismic Inversion based Fluid Index attribute analysis utilized in the updated Longtom work and extended over this prospect displays a positive structural conformance as indicated in **Figure 1.4.**

FIGURE 1.4

GRAYLING 1A DISCOVERY WELL & GEMFISH PROSPECT



Source: Nexus (GCA modified)

The primary reservoir is the Chimaera sands of the Golden Beach Subgroup with seal formed of Campanian volcanics. A volcanic layer separates the reservoir into upper and lower intervals. Nexus' seismic interpretation suggests the Chimaera Sand interval thickens progressively across each terrace block to the south of the Longtom Terrace. The overlying Latrobe Group forms a secondary target which is formed of interbedded sands and shales. The Curlip Sands which lie below the Golden Beach Group also act as a secondary target.

1.10 VIC/P54 Exploration License

A renewal of the Exploration Permit for Petroleum VIC/P54 was granted to Nexus Energy VIC54 Pty Ltd on 19th October, 2010. This was for graticular blocks 1706, 1778, 1779, 1780 and 1850, and comprised of approximately 400 km^2. On 9th October, 2014 a second Variation of Conditions of Petroleum Exploration Permit VIC/P54 was approved with the revised commitments shown in **Table 1.5** (effectively delaying the commitment exploration well to year 1 of any subsequent approved extension requested for the Exploration Permit VIC/P54).

TABLE 1.5

VIC/P54 LICENCE COMMITMENTS

Year of Term of Permit	Permit Year Starts	Permit Year Ends	Minimum Work Requirements	Estimated Expenditure Constant dollars (indicative only) $A
1	14-Oct-10	13-Oct-11	Geological and Geophysical Studies	400,000
2	14-Oct-11	13-Oct-12	Geological and Geophysical Studies	400,000
3	14-Oct-12	13-Oct-13	280 km^2 3D Seismic Reprocessing: Geological and Geophysical Studies	650,000
4	14-Oct-13	13-Oct-14	Geological and Geophysical Studies	400,000
5	14-Oct-14	13-Oct-15	40.45 km^2 of Seismic Inversion processing, Prospect Model Building and analysis, Geological and geophysical Studies	500,000

1.11 Longtom West Prospect

The Longtom West Prospect lies to the west of, and on the same fault block as, the Longtom Field. The structure lies on a northwest – southeast trending fault block. The prospect is dip closed to the northwest and southeast but requires fault seal to the southwest and northeast. The primary reservoirs are the Top 500 and Top 400 sands. To the west the reservoir is overlain by a combination of Turrum channel fill and volcanics where the reservoir is truncated against the Longtom Unconformity and this is the key risk for the prospect.

1.12 Hussar Prospect

The Hussar Prospect is located in the southwest of the VIC/P54 Block. The prospect lies on an east to west trending fault terrace and is dip closed to the east and south but requires fault closure to the west and north and this is the key risk for the prospect. The structure lies on the same fault block as the Remora and South East Remora discoveries and the Moonfish Field. The prospect has multiple stacked reservoir targets which extend from the Upper Latrobe Group down to the Golden Beach Group and extends into the adjacent VIC/L3 licence.

The Hussar Prospect lies along strike from the Remora Field which has been penetrated by the Remora-1 and SE Remora-1 wells and contains stacked oil and gas sands within the Upper Latrobe and Golden Beach Subgroup. Nexus has interpreted juxtaposition across the northern Remora Fault to be against Strzelecki Group.

No volumes or GCoS have been supplied by Nexus for audit as there may be additional work that is required to mature this prospect. GCA considers Hussar to be a lead currently, based on SPE-PRMS definitions, and assigns no direct value.

1.13 Summary of VIC/L29 and VIC/P54 Prospective Resources

GCA reviewed the petrophysical analysis and the mapping of all prospects except Hussar. Polygons were constructed from scaled maps to estimate area ranges for volumetric computations in conjunction with the reservoir parameters provided by Nexus. GCA utilized a 1D

Monte Carlo probabilistic methodology to check estimated in-place hydrocarbons. A Recovery Factor (RF) range was also applied probabilistically to check estimated Gas and Condensate Resource ranges.

GCA's analysis indicates that the Nexus range and Best Estimate of Prospective Resources is reasonable based on the probabilistic checks performed, hence GCA has accepted Nexus' Prospective Resources listed in **Table 1.6**. GCA however has included an independent estimate of GCoS for the Gemfish and Longtom West prospects.

TABLE 1.6

STATEMENT OF PROSPECTIVE RESOURCES
FOR THE VIC-L29 AND VIC-L54 BLOCKS, GIPPSLAND BASIN, AUSTRALIA
AS AT 31ST JULY, 2014

Prospect (100% WI)	Gross Raw Gas Prospective Resources (Bcf)			Gross Condensate Prospective Resources (MMBbl)			GCoS
	Low	Best	High	Low	Best	High	
Grayling Appraisal	57	83	112	1.03	1.72	2.74	25%
Gemfish	77	121	233	2.8	5.2	10.5	36%
Longtom West	4	47	117	0.0	0.4	1.2	36%

Notes:
1. Prospective Gas volumes are inclusive of CO_2 of approximately 21%
2. Gross Prospective Resources are 100% of the volumes estimated to be recoverable from the Prospect in the event that a discovery is made and subsequently developed.
3. The GCoS reported here represents an indicative estimate of the probability that drilling the Prospect would result in a discovery. This does not include any assessment of the risk that the discovery, if made, may not be developed.
4. The volumes reported here are "unrisked" in the sense that no adjustment has been made for the risk that no discovery will be made or that any discovery would not be developed.
5. Identification of Prospective Resources associated with a Prospect is not indicative of any certainty that the Prospect will be drilled, or will be drilled in a timely manner.
6. Prospective Resources should not be aggregated with each other, or with Reserves or Contingent Resources, because of the different levels of risk involved and the different basis on which the volumes are determined.

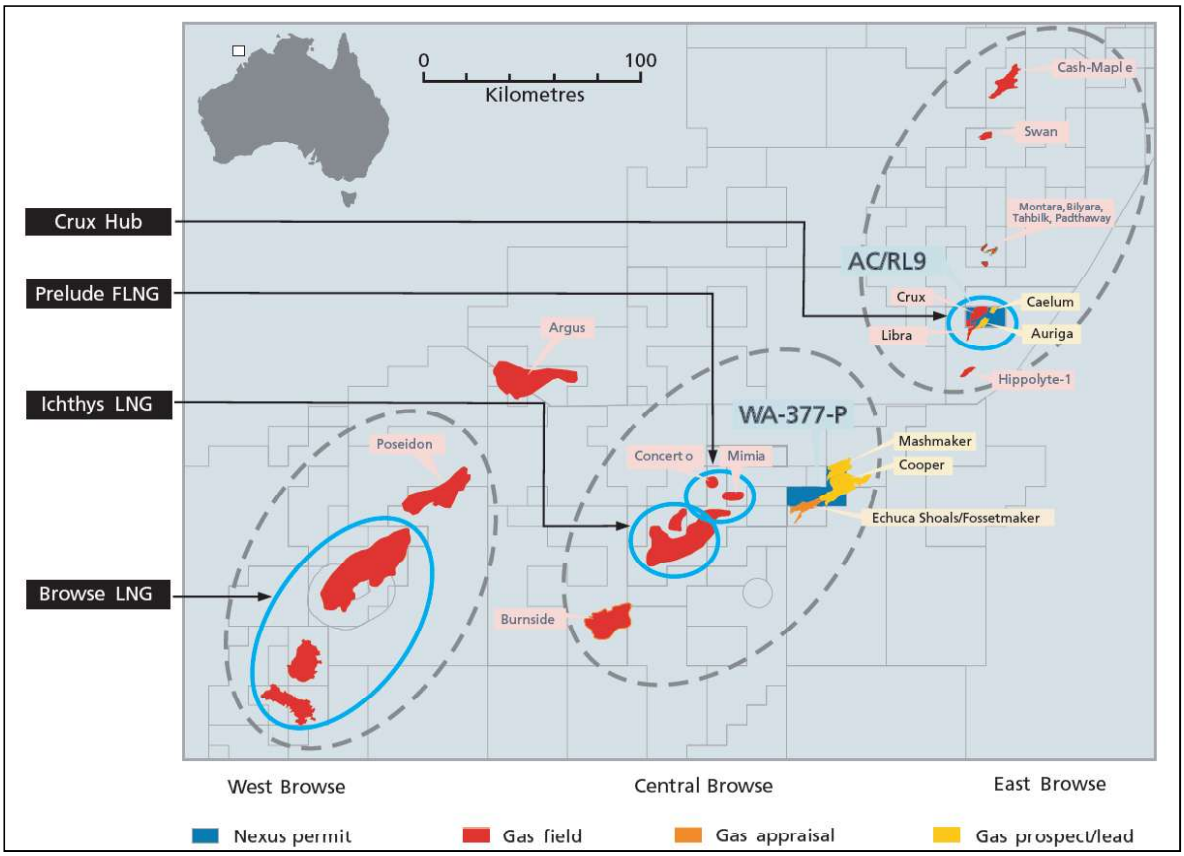
2. AC-RL9 - CRUX

Nexus holds a 15% interest in the AC-RL9 Block, located in the Browse Basin, Timor Sea, offshore Western Australia. The block is operated by Shell with an 82% interest, with Osaka Gas holding the remaining 3% (**Figure 2.1**). The block contains the Crux gas condensate field plus a number of exploration Prospects. Water depths in the block range from less than 100 m to 180 m in the southwest corner.

In August, 2012 Shell, Nexus and Osaka Gas executed a consolidation agreement to align the respective parties interests in both the gas and the liquids contained in the AC-RL9 Block, the consolidation of interests was completed on 23rd October, 2012. The Crux Joint Venture (JV) subsequently applied for and was granted the Retention Lease AC-RL9 by the National Offshore Petroleum Titles Administrator on 20th February, 2013. GCA has assumed that the Auriga prospect will be drilled in 2015, per information provided in the latest Work Plan and Budget (WP&B) made available in the VDR. Currently GCA considers two options to be technically viable.

FIGURE 2.1

AC-RL9 LOCATION MAP



Source: Nexus

2.1 Block History

The Crux Field is located in approximately 170 m of water approximately 200 km from the northwest coast of Western Australia. The field is formed of a northeast – southwest trending fault block. To date there are 5 penetrations in the Crux Field Crux-1, Crux-2, Crux-

2ST1, Crux-3 and Crux-4 and 4 hydrocarbon-bearing reservoirs have been proven, namely the Montara, Plover, Nome A and Nome B sandstones.

The field was discovered in 2004 by Nippon Oil with the drilling of the Crux-1 well which encountered a 240 m gas column. Two drill stem tests (DSTs) were conducted with each zone flowing at rates in excess of 30 MMscfd. In February, 2007 Nexus drilled the Crux-2 Well. Gas was discovered in the Plover formation, and proved to be in pressure equilibrium with the gas discovered at Crux-1. The well was then side-tracked to Crux-2/ST1, which intersected the same column of gas as had been intersected at Crux-1 in the Nome formation as well as the Plover sands and what was subsequently determined to be a Montara formation sand at the top of the gas bearing interval. No DSTs were performed at Crux-2 or 2/ST1, but several laboratory quality samples were recovered from each wellbore. All were analysed for composition, which proved to be consistent with each other and with the analyses of recombined fluids from DSTs at Crux-1.

The Crux-3 was drilled in the southern part of the main Crux horst block. Crux-3 intersected approximately 150 m of high quality gas pay over a gross gas column of 300 m. Most of this was in the Nome formation, with a section of good quality Montara sand unit at the top of the column. The Crux-3 well confirmed the GWC for the field at -3,857.5 m TVDss established from log and pressure data measurements in earlier wells.

The Crux-4 well confirmed that the Crux Field extends into the previously undrilled South East Horst block, intersecting 126 m of net gas sand over a total column of over 310 m within Plover and Montara Formation reservoirs. MDT pressure measurements in the Crux-4 well established that the hydrocarbons in SE Horst area of the field are in pressure communication with the rest of the field and log analysis confirmed a field wide GWC at -3,857.5 m TVDss

2.2 Geological Setting

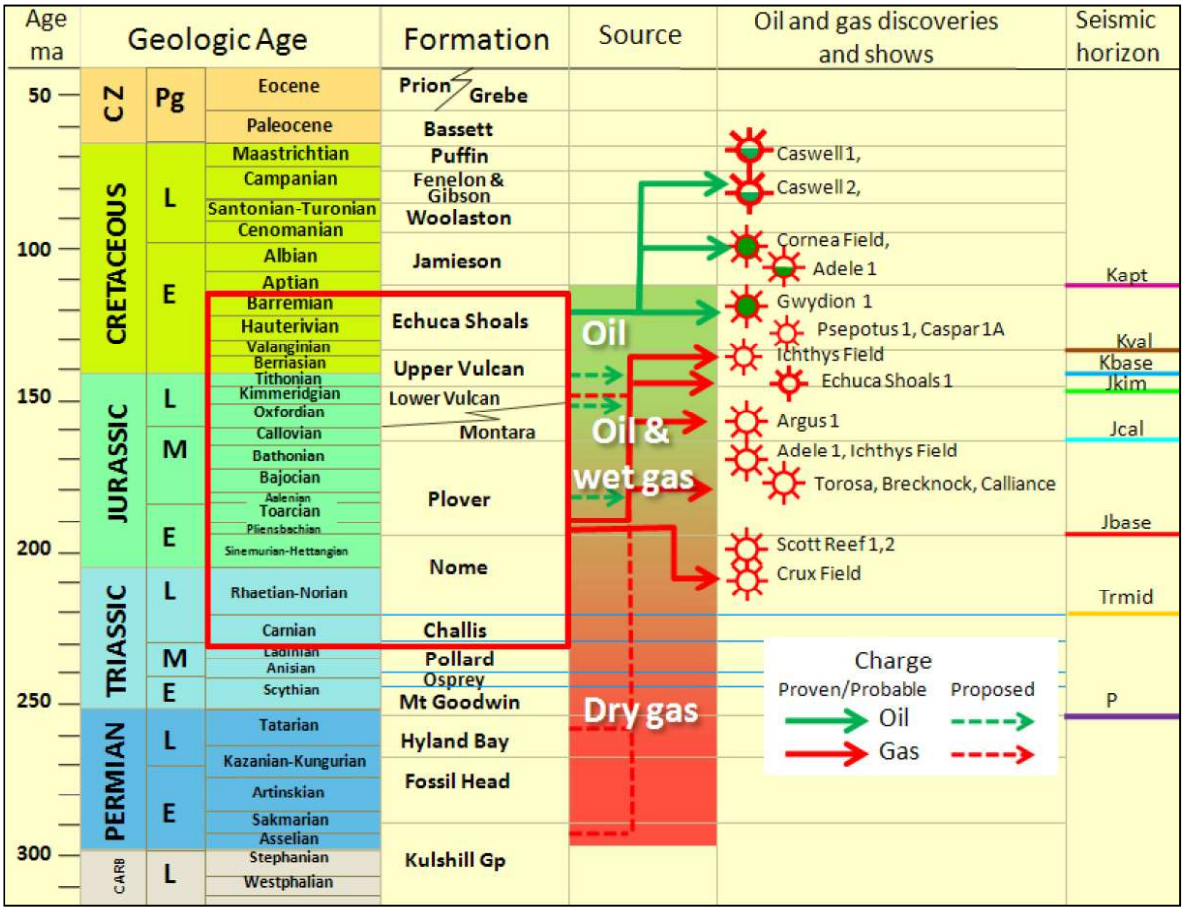
The Browse Basin was initiated during the Permian in response to Gondwanaland breakup. Its development can be divided into three stages.

1. Permian - Late Triassic Pre-Rift
   - Sediment accumulation in intracratonic basin
   - Development of broad northeast – southwest trending synclines and anticlines (e.g. Crux Terrace) by late Triassic regional sinistral shear
2. Jurassic Syn-Rift
   - Extension resulted in faulting and the formation of a horst and graben framework
   - Erosion of Late Triassic and Early Jurassic highs provided sediment for deposition of the lower Jurassic Plover Formation
   - Faulting led to the Juxtaposition of Lower Vulcan Formation shales against late Triassic – early Jurassic sandstones
3. Cretaceous – Recent Post-Rift
   - Deposition characterised by passive margin development
   - Periodic reactivation of the sinistral shear system

The stratigraphic column for the Browse Basin is given in **Figure 2.2**.

FIGURE 2.2

STRATIGRAPHIC COLUMN FOR THE BROWSE BASIN



Source: Nexus

The AC-RL9 Block lies on the Crux Terrace within the Browse Basin. The deepest sediments penetrated in the Crux Field area is the Early Triassic Challis Formation deposited as a fluvial channel system. These are overlain by the Triassic to Early Jurassic aged Nome Formation which is the primary reservoir in the Crux Field and is informally divided into an uppermost A Sandstone and a lower B Sandstone which were deposited as high energy fluvial braided channel systems, the two sandstones are separated by a laterally extensive shale deposit named B Claystone. The Early Jurassic Plover Formation deposited as channel and lower shoreface sands unconformably overlies the Nome Formation. The overlying Late Jurassic Montara Formation is interpreted to have been deposited as turbidite or mass flow sands. The Late Jurassic Lower Vulcan Formation marine shales form the top seal for the Crux Field.

2.3 Technical Review

2.3.1 Overview

GCA has previously reported independent assessments of in-place volumes for the Crux discovery, as at 31st October, 2011. No new wells and/or significant data acquisition are understood to have occurred since the latter report, and the estimates are therefore still considered valid by GCA. The previous GCA work reported in-place field area volumetric summations by both arithmetic and probabilistic methodologies, and the results are summarized in **Table 2.1** below:

TABLE 2.1

GAS AND CONDENSATE INITIALLY IN-PLACE
CRUX FIELD (GROSS 100% WITHIN PERMIT AC/L9 ONLY)
AS AT 31ST JULY, 2014

Summation Method	GIIP (Bscf)			CIIP (MMstb)		
	Low	Best	High	Low	Best	High
Arithmetic	2,170	2,488	2,830	76.0	87.7	100.5
Probabilistic	2,318	2,493	2,673	81.5	87.9	94.7
Average	**2,244**	**2,491**	**2,752**	**78.8**	**87.8**	**97.6**

Notes:
1. Nexus holds a 15% working interest in Permit AC/L9.
2. The Gas Initially In-Place (GIIP), Condensate Initially In-Place (CIIP) and Condensate Resources are probabilistic outputs determined for each area using a Monte Carlo probabilistic model. This has been run through many iterations to form distributions from which the P90, P50 and P10 percentiles have been extracted. These equate to the Low, Best and High In-Place estimates, respectively.
3. The above table presents summation results using both arithmetic and probabilistic summation to fully reflect the range of uncertainty. Consistent with the methodology employed by Nexus, arithmetic summation can be viewed as pessimistic as it implies full dependence; equally, probabilistic aggregation is considered to be optimistic as there is a high degree of dependence between assumptions made for the different areas.
4. Natural Gas volumes are reported in Billions of Standard Cubic Feet (Bscf) and Condensate volumes are reported in Millions of Stock Tank Barrels (MMstb).
5. Dependency between reservoir parameters has been considered in the analysis, but dependency between the different areas was only partially considered, as a result the Total Field arithmetic summation and the Total Field probabilistic summation are slightly different. Since no study of the dependency between the resource estimates of the different areas has been performed, GCA recommends that Nexus uses the average of the Total Field arithmetic summation and the Total Field probabilistic summation for purposes of booking resources.

Contingent Resources were also estimated by GCA, as at 31st October, 2011, based on the Nexus development concept at that time. The latter comprised an FPSO based condensate extraction by gas recycling using planned re-injection of the dry gas into the reservoirs. At this time Nexus was understood to have no rights to sell the gas, so only condensate Contingent Resources were estimated and reported by GCA, as at 31st October, 2011. The results from the Best estimate Nexus gas re-cycling simulation study, had provided a basis for the selection of the recovery factors with respect to the expected sweep efficiency in each of the field areas over the anticipated 9.5 year project period.

The above gas re-cycling simulation outputs have also been employed in relevant scenarios in the current GCA review. The latter relate to additional development options other than the two preferred scenarios presented in this report. The associated cashflow analyses for the additional options are not presented / documented in this report.

In its current review, GCA has based its evaluation on the future development options for Crux on 2 specific development solutions, which are considered to be the most technically viable:

A. FPSO tie-back to the Shell-operated Prelude FLNG project to "back-fill" decline, and
B. A stand-alone FLNG project, utilizing the same implied tariff Shell has used in the "back-fill" solution above.

2.3.2 Static and Dynamic Reservoir Models

Following the Consolidation Agreement entered into in August, 2012 development concepts based on reservoir depletion have also been considered in addition to previous potential gas re-cycling schemes.

The Crux static model and volumetrics have been previously reviewed and updated by GCA, as most recently reported as at 31st October, 2011. The GCA volumetric estimates stated in **Table 2.1**, above, are generally consistent with the estimates subsequently reported by Nexus in their October, 2012 report entitled "Crux Gas/Condensate Field, Browse Basin, West Australia, Subsurface Overview and Hydrocarbon Resources".

For reservoir depletion scenarios, GCA reviewed pertinent reservoir simulation work also reported in the above Nexus document. The report describes the basis and construction of a Black Oil simulation model for a best estimate production forecast. The Nexus selected best estimate comprised depletion via 3 production wells through an FPSO facility. A production plateau of 525 MMscf/d was forecast to be maintained for about 8.5 years.

Based on the information provided, GCA considers the Nexus simulation outputs for the gas re-cycling and depletion scenarios, referenced above, to comprise reliable foundations for the estimation of Crux Field Contingent Resources and associated production forecasts for the two development scenarios.

GCA reconciled the raw gas production forecasts for the various development scenarios with the stated development concept facilities constraints. GCA's previously reported (as at 31st October, 2011) initial Condensate Gas Ratio (CGR) range of 32 - 34.5 - 38 stb/MMscf was used to adjust condensate production in GCA's forecasts. Adjustments were also made to reflect the Nexus simulation outputs comprising generally declining CGR yield with greater reservoir depletion. Likewise, for any gas re-cycling development options, the previously evaluated Nexus simulation output was calibrated to initial CGRs as deemed appropriate by GCA.

The two preferred Crux development scenarios have inherently different raw gas off-take profiles, and consequently different associated rates of reservoir pressure decline. The condensate drop-out performance would therefore not be identical due to different reservoir fluid compositional effects. Different condensate ultimate recoveries for the two key development scenarios were inherent in the original forecasts presented for GCA's review and adjustment. For the reasons stated, GCA considers such slight differences to have a reasonable physical basis. GCA has maintained similar differences in ultimate condensate recoveries for each key development scenario, through the CGR adjustment and re-calibration process described above, for its Low, Best, and High case production forecasts.

Raw gas and condensate Estimated Ultimate Recovery Factors (EURF) were then assessed against GCA's independent GIIP and CIIP estimates (**Table 2.1**) for GCA's Best estimate production forecasts. GCA Low and High Case forecasts were also then estimated by reducing and extending, respectively, the raw gas production plateau period. The latter included reconciliation of raw gas and condensate recovery factors against the relevant in-place volume estimates (**Table 2.1**) and was performed for each scenario's Low - Best - High Cases such that they were considered to represent reasonable EURF ranges for each development scenario considered.

GCA's LNG supply gas forecasts were estimated on the basis of ~10% processing facility Fuel and Flare losses, and Shrinkage of ~10% to account for Nitrogen (N_2) and Carbon Dioxide (CO_2) content in the Crux raw gas production.

2.4 Field Development Plan and Costing Basis

The two development concepts considered to be the most technically viable and preferred development scenarios are described below. The GCA associated Low, Best, and High Case production forecasts are illustrated for each and these are tabulated in **Appendix III**. Cost profiles have been provided to LEA but not included in this report.

2.4.1 Scenario A: Integrated Depletion Development; Single FPSO to "Back-Fill" Prelude FLNG

Key Aspects

Supply Source:	Crux Only
Development Concept:	Integrated Depletion Scenario
Crux Facility Type:	FPSO (2024)
Capacity (MMscf/d):	591

Scenario A development concept comprises wet gas depletion and dry gas export via an integrated depletion scenario employing a single FPSO facility at the Crux field. A 165 km 20-inch dry gas export pipeline to the Prelude FLNG facility is assumed, with processing and liquefaction services provided by Prelude FLNG. The aim is to "back-fill" expected production decline after the Prelude FLNG production plateau period finishes. The FPSO capacities are assumed to be 591 MMscf/d raw gas production, with 550 MMscf/d dry gas export capacity. The FPSO is assumed to consist of a converted Suezmax tanker with permanent mooring. Topside weight is estimated at approximately 11,000 tonnes with principal topside modules processes including: inlet separation; gas cooling; inlet compression; gas dehydration; dew point control; gas export compression to 200 barg; condensate stabilization, storage and export.

For the reservoir depletion, 4 high deliverability production wells (Low and Best estimates, 5 wells in the High estimate) would be tied back to 2 subsea wellhead manifolds. These manifolds would be tied back to FPSO risers via four 12-inch insulated CRA flowlines of approximately 4 km length each. In addition, 2 subsea control umbilicals and 2 MEG lines are assumed.

Associated production and cost forecasts are based on the premise of gas depletion production start-up (Best estimate) in mid-2024, with the production forecasts provided in **Appendix III**. Cost profiles have been provided to LEA but not included in this report.The raw gas and condensate annual production forecasts for GCA's Low, Best, and High Cases are illustrated by **Figures 2.3** and **2.4**, respectively, below. There is inherent uncertainty concerning the Crux production start-up timing due to

the future Prelude facility ullage. The forecasts for the Integrated Depletion scenario via local FPSO "back-fill" to the Prelude FLNG facility are based on a GCA mid case assumption of Crux production start-up during year 2024.

FIGURE 2.3

INTEGRATED DEPLETION – SCENARIO A
GCA RAW GAS PRODUCTION FORECASTS

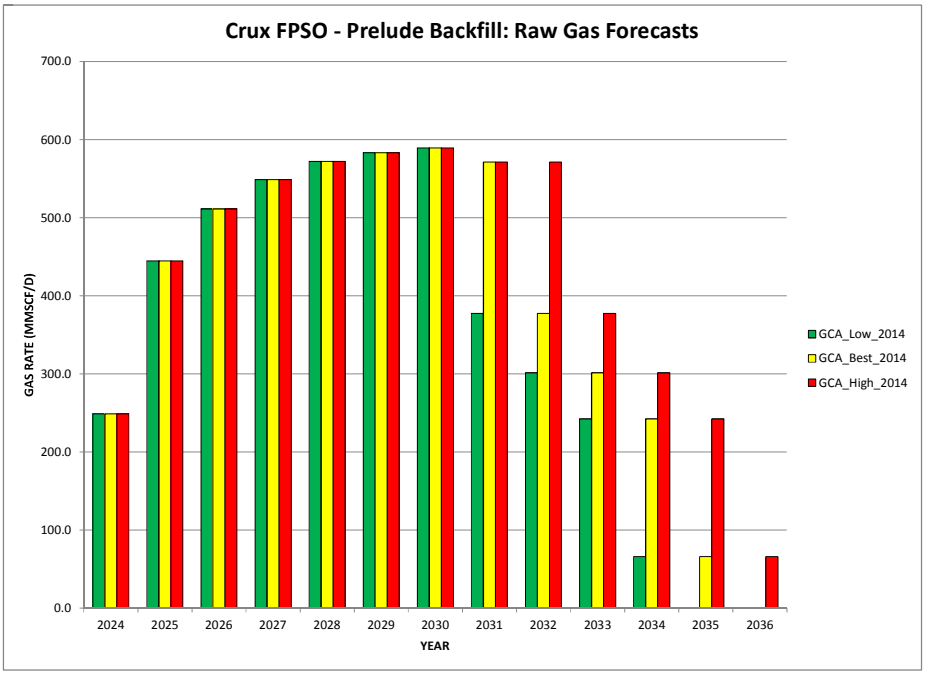
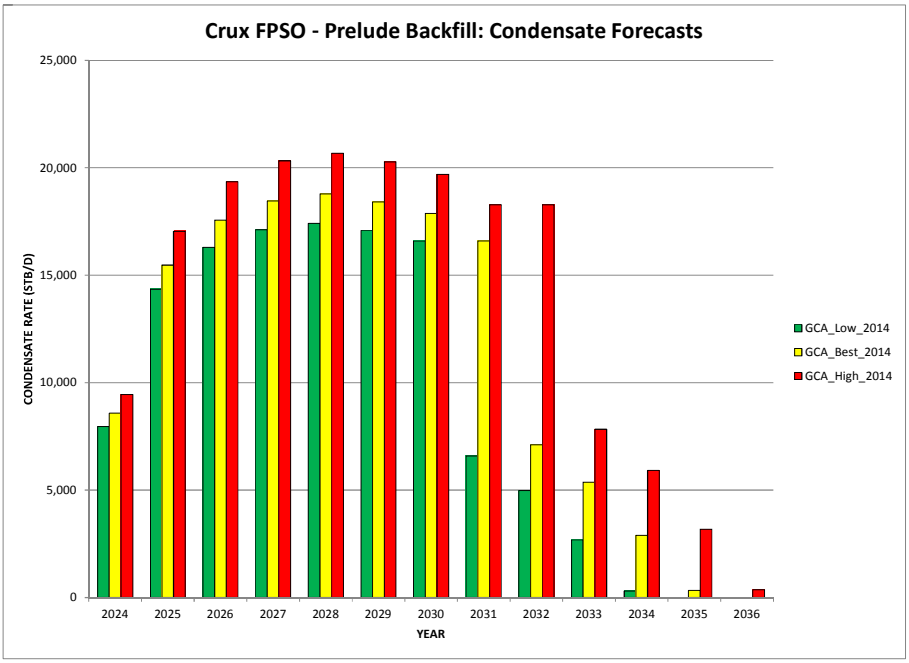


FIGURE 2.4

INTEGRATED DEPLETION – SCENARIO A
GCA CONDENSATE PRODUCTION FORECASTS



GCA's technical Estimated Ultimate Recovery (EUR) ranges based on the production forecasts in **Appendix III** comprise Low – Best – High estimates of 1,639 – 1,847 – 2,056 Bscf raw gas, respectively. The corresponding GCA condensate forecasts' technical EURs range is 44.3 – 53.9 – 66.0 MMstb.

With reference to GCA's independent assessment of GIIP and CIIP, as stated in **Table 2.1**, GCA's depletion forecast EURFs ranges for Scenario A are: 73% – 74% – 75% for raw gas; and 56% – 61% – 68% for condensate.

2.4.2 Scenario B: Standalone Tariffed FLNG Development Scenario

Key Aspects

Supply Source:	Crux Only
Development Concept:	Standalone Option - gFLNG
Crux Facility Type:	FLNG (2022)
Capacity (MMscf/d):	600

Scenario B development concept comprises wet gas depletion and dry gas liquefaction via an integrated depletion scenario employing a new FLNG facility initially dedicated to Crux but with costs shared with another development via an assumed tariff arrangement.. The FLNG facility capacities are assumed to be similar to Prelude FLNG at approximately 600 MMscf/d raw gas production. The FLNG facility is assumed to consist of a purpose built generic facility, of approximately 480 m length and 75 m width, with permanent mooring. As on Prelude, facilities would be provided for condensate separation, stabilization, and storage; acid gas treatment (for CO_2 removal), gas dehydration, liquefaction, LNG storage and offloading.

For the reservoir depletion, 4 high deliverability production wells (Low and Best Estimate, 5 wells in the High Estimate) would be tied back to 2 subsea wellhead

manifolds. These manifolds would be tied back to FLNG facility risers via four 12-inch insulated CRA flowlines of approximately 4 km length each. In addition, 2 subsea control umbilicals and 2 MEG lines are assumed.

Associated production and cost forecasts are based on the premise of gas depletion production start-up (Best Estimate) in early 2022. The raw gas and condensate annual production forecasts for GCA's Low, Best, and High Cases are illustrated by **Figures 2.5** and **2.6** (and **Appendix III)** respectively, below. Cost profiles have been provided to LEA but not included in this report.

GCA's technical Estimated Ultimate Recovery (EUR) ranges based on the production forecasts in **Appendix III** comprise Low – Best – High estimates of 1,637 – 1,846 – 2,056 Bscf raw gas, respectively. The corresponding GCA condensate forecasts' technical EURs range is 43.2 – 52.6 – 64.3 MMstb.

With reference to GCA's independent assessment of GIIP and CIIP, as stated in **Table 2.1**, GCA's depletion forecast EURFs ranges for Scenario B are: 73% – 74% – 75% for raw gas; and 55% – 60% – 66% for condensate.

FIGURE 2.5

STANDALONE TARIFFED FLNG – SCENARIO B
GCA RAW GAS PRODUCTION FORECASTS

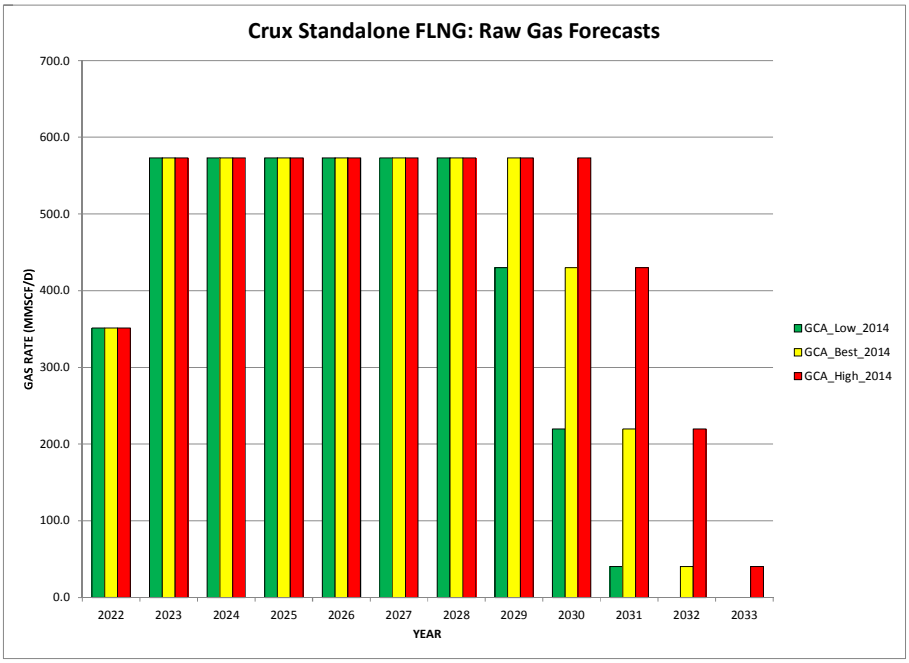
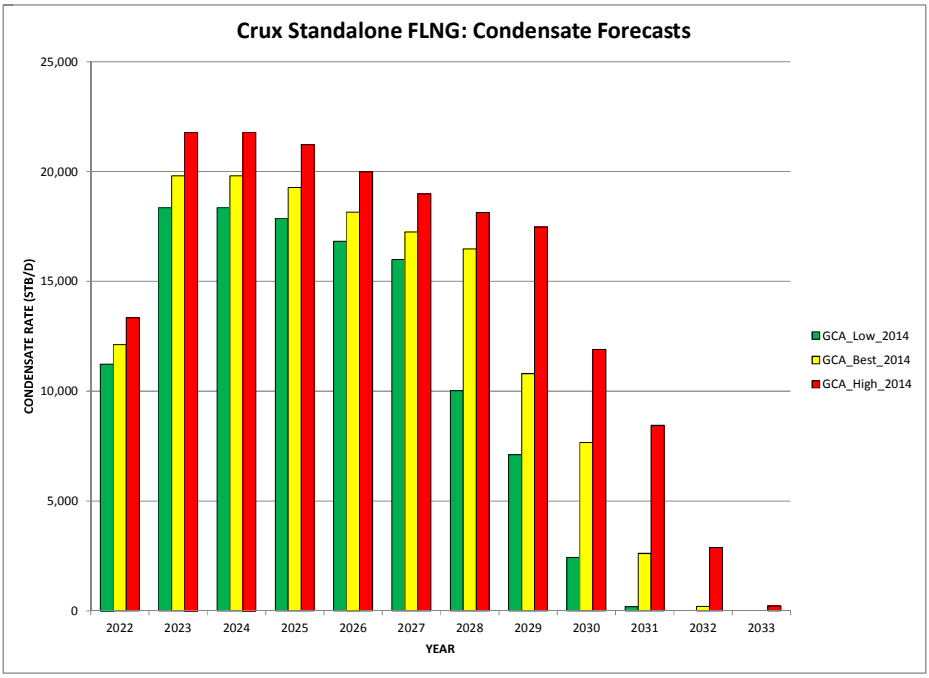


FIGURE 2.6

STANDALONE FLNG – SCENARIO B
GCA CONDENSATE PRODUCTION FORECASTS



2.5 Costs and Schedule

The forecast schedules for each of the specific development solutions considered are illustrated by the relevant figures in the preceding section. GCA's annual production forecast estimates are tabulated in **Appendix III** for each specified development solution required for its review.

It should be stressed that the schedules presented here are "unconstrained" by capital allocation limitations that might be applied by the Operator.

Cost estimates have been prepared in 2014 US$ for LEA.

2.5.1 Scenario A: Integrated Depletion Development; Single FPSO to "Back-Fill" Prelude FLNG

Total exploration, drilling, CAPEX, OPEX, Tariff, and abandonment costs for the Low, Best and High Cases Scenario A were reviewed by GCA and changed where considered appropriate as discussed above. Due to the confidentiality of the operator's data GCA has not provided a breakdown.

2.5.2 Scenario B: Standalone FLNG Development Scenario

Total exploration, drilling, CAPEX, OPEX, Tariff, and abandonment costs for the Low, Best and High Cases Scenario B were reviewed by GCA and changed where considered appropriate as discussed above. Due to the confidentiality of the operator's data GCA has not provided a breakdown.

It is noted that this Standalone alternative uses its dedicated FLNG facility for 10 to 12 years, out of an expected facility life of at least 35 years. It is therefore more likely that a standalone FLNG would be tariffed, and the costs shared with another development, either through tie-back to Crux or relocation. An optimization to Scenario B is given where FLNG CAPEX costs are replaced by a tariff.

GCA's annual cost forecast estimates for Scenario A and the Standalone and Standalone tariffed case Scenario B were provided to LEA. Due to the commercially sensitive information they were not included in **Appendix III** with the production profiles.

2.5.3 Development Risks and Opportunities

GCA's analysis has raised a number of development risks and opportunities of note.

Risks

The Operator (Shell) holds 82% and will manage development of the Crux Field consistent with their established operating practices (and costs), to a schedule influenced by their overall corporate capital allocation, competing projects, and optimizations. This raises the risk of delay due to superior competing projects, or (in Scenario A) a High Case outcome at Prelude. *Mitigation:* Continuous partner pressure. Maintain alternative scenarios (e.g. Scenario B).

FLNG is a new, as yet unproven, technology. Industry experience shows that new technology projects tend to overrun on time and schedule. *Mitigation:* Highly capable Operator, extensive front-end work, Prelude (and other) FLNG projects ongoing.

Cost escalation is seen in current onshore LNG projects in the region. *Mitigation:* Prelude costs will be well understood prior to a Crux FID. Floating LNG can be constructed worldwide.

Opportunities

As noted above, the Crux production profile is relatively short in comparison to the lifetime of the FLNG or FPSO facilities required for development. It is therefore likely that a commercial structure where these units are tariffed to the Crux venture will offer financial advantages. The Prelude operator, Shell, has provided an estimate of operating costs (including tariffs) for processing Crux gas on Prelude. GCA has assumed that a similar cost basis (converted to a tariff) can be used to evaluate a "standalone" FLNG option. This may offer the Crux venture more schedule control and certainty.

A new, standalone, FLNG unit will benefit from learning during Prelude construction. Successive unit savings are expected.

2.6 Contingent Resources

The FPSO tie-back to Prelude FLNG is likely to be the preferred option as both Crux and Prelude are operated by Shell and hence, Shell would most likely be keen on promoting this concept. The Gross Contingent Resources (CR), as at 31st July, 2014 and those attributable to Nexus are provided in **Table 2.2** below.

TABLE 2.2

CRUX FIELD CONTINGENT RESOURCES
SCENARIO A – PRELUDE FLNG BACK-FILL
AS AT 31ST JULY, 2014

	Sales Gas (Bcf)			Condensate (MMstb)		
	1C	2C	3C	1C	2C	3C
Gross 100% Field	1,312	1,480	1,647	44	54	66
Nexus (15% WI)	197	222	247	6.6	8.1	9.9

Notes:
1. The Contingent Resource Volumes have been derived assuming tie-in to back fill the Prelude FLNG project.
2. Gross Contingent Resources are 100% of the volumes estimated to be recoverable from the asset in the event that it is developed.
3. Fuel and Flare losses and reduction for Inert gases (CO_2, N_2)) of ~ 20% have been accounted for before deriving the Contingent Resources (Sales Gas)
4. The volumes reported here are "unrisked" in the sense that no adjustment has been made for the risk that the asset may not be developed in the form envisaged or may not go ahead at all (i.e. no "Chance of Development" factor has been applied).
5. Contingent Resources should not be aggregated with Reserves because of the different levels of risk involved.

The alternative development concepts based on a standalone development option were also tested and the associated production profiles are included in **Appendix III**.

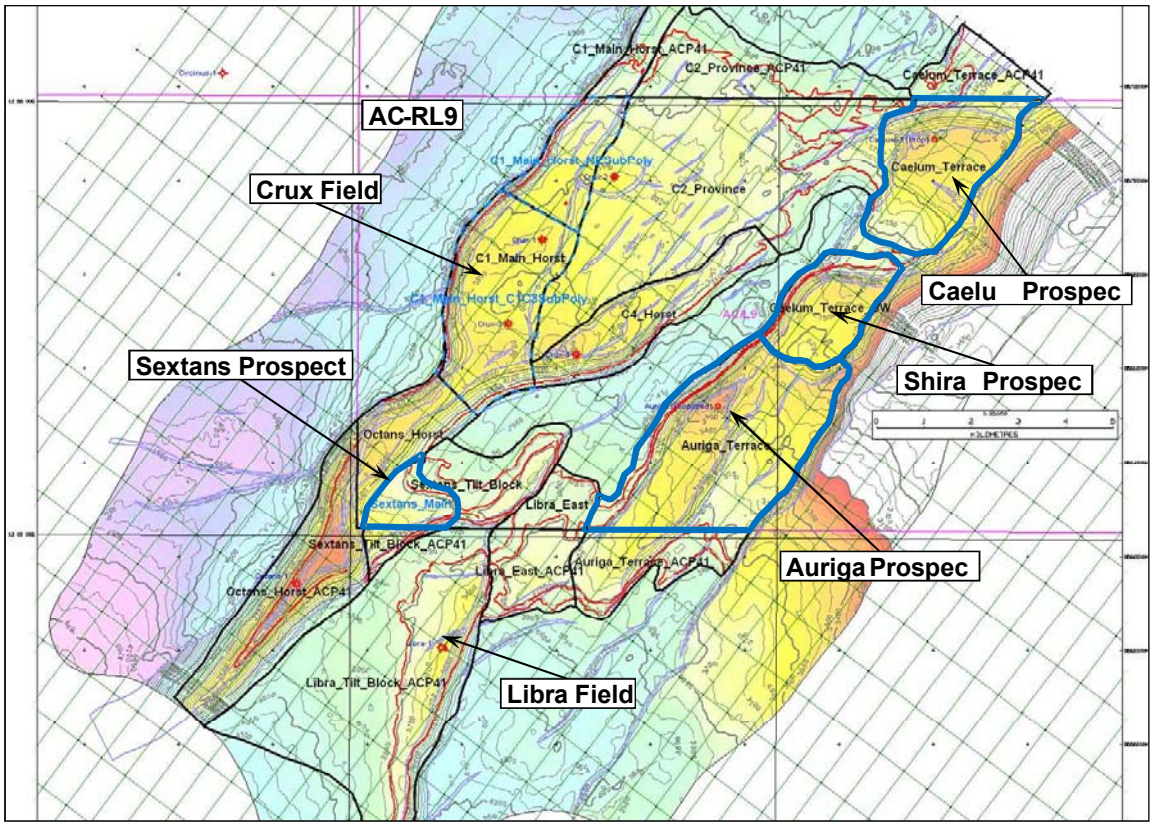
2.7 AC/RL9 Prospective Resources

2.7.1 Auriga Prospect

The Auriga Prospect is a northeast – southwest trending fault block located approximately 5 km to the east of the Crux Field in water depths of 170 m (**Figure 2.7**). Closure to the northwest is provided by the main terrace fault and to the northeast by a smaller cross fault. The structure as mapped is dip closed to the southwest. Immediately to the west-southwest is the Libra Field which was discovered by the Libra-1 well which intersected a 206 m gas column in thick, high NTG Nome Formation overlain by a thin Plover Formation and Montara Sand interval.

FIGURE 2.7

TOP MONTARA DEPTH MAP SHOWING AC-RL9 PROSPECTS



Source: Nexus

The primary reservoir target at Auriga is the Nome Formation. Secondary targets are in the overlying Plover and Montara sands. The top seal is provided by Lower Vulcan Formation shales. Cross fault juxtaposition is with the Vulcan shales to the northwest and northeast and with Triassic strata to the east. Cross fault seal is the key risk for the prospect. The hydrocarbon source for the Crux Field is thought to be the Plover Formation in the Heywood Graben to the west and the same source is inferred for both the Libra Field and the Auriga Prospect.

Gas fill is supported by a fluid Inversion seismic volume derived from an AVO study in which a similar response is seen over the Auriga structure as over the Crux and Libra Fields. The response over the Libra structure is consistent with the known GWC of -3,812 m TVDss while the response over the Auriga structure suggests a shallower contact of -3,730 m TVDss.

2.7.2 Caelum Prospect

The Caelum Prospect lies approximately 8.6 km to the northeast of the Crux-1 well in water depths of approximately 108 m (**Figure 2.7**). The structure is formed of a tilted fault block which contains the Montara, Plover and Nome Formation reservoirs and is sealed by Lower Vulcan shales. The structure may be connected to the Crux Field along a horst block through the Montara sand which based on current mapping, lies above the Crux Field GWC of -3,857.5 m TVDss.

The closest well to the proposed Caelum-1 exploration well is the Crux-2 well which is located 6.8 km to the southwest and was drilled on a downthrown Nome Formation fault block with a thick Plover Formation. The proposed Auriga-1 well lies on the same structural terrace as the Caelum Prospect and is planned to be drilled first, therefore providing more data to make a more accurate assessment of the risk of the Caelum well.

The primary reservoir target is the Plover, a thin drape of Montara Sand is expected over the structure and the Nome Formation may rise above the GWC towards the base of the structure. Lower Vulcan Shales provide a proven top seal and are expected to provide cross fault seal to the northwest and northeast. Cross fault seal to the east where juxtaposition against Mount Goodwin Shale is expected is the key risk. The primary source as for the Crux Field, is believed to be the Plover Formation in the Heywood Graben.

As with the Auriga Prospect, a fluid inversion seismic volume was derived from AVO data. The gas response over the Caelum is relatively poor and not consistent with the Crux and Libra Fields or with the Auriga Prospect. This may be due to poorer sand quality or may indicate a lack of gas charge to the structure and increased the risk associated with this prospect.

2.7.3 Shiraz Prospect

The Shiraz prospect lies between the Auriga and Caelum Prospects and is part of the same structure as the Auriga Prospect separated by a southeast – northwest fault (**Figure 2.7**). The primary reservoir target is the Nome Formation. Secondary targets are in the overlying Plover and Montara sands. The top seal is provided by Lower Vulcan Formation shales. Cross fault juxtaposition is with the Vulcan shales to the northwest and northeast and with Triassic strata to the east. Cross fault seal is the key risk for the prospect. The hydrocarbon source is also thought to be the Plover Formation in the Heywood Graben.

While the Auriga Prospect exhibited a strong fluid index result in the inversion study there was weaker response over Caelum and these results have been replicated in the 2011 Crux reservoir characterisation (Inversion) Project which produced a fluid inversion data volume. The poor results over Shiraz also suggest this is a higher risk target than the nearby Auriga.

2.7.4 Sextans Prospect

The Nexus listed Sextans Prospect lies approximately 4 km to the southwest of the Crux Field. As GCA was not provided with sufficient data to audit the potential volumes it may contain it has been re-categorised by GCA as a lead. No value has been ascribed to it nor has it been addressed further in this report.

2.7.5 Technical Review

GCA reviewed the petrophysical analysis and the mapping of the prospects. The scaled maps provided in the data room were used to estimate area ranges for volumetric computations in conjunction with the reservoir parameters provided by Nexus. GCA considers the inputs used by Nexus to calculate the in-place volumes are reasonable. GCA utilized a 1D Monte Carlo probabilistic methodology to audit the Nexus estimate of in-place hydrocarbons using Nexus' inputs. A Recovery Factor (RF) range was also applied probabilistically to estimate Gas and Condensate Resource ranges.

GCA was unable to match the Nexus estimate of Prospective Resources. GCA's analysis generated a lower Best Estimate than Nexus and the range between Low and High Cases is wider. GCA's estimates of Prospective Resources are given in **Table 2.3**. GCA has included an independent estimate of the Geological Chance of Success (GCoS) for each prospect.

The Chance of Development for these prospects is considered to be reasonably good as they could all be tied-into the Crux / Prelude development if discovered. The Auriga prospect is considered to have the best CoD as the well is planned and if the prospect is discovered, as expected, is quite likely to proceed (CoD ~ 90%). For the Caelum Prospect a CoD of 90% is also used given the resource size. Additional discussion is provided in **Section 4**.

TABLE 2.3

STATEMENT OF PROSPECTIVE RESOURCES FOR THE AC-RL9 BLOCK, BROWSE BASIN, AUSTRALIA, AS AT 31ST JULY, 2014

Prospect	Gross Raw Gas Prospective Resources (Bcf)			Gross Condensate Prospective Resources (MMBbl)			GCoS
	Low	Best	High	Low	Best	High	
Auriga	393	646	1,080	18.9	22.6	26.5	41%
Caelum	329	611	1,032	19.7	20.9	22.0	31%
Shiraz	62	100	242	3.5	4.2	4.9	31%

Notes:

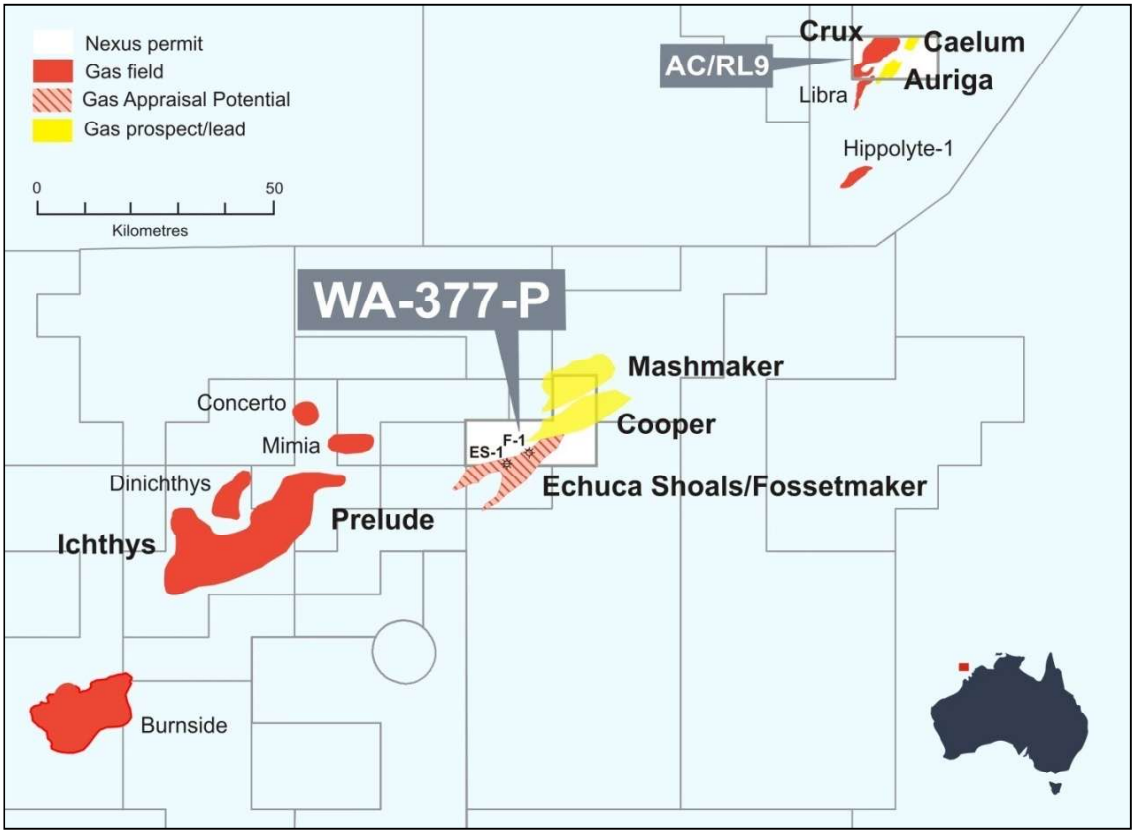
1. Gross Prospective Resources are 100% of the volumes estimated to be recoverable from the Prospect in the event that a discovery is made and subsequently developed.
2. The GCoS reported here represents an indicative estimate of the probability that drilling these Prospects would result in a discovery. This does not include any assessment of the risk a discovery, if made, may not be developed.
3. The volumes reported here are "unrisked" in the sense that no adjustment has been made for the risk that no discovery will be made or that any discovery would not be developed.
4. Identification of Prospective Resources associated with a Prospect is not indicative of any certainty that the Prospect will be drilled, or will be drilled in a timely manner.
5. Prospective Resources should not be aggregated with each other, or with Reserves or Contingent Resources, because of the different levels of risk involved and the different basis on which the volumes are determined.
6. Prospective Raw Gas volumes are inclusive of CO_2 of approximately 10%.
7. Resource Estimates are based on GCA's probabilistic estimations utilizing Nexus' reviewed input parameters.

3. WA-377-P ECHUCA SHOALS

Nexus holds a 100% interest in the WA-377P Block which is located in the Browse Basin, approximately 900 km from Darwin, offshore Western Australia (**Figure 3.1**). The block contains two wells, the Echuca Shoals-1 gas discovery, drilled by Woodside in 1983 and the Fossetmaker-1 well, drilled by Shell in 2007 which encountered gas shows in tight sands. Nexus has identified 2 additional prospects on the block, Cooper and Mashmaker, and has also identified possible upside to the Echuca Shoals-1 discovery.

FIGURE 3.1

WA-377-P LOCATION MAP



Source: Nexus

Nexus was awarded the block in March, 2006. In 2007, Shell drilled the Fossetmaker-1 well to earn a 34% interest in a pre-defined farm-in area but declined an option to drill a second farm-in well and withdrew from the farm-in area in 2009 to leave Nexus with a 100% interest. Nexus signed a 5 year renewal to the permit on 23rd March, 2012. The work commitments include a well in Year 3 (3/2014 – 3/2015) followed by further geological studies in Years 4 and 5. On 16th January, 2014, Nexus applied for a 6 month extension to Year 2 of the permit renewal which would result in Year 3 beginning 23rd September, 2014. This was approved on the 17th of March 2014.

3.1 Geological Setting

The WA-377P Block lies within the Browse Basin approximately 80 km to the south west of the AC-RL9 Block, **Section 2** describes the geological setting of the Browse Basin. The primary reservoir target in WA-377-P are the Tithonian B sands which were found to be gas bearing in Echuca Shoals-1 and had gas shows in tight sands in Fossetmaker-1. The Tithonian B group is part of the Upper Vulcan Formation. Secondary targets which also form part of the Upper Vulcan Formation include the Tithonian A and Upper and Lower Clathrata Formations, which have been interpreted in seismic but have not been penetrated on block. Further targets include the Plover Formation which is gas bearing in the Ichthys and Prelude Fields and the Triassic Challis Formation.

3.2 Block History

The Echuca Shoals-1 discovery well was completed in February, 1984 by Woodside Offshore Petroleum in the North Eastern margin of the Browse Basin on the downthrown side of the basin margin fault in a water depth of 194 m. This well is 15 km from the Prudhoe-1 dry well located on the Prudhoe terrace, the upthrown side of the basin margin fault.

The Echuca Shoals-1 well was drilled on a four-way dip closure with possible upside stratigraphic/fault closure targeting a Tithonian drape over a Triassic horst. Log evaluation is uncertain due to lack of formation water salinity information. GCA has reviewed the pressure data and petrophysical analysis provided to determine a net pay range of 20 to 31 m. No gas was tested to surface. Pressure measurements in the Tithonian sands of the Echuca Shoals-1 well indicate a gas gradient of 0.472 psia/m confirming a gas discovery.

The Fossetmaker-1 well was drilled in August, 2007 in a water depth of 189 m, approximately 7 km ENE of Echuca Shoals-1. Fossetmaker-1 was a vertical exploration well drilled and operated by Shell Development (Australia) Pty Ltd as part of a farm-in agreement between Shell and Nexus Energy Limited. The primary objective of Fossetmaker-1 was to test the possible structural/stratigraphic upside of the Tithonian (Upper Vulcan Formation) sands downdip from the Echuca Shoals-1 discovery well. Secondary targets were the shallower Upper Vulcan Formation ("Brewster Member", and "Valanginian") sands, the latter of which was also gas bearing at Echuca Shoals-1. The well encountered 13 m of gas shows in tight, lower net-to gross ratio Tithonian-age sandstones (Upper Vulcan Formation) than those present in Echuca Shoals-1 well. The Brewster and Valanginian sands were present at Fossetmaker-1, but water wet. The well was subsequently plugged and abandoned. Due to the tight quality of the reservoir sands at Fossetmaker-1, it was not possible to prove (by means of a pressure gradient and gas sample) that the Tithonian Sands gas shows were an extension of the Echuca Shoals-1 discovery.

3.3 GCA Technical Review

GCA reviewed the petrophysical analysis and the mapping of the discovery and utilized the scaled maps in the virtual data room to estimate area ranges for volumetric computations in conjunction with the reservoir parameters audited from the Nexus well data analysis. GCA utilized a 1D Monte Carlo probabilistic methodology to estimate in-place hydrocarbons. A Recovery Factor (RF) range was also applied probabilistically to estimate Gas and Condensate Resource ranges.

The GCA 2C estimate of gas Contingent Resources is similar to that estimated by Nexus however, the estimated resource range from 1C to 3C is wider than the Nexus the range. Condensate Contingent Resource volumes are much smaller due to lower range of CGR.

The results of GCA's analysis are summarized in **Table 3.1**.

TABLE 3.1

ECHUCA SHOALS-1 CONTINGENT RESOURCES AS AT 31st JULY 2014

CONTINGENT RESOURCES (Nexus 100%)	GCA Audit Estimates		
	1C	2C	3C
Raw Gas (Bscf)	15	27	48
Condensate (MMstb)	0.24	0.69	1.55

Notes:
1. Contingent Resources are 100% of the volumes estimated to be recoverable from the asset in the event that it is developed.
2. The volumes reported here are "unrisked" in the sense that no adjustment has been made for the risk that the asset may not be developed in the form envisaged or may not go ahead at all (i.e. no "Chance of Development" factor has been applied).
3. Contingent Resources should not be aggregated with Reserves because of the different levels of risk involved.
4. GCA Contingent Gas volumes are inclusive of CO_2. GCA has estimated the range to be 15-9-3%.
5. GCA CGR ranges are 15-40-60 (bbl/MMscf)
6. GCA gas RFs were applied probabilistically utilizing a range of 55, 70 and 85%

Potential development of the block is contingent on successful drilling of the remaining prospects which could be accomplished by tieback to nearby developments or by a standalone FLNG if volumes were to be sufficient. Water depths over the block vary from 150-200 m.

The Echuca Shoals-1 Contingent Resource volumes are lower than the minimum economic threshold for the block. On this basis, no value is assigned. Additional discussion is provided in **Section 4.**

3.4 Prospective Resources

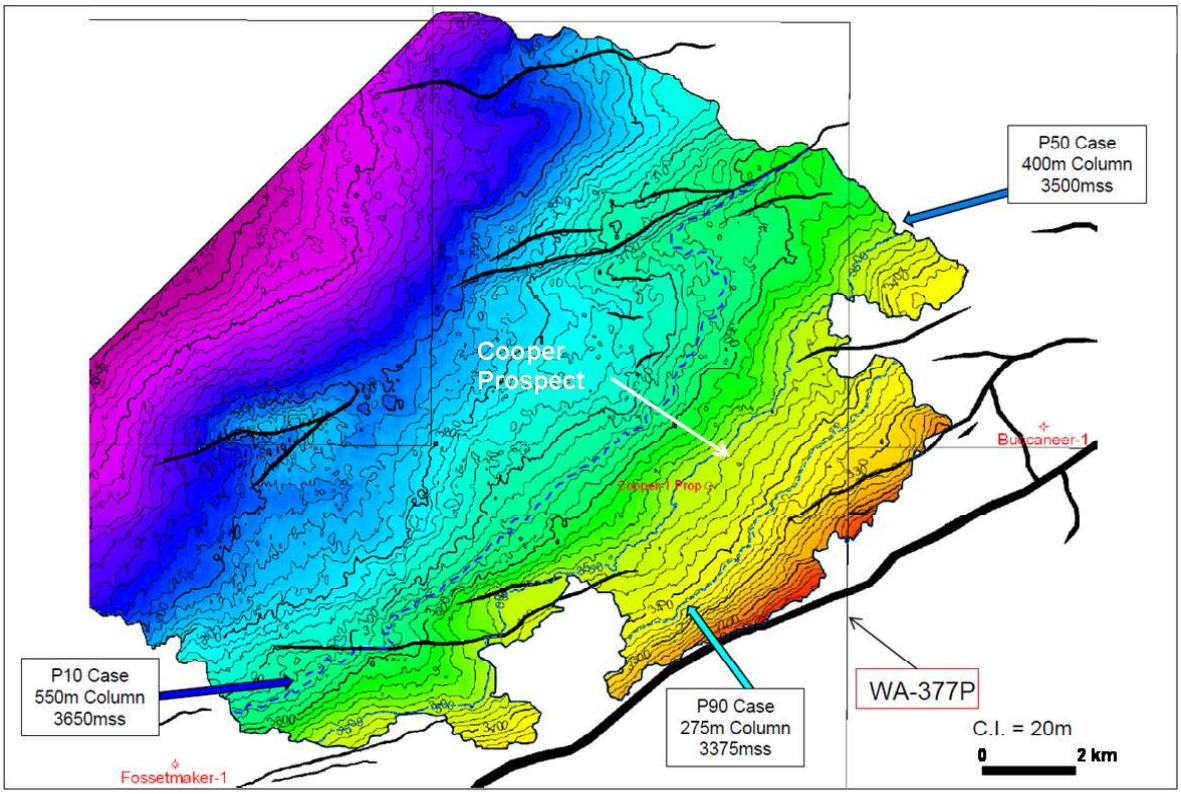
3.4.1 Cooper Prospect

The Cooper Prospect is a 3-way dip closed structure which requires a combination of fault seal and stratigraphic pinchout to close in the southeast. The primary reservoir targets are the Tithonian B clastics with secondary targets in the Tithonian A and Clathrata sands. The Tithonian B clastics were found to be gas bearing in the Echuca Shoals-1 well approximately 19 km to the southwest and had gas shows in tight sands in the Fossetmaker-1 Well 13 km to the southwest.

The planned well location is down dip from the Buccaneer-1 well which was drilled on the adjacent WA-341-P Block with gas shows. The two locations are separated by two faults and the seismic data suggests reservoirs may pinchout between the two well locations however the updip seal is the key risk for the Cooper Prospect.

FIGURE 3.2

TOP TITHONIAN B SHOWING NEXUS' P90, P10 AND P10 CLOSURES FOR THE COOPER PROSPECT



Source: Nexus

3.4.2 Mashmaker Prospect

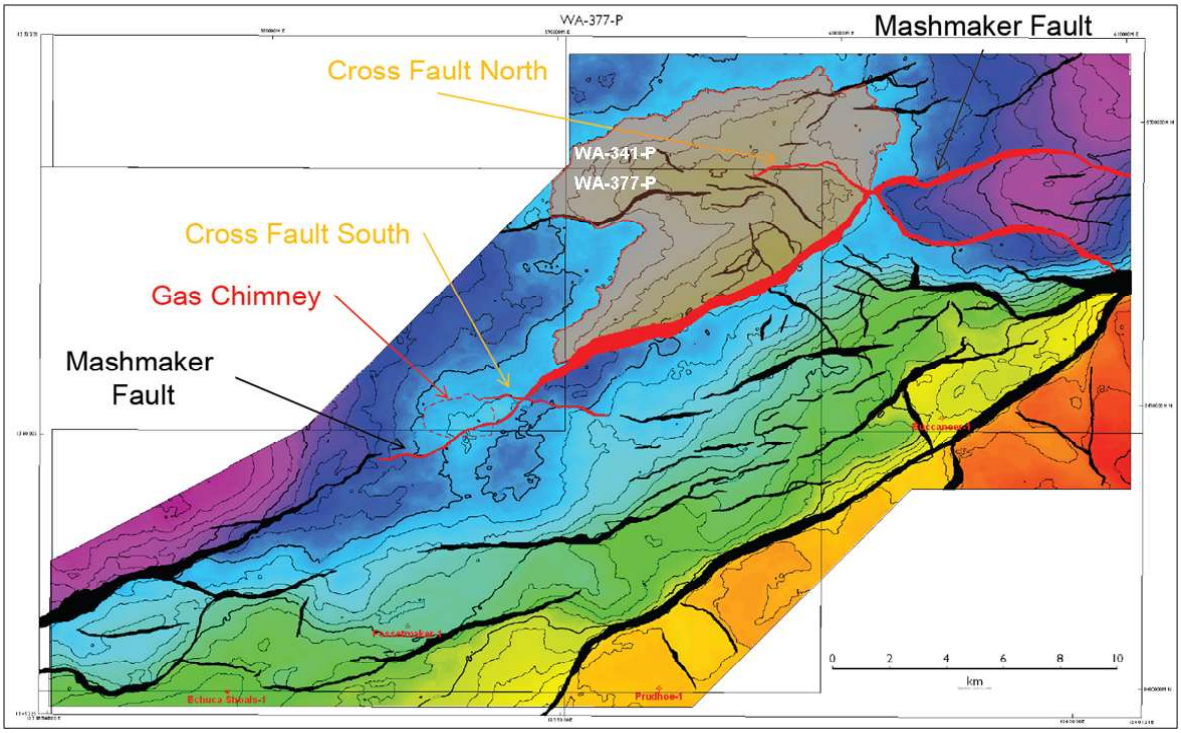
The Mashmaker Prospect (**Figure 3.3**) is a northeast – southwest trending structure lying in the north of WA-377-P and extending into the adjacent WA-314-P Block. The structure is 3 way dip closed and requires fault closure to the southeast where the Mashmaker Fault separates it from the Cooper Prospect.

There is significant throw across the fault with juxtaposition of the Plover Formation against Vulcan Formation shales. Maximum throw is up to 430 m at the Plover level but diminishes up section to 40 m at the Tithonian B interval. The Mashmaker Fault is intersected by two cross faults, the most southerly of which is associated with a gas chimney which offers evidence of charge but also highlights the risk of fault seal.

The greatest risks for the prospect are cross fault seal and reservoir quality. Where juxtaposition of the Plover Formation is with the Vulcan Shales the risk is lower, however throw varies significantly along the fault meaning juxtaposition with various deposits is possible. Reservoirs are generally present but as shown by the Fossetmaker-1 well they are variable in terms of quality and amount of sand present. The proximity of the prospect to other discoveries and the presence of a gas chimney suggest a mature source rock and sufficient migration routes but there is uncertainty on the capacity to fill the structure.

FIGURE 3.3

BASE PLOVER DEPTH MAP SHOWING THE P50 MASHMAKER CLOSURE



Source: Nexus

3.5 Technical Review

GCA reviewed the mapping and the petrophysical analysis of the prospects. Polygons were constructed from scaled maps to estimate prospect area ranges for volumetric computations in conjunction with the reservoir parameters provided by Nexus and confirmed in GCA's review of the petrophysical analysis. GCA utilized a 1D Monte Carlo probabilistic methodology to validate estimated in-place hydrocarbons. A Recovery Factor (RF) range was also applied probabilistically to confirm estimated gas and condensate resource ranges.

GCA's analysis indicates that the Nexus range and Best estimate of Prospective Resources is reasonable based on the probabilistic checks performed, hence GCA has accepted Nexus' Prospective Resource volumes listed in **Table 3.2**. GCA, however, has independently estimated the Geological Chance of Success (GCoS) for all prospects and revised GCoS for the Cooper and Mashmaker prospects.

Nexus recently completed a geotechnical study in WA-377-P which involved regional interpretation and mapping of key seismic horizons and a review of the Echuca Shoals reservoir interval. This study indicated a potentially decreased geological risk of the Echuca Shoals Field with a relatively larger reservoir area mapped and with support for a normally pressured gas accumulation extending over a greater area. The Echuca Shoals Tithonian reservoir was mapped as a SW-NE trending sand lobe (or lobes), which onlap the edge of the Prudhoe Terrace to the SE. The area of thick, poor quality Tithonian reservoir intersected by Fossetmaker-1 is restricted to a depositional wedge on the downthrown side of the Fossetmaker Fault, therefore explaining the lack of success by this well. Based on the data and analysis provided GCA concurs with the Prospective Resource volumes and GCoS for any additional Echuca Shoals-Fossetmaker Appraisal drilling presented in **Table 3.2**.

TABLE 3.2

STATEMENT OF PROSPECTIVE RESOURCES FOR THE WA-377-P BLOCK, BROWSE BASIN, AUSTRALIA, AS AT 31ST JULY, 2014

Prospect	Gross Prospective Resources Raw Gas (Bcf)			Gross Prospective Resources Condensate (MMBbl)			GCoS
	Low	Best	High	Low	Best	High	
Cooper	72	237	523	2.2	7.2	15.9	17%
Mashmaker	363	818	2,137	11.0	24.8	64.8	22%
Echuca Shoals-Fossetmaker	428	535	653	12.95	16.22	19.78	25%

Notes:

1. Gross Prospective Resources are 100% of the volumes estimated to be recoverable from the Prospect in the event that a discovery is made and subsequently developed.
2. Prospective Raw Gas volumes are inclusive of potential CO_2.
3. The GCoS reported here represents an indicative estimate of the probability that drilling these Prospects would result in a discovery. This does not include any assessment of the risk a discovery, if made, may not be developed.
4. The volumes reported here are "unrisked" in the sense that no adjustment has been made for the risk that no discovery will be made or that any discovery would not be developed.
5. Identification of Prospective Resources associated with a Prospect is not indicative of any certainty that the Prospect will be drilled, or will be drilled in a timely manner.
6. Prospective Resources should not be aggregated with each other, or with Reserves or Contingent Resources, because of the different levels of risk involved and the different basis on which the volumes are determined.

Additional discussion on the chance of development of the prospects is provided in **Section 4.**

4. ASSET VALUATION: GRAYLING-1A, ECUCA SHOALS AND PROSPECTIVE RESOURCES

4.1 Basis of Opinion

The valuation of the Echuca Shoals and Grayling-1A Contingent Resources as well as Nexus' exploration portfolio has been prepared in compliance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (VALMIN).

4.2 Date of Valuation

Although GCA's valuation opinion has an effective date of 31st July, 2014 the Fair Market Value (FMV) of the assets as defined in VALMIN was finally established after taking into account information obtained up to mid-October, 2014.

4.3 Sources of Information

In deriving its valuation opinion, GCA has relied on the following sources of information:

1. GCA Independent Technical Specialists technical and commercial analysis summarised in the prior sections and information from which the analysis was derived.
2. Other publicly available data and information.

4.4 Key Considerations and Risks of the Assets

In assessing the assets to determine Fair Market Value, GCA has considered various factors such as the current market valuation of upstream assets, characteristics of the upstream oil and gas industry in particular in relation to the assets in its location, the relative value between the resources, risk normally associated with such assets as well as the impact of the related commercial arrangements.

Some key risks or considerations which may impact future value include, but are not limited to, the following:

4.4.1 Operator Focus and Capability

In the short term, the uncertainty on the future of company may impact the focus of the management team in developing the work on maturing the exploration portfolio and also the ability to retain technical staff in executing exploration related work. In the longer term, the possibility of the replacement of the Nexus management team and/or Nexus' position as the Operator may also impact the performance of the assets depending on the capability and experience as well as the financial capacity of the new Operator and / or management team.

4.4.2 Commodity Price

Market volatility of oil price will have an impact on the future value of even these predominantly gas-based assets where gas prices may be linked to the oil price e.g. LNG price for the AC/RL 9 and WA-377-P prospects, which are anticipated to supply LNG-export orientated projects. Oil prices reflect a number of factors including supply and demand, political events and expectations, oil quality and transportation costs to the market. Condensate, which is expected to be produced together with the gas, is priced based on crude oil and will also be exposed to oil price movement. The gas price received for domestic gas supply may also be impacted by competing sources of gas

such as coal seam gas as well as demand increases resulting from the start-up of new large-scale LNG projects.

4.4.3 Subsurface Risks

By their nature, upstream oil and gas activities carry a certain level of risk which may never be eliminated but can be reduced with better understanding of the subsurface by either more data, e.g. seismic or new wells, or further studies and analysis. As such, estimates of reserves and resources are based on professional engineering judgment and are subject to future revisions, upward or downward, as a result of future operations or as additional data become available and should not be considered a guarantee of results.

4.4.4 Commercial Risk

Nexus has been able to secure a sales agreement with Santos for gas and condensate produced from the Longtom project up to 2018. For future discoveries and prospects in VIC/L29 and VIC/P54 the evacuation option for the gas and condensate is most likely via a tie-back to the Longtom development prior to delivery to the Santos Patricia Baleen facility for processing and onward sale to Santos. This presents a sole-buyer risk for Nexus although current gas market analysis by analysts and government bodies suggests a favourable domestic gas market situation from 2018 onwards as gas production is increasingly diverted to supply large scale unconventional gas-to-LNG projects in Queensland. These new LNG projects will be targeting the more lucrative North Asian markets and are expected to require supplemental conventional gas supplies to offset the production risks associated with unconventional gas development.

If successful, it is most likely that the prospects in AC/RL 9 will be tied into the Crux field development (itself most likely a tie-back to the Prelude project).

There is greater risk on the manner and development timing of any discoveries on the WA-377-P license. It is much further from any existing facilities and most likely would require a lead field development of its own. GCA has assumed that, if successful, Mashmaker would act as a stand-alone lead field FLNG development, and that any further discoveries would be tied back through such a facility.

4.4.5 Costs

The Australian upstream market has been faced with the challenges of rising costs evident from the cancellation or postponement of major upstream projects. Relatively small players such as Nexus will also be challenged on cost management as they may not have the economies of scale of larger projects or global procurement contracts that are available to larger players to offset some of the impact of cost increases.

4.5 Valuation Approach

The typical valuation approach applicable to upstream assets is to consider both: (i) the future earnings potential and risk exposure through an Expected Monetary Value ("EMV") analysis, and; (ii) current market sentiment by examining other relevant transactions ("comparable transactions"), where available, and then to draw a balanced conclusion from both sets of inputs. For exploration assets, particularly those at an immature stage, past costs considerations may also factor in the valuation although GCA does not consider this to be appropriate in this instance.

4.5.1 Methodologies

The EMV method is an approach that seeks indicate potential future value based on a quantified assessment of risk and reward. The approach "risk-adjusts" the Discounted

Cash Flow (DCF) analysis of an assumed discovery on a Prospect to reflect the perceived Geological Chance of Success (GCoS) as well as the amount of risk capital exposed (the cost to drill the initial exploration well in the case of an exploration prospect).

Consideration must then be given to further adjustments for perceptions of the commercial viability of the assumed discovery, i.e. Chance of Development (CoD), as not all discoveries are necessarily developed. This may be for a number of reasons including size (the size of the discovery is smaller than expected), technical complexities, location and logistics, costs, market or budgetary ranking and priorities.

The EMVs of the Prospects in the Nexus portfolio have been assessed using the formula:

EMV = NPV*GCoS*CoD – Risk Capital*(1- GCoS) – Risk Capital*GCoS*(1-CoD)

Where:

EMV = Expected Monetary Value *NPV* = Net Present Value of the after tax cash flow of an assumed discovery of Mean size on the prospect
GCoS = Estimated Geological Chance of Success (chance of a discovery being made)
CoD = Estimated Chance of Development (chance of commercialising the discovery)
Risk Capital = Dry hole exploration well cost, after assumed tax benefit *NPV*GCoS*CoD* = the risked NPV of a successful development *Risk Capital*(1- GCos)* = the risked cost of an unsuccessful exploration well *Risk Capital*GCoS*(1-CoD)* = the further risked cost that a discovery is made but never developed

For prospects in VIC/L29 and VIC/P54, GCA assumed a conceptual subsea tie-back development based on the Longtom LT-5H well, and focused its valuation on discoveries or prospects with a minimum discovered resource size of around 50 PJe. This is based on the Longtom LT5-H reserves evaluation results which indicate that new development projects with volumes less than 50 PJe are not likely to be viable.

With the prospects in AC/RL9 being less than 10 km from Crux, GCA has assumed a conceptual subsea tie-back development based on Crux information for prospects in the same block with a minimum discovered resource size of 200 PJe.

For prospects in WA-377-P, the only option for developing at least the first of these prospects would be a standalone LNG project as they are located more than 50 km from either Prelude or Crux, and it will be technically challenging to tie-back subsea developments to either of these locations. GCA has assumed that this will require a discovery of at least 1,000 PJe. However, assuming an initial development project on the block additional, somewhat smaller, discoveries could be tied back to this in the same manner as envisaged in AC/RL9.

GCA applied the evaluation metrics (A$/GJe) of these conceptual developments to the relevant prospects in deriving the NPVs that could have been obtained from a DCF analysis. The evaluation metrics applied were based on discount rates of 12% and 15%.

A ranking was done of the remaining prospects after the minimum economic resource size cut-off was applied to all the permit areas, and Prospects with negative EMVs before the consideration of Chance of Development (CoD) were deemed not likely to be drilled by the operator and, as such, based on present data and conditions, GCA considers such prospects to have no material value.

The EMV method is widely used in ranking exploration opportunities and while it has a sound theoretical basis, caution needs to be applied in using it for valuation, particularly when the implied valuation result is large and one or two unsuccessful wells can render the remainder of a (same/similar play type) portfolio largely valueless.

The comparable transactions valuation approach seeks to use reported transactions either to derive a metric such as $ per acre, future expenditure commitment, or (where available) Prospective Resources in the case of pure exploration acreage, or as a measure of the value of discovered resources which can then be used to test the NPV metrics derived from cash flow analysis.

4.5.2 Market and Financial Assumptions

Oil Price

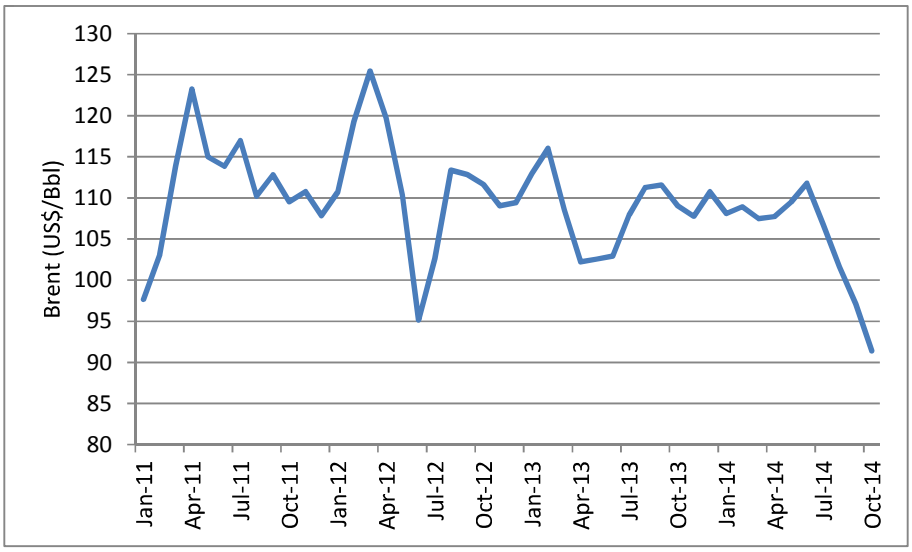
There are no black oil prospects in the Nexus portfolio, however there is condensate associated with gas production and expected in the gas prospects. Brent crude oil has been used as a marker for the Longtom project with a discount to Brent defined according to the condensate sales agreement. In the absence of a condensate sales agreement for Crux, a similar pricing assumption has also been taken for condensate in both the AC/RL9 and WA-377-P areas.

There is no fixed set of oil price assumptions that is used by every player in the market, and in valuations such oil price assumptions have a degree of subjectivity. Guidance is taken from assessing historical price movements and perceived market sentiments as reflected on forward price strips, whilst noting that the market futures curve is not, in itself, a forecast of future oil prices.

Over the past 3 years Brent has been trading at between US$90 to US$125/Bbl with an average of US$110/Bbl as evident in **Figure 4.1**. While as of 31st July, 2014, the Effective Date of this report, Brent was trading at US$105/Bbl, it has been under pressure since then and has traded as low as US$83/Bbl in mid-October, 2014. Further, futures price strips at the Effective Date were on a downward trend declining by US$10-15/Bbl over five years. For all the analysis undertaken for the valuation of exploration properties, any development that takes place will be post-2020 and GCA has assumed a real (2014) Brent price of US$95/Bbl, escalating at 2% per annum (US$ 101.12/Bbl in 2020).

FIGURE 4.1

HISTORICAL BRENT PRICE MOVEMENT



Source: GCA internal database/EIA/ThomsonReuters.

Gas Price

The current price of gas in Victoria applicable to the VIC/L29 and VIC/P54 licenses is taken into consideration for this analysis. Thereafter, and in the period that will affect new prospects, gas price is much more uncertain. With volumes that might otherwise be bound for the domestic market likely to be directed at the East Coast LNG projects, it is likely that gas prices will rise above current levels, with some published estimates suggesting a price in A$8-10/GJ range. There is plainly considerable uncertainty on this, particularly as a high price is necessary for the exploration prospects in the Nexus portfolio to become commercially viable.

In the absence of definitive gas sales arrangements, GCA has assumed that gas from AC/RL9 and WA-377-P will be sold at LNG prices into the Asian market. The LNG price is assumed to be based on JCC, which at US$95/Bbl Brent would be A$14/GJ. However, particularly with the prospect of significant volumes of LNG from North America entering the market, the pricing structures for LNG is entering a more uncertain period and there could be downward pressure on such a price assumption.

4.6 Comparison of Results from Different Valuation Approaches

4.6.1 EMV Analysis

Nexus has identified 11 prospects in its portfolio, in addition to 2 discoveries (Contingent Resources), summarised in **Table 4.1** below.

TABLE 4.1

GRAYLING-1A & ECHUCA SHOALS-1 CONTINGENT RESOURCES AND PROSPECTIVE RESOURCES (PJe)

Gross Contingent Resources (PJe)					
License	**Discovery**	**Low**	**Best**	**High**	**Mean[1]**
VIC/L29	Grayling -1A	14	23	36	24
WA-377-P	Echuca Shoals-1	19	35	65	39

Note:

1. The numbers do not include Contingent Resources volumes associated with Longtom and Crux, which have been documented previously in the report.

Gross Prospective Resources (PJe)					
License	Prospect	**Low**	**Best**	**High**	**Mean[1]**
VIC/L29	Gemfish	88	144	280	168
VIC/L29	Grayling Appraisal	58	86	168	88
VIC/P54	Longtom West	5	56	141	66
AC/RL9	Auriga	530	814	1,284	870
AC/RL9	Caelum	470	766	1,204	809
AC/RL9	Shiraz	87	131	281	163
WA-377-P	Echuca Shoals – Fossetmaker	574	604	876	677
WA-377-P	Cooper	97	318	702	367
WA-377-P	Mashmaker	487	1,097	2,867	1445

Notes:

1. Swanson's Mean: summation of 30% (Low) + 40% (Best) + 30% (High) resource sizes, net of CO_2 content.
2. Gross Contingent Resources and Prospective Resources are net of CO_2.
3. Volumes above include condensate.
4. Conversion of 1 Bcf = 1.135 PJ. 1 MMbbl = 6 Bcfe.

Economic analysis from the conceptual development for the three VIC/L29 and VIC/P54 prospects (Gemfish, Grayling and Longtom West), where Nexus has a 100% Working Interest, suggests that unless gas prices rise to above A$10/GJ, there is no value. However, above this the NPV of a discovery could be worth A$0.05/GJe in present value terms, and this upper-end range has been adopted in the analysis. Exploratory cost of A$32 MM per well has also been utilised in the EMV calculation, which also assumes that, if discovered, each prospect has a 90% Chance of Development (CoD). The Grayling 1-A discovery was considered too small to be developed.

Exploration activity has the potential for tax offsets of a headline rate of 58%. While Nexus may not be able to benefit from such offsets in a timely manner by itself, GCA has assumed that value could be realised by Nexus partnering or otherwise disposing of its interests to a party where such tax benefits could be more readily utilized. As such, a A$32MM well would cost A$14MM after receiving full tax benefits, and such an assumption has been incorporated in the EMV analysis.

As noted above, GCA has assumed that the AC/RL9 Auriga and Caelum prospects, where Nexus has a 15% Working Interest, would most likely be developed as tie-backs in a Crux field area development project. Economic analysis suggests the NPV of a discovery so developed in the mid-2020s would lie between A$0.20/GJ and A$0.45/GJ in present value terms. Well costs in the Browse basin are estimated at around A$80 MM, or A$34 MM per well on an after tax basis assumption. GCA has assumed a CoD of 90% should any of these prove up as discoveries with assumed start-up timing of 2024, similar to Crux. The Shiraz prospect was considered too small to be drilled.

Two of the prospects on WA-377-P, Echuca Shoals-Fossetmaker and Cooper, would require development in a similar manner to those in AC/RL9. However, there is no nearby LNG project, so these would depend on the success of the much larger Mashmaker prospect which could sustain a stand-alone FLNG project. Economics of such a stand-alone development suggest an NPV of between A$0.30/GJe and A$0.50/GJe in present value terms if developed at the same time as Crux. However, given the greater timing risk for a stand-alone development, GCA has assumed development would take place no earlier than 2030, and has used an NPV range of A$0.15/GJe and A$0.25/GJe for the EMV calculation.

A similar reduction for timing has been assumed to apply to the NPVs for Echuca Shoals-Fossetmaker and Cooper, of A$0.10/GJe and A$0.225/GJe. Wells are expected to cost the same as in AC/RL9. A 50% CoD has been applied to Mashmaker, and a 90% chance to Echuca Shoals-Fossetmaker and Cooper should Mashmaker become a discovery and be developed. The Echuca Shoals-1 discovery is considered too small to develop.

Results of the EMV analysis showing those prospects with positive value contributions, is presented in **Table 4.2** below.

TABLE 4.2

EMV CALCULATIONS OF NEXUS' EXPLORATION PORTFOLIO

			Net Value $A MM (using Low A$/GJ)				Net Value $A MM (using High A$/GJ)			
	GCoS	CoD	Low	Best	High	Mean[1]	Low	Best	High	Mean[1]
AC/RL9[2] (15% Working Interest)										
Auriga	41%	90%	3	6	11	6	10	17	29	18
Caelum	31%	90%	0	3	6	3	5	11	19	12
WA-377-P (100% Working Interest)										
Echuca Shoals - Fossetmaker	25%	90%[3]	(1)	(1)	(1)	(1)	0	0	2	1
Mashmaker	22%	50%	(22)	(12)	17	(6)	(17)	0	49	9
TOTAL (treating negative EMVs as 0)						**9**				**40**

Note:
1. Swanson's mean: Summation of 30% (Low) + 40% (Best) + 30% (High) EMVs.
2. Shiraz considered to lie below minimum economic threshold if discovered, and no EMV computed.
3. It is assumed that an Echuca Shoals – Fossetmaker well will only be drilled on the basis of a development at Mashmaker. Thus, the Echuca Shoals – Fossetmaker EMV requires further adjustment by the assessed probability of this occurring (11%).

4.6.2 Comparable Transactions

GCA has reviewed the possibility of using the metrics from comparable asset transactions directly or in the EMV calculation. Metrics on this basis were considered separately for offshore Victoria (VIC/L29 & VIC/P54) and offshore Western Australia (AC/RL9 & WA-377-P).

GCA was not able to identify any directly comparable transactions for VIC/L29 and VIC/P54 prospects. The (September, 2013) WHL/Tap Oil transaction which related to the acquisition of a 10% NWI in VIC/P67 in the Otway basin offshore, Victoria for a reported US$2.95 MM (approximately A$0.25/GJe implied) is the closest match. If this metric is applied in an EMV calculation, assuming a 75% CoD, it would indicate a nominal A$1 MM value for the Gemfish (VIC/L29) prospect, as compared with no value contribution when utilizing the EMV approach. As such, this amount has been used as an upside value for the entire offshore Victoria permits.

GCA also identified three transactions in 2012 related to the acquisition of interests in the Browse LNG project that were considered as possible candidates for the AC/RL9 & WA-377-P analysis. However, while the transactions are relatively recent, and the project/fields are in a similar location geologically, there are a number of factors that are considerably different, namely:

- The resource base is much greater (over 10 times larger) than the Nexus prospects, with development currently predicated on 3 FLNG facilities.
- The original basis of design at the time of the transactions was predicated on LNG facilities located onshore, with the switch to FLNG only occurring after the announcements of the transactions.
- The implied Resource value range from A$0.74/GJe to A$0.87/GJe, is much higher than the A$0.20/GJe to A$0.45/GJe derived for the AC/RL9 prospects by EMV analysis in **Section 4.6.1** and this is probably reflective of the importance of a much larger resource base.

While GCA does not consider these comparable transactions to be appropriate in directly assigning a value to the AC/RL9 and WA-377-P prospects, if the valuation is adjusted down to account for timing uncertainties and sizing, the value range is not dissimilar to that derived from cash flow analysis. For example, at a 15% discount rate, a 5 year difference in project timing would reduce the present value by 50%; a 10 year delay by 75%.

In June 2014 Origin Energy announced that it would be acquiring a 40% interest in the Browse Basin the exploration permits containing the Poseidon gas-condensate discovery. The acquisition cost of this, US$ 600 MM up front, rising to a possible US$ [750/800] MM after FID and first production, is based on a reported discovery size of 3.25 Tcfe. This implies a resource value of US$0.46/Mcfe (A$0.45/GJe) for the US$600 MM initial payment, approximately the same as the high end of the range derived for AC/RL9 prospects by EMV analysis. The additional payments could increase this by up to a further A$0.10/GJe or so after allowing for the time value of money and contingent nature of the payments. GCA has, therefore, not included any further upside value to the prospects based on this transaction.

In 2007, Shell farmed-into WA-377-P for an initial cash consideration of US$5MM and funding for the first exploration well (Fossetmaker-1) up to US$20MM plus up to US$30MM for a second appraisal well. This would have resulted in Shell receiving a 20.6% working interest after the initial US$20 MM spend, increasing to a 34% working interest (a further 13.4%) in WA-377-P upon completion of the second appraisal well. Fossetmaker–1 was unsuccessful in achieving its objective and Shell opted out of the arrangement at that point.

While that farm-in occurred around 7 years ago when both the price and cost environments were different to those currently prevailing, it does suggest that Shell did not see the upside on the block as being sufficiently enticing to spend the additional capital. If it had spent that capital, the cost of carrying Nexus would have implied a value of at least US$ 10-15MM for the block; conversely not doing so suggests Shell inferred a value less than this. While the EMV for WA-377-P is negative at the lower end of the NPV/GJe range, it is A$10 MM at the upper end. As such, GCA believes that a valuation A$0 to A$10MM is appropriate for this block.

4.6.3 GCA Proposed Prospect Value Range

Based on consideration of both the EMV analysis, and consideration of the referenced transaction data, GCA is of the opinion that the Fair Market Value of the exploration assets lies between **A$10MM** to **A$40MM**, the mid-point of which is **A$25MM**.

5. REFERENCES

1. Nexus documents/data provided in the Virtual data room up to 10th October, 2014

2. Bernecker, T and Partridge, A D, 2001. Emperor and Golden Beach Subgroups: the onset of Late Cretaceous sedimentation in the Gippsland Basin, SE Australia. *In*: K C Hill & T Bernecker (eds.) *Eastern Australian Basins Symposium: A Refocused Energy Perspective for the Future*, 25-28 November 2001, Melbourne, Australia. Petroleum Exploration Society of Australia, pp. 391-402.

6. QUALIFICATIONS

GCA is an independent international energy advisory group of over 50 years' standing, whose expertise includes petroleum reservoir evaluation and economic analysis.

The report is based on information compiled by professional staff members who are full time employees of GCA.

Staff who participated in the compilation of this report includes Mr. Paul McGhee, Mr. Andrew Duncan, Mr. Zis Katelis, Mr. Adrian Starkey, and Mr. Edward Tan. All hold degrees in geoscience, petroleum engineering or related discipline and have 15 years or more experience. The report was reviewed by Mr. Stephen Lane, and approved at corporate level by Mr. Robert George, Vice President of GCA, both of whom have over 35 years' experience.

Yours sincerely,

GAFFNEY, CLINE & ASSOCIATES PTY. LTD.

Project Manager - Paul McGhee
Senior Advisor

Reviewer - Stephen Lane
Technical Director

Robert George
Vice President

APPENDIX I

Glossary

GLOSSARY
List of Standard Oil Industry Terms and Abbreviations

ABEX	Abandonment Expenditure
ACQ	Annual Contract Quantity
^{o}API	Degrees API (American Petroleum Institute)
AAPG	American Association of Petroleum Geologists
AVO	Amplitude versus Offset
A$	Australian Dollars
B	Billion (10^{9})
Bbl	Barrels
/Bbl	per barrel
BBbl	Billion Barrels
BHA	Bottom Hole Assembly
BHC	Bottom Hole Compensated
Bscf or Bcf	Billion standard cubic feet
Bscfd or Bcfd	Billion standard cubic feet per day
Bm^3	Billion cubic metres
bcpd	Barrels of condensate per day
BHP	Bottom Hole Pressure
blpd	Barrels of liquid per day
bpd	Barrels per day
boe	Barrels of oil equivalent @ xxx mcf/Bbl
boepd	Barrels of oil equivalent per day @ xxx mcf/Bbl
BOP	Blow Out Preventer
bopd	Barrels oil per day
bwpd	Barrels of water per day
BS&W	Bottom sediment and water
BTU	British Thermal Units
bwpd	Barrels water per day
CBM	Coal Bed Methane
CO_2	Carbon Dioxide
CAPEX	Capital Expenditure
CCGT	Combined Cycle Gas Turbine
cm	centimetres
CMM	Coal Mine Methane
CNG	Compressed Natural Gas
Cp	Centipoise (a measure of viscosity)
CSG	Coal Seam Gas
CT	Corporation Tax
DCQ	Daily Contract Quantity
Deg C	Degrees Celsius
Deg F	Degrees Fahrenheit
DHI	Direct Hydrocarbon Indicator
DST	Drill Stem Test
DWT	Dead-weight ton
E&A	Exploration & Appraisal
E&P	Exploration and Production
EBIT	Earnings before Interest and Tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EI	Entitlement Interest
EIA	Environmental Impact Assessment
EMV	Expected Monetary Value
EOR	Enhanced Oil Recovery
EUR	Estimated Ultimate Recovery
FDP	Field Development Plan
FEED	Front End Engineering and Design
FPSO	Floating Production, Storage and Offloading
FSO	Floating Storage and Offloading
ft	Foot/feet
Fx	Foreign Exchange Rate
g	gram
g/cc	grams per cubic centimetre
gal	gallon
gal/d	gallons per day
G&A	General and Administrative costs
GBP	Pounds Sterling

GDT	Gas Down to
GIIP	Gas initially in place
GJ	Gigajoules (one billion Joules)
GOR	Gas Oil Ratio
GTL	Gas to Liquids
GWC	Gas water contact
HDT	Hydrocarbons Down to
HSE	Health, Safety and Environment
HSFO	High Sulphur Fuel Oil
HUT	Hydrocarbons up to
H_2S	Hydrogen Sulphide
IOR	Improved Oil Recovery
IPP	Independent Power Producer
IRR	Internal Rate of Return
J	Joule (Metric measurement of energy) I kilojoule = 0.9478 BTU)
k	Permeability
KB	Kelly Bushing
KJ	Kilojoules (one Thousand Joules)
kl	Kilolitres
km	Kilometres
km^2	Square kilometres
kPa	Thousands of Pascals (measurement of pressure)
KW	Kilowatt
KWh	Kilowatt hour
LKG	Lowest Known Gas
LKH	Lowest Known Hydrocarbons
LKO	Lowest Known Oil
LNG	Liquefied Natural Gas
LoF	Life of Field
LPG	Liquefied Petroleum Gas
LTI	Lost Time Injury
LWD	Logging while drilling
m	Metres
M	Thousand
m^3	Cubic metres
Mcf or Mscf	Thousand standard cubic feet
MCM	Management Committee Meeting
MMcf or MMscf	Million standard cubic feet
m^3d	Cubic metres per day
mD	Measure of Permeability in millidarcies
MD	Measured Depth
MDT	Modular Dynamic Tester
Mean	Arithmetic average of a set of numbers
Median	Middle value in a set of values
MFT	Multi Formation Tester
mg/l	milligrams per litre
MJ	Megajoules (One Million Joules)
Mm^3	Thousand Cubic metres
Mm^3d	Thousand Cubic metres per day
MM	Million
MMBbl	Millions of barrels
MMBTU	Millions of British Thermal Units
Mode	Value that exists most frequently in a set of values = most likely
Mscfd	Thousand standard cubic feet per day
MMscfd	Million standard cubic feet per day
MW	Megawatt
MWD	Measuring While Drilling
MWh	Megawatt hour
mya	Million years ago
NGL	Natural Gas Liquids
N_2	Nitrogen
NPV	Net Present Value
OBM	Oil Based Mud
OCM	Operating Committee Meeting
ODT	Oil down to
OPEX	Operating Expenditure
OWC	Oil Water Contact
p.a.	Per annum

Pa	Pascals (metric measurement of pressure)
P&A	Plugged and Abandoned
PDP	Proved Developed Producing
PI	Productivity Index
PJ	Petajoules (10^{15} Joules)
PJe	Petajoule equivalent
PSDM	Post Stack Depth Migration
psi	Pounds per square inch
psia	Pounds per square inch absolute
psig	Pounds per square inch gauge
PUD	Proved Undeveloped
PVT	Pressure volume temperature
P10	10% Probability
P50	50% Probability
P90	90% Probability
Rf	Recovery factor
RFT	Repeat Formation Tester
RT	Rotary Table
R_w	Resistivity of water
SCAL	Special core analysis
cf or scf	Standard Cubic Feet
cfd or scfd	Standard Cubic Feet per day
scf/ton	Standard cubic foot per ton
SL	Straight line (for depreciation)
s_o	Oil Saturation
SPE	Society of Petroleum Engineers
SPEE	Society of Petroleum Evaluation Engineers
ss	Subsea
stb	Stock tank barrel
STOIIP	Stock tank oil initially in place
s_w	Water Saturation
T	Tonnes
TD	Total Depth
Te	Tonnes equivalent
THP	Tubing Head Pressure
TJ	Terajoules (10^{12} Joules)
Tscf or Tcf	Trillion standard cubic feet
TCM	Technical Committee Meeting
TOC	Total Organic Carbon
TOP	Take or Pay
Tpd	Tonnes per day
TVD	True Vertical Depth
TVDss	True Vertical Depth Subsea
USGS	United States Geological Survey
US$	United States Dollar
VSP	Vertical Seismic Profiling
WC	Water Cut
WI	Working Interest
WPC	World Petroleum Council
WTI	West Texas Intermediate
wt%	Weight percent
1H05	First half (6 months) of 2005 (example of date)
2Q06	Second quarter (3 months) of 2006 (example of date)
2D	Two dimensional
3D	Three dimensional
4D	Four dimensional
1P	Proved Reserves
2P	Proved plus Probable Reserves
3P	Proved plus Probable plus Possible Reserves
%	Percentage

APPENDIX II

SPE PRMS DEFINITIONS AND GUIDELINES

Society of Petroleum Engineers, World Petroleum Council, American Association of Petroleum Geologists and Society of Petroleum Evaluation Engineers

Petroleum Resources Management System

Definitions and Guidelines ([1])

March 2007

Preamble

Petroleum resources are the estimated quantities of hydrocarbons naturally occurring on or within the Earth's crust. Resource assessments estimate total quantities in known and yet-to-be-discovered accumulations; resources evaluations are focused on those quantities that can potentially be recovered and marketed by commercial projects. A petroleum resources management system provides a consistent approach to estimating petroleum quantities, evaluating development projects, and presenting results within a comprehensive classification framework.

International efforts to standardize the definition of petroleum resources and how they are estimated began in the 1930s. Early guidance focused on Proved Reserves. Building on work initiated by the Society of Petroleum Evaluation Engineers (SPEE), SPE published definitions for all Reserves categories in 1987. In the same year, the World Petroleum Council (WPC, then known as the World Petroleum Congress), working independently, published Reserves definitions that were strikingly similar. In 1997, the two organizations jointly released a single set of definitions for Reserves that could be used worldwide. In 2000, the American Association of Petroleum Geologists (AAPG), SPE and WPC jointly developed a classification system for all petroleum resources. This was followed by additional supporting documents: supplemental application evaluation guidelines (2001) and a glossary of terms utilized in Resources definitions (2005). SPE also published standards for estimating and auditing reserves information (revised 2007).

These definitions and the related classification system are now in common use internationally within the petroleum industry. They provide a measure of comparability and reduce the subjective nature of resources estimation. However, the technologies employed in petroleum exploration, development, production and processing continue to evolve and improve. The SPE Oil and Gas Reserves Committee works closely with other organizations to maintain the definitions and issues periodic revisions to keep current with evolving technologies and changing commercial opportunities.

The SPE PRMS document consolidates, builds on, and replaces guidance previously contained in the 1997 Petroleum Reserves Definitions, the 2000 Petroleum Resources Classification and Definitions publications, and the 2001 "Guidelines for the Evaluation of Petroleum Reserves and Resources"; the latter document remains a valuable source of more detailed background information.,

These definitions and guidelines are designed to provide a common reference for the international petroleum industry, including national reporting and regulatory disclosure agencies, and to support petroleum project and portfolio management requirements. They are intended to improve clarity in global communications regarding petroleum resources. It is expected that SPE PRMS will be supplemented with industry education programs and application guides addressing their implementation in a wide spectrum of technical and/or commercial settings.

It is understood that these definitions and guidelines allow flexibility for users and agencies to tailor application for their particular needs; however, any modifications to the guidance contained herein should be clearly identified. The definitions and guidelines contained in this document must not be construed as modifying the interpretation or application of any existing regulatory reporting requirements.

The full text of the SPE PRMS Definitions and Guidelines can be viewed at:
www.spe.org/specma/binary/files/6859916Petroleum_Resources_Management_System_2007.pdf

[1] These Definitions and Guidelines are extracted from the Society of Petroleum Engineers / World Petroleum Council / American Association of Petroleum Geologists / Society of Petroleum Evaluation Engineers (SPE/WPC/AAPG/SPEE) Petroleum Resources Management System document ("SPE PRMS"), approved in March 2007.

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 satisfy four criteria: they must be discovered, recoverable, commercial, and remaining based on the development project(s) applied. Reserves are further subdivided in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their development and production status. To be included in the Reserves class, a project must be sufficiently defined to establish its commercial viability. There must be a reasonable expectation that all required internal and external approvals will be forthcoming, and there is evidence of firm intention to proceed with development within a reasonable time frame. A reasonable time frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While 5 years is recommended as a benchmark, a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented. To be included in the Reserves class, there must be a high confidence in the commercial producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.

On Production

The development project is currently producing and selling petroleum to market.

The key criterion is that the project is receiving income from sales, rather than the approved development project necessarily being complete. This is the point at which the project "chance of commerciality" can be said to be 100%. The project "decision gate" is the decision to initiate commercial production from the project.

Approved for Development

All necessary approvals have been obtained, capital funds have been committed, and implementation of the development project is under way.

At this point, it must be certain that the development project is going ahead. The project must not be subject to any contingencies such as outstanding regulatory approvals or sales contracts. Forecast capital expenditures should be included in the reporting entity's current or following year's approved budget. The project "decision gate" is the decision to start investing capital in the construction of production facilities and/or drilling development wells.

Justified for Development

Implementation of the development project is justified on the basis of reasonable forecast commercial conditions at the time of reporting, and there are reasonable expectations that all necessary approvals/contracts will be obtained.

In order to move to this level of project maturity, and hence have reserves associated with it, the development project must be commercially viable at the time of reporting, based on the reporting entity's assumptions of future prices, costs, etc. ("forecast case") and the specific circumstances of the project. Evidence of a firm intention to proceed with development within a reasonable time frame will be sufficient to demonstrate commerciality. There should be a development plan in sufficient detail to support the assessment of commerciality and a reasonable expectation that any regulatory approvals or sales contracts required prior to project implementation will be forthcoming. Other than such approvals/contracts, there should be no known contingencies that could preclude the development from proceeding within a reasonable timeframe (see Reserves class). The project "decision gate" is the decision by the reporting entity and its partners, if any, that the project has reached a level of technical and commercial maturity sufficient to justify proceeding with development at that point in time.

Proved Reserves

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. The area of the reservoir considered as Proved includes:

1. the area delineated by drilling and defined by fluid contacts, if any, and
2. adjacent undrilled portions of the reservoir that can reasonably be judged as continuous with it and commercially productive on the basis of available geoscience and engineering data.

In the absence of data on fluid contacts, Proved quantities in a reservoir are limited by the lowest known hydrocarbon (LKH) as seen in a well penetration unless otherwise indicated by definitive geoscience, engineering, or performance data. Such definitive information may include pressure gradient analysis and seismic indicators. Seismic data alone may not be sufficient to define fluid contacts for Proved reserves (see "2001 Supplemental Guidelines," Chapter 8). Reserves in undeveloped locations may be classified as Proved provided that the locations are in undrilled areas of the reservoir that can be judged with reasonable certainty to be commercially productive. Interpretations of available geoscience and engineering data indicate with reasonable certainty that the objective formation is laterally continuous with drilled Proved locations. For Proved Reserves, the recovery efficiency applied to these reservoirs should be defined based on a range of possibilities supported by analogs and sound engineering judgment considering the characteristics of the Proved area and the applied development program.

Probable Reserves

Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate 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. Probable Reserves may be assigned to areas of a reservoir adjacent to Proved where data control or interpretations of available data are less certain. The interpreted reservoir continuity may not meet the reasonable certainty criteria. Probable estimates also include incremental recoveries associated with project recovery efficiencies beyond that assumed for Proved.

Possible Reserves

Possible Reserves are those additional reserves which analysis of geoscience and engineering data indicate 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. Possible Reserves may be assigned to areas of a reservoir adjacent to Probable where data control and interpretations of available data are progressively less certain. Frequently, this may be in areas where geoscience and engineering data are unable to clearly define the area and vertical reservoir limits of commercial production from the reservoir by a defined project. Possible estimates also include incremental quantities associated with project recovery efficiencies beyond that assumed for Probable.

Probable and Possible Reserves

(See above for separate criteria for Probable Reserves and Possible Reserves.)

The 2P and 3P estimates may be based on reasonable alternative technical and commercial interpretations within the reservoir and/or subject project that are clearly documented, including comparisons to results in successful similar projects. In conventional accumulations, Probable and/or Possible Reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from Proved areas by minor faulting or other geological discontinuities and have not been penetrated by a wellbore but are interpreted to be in communication with the known (Proved) reservoir. Probable or Possible Reserves may be assigned to areas that are structurally higher than the Proved area. Possible (and in some cases, Probable) Reserves may be assigned to areas that are structurally lower than the adjacent Proved or 2P area. Caution should be exercised in assigning Reserves to adjacent reservoirs isolated by major, potentially sealing, faults until this reservoir is penetrated and evaluated as commercially productive. Justification for assigning Reserves in such cases should be

clearly documented. Reserves should not be assigned to areas that are clearly separated from a known accumulation by non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results); such areas may contain Prospective Resources. In conventional accumulations, where drilling has defined a highest known oil (HKO) elevation and there exists the potential for an associated gas cap, Proved oil Reserves should only be assigned in the structurally higher portions of the reservoir if there is reasonable certainty that such portions are initially above bubble point pressure based on documented engineering analyses. Reservoir portions that do not meet this certainty may be assigned as Probable and Possible oil and/or gas based on reservoir fluid properties and pressure gradient interpretations.

Developed Reserves

Developed Reserves are expected quantities to be recovered from existing wells and facilities.

Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. Where required facilities become unavailable, it may be necessary to reclassify Developed Reserves as Undeveloped. Developed Reserves may be further sub-classified as Producing or Non-Producing.

Developed Producing Reserves

Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate.

Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Developed Non-Producing Reserves

Developed Non-Producing Reserves include shut-in and behind-pipe Reserves

Shut-in Reserves are expected to be recovered from:

1. completion intervals which are open at the time of the estimate but which have not yet started producing,
2. wells which were shut-in for market conditions or pipeline connections, or
3. wells not capable of production for mechanical reasons.

Behind-pipe Reserves are expected to be recovered from zones in existing wells which will require additional completion work or future re-completion prior to start of production. In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

Undeveloped Reserves

Undeveloped Reserves are quantities expected to be recovered through future investments:

1. from new wells on undrilled acreage in known accumulations,
2. from deepening existing wells to a different (but known) reservoir,
3. from infill wells that will increase recovery, or
4. where a relatively large expenditure (e.g. when compared to the cost of drilling a new well) is required to:
    a. recomplete an existing well or
    b. install production or transportation facilities for primary or improved recovery projects.

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 may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

Development Pending

A discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future.

The project is seen to have reasonable potential for eventual commercial development, to the extent that further data acquisition (e.g. drilling, seismic data) and/or evaluations are currently ongoing with a view to confirming that the project is commercially viable and providing the basis for selection of an appropriate development plan. The critical contingencies have been identified and are reasonably expected to be resolved within a reasonable time frame. Note that disappointing appraisal/evaluation results could lead to a re-classification of the project to "On Hold" or "Not Viable" status. The project "decision gate" is the decision to undertake further data acquisition and/or studies designed to move the project to a level of technical and commercial maturity at which a decision can be made to proceed with development and production.

Development Unclarified or on Hold

A discovered accumulation where project activities are on hold and/or where justification as a commercial development may be subject to significant delay.

The project is seen to have potential for eventual commercial development, but further appraisal/evaluation activities are on hold pending the removal of significant contingencies external to the project, or substantial further appraisal/evaluation activities are required to clarify the potential for eventual commercial development. Development may be subject to a significant time delay. Note that a change in circumstances, such that there is no longer a reasonable expectation that a critical contingency can be removed in the foreseeable future, for example, could lead to a reclassification of the project to "Not Viable" status. The project "decision gate" is the decision to either proceed with additional evaluation designed to clarify the potential for eventual commercial development or to temporarily suspend or delay further activities pending resolution of external contingencies.

Development Not Viable

A discovered accumulation for which there are no current plans to develop or to acquire additional data at the time due to limited production potential.

The project is not seen to have potential for eventual commercial development at the time of reporting, but the theoretically recoverable quantities are recorded so that the potential opportunity will be recognized in the event of a major change in technology or commercial conditions. The project "decision gate" is the decision not to undertake any further data acquisition or studies on the project for the foreseeable future.

PROSPECTIVE RESOURCES

Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.

Potential accumulations are evaluated according to their chance of discovery and, assuming a discovery, the estimated quantities that would be recoverable under defined development projects. It is recognized that the development programs will be of significantly less detail and depend more heavily on analog developments in the earlier phases of exploration.

Prospect

A project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target.

Project activities are focused on assessing the chance of discovery and, assuming discovery, the range of potential recoverable quantities under a commercial development program.

Lead

A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect.

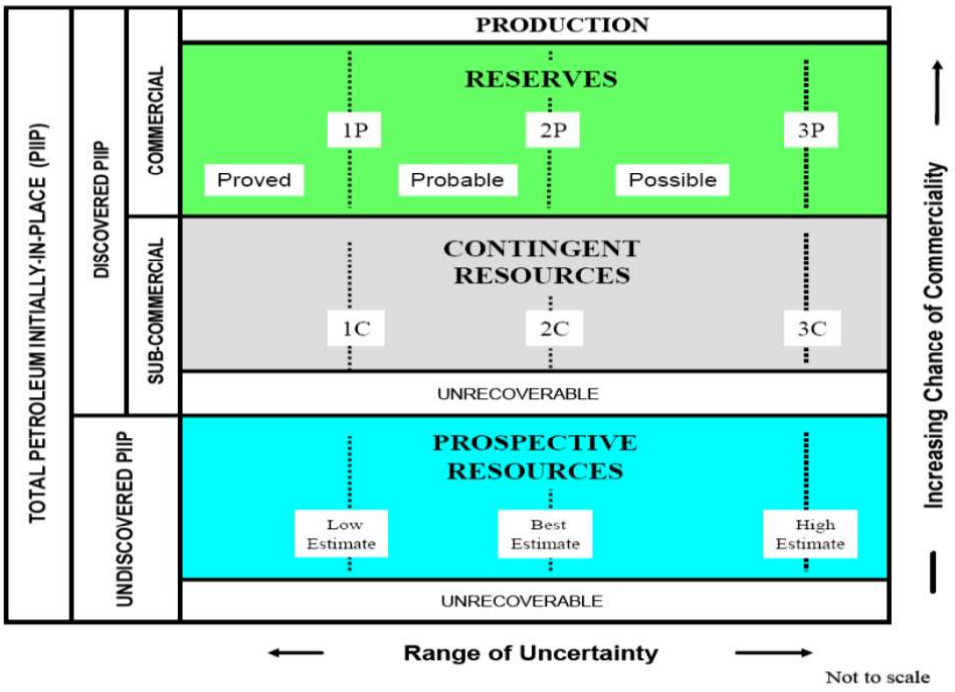
Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to confirm whether or not the lead can be matured into a prospect. Such evaluation includes the assessment of the chance of discovery and, assuming discovery, the range of potential recovery under feasible development scenarios.

Play

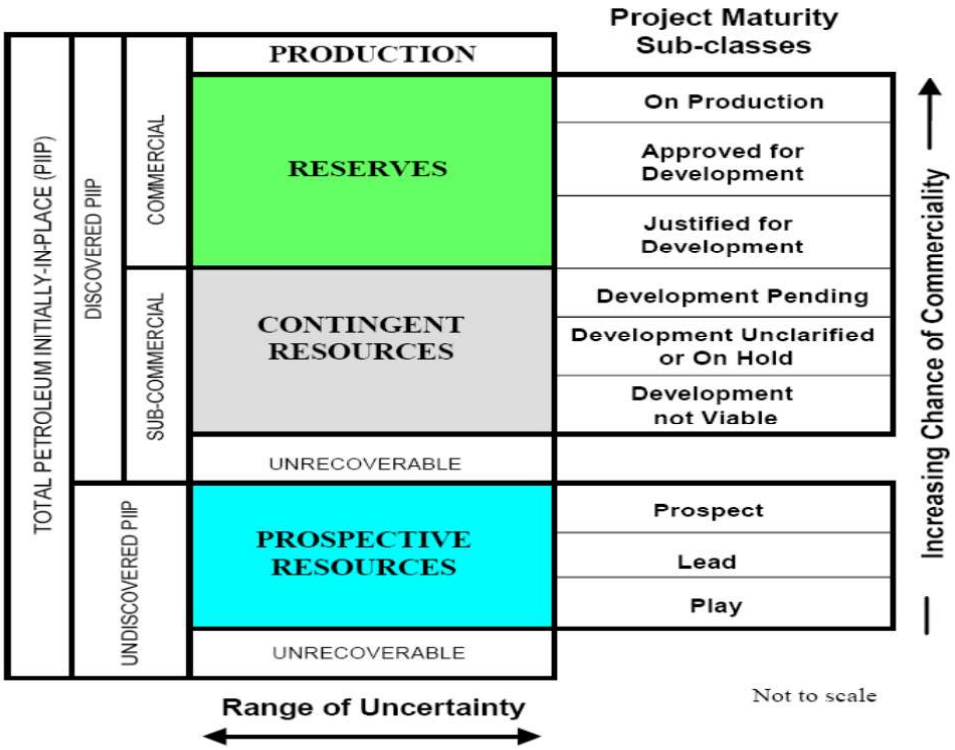
A project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects.

Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to define specific leads or prospects for more detailed analysis of their chance of discovery and, assuming discovery, the range of potential recovery under hypothetical development scenarios.

RESOURCES CLASSIFICATION



PROJECT MATURITY



APPENDIX III

CRUX PRODUCTION PROFILES

TABLE AIII.1

CRUX INTEGRATED DEPLETION LOW ESTIMATE TECHNICAL PRODUCTION PROFILES

Crux Prelude Low Case	Sales Gas (PJ)	Condensate (MMBbl)
2014		
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024	82.6	2.9
2025	147.7	5.2
2026	169.8	6.0
2027	182.2	6.3
2028	190.0	6.4
2029	193.7	6.2
2030	195.8	6.1
2031	125.3	2.4
2032	100.1	1.8
2033	80.5	1.0
2034	21.8	0.1
2035		
2036		
	1,489.6	**44.3**

TABLE AIII.2

CRUX INTEGRATED DEPLETION BEST ESTIMATE TECHNICAL PRODUCTION PROFILES

Crux Prelude Best Case	Sales Gas	Condensate
	(PJ)	(MMBbl)
2014		
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024	82.6	3.1
2025	147.7	5.7
2026	169.8	6.4
2027	182.2	6.7
2028	190.0	6.9
2029	193.7	6.7
2030	195.8	6.5
2031	189.7	6.1
2032	125.3	2.6
2033	100.1	2.0
2034	80.5	1.1
2035	21.8	0.1
2036		
	1,679.3	**53.9**

TABLE AIII.3

CRUX INTEGRATED DEPLETION HIGH ESTIMATE TECHNICAL PRODUCTION PROFILES

Crux Prelude High Case	Sales Gas	Condensate
	(PJ)	(MMBbl)
2014		
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024	82.6	3.5
2025	147.7	6.2
2026	169.8	7.1
2027	182.2	7.4
2028	190.0	7.6
2029	193.7	7.4
2030	195.8	7.2
2031	189.7	6.7
2032	189.7	6.7
2033	125.3	2.9
2034	100.1	2.2
2035	80.5	1.2
2036	21.8	0.1
	1,869.0	**66.0**

TABLE AIII.4

CRUX STANDALONE FLNG LOW ESTIMATE TECHNICAL PRODUCTION PROFILES

Crux Tariff Low Case	Sales Gas	Condensate
	(PJ)	(MMBbl)
2014		
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022	116.6	4.1
2023	190.4	6.7
2024	190.4	6.7
2025	190.4	6.5
2026	190.4	6.1
2027	190.4	5.8
2028	190.4	3.7
2029	142.8	2.6
2030	72.9	0.9
2031	13.5	0.1
2032		
2033		
2034		
2035		
2036		
	1,488.0	**43.2**

TABLE AIII.5

CRUX STANDALONE FLNG BEST ESTIMATE TECHNICAL PRODUCTION PROFILES

Crux Tariff Best Case	Sales Gas	Condensate
	(PJ)	(MMBbl)
2014		
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022	116.6	4.4
2023	190.4	7.2
2024	190.4	7.2
2025	190.4	7.0
2026	190.4	6.6
2027	190.4	6.3
2028	190.4	6.0
2029	190.4	3.9
2030	142.8	2.8
2031	72.9	1.0
2032	13.5	0.1
2033		
2034		
2035		
2036		
	1,678.4	**52.6**

TABLE AIII.6

CRUX STANDALONE FLNG HIGH ESTIMATE TECHNICAL PRODUCTION PROFILES

Crux Tariff High Case	Sales Gas	Condensate
	(PJ)	(MMBbl)
2014		
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022	116.6	4.9
2023	190.4	8.0
2024	190.4	8.0
2025	190.4	7.7
2026	190.4	7.3
2027	190.4	6.9
2028	190.4	6.6
2029	190.4	6.4
2030	190.4	4.3
2031	142.8	3.1
2032	72.9	1.1
2033	13.5	0.1
2034		
2035		
2036		
	1,868.8	**64.3**

Attachment 2 – Nexus DOCA and Creditors Trust

HERBERT
SMITH
FREEHILLS

Deed

Deed of Company Arrangement

Matthew Caddy, Tony McGrath and Jason Preston in their capacity as joint and several administrators of Nexus

Nexus Energy Limited (Administrators Appointed)

SGH Energy (No 2) Pty Limited

MLC Centre Martin Place Sydney NSW 2000 Australia
GPO Box 4227 Sydney NSW 2001 Australia

Telephone +61 2 9225 5000 Facsimile +61 2 9322 4000
www.herbertsmithfreehills.com DX 361 Sydney

HERBERT SMITH FREEHILLS

Contents

Table of contents

HERBERT SMITH FREEHILLS

Contents

HERBERT
SMITH
FREEHILLS

Contents

Herbert Smith Freehills owns the copyright in this document and using it without permission is strictly prohibited.

HERBERT
SMITH
FREEHILLS

Deed of Company Arrangement

Date ▸21 August 2014

Between the parties

Deed Administrators	**Matthew Caddy, Tony McGrath and Jason Preston** in their capacity as joint and several administrators of Nexus Level 31, 60 Margaret Street, Sydney NSW 2000 Telephone: +61 2 9338 2600 Fax: +61 2 9338 2699 Attention: Matthew Caddy
Nexus	**Nexus Energy Limited (Administrators Appointed)** ACN 058 818 278 Level 23, 530 Collins St, Melbourne VIC 3000 Telephone: +61 3 9660 2500 Fax: +61 3 9660 2574 Attention: Susan Robutti
SGH Energy	**SGH Energy (No 2) Pty Limited** ACN 168 935 644 Level 2, 38-42 Pirrama Road, Pyrmont NSW 2009 Telephone: +61 2 8777 7777 Fax: +61 2 8777 7192 Attention: Warren Coatsworth

HERBERT SMITH FREEHILLS

Recitals

1 On 12 June 2014, Matthew Caddy, Tony McGrath and Jason Preston were appointed as administrators of Nexus pursuant to Part 5.3A of the Corporations Act.

2 At a meeting held on 11 August 2014 and convened pursuant to section 439A of the Corporations Act the Creditors of Nexus resolved that Nexus execute a deed of company arrangement under section 444B(2)(b) of the Corporations Act.

3 Nexus, the Deed Administrators, and SGH Energy have agreed to execute this Deed because of the resolution mentioned in recital 2.

4 The Deed Administrators have consented to be the administrators of this Deed.

5 Subject to the terms of this Deed, this Deed binds all creditors of Nexus in accordance with section 444D of the Corporations Act and also binds Nexus, its Officers and Members in accordance with section 444G of the Corporations Act.

This deed witnesses as follows:

HERBERT SMITH FREEHILLS

1 Definitions and interpretation

1.1 Definitions

The meanings of the terms used in this Deed are set out below.

Term	Meaning
Accrued Interest	for each Note, an amount equal to the sum of all interest on that Note that is accrued in accordance with the Note Trust Deed up to, but not including, and that is unpaid as at the Implementation Date.
Administration Period	the period of time commencing on the Appointment Date and concluding on the Commencement Date.
Administrators	jointly and severally, Matthew Caddy, Tony McGrath and Jason Preston in their capacity as administrators of Nexus and any successor to that office appointed pursuant to the Corporations Act.
Appointment Date	12 June 2014.
ASIC	the Australian Securities and Investment Commission.
ASIC Relief	such exemptions or modifications from Chapter 6 of the Corporations Act granted by ASIC pursuant to section 655A of the Corporations Act as are necessary to permit the transfer of Shares to SGH Energy in accordance with clause 7.5 of this Deed.
Assets	all the undertakings and assets of Nexus which are available to the Deed Administrators.
Bridge Facility Agreement	the Bridge Facility Agreement dated 31 March 2014 between Nexus Energy VICP54 Pty Ltd (ABN 35 108 405 009) as borrower, Network Investment Holdings Pty Limited (ABN 50 078 448 512) as lender and Nexus Energy Limited (Administrators Appointed) (ABN 64 058 818 278), Nexus Energy VICP54 Pty Ltd (ABN 35 108 405 009), Nexus Energy Aust. NL (ABN 87 090 835 608) and Nexus Energy Corporate Pty Ltd (ABN 30 123 237 712) as guarantors.
Business Day	any day other than a Saturday, Sunday or public holiday in Perth or Sydney.

HERBERT SMITH FREEHILLS

Term	Meaning
Claim	a debt payable by, and all claims against Nexus (present or future, certain or contingent, ascertained or sounding only in damages), being debts or claims any of the circumstances giving rise to which occurred on or before the Appointment Date that would be admissible to proof against Nexus in accordance with Division 6 of Part 5.6 of the Corporations Act, if Nexus had been wound up and the winding up is taken to have commenced on the Appointment Date but does not include a Excluded Senior Facility Claim.
Commencement Date	the date that this Deed is executed by the Deed Administrators and Nexus.
Controller	has the same meaning as in the Corporations Act.
Corporations Act	the *Corporations Act 2001 (Cth)*.
Costs	includes costs, charges, fees, government charges, taxes and expenses, including those incurred in connection with advisers, incurred in connection with the performance of the Deed Administrators' duties, obligations and responsibilities under the Corporations Act and the Deed during the Administration Period and the Deed Period.
Court	the Supreme Court of New South Wales.
Creditor	any person who would have been entitled to prove in a winding up of Nexus, if Nexus had been wound up and the winding up was taken to have commenced on the Appointment Date.
Deed	this deed of company arrangement as amended from time to time.
Deed Administrators	jointly and severally, Matthew Caddy, Tony McGrath and Jason Preston in their capacity as administrators of the Deed and any successor to that office appointed pursuant to the Corporations Act.
Deed Administrators' Account	an Australian dollar denominated account operated and specified by the Deed Administrators.
Deed Creditor	Creditors who will receive payments pursuant to clauses 7.3(a) and 7.4(a) to 7.4(d) of this Deed.

Term	Meaning
Deed Period	means the period commencing on the Commencement Date and ending on the Termination Date.
Directors	the directors of Nexus from time to time.
Employee Creditor	an employee or former employee of Nexus with a Claim in their capacity as an employee of Nexus.
Employee Priority Claims	the Claims of Employee Creditors, other than an Excluded Superannuation Debt, that would be entitled to be paid in priority to the payment of other unsecured Claims under section 556 of the Corporations Act if Nexus was taken to be in liquidation on the Appointment Date.
Employee Priority Claims Amount	the amount in aggregate of any Employee Priority Claims.
Encumbrance	any: 1 security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power, or title retention or flawed deposit arrangement and any 'security interest' as defined in sections 12(1) or (2) of the PPSA; or 2 right, interest or arrangement which has the effect of giving another person a preference, priority or advantage over creditors including any right of set-off; or 3 right that a person (other than the owner) has to remove something from land (known as a profit à prendre), easement, public right of way, restrictive or positive covenant, lease, or licence to use or occupy; or 4 third party right or interest or any right arising as a consequence of the enforcement of a judgment, or any agreement to create any of them or allow them to exist.
Enforcement Process	has the same meaning as in the Corporations Act.

Term	Meaning
Excluded Senior Facility Claim	a Claim under the Senior Facility Agreement in respect of the LC Facility or LC Loan (as those terms are defined in the Senior Facility Agreement) except to the extent that the Claim relates to an amount demanded and paid in respect of a Letter of Credit (as defined in the Senior Facility Agreement) on or before the Implementation Date.
Excluded Superannuation Debt	a Superannuation Debt (as defined in clause 7.8(b)) in respect of which the Deed Administrators make a determination under clause 7.8(b).
Fund Amount	the amount of $855,000.
Implementation Date	the third Business Day after the Record Date or such other date as agreed in writing by the parties to this Deed.
Legal Personal Representative	a trustee or executor appointed to the Deed Administrators or Administrators upon death, incapacity, insanity or any combination of them.
Lenders	the beneficiaries of the Security Trust as at the date of this Deed.
Member	has the meaning given to that term in section 9 of the Corporations Act.
Nexus Facility Agreement	the facility agreement dated 25 June 2014 between Nexus Energy Limited (administrators appointed) (ACN 058 818 278) as borrower and Network Investment Holdings Pty Limited (ACN 078 448 512) as lender.
Nexus Shareholders	the holders of the Shares as at the Record Date.
NIH	Network Investment Holdings Pty Limited (ACN 078 448 512).
NIH Creditors	1 NIH; 2 the Lenders; and 3 the Security Trustee.
NIH Notes	the $80,589,634 in face value of Notes which are beneficially

Term	Meaning
	owned by NIH.
NIH Security	the securities set out in Schedule 1 to this Deed.
NIH Senior Lender Amount	an amount equal to all monies owing by Nexus to the NIH Creditors including (without limitation) all monies owing under the: • Senior Facility Agreement (other than an amount owing in respect of an Excluded Senior Facility Claim); • Bridge Facility Agreement; or • Nexus Facility Agreement, but not including NIH's Noteholder Amount.
NIH's Noteholder Amount	The Noteholder Amount in respect of the NIH Notes.
Note Trust Deed	Note Trust Deed dated 30 July 2010 between Nexus Energy Limited (Administrators Appointed) (ACN 058 818 278) as issuer and the Note Trustee, including the Conditions (as that term is defined in the Note Trust Deed) in schedule 1 to the Note Trust Deed.
Note Trustee	BNY Trust Company of Australia Limited (ABN 49 050 294 052) as trustee under the Note Trust Deed.
Noteholder	A registered holder of Notes as at the Record Date.
Noteholder Amount	$0.745 of each $1.00 of face value (plus $0.745 of each $1.00 of Accrued Interest of each Note).
Notes	Tranche A Notes issued by Nexus Energy Limited (ACN 058 818 278) pursuant to the Note Trust Deed (as defined therein).
Officer	has the meaning as defined in section 9 of the Corporations Act
PPSA	the *Personal Properties Securities Act 2009* (Cth).
Record Date	the second Business Day after the satisfaction or waiver of all of the Conditions Precedent in clause 4.1 or such other date as is

Term	Meaning
	agreed in writing by the parties to this Deed.
Regulations	the *Corporations Regulations 2001 (Cth)*.
Related Body Corporate	has the meaning that 'related body corporate' has in the Corporations Act.
Remuneration	the remuneration payable to the Deed Administrators for acting as: 1 the administrators of Nexus under Part 5.3A of the Corporations Act; and 2 the Deed Administrators of Nexus under the Deed.
Section 439C Resolution	the resolution referred to in recital 2 of this Deed.
Section 444GA Application	the application to be commenced in Court by the Deed Administrators to seek leave of the Court pursuant to section 444GA(1)(b) of the Corporations Act for the transfer of Shares in Nexus to SGH Energy.
Section 444GA Order	an order of the Court granting the leave sought in the Section 444GA Application.
Security	any mortgage, chattel mortgage, pledge, charge, agreement, encumbrance, lien, right of set-off (arising otherwise than by operation of law or as a result of a banker's right to combine accounts) and assignment which provides for and secures the payment of any debt or monetary liability or the performance of any obligation and any 'security interest' as defined in sections 12(1) or (2) of the PPSA.
Security Trust	the security trust created pursuant to the Security Trust Deed.
Security Trust Deed	the security trust deed dated 14 May 2007 between Nexus, Nexus Energy VICP54 Pty Ltd, Nexus Energy Aust. NL, Nexus Energy Corporate Pty Ltd and the Security Trustee (as amended and restated from time to time).
Security Trustee	Westpac Administration 3 Limited (formerly BOSI Security Services Ltd) ABN 63 009 413 852 in its capacity as Security Trustee for the

Term	Meaning
	Security Trust.
Sedco	Sedco Forex International Inc.
Sedco Amount	$30 million.
Sedco Settlement Deed	A deed executed by Sedco in a form acceptable to the parties to this Deed acting reasonably, agreeing to settle its claim against all related bodies corporate of Nexus in consideration of receiving the payment specified in clause 7.3(b)(3).
Senior Facility Agreement	the Senior Facility Agreement between Nexus Energy VICP54 Pty Ltd (ABN 35 108 405 009) as borrower, Nexus Energy Limited (Administrators Appointed) (ABN 64 058 818 278), Nexus Energy VICP54 Pty Ltd (ABN 35 108 405 009), Nexus Energy Aust. NL (ABN 87 090 835 608) and Nexus Energy Corporate Pty Ltd (ABN 30 123 237 712) as guarantors and Westpac Administration 2 Limited (formerly BOS International (Australia) Limited) (ABN 23 066 601 250) as agent.
SGH Energy	SGH Energy (No 2) Pty Limited (ACN 168 935 644)
SGH Energy Bid Amount	an amount equal to the total of: • NIH Senior Lender Amount; • the Sedco Amount; • the Noteholder Amount; • the Fund Amount; and • the Employee Priority Claims.
Share Register	the share register of Nexus.
Shares	all of the issued ordinary shares in Nexus.
Subordinated Creditors	a Creditor with a 'subordinate claim' as defined in section 563A of the Corporations Act.
Termination Date	the date upon which the Deed is terminated.

HERBERT SMITH FREEHILLS

Term	Meaning
Trust	the Nexus Creditors' Trust to be established under the Trust Deed.
Trust Creditors	all the Creditors other than: • the Deed Creditors; and • the Subordinated Creditors, and includes Employee Creditors to the extent that an Employee Creditor has a Claim which has not been paid in full under clause 7.3 of this deed.
Trust Deed	the trust deed to be entered into between Nexus, Matthew Caddy, Tony McGrath and Jason Preston of McGrathNicol in their capacity as joint and several administrators of Nexus, of Level 31, 60 Margaret Street, Sydney NSW 2000 substantially in the form of that contained in Schedule 2 of this Deed, which creates the Trust.
Trust Fund	has the same meaning as under the Trust Deed.
Trustees	the trustees of the Nexus Creditors' Trust established under the Trust Deed.

1.2 Interpretation

In the Deed, unless the subject or context otherwise requires:

(a) headings and bold type are for convenience only and do not affect the interpretation of this Deed;

(b) the singular includes the plural and the plural includes the singular;

(c) words of any gender include all genders;

(d) other parts of speech and grammatical forms of a word or phrase defined in this Deed have a corresponding meaning;

(e) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any government agency as well as an individual;

(f) a reference to a clause, party, part, schedule, attachment or exhibit is a reference to a clause or part of, and a party, schedule, attachment or exhibit to, this Deed;

(g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or reenactments of any of them;

(h) a reference to a document (including this Deed) includes all amendments or supplements to, or replacements or novations of, that document;

(i) a reference to '$', 'A$' or 'dollar' is to Australian currency unless denominated otherwise;

(j) a reference to any time is, unless otherwise indicated, a reference to that time in Sydney;

(k) a term defined in or for the purposes of the Corporations Act has the same meaning when used in this Deed;

(l) a reference to a party to a document includes that party's successors and permitted assignees;

(m) no provision of this Deed will be construed adversely to a party because that party was responsible for the preparation of this Deed or that provision;

(n) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;

(o) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally; and

(p) a reference to a body, other than a party to this Deed (including an institute, association or authority), whether statutory or not:

(1) which ceases to exist; or

(2) whose powers or functions are transferred to another body,

is a reference to the body which replaces it or which substantially succeeds to its powers or functions.

1.3 Inconsistency with Act or Regulations

If there is any inconsistency between the provisions of this Deed and the Corporations Act or Regulations, this Deed prevails to the extent permitted by law.

1.4 Other inconsistencies

If there is any inconsistency between the provisions of this Deed and the constitution of Nexus and any other obligation binding on Nexus, the provisions of this Deed prevail to the extent of the inconsistency, and all persons bound by this Deed agree to sign all documents and do all things necessary to remove such inconsistency, the costs of which will be borne by Nexus.

1.5 Business Days

Except where otherwise expressly provided, if the day on or by which any act, matter or thing is to be done as required by this Deed is a day other than a Business Day, that act, matter or thing will be done on the immediately succeeding Business Day.

1.6 Bar to Claims

This Deed may be pleaded and tendered by:

(a) Nexus against any person having or asserting a Claim released, discharged and extinguished by clause 6.5 of this Deed; and

(b) the recipient of any release or covenant contained in this Deed, as an absolute bar and defence to any legal proceeding brought or made at any time in respect of a claim, release or covenant as the case may be.

1.7 Exclusion of Prescribed Provisions

Subject to clause 10.2, the prescribed provisions contained in Schedule 8A of the Regulations do not apply to this Deed.

1.8 Required Provisions

To the extent that the Corporations Act requires any provision to be included in this Deed which is not expressly included in this Deed, such provision will be deemed to be included in this Deed.

2 Operation

2.1 Commencement Date

Subject to clause 3(a) of this Deed, this Deed will commence and take effect on the Commencement Date.

2.2 Interim Effect

To the extent that a person would be bound by this Deed if it had already been executed, the person must not, at any time after the Section 439C Resolution is passed but before

this Deed is executed, do anything inconsistent with the terms of this Deed, except with the leave of the Court.

3 Execution by all Parties

(a) This Deed is subject to and conditional upon the execution of this Deed by each person named as a party to it.

(b) If as a result of clause 3(a), this Deed has not come into full force and effect on or prior to the expiration of 15 Business Days (or such further period as the Court allows) after the Section 439C Resolution is passed, then this Deed will terminate automatically.

4 Conditions

4.1 Conditions

The operation of clause 7 of this Deed is conditional upon all of the following events taking place within 25 Business Days of the Commencement Date:

(a) a Court making a Section 444GA Order;

(b) ASIC Relief being granted on terms satisfactory to SGH Energy and the Deed Administrators, each acting reasonably;

(c) Sedco delivering an executed copy of the Sedco Settlement Deed to the Deed Administrators; and

(d) the Deed Administrators and Nexus executing the Trust Deed.

4.2 Obligation to satisfy conditions

To the extent that it is within the relevant party's control, the parties must use reasonable endeavours to ensure that the conditions referred to in clause 4.1 are satisfied.

4.3 Consequence of non-satisfaction of the conditions

If each of the conditions referred to in clause 4.1 is not satisfied within 25 Business Days of the Commencement Date (or such later date as may be agreed between SGH Energy and the Deed Administrators), the Deed Administrators will convene a meeting of Creditors to determine the future of Nexus.

5 The Officers and Members

5.1 Effect of the Deed on Nexus' Officers

(a) During the Deed Period, unless authorised in writing by the Deed Administrators, the Directors and Officers of Nexus cannot perform or exercise, and must not purport to perform or exercise, a function or power as an Officer of Nexus.

(b) During the Deed Period, the Directors must:

(1) co-operate with and assist the Deed Administrators in the performance by the Deed Administrators of their obligations under this Deed;

(2) carry out and perform such operations, functions, powers and other matters as may be delegated to them by the Deed Administrators; and

(3) perform their obligations pursuant to the Deed.

5.2 Effect of this Deed on Nexus' Members

Until this Deed terminates any Member of Nexus and any Creditor holding any Encumbrance over any shares must not without the consent of the Deed Administrators deal with shares or exercise shareholder rights that are contrary to this Deed or the purpose of the Deed.

6 Moratorium and Release

6.1 Binding Effect

Subject to clause 6.4 of this Deed, the Deed binds:

(a) in accordance with section 444D of the Corporations Act, all Creditors who have a Claim; and

(b) in accordance with section 444G of the Corporations Act, Nexus, its Officers and Members and the Deed Administrators.

6.2 No Limitation

Nothing in the Deed limits the rights in law or equity of the Deed Administrators:

(a) to make an application under section 444F of the Corporations Act; or

(b) to apply for orders or directions pursuant to the Corporations Act (including, without limitation, section 447A(1) or section 447D of the Corporations Act).

6.3 Moratorium

Subject to clause 6.4 of this Deed, during or after the Deed Period no Creditor may in relation to that Creditor's Claim:

(a) make or proceed with an application for an order to wind up Nexus;

(b) institute, revive or continue any action, suit, arbitration, mediation or proceeding against Nexus or in relation to the property of Nexus;

(c) institute, revive or continue with any Enforcement Process against the property of Nexus;

(d) take any action whatsoever to seek to recover any part of its Claim;

(e) exercise any right of set off or defence, cross claim or cross action to which that Creditor would not have been entitled had Nexus been wound up on the Appointment Date;

(f) commence or take any further step in any arbitration against Nexus or to which Nexus is a party in relation to any matter arising or occurring before the Appointment Date; or

(g) otherwise enforce any right it may have or acquire.

6.4 NIH's rights not affected

(a) Subject to section 444F of the Corporations Act, notwithstanding that NIH may have voted in favour of the Section 439C Resolution, nothing in this Deed including, without limitation, nothing in this clause 6 in any manner affects, restricts or diminishes the right, title and interest of NIH, the Security Trustee or the Lenders under the NIH Security or in respect of any amount owing by Nexus to NIH, the Security Trustee or the Lenders.

(b) Without limiting the generality of clause 6.4(a), nothing in this Deed including, without limitation, clause 6, affects, restricts or diminishes the ability of NIH, the Security Trustee or the Lenders to at any time exercise any right, power or entitlement arising pursuant to the NIH Security whether against or in respect of any property of Nexus or in respect of any covenant, promise or guarantee made or given to NIH, the Security Trustee or the Lenders by Nexus or Directors or Officers of Nexus or any other person pursuant to the NIH Security or pursuant to any guarantee or other document in support of NIH, the Security Trustee or the Lenders. In particular, and without limiting the foregoing, NIH, the Security Trustee and the Lenders are free at any time to realise, enforce or otherwise deal with the NIH Security or any of them in any way at all in accordance with the terms of the NIH Security.

6.5 Release Upon Completion

Subject to clause 6.8 of this Deed, each Creditor agrees that upon this Deed terminating pursuant to clause 14.1 of this Deed, each of their Claims are extinguished and released.

6.6 Execution of all necessary documents

Each Creditor must, if required by Nexus or the Deed Administrators, execute any document that Nexus or a Deed Administrator may require from time to time to give effect to the releases in clause 6.5 of this Deed.

6.7 Bar to Claims

Subject to section 444D of the Corporations Act, this Deed may be pleaded by Nexus or the Deed Administrators against any person having a Claim against Nexus as an absolute bar and defence to any legal proceeding brought at any time in respect of that Claim.

6.8 Conversion of Claims

The Deed Administrators and the Creditors agree that, upon all Claims being released pursuant to clause 6.5 of this Deed, each Trust Creditor who had a Claim, will be entitled to make a claim against the Trust Fund, in accordance with the Trust Deed, which is equal in amount to their released Claim.

6.9 Deed Creditors

The Deed Creditors (other than a Deed Creditor who is also an Employee Creditor and whose Claim is not paid in full under clause 7.3 of this deed) are not entitled to participate in or receive any distribution from, and will not prove to recover any Claim for the purposes of, and in relation to, the Trust Fund.

6.10 Subordinated Creditors

The Subordinated Creditors are not entitled to participate in or receive any distribution from, and will not prove to recover any Claim for the purposes of, and in relation to, the Trust Fund.

7 Implementation

7.1 Implementation steps

(a) Prior to the Implementation Date, the Deed Administrators will notify SGH Energy as to the amount of the Noteholder Amount and the Employee Priority Claims Amount.

(b) On the Implementation Date, the parties must take the steps specified in this clause 7.

7.2 Payment direction

(a) The Administrators irrevocably direct SGH Energy to pay the NIH Senior Lender Amount and the NIH Noteholder Amount to NIH.

(b) Payment by SGH Energy to NIH in accordance with the direction in clause 7.2(a) will be taken to constitute:

(1) payment by SGH Energy to the Deed Administrators of the NIH Senior Lender Amount and the Noteholder Amount in respect of the NIH Notes;

(2) repayment in full of all monies Nexus or the Deed Administrators owe under the Senior Facility agreement, the Bridge Facility Agreement and the Nexus Facility Agreement; and

(3) payment to NIH by Nexus of the Noteholder Amount in respect of the NIH Notes.

7.3 Payment by SGH Energy

By 11am on the Implementation Date, SGH Energy must pay the SGH Energy Bid Amount as specified below:

(a) the NIH Senior Lender Amount and NIH's Noteholder Amount in accordance with the direction in clause 7.2(a);

(b) the aggregate of:

(1) the Noteholder Amount in respect of all notes other than the NIH Notes;

(2) the Employee Priority Claims Amount;

(3) the Sedco Amount; and

(4) the Fund Amount,

into the Deed Administrators' Account.

7.4 Payment by Deed Administrators

Immediately upon receipt in the Deed Administrators' Account of the funds referred to in clause 7.3(b), the Deed Administrators must, to the extent practicable, simultaneously pay or procure the payment of the following amounts from the Deed Administrators' Account, which will be taken to be payments by Nexus:

(a) the Noteholder Amount to the relevant Noteholder in respect of each Note other than the NIH Notes as notified to the Deed Administrators in writing by the Note Trustee;

(b) the Sedco Amount to Sedco;

(c) the Employee Priority Claims Amount to Employee Creditors; and

(d) the Fund Amount to the Trustees.

7.5 Transfer of Nexus Shares to SGH Energy

Immediately upon receipt in the Deed Administrators' Account of the funds referred to in clause 7.3(b), the Deed Administrators must, to the extent practicable, simultaneously with the payments made under clause 7.4, pursuant to the Section 444GA Order, transfer the Shares to SGH Energy free from any Encumbrances or Security; by:

(a) delivering to SGH Energy a duly completed share transfer, executed on behalf of the Nexus Shareholders by the Deed Administrators, for registration (**Share Transfer**);

(b) SGH Energy duly executing the Share Transfer, attending to the stamping of the Share Transfer (if required) and delivering it to the Deed Administrators for registration; and

(c) immediately following receipt of the executed Share Transfer from SGH Energy, entering, or procuring the entry of, the name of SGH Energy in the Share Register in respect of all the Shares transferred to SGH Energy in accordance with this Deed.

7.6 Implementation steps to be simultaneous

The actions to take place as contemplated by clause 7.1 to 7.5 are interdependent and must take place, as nearly as possible, simultaneously. If one action contemplated under clause 7.1 does not take place, then without prejudice to any rights available to any party under this Deed as a consequence:

(a) there is no obligation on any party to undertake or perform any of the other actions under clause 7.1 to 7.5;

(b) to the extent that such actions have already been undertaken, the parties must do everything reasonably required to reverse those actions; and

(c) the Deed Administrators or SGH Energy (as applicable) will be entitled to require the return of all documents delivered to it under clause 7.1 to 7.5 and to require the repayment of all payments made under clause 7.1 to 7.5, without prejudice to any other rights any party may have in respect of that failure.

7.7 Trust Creditors' Available Assets

Subject to the provisions of this Deed, the only property that is available to pay the Trust Creditors' Claims is the assets of the Trust Fund.

7.8 Consistency with the Corporations Act

(a) For the purposes of section 444DA of the Corporations Act, any eligible Employee Creditor will retain a priority at least equal to that they would have been entitled to if the property of Nexus had been applied in accordance with sections 556, 560 and 561 of the Corporations Act.

(b) For the purposes of section 444DB of the Corporations Act, the Deed Administrators (whether in their capacity as Deed Administrators or Trustees) must determine that a debt (or part thereof) by way of superannuation contribution (**Superannuation Debt**) is not admissible to proof against Nexus (including as a Trust Creditor Claim) if:

(1) that debt (or that part of the debt) by way of superannuation guarantee charge:

(A) has been paid; or

(B) is, or is to be admissible against Nexus; and

(2) the Deed Administrators are satisfied that the superannuation guarantee charge is attributable to the Superannuation Debt.

(c) If the Deed Administrators make a determination in accordance with clause 7.8(b), the Superannuation Debt is to be treated as extinguished as against Nexus.

8 Deed Administrators' Appointment

8.1 Appointment

The Deed Administrators are appointed joint and several administrators of the Deed.

8.2 Acceptance of Appointment

The Deed Administrators:

(a) accept the appointment as administrators of the Deed; and

(b) agree to act as administrators of the Deed during the Deed Period or until the Deed Administrators retire or are removed from office in accordance with the Deed or the Corporations Act.

8.3 Deed Administrators are agents

In exercising the powers conferred by the Deed and carrying out the duties arising under the Deed, the Deed Administrators will act as agent for and on behalf of Nexus.

8.4 Management

Subject to the rights and powers of any Controller appointed pursuant to the exercise of any right or power referred to in clause 6.4, the Deed Administrators will retain day to day management and control of Nexus until the Termination Date to the exclusion of the Directors of Nexus.

8.5 Joint and several

The rights, powers and privileges of the Deed Administrators may be exercised by them jointly and severally.

8.6 Deed Administrators' resignation

Any Deed Administrator may resign at any time by giving not less than 28 days' prior written notice to Nexus in which event the Deed Administrator must:

(a) convene a meeting of Creditors in accordance with clause 13(a) of this Deed for the purpose of nominating a replacement deed administrator;

(b) assign to a replacement deed administrator nominated by the Creditors the Deed Administrators' rights, title and benefit under this Deed; and

(c) do all things reasonably necessary to effect the assignment referred to in clause 8.6(b).

9 Committee of Inspection

For the purposes contemplated by this Deed, and to assist the Deed Administrators, the Creditors may resolve to form a Committee of Inspection in accordance with paragraph 11 of Schedule 8A of the Regulations.

10 Powers of the Deed Administrators

10.1 General Powers

Subject to clause 8.4 of this Deed, the Deed Administrators are entitled to exercise all the rights, powers, privileges, authorities and discretions which are conferred by Nexus' constitution or otherwise by law on Nexus' Directors to the exclusion of Nexus' Directors, provided that the Deed Administrators will not be responsible for such statutory obligations that may continue to be imposed on the Directors of Nexus during the Deed Period.

10.2 Additional Powers

Without limiting the powers in clause 10.1 of this Deed, and for the purpose only of administering this Deed, the Deed Administrators have the following powers:

(a) to remove from office a Director;

(b) to appoint a person as a director of Nexus, whether to fill a casual vacancy or not;

(c) to enter upon or take possession of the property of Nexus;

(d) to lease or let on hire property of Nexus;

(e) to insure property of Nexus;

(f) to insure the Deed Administrators for actions taken during the Deed Period;

(g) to repair or renew property of Nexus;

(h) to call in, collect or convert into money the property of Nexus;

(i) to administer the assets available for the payment of Claims in accordance with the provisions of this Deed;

(j) to borrow and grant security;

(k) to bring, prosecute and defend in the name and on behalf of Nexus or in the name of the Deed Administrators any actions, suits or proceedings;

(l) to refer to arbitration any question affecting Nexus;

(m) to resolve any dispute of any nature commercially;

(n) to make payments to any secured creditor of Nexus and any person who is an owner or lessor;

(o) to convene and hold meetings of the Members or Creditors of Nexus for any purposes the Deed Administrators think fit;

(p) to appoint agents to do any business or to attend to any matter or affairs of Nexus that the Deed Administrators are unable to do, or that it is unreasonable to expect the Deed Administrators to do, in person;

(q) to engage or discharge employees on behalf of Nexus;

(r) to appoint a solicitor, accountant or other professionally qualified person to assist the Deed Administrators;

(s) to permit any person authorised by the Deed Administrators to operate any account in the name of Nexus;

(t) to do all acts and execute in the name and on behalf of Nexus all deeds, receipts and other documents, using Nexus' common or official seal when necessary;

(u) subject to the Bankruptcy Act 1966, to prove in the bankruptcy of any contributory or debtor of Nexus or under any deed executed under that act;

(v) subject to the Corporations Act, to prove in the winding up of any contributory or debtor of Nexus or under any scheme of arrangement entered into, or deed of company arrangement executed, under the Corporations Act;

(w) to draw, accept, make or endorse any bill of exchange or promissory note in the name and on behalf of Nexus;

(x) to take out letters of administration of the estate of a deceased contributory or debtor, and do any other act necessary for obtaining payment of any money due from a contributory or debtor, or the estate of a contributory or debtor, that cannot be conveniently done in the name of Nexus;

(y) to defend any application for the winding up of Nexus;

(z) to control Nexus' business, property and affairs;

(aa) to carry on the business of Nexus on such terms and conditions and for such purposes and times and in such manner as the Deed Administrators think fit subject only to the limitations imposed by this Deed;

(bb) to perform any function and exercise any power that Nexus or any of its Officers could perform or exercise if Nexus was not subject to this Deed;

(cc) to compromise any Claims brought by or against Nexus on such terms as the Deed Administrators think fit and to take security for the discharge of any debt forming part of the property of Nexus;

(dd) to enter into and complete any contract for the sale of shares in Nexus;

(ee) in accordance with section 444GA of the Corporations Act, to transfer shares in Nexus;

(ff) to do anything that is incidental to exercising a power set out in this clause; and

(gg) to do anything else that is necessary or convenient for the purpose of administering this Deed.

10.3 Solicitors and Consultants

(a) The Deed Administrators may engage solicitors and consultants, and Nexus will pay all costs of any solicitors and consultants engaged by the Deed Administrators.

(b) The Deed Administrators may delegate their powers under this clause 10 including by way of appointing agents and authorises such agents to act on behalf of the Deed Administrators or Nexus.

10.4 No Personal Liability

During the Deed Period, the Deed Administrators are acting as the agent of Nexus and accept no personal liability for any acts, matters or omissions relating to things done or not done in that capacity, including (without limitation) any liability relating to any amounts payable by the Deed Administrators for services rendered, goods bought or property hired, leased, used or occupied by or on behalf of Nexus.

11 Reporting

Except as required by law, the Deed Administrators are not required to report to Creditors. However, the Deed Administrators may, in their absolute discretion, report to Creditors during the Deed Period at such times as the Deed Administrators consider appropriate and on matters which the Deed Administrators consider ought to be brought to the attention of the Creditors.

12 Deed Administrators' remuneration and indemnity

12.1 Remuneration

(a) The Deed Administrators are entitled to their reasonable Remuneration and their Costs on the basis of the time spent by the Deed Administrators, their partners and staff in the performance of services in connection with or in relation to the administration of Nexus under Part 5.3A of the Corporations Act and this Deed and such time will be charged at the Deed Administrators' standard rates, from time to time, for work of that nature.

(b) The Deed Administrators acknowledge that their Remuneration and Costs will be paid by Nexus and will not be payable from the Trust Fund.

12.2 Indemnity

The Deed Administrators and Administrators (whether or not they are still acting in either capacity) are entitled to be indemnified by Nexus for:

(a) all debts, liabilities, actions, suits, proceedings, accounts, claims, damages, awards and judgments whatsoever arising out of or in any way connected to the administration of Nexus or their role as Administrators and incurred or sustained in good faith and without negligence;

(b) any amount which the Administrators are, or would but for the transactions contemplated by this Deed be, entitled to be indemnified out of the assets of Nexus for, in accordance with the Corporations Act, at law or in equity, including any amounts payable pursuant to section 443A, section 443B or section 443BA of the Corporations Act;

(c) any debts, liabilities, damages, losses and remuneration to which the statutory indemnity under section 443D of the Corporations Act applies;

(d) any amount for which the Deed Administrators or the Administrators are entitled to exercise a lien at law or in equity on the property of Nexus;

(e) the Deed Administrators' Remuneration and Costs; and

(f) all debts, liabilities, actions, suits, proceedings, accounts, claims, damages, awards and judgments arising out of or in the course of the Deed and incurred or sustained in good faith and without negligence.

12.3 Continuing Indemnity

The indemnity in the Deed is a continuing indemnity and will endure for the benefit of the Legal Personal Representatives despite the removal of the Deed Administrators or the Administrators and the appointment of new Deed Administrators or Administrators or the termination of the Deed for any reason whatsoever.

12.4 Indemnity not to be affected or prejudiced

The indemnity under clauses 12.2 and 12.3 will not:

(a) be affected, limited or prejudiced in any way by any irregularity, defect or invalidity in the appointment of the Deed Administrators or the Administrators and extends to cover any actions, suits, proceedings, accounts, liabilities, claims and demands arising in any way out of any defect in the appointment of the Deed Administrators or the Administrators or defect in the approval or execution of the Deed or otherwise; or

(b) affect or prejudice all or any rights that the Deed Administrators or the Administrators may have against Nexus or any other person to be indemnified against the Costs, and liabilities incurred by the Deed Administrators or the Administrators in the performance of, or incidental to, any of the powers or authorities conferred on the Deed Administrators or the Administrators by the Deed or otherwise.

12.5 NIH indemnities not affected

For the avoidance of doubt, references to Deed Administrators in this clause 12 will be construed as a reference to NIH, to the extent that NIH is entitled to be subrogated to the Deed Administrators' rights in relation to their costs, fees, expenses and liabilities, pursuant to any indemnity provided by NIH to the Deed Administrators in respect of those costs, fees, expenses and liabilities.

12.6 Deed Administrators' lien

Until termination of this Deed, the Deed Administrators and Administrators (whether or not they are still acting in either capacity) are entitled to exercise a lien over Nexus' assets for all amounts in respect of which they are entitled to an indemnity from Nexus under clause 12.2.

12.7 Priority

The Deed Administrators' or the Administrators' right of indemnity under clause 12.2 and their lien under clause 12.6 have priority over the Claims of all Creditors.

13 Application of the Corporations Act and Regulations to Creditors' Meetings

(a) The Deed Administrators may convene a meeting of Creditors at any time in accordance with section 445F of the Corporations Act, and must convene such a meeting when required to do so under section 445F(1)(b) of the Corporations Act.

(b) Regulations 5.6.12 to 5.6.36A of the Regulations apply with such modifications as are necessary, to meetings of Creditors held under this Deed as if the references to 'the liquidator', 'the liquidator or provisional liquidator', 'the liquidator, provisional liquidator or chairman' or 'the liquidator, provisional liquidator or trustee for debenture holders', as the case may be, were references to the Deed Administrators.

14 Termination of the Deed

14.1 Termination

The Deed will terminate upon completion of the implementation steps in clauses 7.1 to 7.5 of this Deed.

14.2 Termination on failure of Deed

This Deed automatically terminates in respect of Nexus upon the happening of any one of the following events:

(a) the court makes an order terminating this Deed under section 445D of the Corporations Act; and

(b) the creditors of Nexus with a Claim pass a resolution terminating this Deed at a meeting convened under section 445F of the Corporations Act by notice setting out the proposed resolution.

14.3 Termination on satisfaction of Deed

Upon termination in accordance with the provisions of clause 14.1, the Deed Administrators or one of them must immediately certify, in writing that the terms of this Deed have been fulfilled and, as soon as practicable, must lodge with ASIC a notice substantially in the following form:

> Nexus Energy Limited
>
> 'We, Matthew Caddy, Tony McGrath and Jason Preston of Level 31, 60 Margaret Street, Sydney NSW 2000 as administrators of the deed of company arrangement executed on [date], CERTIFY that the deed has been wholly effectuated in respect to Nexus Energy Limited.'

and the execution of the notice terminates, in respect to Nexus, this Deed and all Claims of Creditors of Nexus will be extinguished, discharged and released if not extinguished or released earlier under the Deed.

14.4 Effect of Termination

In accordance with section 445H of the Corporations Act, the termination or avoidance, in whole or in part, of this Deed does not affect the previous operation of this Deed.

14.5 Severance

If any part of this Deed is or becomes illegal, ineffective, invalid or unenforceable, that part will be severed from this Deed and that severance will not affect the effectiveness, validity or enforceability of the remaining part of this Deed.

14.6 Consequences of Termination of the Deed for non-performance

Upon termination of the Deed under clause 14.2:

(a) Nexus will be taken to have passed a special resolution under section 491 of the Corporations Act that the Company be voluntarily wound up and that the Deed Administrators be Nexus' liquidators;

(b) Regulation 5.3A.07 of the Regulations will apply; and

(c) Nexus will be wound up.

14.7 Survival of clauses

Despite any other provision of this Deed, clauses 6.4, 6.5, 6.7, 6.8, 6.9, 12.2. 12.3, 12.4 and 12.7 survive the termination of this Deed.

15 General

15.1 Variation

Subject to the terms of the Corporations Act, a variation of any term of this Deed must be in writing and signed by all parties to this Deed.

15.2 Assignment

Rights arising out of or under this Deed are not assignable by a party without the prior written consent of the other parties.

15.3 Power of Attorney

Nexus hereby irrevocably appoints each of the Deed Administrators jointly and severally as its attorney to exercise or refrain from exercising (in the Deed Administrators' absolute discretion) any and all of Nexus' rights or powers in relation to or in connection with its right, title and interest in the Assets and Nexus will make, do and provide all things and documents reasonably necessary to give proper effect to this clause.

The Deed Administrators may appoint sub-attorneys to exercise their powers under the appointment in this clause 15.3.

15.4 Further Assurances

Each party must, at its own expense, do all things and execute all documents necessary to give full effect to this Deed and the transactions contemplated by it.

15.5 Governing Law

This deed is governed by the law in force in the State of Victoria.

15.6 Waiver

No party to this Deed may rely on the words or conduct of any other party as a waiver of any right unless the waiver is in writing and signed by the party granting the waiver.

The meanings of the terms used in this clause 15.6 are set out below.

Term	Meaning
conduct	includes delay in the exercise of a right.
right	any right arising under or in connection with this Deed and includes the right to rely on this clause.
waiver	includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

15.7 Counterparts

(a) This deed may be executed in any number of counterparts.

(b) All counterparts, taken together, constitute one instrument.

(c) A party may execute this Deed by signing any counterpart.

16 Notices

16.1 Address of Notice

Any notice or document required to be given to or served upon any of the parties pursuant to or in connection with the Deed must be in writing and will be deemed to be duly given or made when delivered (in the case of facsimile provided confirmation of the transmission has been received) to the party to which such notice is given or served by:

(a) any means permitted by the law or the regulations; or

(b) pre-paid post to the person's address last known to the Deed Administrators.

16.2 Notice by Post

Any notice sent by pre-paid post will be taken to have been received by the addressee at the time at which it would have been delivered in the ordinary course of post.

16.3 Notice by facsimile

Any notice given by facsimile on a day which is not a Business Day will be deemed dispatched on the next succeeding Business Day.

16.4 Signing of Notice

Any notice may be given or signed on behalf of the party giving or serving the same by a director, secretary or other duly authorised person thereof.

HERBERT SMITH FREEHILLS

Schedule 1

NIH Securities

Securities	Security Provider	Registration Number	Date of Security	Date of PPS registration
Deed of Charge dated 14 May 2007 between Nexus Energy VICP54 Pty Ltd (ABN 35 108 405 009) (the **Borrower**) as Borrower and the Security Trustee	Nexus Energy VICP54 Pty Ltd (ABN 35 108 405 009)	201112160530340	14 May 2007	30 January 2012
Deed of Charge dated 14 May 2007 between the Borrower and Westpac Administration 3 Limited (formerly BOSI Security Services Ltd) (ABN 63 009 413 852) (the Security Trustee) as Security Trustee in relation to its assets located in Western Australia.	Nexus Energy VICP54 Pty Ltd (ABN 35 108 405 009)	201112160530301	14 May 2007	30 January 2012
Share Mortgage dated 14 May 2007 between Nexus Energy Aust. NL (ABN 87 090 835 608) (**NENL**) and the Security Trustee.	Nexus Energy Aust. NL (ABN 87 090 835 608)	201112160530258	14 May 2007	30 January 2012
Deed of Charge dated 14 June 2007 between Nexus Energy Corporate Pty Ltd	Nexus Energy Corporate Pty Ltd (ABN 30 123 237 712)	201112160765507	14 June 2007	30 January 2012

Securities	Security Provider	Registration Number	Date of Security	Date of PPS registration
(ABN 30 123 237 712) (**NEC**) and the Security Trustee.				
Deed of Charge dated 14 June 2007 between NEC and the Security Trustee in relation to its assets located in Western Australia.	Nexus Energy Corporate Pty Ltd (ABN 30 123 237 712)	201112160765451	14 June 2007	30 January 2012
Share Mortgage dated 14 May 2007 between Nexus Energy Limited (ABN 64 058 818 278) (NEL) and the Security Trustee.	Nexus Energy Limited (ABN 64 058 818 278)	201112160530393	14 May 2007	30 January 2012
Cost Overrun Reserve Account Charge dated 25 September 2007 between NEL and the Security Trustee.	Nexus Energy Limited (ABN 64 058 818 278)	201112170118620	25 September 2007	30 January 2012
Guarantee Reserve Account Charge dated on or about 30 September 2008 between NEL and the Security Trustee.	Nexus Energy Limited (ABN 64 058 818 278)	201112200190408	30 September 2008	30 January 2012
General Security Agreement dated 9 April 2014 between NEL and the Security Trustee.	Nexus Energy Limited (ABN 64 058 818 278)	201404080037647	9 April 2014	8 April 2014

Securities	Security Provider	Registration Number	Date of Security	Date of PPS registration
Specific Security Agreement (Shares) dated 9 April 2014 between NEL and the Security Trustee.	Nexus Energy Limited (ABN 64 058 818 278)	201404080042324	9 April 2014	8 April 2014
General Security Agreement dated 9 April 2014 between NENL and the Security Trustee.	Nexus Energy Aust. NL (ABN 87 090 835 608)	201404080037300	9 April 2014	8 April 2014

HERBERT
SMITH
FREEHILLS

Schedule 2

Nexus Creditors' Trust Deed

Deed

Nexus Creditors' Trust Deed

Matthew Caddy, Tony McGrath and Jason Preston in their capacity as joint and several Deed Administrators of Nexus

Nexus Energy Limited (Subject to Deed of Company Arrangement)

SGH Energy (No 2) Pty Limited

HERBERT SMITH FREEHILLS

Contents

Table of contents

HERBERT
SMITH
FREEHILLS

Contents

Herbert Smith Freehills owns the copyright in this document and using it without permission is strictly prohibited.

HERBERT
SMITH
FREEHILLS

Nexus Creditors' Trust Deed

Date ▸

Between the parties

Trustees	**Matthew Caddy, Tony McGrath and Jason Preston** in their capacity as joint and several Deed Administrators of Nexus Level 31, 60 Margaret Street, Sydney NSW 2000 Telephone: +61 2 9338 2600 Fax: +61 2 9338 2699 Attention: Matthew Caddy
Nexus	**Nexus Energy Limited (Subject to Deed of Company Arrangement)** ACN 058 818 278 Level 23, 530 Collins St, Melbourne VIC 3000 Telephone: +61 3 9660 2500 Fax: +61 3 9660 2574 Attention: Susan Robutti
SGH Energy	**SGH Energy (No 2) Pty Limited** ACN 168 935 644 Level 2, 38-42 Pirrama Road, Pyrmont NSW 2009 Telephone: +61 2 8777 7777 Fax: +61 2 8777 7192 Attention: Warren Coatsworth

HERBERT SMITH FREEHILLS

Recitals	1 On 12 June 2014, Matthew Caddy, Tony McGrath and Jason Preston were appointed as administrators of Nexus pursuant to Part 5.3A of the Act. 2 On 11 August 2014, pursuant to section 439A of the Act, a second meeting of creditors of Nexus was held. At that meeting, the creditors resolved that Nexus execute a deed of company arrangement. 3 On 21 August 2014, the Deed Administrators and Nexus executed the DOCA pursuant to section 444B(2)(b) of the Act. 4 The Fund Amount will be transferred to the Trustees to settle the Trust in accordance with clause 7.4(d) of the DOCA. Any further amounts paid by SGH Energy in accordance with clause 2(c) of this Deed will also be held on trust by the Trustees in accordance with this Deed. 5 Nexus and the Trustees enter into this deed as contemplated by the DOCA in order to facilitate distribution by the Trustees to the Trust Creditors in their capacity as beneficiaries of the Trust Fund.
Governing law	Victoria

This deed witnesses as follows:

HERBERT SMITH FREEHILLS

1 Definitions and interpretation

1.1 Definitions

The meanings of the terms used in this deed are set out below.

Term	Meaning
Act	the *Corporations Act 2001* (Cth).
Administration Period	the period of time commencing on the Appointment Date and concluding on the Commencement Date.
Admitted Claim	the Claim of any Trust Creditor admitted by the Trustees after adjudication in accordance with clause 6 of this Deed.
Appointment Date	12 June 2014, being the date on which the Deed Administrators were appointed voluntary administrators of Nexus pursuant to section 436C of the Act.
Business Day	any day other than a Saturday, Sunday or public holiday in Perth or Sydney.
Claim	a debt payable by, and all claims against, either of Nexus (present or future, certain or contingent, ascertained or sounding only in damages), being debts or claims the circumstances giving rise to which occurred on or before the Appointment Date that would be admissible to proof against either of Nexus in accordance with Division 6 of Part 5.6 of the Act, if Nexus had been wound up and the winding up is taken to have commenced on the Appointment Date.
Commencement Date	the date of the DOCA.
Court	the Supreme Court of New South Wales or any court having jurisdiction to hear and determine matters under the Act and the Trustees Act.
Creditor	any creditor who would have been entitled to prove in a winding up of Nexus, if Nexus had been wound up and the winding up was

Term	Meaning
	taken to have commenced on the Appointment Date.
Deed	this creditors' trust deed as amended from time to time.
Deed Administrators	jointly and severally, Matthew Caddy, Tony McGrath and Jason Preston in their capacity as administrators of the DOCA and any successor to that office appointed pursuant to the Act.
Deed Administrators' Costs	includes costs, charges and expenses, including those incurred in connection with advisers, incurred in connection with the performance of the Deed Administrators' duties, obligations and responsibilities under the Act and the DOCA during the Administration Period and the DOCA Period.
Deed Creditor	Creditors who will receive payments pursuant to clauses 7.3(a) and 7.4(a) to 7.4(d) of the DOCA.
Dividend	any amount paid to a Trust Creditor in respect of that creditors' Admitted Claim.
DOCA	the deed of company arrangement executed by Nexus and the Deed Administrators on or about 21 August 2014.
DOCA Period	the period commencing on the Commencement Date and ending on the DOCA Termination Date.
DOCA Termination Date	the date upon which the DOCA is terminated.
Employee Creditor	an employee or former employee of Nexus with a Claim in their capacity as an employee of Nexus.
Employee Priority Claim	a Claim of an Employee Creditor, other than an Excluded Superannuation Debt, that would be entitled to be paid in priority to the payment of other unsecured Claims under section 556 of the Corporations Act if Nexus was taken to be in liquidation on the Appointment Date.
Excess Amount	has the meaning given to that term in clause 2(b)(1).

Term	Meaning
Excluded Superannuation Debt	a Superannuation Debt (as defined in clause 7.8(b) of the DOCA) in respect of which the Deed Administrators make a determination under clause 7.8(b) of the DOCA.
Final Dividend	the last Dividend payment to be made by the Trustees to any Trust Creditor under this Deed.
Fund Amount	has the meaning as defined in the DOCA.
GST	has the meaning given in *A New Tax System (Goods and Services Tax) Act 1999* (Cth).
Initial Amount	the Fund Amount less $50,000.
Trust Creditors	all the Creditors other than: • the Deed Creditors; and • the Subordinated Creditors, and includes Employee Creditors to the extent that an Employee Creditor has a Claim which has not been paid in full under clause 7.3 of the DOCA.
Trust Creditor's Claim	a Claim of a Trust Creditor.
Regulations	the *Corporations Regulations 2001 (Cth)*.
Related Body Corporate	has the meaning that 'related body corporate' has in the Act.
Scheduled Rates	the rates set out in Schedule 1 of this Deed.
SGH Energy	SGH Energy (No 2) Pty Limited (ACN 168 935 644).
Subordinated Creditors	a Creditor with a '**subordinate claim**' as defined in section 563A of the Corporations Act.
Termination Date	the date on which the Trust terminates in accordance with clause

Term	Meaning
	13.
Trust	the trust established by this Deed.
Trust Fund	the fund contemplated by the DOCA and established under this Deed.
Trustee Act	the *Trustee Act 1958* (Vic).
Trustees	jointly and severally, Matthew Caddy, Tony McGrath and Jason Preston in their capacity as trustees of the Trust and any successor to that office appointed pursuant to the Trustee Act.
Trustees' Costs	the costs, charges and expenses, incurred by the Trustees in connection with the performance of their duties, obligations and responsibilities as trustees of the Trust, including those incurred in connection with advisers.

1.2 Interpretation

In the Deed, unless the subject or context otherwise requires:

(a) headings and bold type are for convenience only and do not affect the interpretation of this Deed;

(b) the singular includes the plural and the plural includes the singular;

(c) words of any gender include all genders;

(d) other parts of speech and grammatical forms of a word or phrase defined in this Deed have a corresponding meaning;

(e) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any government agency as well as an individual;

(f) a reference to a clause, party, part, schedule, attachment or exhibit is a reference to a clause or part of, and a party, schedule, attachment or exhibit to, this Deed;

(g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or reenactments of any of them;

(h) a reference to a document (including this Deed) includes all amendments or supplements to, or replacements or novations of, that document;

(i) a reference to '$', 'A$' or 'dollar' is to Australian currency unless denominated otherwise;

(j) a reference to any time is, unless otherwise indicated, a reference to that time in Sydney;

(k) a term defined in or for the purposes of the Corporations Act has the same meaning when used in this Deed;

(l) a reference to a party to a document includes that party's successors and permitted assignees;

(m) no provision of this Deed will be construed adversely to a party because that party was responsible for the preparation of this Deed or that provision;

(n) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;

(o) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally; and

(p) a reference to a body, other than a party to this Deed (including an institute, association or authority), whether statutory or not:

(1) which ceases to exist; or

(2) whose powers or functions are transferred to another body,

is a reference to the body which replaces it or which substantially succeeds to its powers or functions.

1.3 Inconsistency with Act or Regulations

If there is any inconsistency between the provisions of this Deed and the Act or Regulations, this Deed shall prevail to the extent permitted by law.

1.4 Other inconsistencies

If there is any inconsistency between the provisions of this Deed and the constitution of Nexus and any other obligation binding on Nexus, the provisions of this Deed shall prevail to the extent of the inconsistency, and all persons bound by this Deed agree to sign all documents and do all things necessary to remove such inconsistency, the costs of which shall be borne by Nexus.

1.5 Business Days

Except where otherwise expressly provided, if the day on or by which any act, matter or thing is to be done as required by this Deed is a day other than a Business Day, such act, matter or thing shall be done on the immediately succeeding Business Day.

2 Payment of Trust Fund

(a) The Deed Administrators will pay the Trustees the Fund Amount in accordance with clause 7.4(d) of the DOCA;

(b) If the total amount of the Admitted Claims exceeds the Initial Amount, the Trustees may issue a notice to SGH Energy which sets out:

(1) the amount by which the total of the Admitted Claims exceeds the Initial Amount (**Excess Amount**); and

(2) such information as SGH Energy reasonably requires in respect of the Admitted Claims.

(c) Subject to receiving a notice in accordance with clause 2(b) (and subject to clause 2(d)), SGH Energy must, as soon as reasonably practicable pay the Excess Amount to the Trustees to be used to satisfy the Admitted Claims or so much of them as is able to be satisfied by the payment.

(d) The maximum liability of SGH Energy to make payments to the Trustees under clause 2(c) is limited to $45,000 plus the amount of any Employee Priority Claim which has not been paid in full under the DOCA.

3 Declaration of Trust

3.1 Declaration

The Trustees acknowledge and declare that the Trust Fund will be held on trust by the Trustees for the Trust Creditors and (for any surplus remaining in the Trustees' hands after all other proper payments) for SGH Energy on the terms in this Deed.

3.2 Name of Trust

The trust constituted by this Deed will be called the Nexus Creditors' Trust.

3.3 Trustees' powers

Without limiting the powers that the Trustees have by operation of the Trustees Act, for the purposes of administering the trust created by this Deed, the Trustees have the following powers:

(a) to administer the Trust Fund in accordance with the provisions set out in the DOCA and this Deed;

(b) to fulfil the Trustees' obligations in accordance with the terms of this Deed;

(c) to sell, re-invest or otherwise deal with the assets of the Trust Fund;

(d) to perfect title in any assets of the Trust Fund;

(e) to insure any assets of the Trust Fund;

(f) to, at any time, call meetings of the Creditors for the purpose of considering the variation or termination of this Deed in accordance with the provisions of this Deed;

(g) to admit Claims to proof in accordance with the provisions of the DOCA and this Deed;

(h) to determine Admitted Claims and then to pay Dividends in accordance with the terms of this Deed;

(i) to act as attorney for Nexus or any other person for any purpose associated with the Trust or this Trust Fund;

(j) to enforce compliance with the terms of this Deed;

(k) to accept the transfer of any shares, stocks, debentures, debenture stock, annuities, bonds, obligations or other securities of whatever nature that may at any time be transferred to it;

(l) to enter upon or take possession of the Trust Fund and to collect the revenue or income from or interest on the Trust Fund and exercise any rights or powers relating to any part of the Trust Fund;

(m) to bring, prosecute and defend any claim, action, suit or proceeding, which power includes the power to bring and defend any claim, counter-claim, set-off, action, suit or proceeding in either of Nexus' names or (after assignment) in the Trustees' name, to enforce any right, claim or cause of action that forms part of the Trust Fund, and to that end:

(1) to issue or accept service of any writ, summons or other legal process and to appear or be represented in any court and before all wardens, magistrates or judicial or other officers as the Trustees think fit and to commence or defend and conduct any action or other proceeding in any court of justice in relation to the Trust Fund and any claim, proceeding or action forming part of the Trust Fund and to prosecute, discontinue, compromise, stay, terminate or abandon that proceeding or action as the Trustees think fit;

(2) to appoint any solicitor and counsel to prosecute or defend in those proceedings as occasion may require; and

(3) to take any other lawful ways and means for the recovering or getting in any of the Trust Fund;

(n) to convene and hold meetings of the Creditors for any purpose as the Trustees consider fit;

(o) to permit any person authorised by the Trustees to operate any account in the name of the Trust;

(p) to do all acts and execute in the name and on behalf of the Trust all deeds, receipts and other documents;

(q) to draw, accept, make or endorse any bill of exchange or promissory note in the name and on behalf of the Trust;

(r) subject to the Act, to prove in the winding up of or under any scheme of arrangement entered into by, or deed of company arrangement executed by, any contributory or debtor of the Trust;

(s) to bring or defend an application for the vesting or winding up of the Trust;

(t) to report to the Creditors from time to time;

(u) to make interim or other distributions of the Trust Fund;

(v) to appoint agents to do any business or attend to any matter or affairs of the Trust that the Trustees are unable to do, or that it is unreasonable to expect the Trustees to do, in person;

(w) to appoint a solicitor, accountant or other professionally qualified person to assist the Trustees;

(x) to compromise any claim, action, suit or proceeding brought by or against the Trustees on such terms as the Trustees consider fit, which power includes the power to compromise any claim, action, suit or proceeding referred to in paragraph (m) of this clause;

(y) to provision for and set aside a sum or sums equal to an amount which the Trustees reasonably anticipate may be payable in respect of any tax, including income tax, capital gains tax or GST;

(z) to do anything incidental to exercising a power set out in this Deed; and

(aa) to do anything else that is necessary or convenient for administering the Trust.

4 Trust Fund

4.1 Trust Fund

The Trust Fund shall be comprised of:

(a) the Fund Amount received by the Trustees under clause 2(a) of this Deed; and

(b) (if applicable) any amounts received by the Trustees under clause 2(c) of this Deed.

4.2 Trust Deed

The Trust Fund is to be held by the Trustees for the benefit of the Trust Creditors on the terms of this Deed.

4.3 Distribution of the Trust Fund

(a) Provided that each Trust Creditor has an Admitted Claim, the Trust Fund will be available for distribution to Trust Creditors as follows:

(1) first, to the Trustee in satisfaction of the Trustees Costs (which may include an amount of the Trustees' Costs which it is estimated will be incurred by the Trustee up to the Termination Date);

(2) next, to the relevant Employee Creditor, the amount of any Employee Priority Claim which was not paid in full under the DOCA; and

(3) next, to the remaining Trust Creditors in satisfaction of those Trust Creditors' Claims.

4.4 Surplus in the Trust Fund

In the event that there is:

(a) a surplus or balance in the Trust Fund after the Trust Creditors have received 100 cents in the dollar on their Admitted Claims; or

(b) a remaining balance of any distribution of trust property to Trust Creditors which has remained under the control of the Trustees and has been unclaimed for more than 6 months after the day on which the Trustees declare their intention to distribute a Final Dividend in accordance with this Deed,

such surplus or balance shall be paid by the Trustees to SGH Energy.

4.5 Postponement

Should proceedings be brought by any person in respect of the distribution of the Trust Fund then the Trustees are entitled at their sole discretion to postpone the payment of any entitlement until determined by the Trustees.

5 Perpetuity Period

Notwithstanding any other provision in this Deed, each

(a) interest in property; and

(b) Trustees' power over or in connection with property,

created or granted by this Deed that, but for this provision, might vest, take effect, or be exercisable after the expiry of eighty (80) years commencing on the date of this Deed, but which has not vested or taken effect by that date,

(c) will vest or take effect on the last day of that period; and

(d) is exercisable only on or before the last day of that period.

6 Claims

6.1 Admissibility of Claims

(a) Upon this Deed being settled, and in accordance with clause 6.8 of the DOCA, all Claims of the Trust Creditors against Nexus will convert to and become claims against the Trust Fund under this Deed, equal in amount to the released Claims.

(b) Interest will not accrue or be payable on any Admitted Claim.

6.2 Trustees' discretion

The Trustees may, in their absolute discretion:

(a) admit all or part of a Claim;

(b) reject all or part of a Claim; or

(c) pay any Admitted Claim,

in accordance with the provisions of this Deed.

6.3 Determination of Claims

(a) Subdivisions A, B, C, D and E of Division 6 of Part 5.6 of the Act (except sections 554A(3) to 554A(8) and section 556 (other than to the extent expressly incorporated)) apply to Claims under this Deed as if references to the liquidator were references to the Trustees and references to winding up were references to this Deed, and with such other modifications as are necessary to give effect to this Deed, except to the extent that those provisions are varied or excluded expressly or impliedly by this Deed.

(b) Regulations 5.6.11A, 5.6.37, 5.6.39 to 5.6.43 (inclusive), 5.6.44 to 5.6.53 (inclusive) and 5.6.55 to 5.6.72 (inclusive) of the Regulations shall apply to this Deed and to the Trustees as if references to the liquidator were references to the Trustees and references to winding up were references to this Deed, and with such other modifications as are necessary to give effect to this Deed, except to the extent that those provisions are varied or excluded expressly or impliedly by this Deed.

(c) The Trustee may make interim distributions of trust property under this Deed.

(d) The Trustee must declare and distribute trust property under this Deed as soon as practicable after the Trust comes into effect under clause 3.1. However, subject to clauses 6.3(a) and 6.3(b), the Trustee has an absolute and unfettered discretion as to the admission of Claims, and the amount and timing of the distribution of the trust property in payment of Admitted Claims.

(e) Where the Trustee proposes to reject a Claim (whether in part or in full) the Trustee shall send a notice to the Claimant informing the Claimant of the proposed rejection and giving the party 21 days within which to make an application to the Court under order 54.02 of the Supreme Court (General Civil Procedure) Rules 2005 (Vic) to determine the questions relating to the Claim.

6.4 Retention of and Access to Records

(a) Nexus must retain all records relating to the period prior to the Commencement Date for 7 years in accordance with section 286(2) of the Act.

(b) The Trustees may at any time inspect the books and records of Nexus and Nexus authorise the Trustees and their staff to enter Nexus' premises for the purpose of conducting such an inspection and for the purpose of doing anything necessary or desirable in the exercise of their powers and discretions and the performance of their duties, obligations and responsibilities as Trustees under this Deed.

6.5 Superannuation Debts not Admissible

If the Trustees determine that the whole of a Claim is, save for this clause, otherwise admissible to proof under the terms of this Deed by virtue of being by way of a superannuation contribution, such Claim is not admissible proof if:

(a) a debt by way of superannuation guarantee charge:

(1) has been paid and to that extent only; or

(2) is, or is to be, admissible to proof under this Deed; and

(b) the Trustees are satisfied that the superannuation guarantee charge is attributable to the whole of that Claim.

For the purposes of this clause "superannuation contribution" has the meaning given in section 556 of the Act.

6.6 Creditors' costs and expenses

Any costs and expenses incurred by a Creditor in asserting a Claim under this Deed will be borne by that Creditor and will not form part of that Creditor's Claim under this Deed.

6.7 Abandonment of Claims

A Creditor will have abandoned, and will be taken for all purposes to have abandoned, all Claims and all other entitlements (if any) in the Trust Fund:

(a) which are not the subject of a proof lodged with the Deed Administrators or the Trustees in the form required by the Trustees prior to the declaration of a Final Dividend; or

(b) which have been rejected by the Trustees and which are not the subject of any appeal or application to the Court within the time allowed under clause 6.3(e).

6.8 Discharge of Claims

All persons having a Claim must accept their Admitted Claims under this Deed (if any) in full satisfaction and complete discharge of all claims which they have or claim to have against the Trustees or the Trust Fund and each of them will, if called upon to do so, execute and deliver to the Trustees such forms of release of any such claim as the Trustees require.

6.9 Claims extinguished

On payment of the Final Dividend to the Trust Creditors from the Trust Fund, all Claims against the Trust Fund are extinguished and each Creditor (including the Excluded Creditors) will, if called upon to do so, execute and deliver to the Trustees such forms of release of any Claim as the Trustees require.

6.10 Bar

After distribution of the Final Dividend from the Trust Fund, the Trustees may plead this Deed in bar to any Claim.

6.11 Deed Creditors

The Deed Creditors (other than a Deed Creditor who is also an Employee Creditor and whose Claim is not paid in full under clause 7.3 of the DOCA) are not entitled to participate in or receive any distribution from, and will not prove to recover any Claim for the purposes of, and in relation to, the Trust Fund.

6.12 Subordinated Creditors

The Subordinated Creditors are not entitled to participate in or receive any distribution from, and will not prove to recover any Claim for the purposes of, and in relation to, the Trust Fund.

7 Meetings of Creditors

The Trustees may at any time convene a meeting of Creditors and except to the extent (if any) they are excluded or modified by or are inconsistent with the terms of this Deed, regulations 5.6.11 to 5.6.36A of the Regulations apply, with such modifications as are necessary, to meetings of the Creditors as if the references to the liquidator, the liquidator or provisional liquidator, the liquidator, provisional liquidator or chairperson, or a

liquidator, provisional liquidator or trustee for debenture holders, as the case may be, were references to the Trustees.

8 Remuneration

8.1 Remuneration of Trustees

The Trustees:

(a) are to be remunerated at the usual rates charged from time by McGrathNicol (which are, at the date of this Deed, the Scheduled Rates) in respect of any work done by the Trustees, and any partner or employee of the Trustees, in connection with:

(1) the calling for and adjudicating upon proofs of Claims;

(2) the distribution of the Trust Fund;

(3) the exercise of their powers and discretions and performance of their duties, obligations and responsibilities as Trustees under this Deed; and

(b) acknowledge that the Trustees' Costs, including costs, charges and expenses (including those incurred in connection with advisers) incurred in connection with the foregoing, including any stamp duty payable by them in respect of this Deed will be payable from the Trust Fund.

9 Indemnity

9.1 Indemnity

The Trustees are entitled to be indemnified out of the Trust Fund for all actions, suits, proceedings, accounts, claims and demands arising out of or relating to this Deed which may be commenced, incurred by or made on the Trustees by any person and against all costs, charges and expenses incurred by the Trustees in respect of them, provided that the Trustees shall not be entitled to an indemnity in respect of any liabilities or demands to the extent that the indemnification contravenes the Act or the Trustee Act or if the Trustees, or any partner, employee, authorised agent or delegate of the the Trustees, have acted negligently, in breach of fiduciary duty or in breach of trust.

9.2 Continuing indemnity

This indemnity takes effect on and from the Commencement Date and will be without limitation as to time and will operate notwithstanding the removal of the Trustees (or either of them) and the appointment of new trustees or the termination of this Trust for any reason whatsoever.

9.3 Indemnity not to be affected or prejudiced

The indemnity under clause 9.1 will not:

(a) be affected, limited or prejudiced in any way by any irregularity, defect or invalidity in the appointment of the the Trustees and will extend to all actions,

suits, proceedings, accounts, liabilities, claims and demands arising in any way out of any defect in the appointment of the Trustees, the approval and execution of this Deed or otherwise; or

(b) affect or prejudice all or any rights that the the Trustees may have against any other person to be indemnified against the costs, charges, expenses and liabilities incurred by the Trustees of or incidental to the exercise or performance of any of the powers of authorities conferred on the Trustees by this Deed or otherwise.

10 Liability

10.1 Exclusion of liability

(a) The Trustees, and the Trustees' partners and employees, are not liable for any loss or damage occasioned to the Trust Property or to any person by:

(1) the exercise of any discretion or power conferred by this Deed or by law on the Trustees or any delay or failure to exercise any of those discretions or powers;

(2) any breach of duty or trust, unless it is proved to have been committed, made or omitted in personal, conscious and fraudulent bad faith by the Trustees, partner or employee; or

(3) any disclosure by the Trustees or the officer of any document, matter or thing relating to the Trust, the Trust Property or any Trust Creditor.

(b) All persons claiming any interest in the Trust Property must be treated as taking it with and subject to notice of the protection conferred by this clause 10.

10.2 Proceedings against co-trustee

The Trustees are not bound to take any proceeding against a co-trustee for any breach or alleged breach of trust committed by the co-trustee.

10.3 Reliance on advice

Where the Trustees act in reliance upon the advice of any solicitor instructed on behalf of the Trust in relation to the interpretation of the provisions of this Deed or any document or statute or any matter concerning the administration of the Trust, the Trustees are not liable to any person in respect of any act done or omitted to be done by the Trustees in accordance with the advice.

11 Trustees' Resignation

Any Trustee may resign at any time by giving not less than 28 days' prior written notice to Nexus in which event the Trustees must:

(a) convene a meeting of Trust Creditors in accordance with clause 7 of this Deed for the purpose of nominating a replacement trustee;

(b) assign to a replacement trustee nominated by the Trust Creditors the Trustees' rights, title and benefit under this Deed; and

(c) do all things reasonably necessary to effect the assignment referred to in clause 8.6(b).

12 Trustees Not Obliged to Take Action

The Trustees will not be obliged to take any action under this Deed until such time as there are sufficient funds in hand to pay their remuneration, costs, fees and expenses.

13 Termination

13.1 Termination of the Trust

This Trust will terminate and the Trustees will resign as soon as reasonably practicable:

(a) after distribution of the Final Dividend from the Trust Fund; or

(b) upon the expiry of the perpetuity period referred to in clause 5,

whichever occurs first.

13.2 Meeting of Trust Creditors

The Trustees must convene a meeting of Trust Creditors to consider a resolution to vary this Deed or terminate the Trust if:

(a) at any time prior to the termination of the Trust, the Trustees determine that it is no longer practicable or desirable to continue to implement or carry out this Deed; or

(b) the Court so orders.

13.3 Termination of the Trust by Court order and Trust Creditors' resolution

This Trust will terminate if:

(a) a Court so orders; or

(b) the Trust Creditors pass a resolution terminating this Trust at a meeting duly convened pursuant to clause 13.2.

In that event, any remaining part of the Trust Fund must be immediately refunded to the SGH Energy and shall not be available for distribution to Trust Creditors.

13.4 Report to Trust Creditors

Upon a meeting being convened pursuant to clause 13.2, the Trustees must send each Trust Creditor prior to the meeting a report as to the state of affairs of the Trust accompanied by such financial statements as the Trustees think fit. The report must include:

(a) a statement explaining the circumstances which have caused the Trustees to convene the meeting pursuant to clause 13.2; and

(b) a statement that this Trust will be terminated if the Trust Creditors so resolve.

13.5 Previous operation of this deed preserved

The termination or avoidance, in whole or in part, of this Trust does not affect the efficacy of any act done prior to the termination or avoidance.

13.6 Variation of Deed

This Deed may be varied:

(a) with the consent of the Trustees by resolution passed at a meeting of Trust Creditors by a majority of Trust Creditors in number and in value, but only if the variation is not materially different from the proposed variation set out in the notice of that meeting; or

(b) by the Court upon application of any of the Trust Creditors or the Trustees in accordance with sections 63A and 64 of the Trustee Act.

14 General

14.1 Invalidity and enforceability

(a) If any provision of this Deed is invalid under the law of any jurisdiction the provision is enforceable in that jurisdiction to the extent that it is not invalid, whether it is in severable terms or not.

(b) Clause 14.1(a) does not apply where enforcement of the provision of this Deed in accordance with clause 14.1(a) would materially affect the nature or effect of the parties' obligations under this Deed.

14.2 Waivers

No party to this deed may rely on the words or conduct of any other party as a waiver of any right unless the waiver is in writing and signed by the party granting the waiver.

The meanings of the terms used in this clause 14.2 are set out below.

Term	Meaning
conduct	includes delay in the exercise of a right.
right	any right arising under or in connection with this Deed and includes the right to rely on this clause.
waiver	includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

14.3 Counterparts

(a) This Deed may be executed in any number of counterparts.

(b) All counterparts, taken together, constitute one instrument.

(c) A party may execute this deed by signing any counterpart.

14.4 Governing law

This Deed is governed by the law in force in the State of Victoria.

14.5 Further action to be taken at each party's own expense

Each party must, at its own expense, do all things and execute all documents necessary to give full effect to this deed and the transactions contemplated by it.

14.6 Entire agreement

This Deed states all the express terms agreed by the parties in respect of its subject matter. It supersedes all prior discussions, negotiations, understandings and agreements in respect of its subject matter.

14.7 No reliance

No party has relied on any statement by any other party not expressly included in this Deed.

14.8 Relationship of the parties

Nothing in this Deed gives a party authority to bind any other party in any way.

14.9 Exercise of rights

(a) Unless expressly required by the terms of this Deed, a party is not required to act reasonably in giving or withholding any consent or approval or exercising any other right, power, authority, discretion or remedy, under or in connection with this Deed.

(b) A party may (without any requirement to act reasonably) impose conditions on the grant by it of any consent or approval, or any waiver of any right, power, authority, discretion or remedy, under or in connection with this Deed. Any conditions must be complied with by the party relying on the consent, approval or waiver.

14.10 Stamp duty

Any stamp duty assessed on this Deed is to be paid out of the Trust Fund.

15 Notices

15.1 Form of Notice

A notice or other communication to a party under this Deed (**Notice**) must be:

(a) in writing and in English and signed by or on behalf of the sending party; and

(b) addressed to that party in accordance with the details nominated in Schedule 2 (or any alternative details nominated to the sending party by Notice).

15.2 How Notice must be given and when Notice is received

(a) A Notice must be given by one of the methods set out in the table below.

(b) A Notice is regarded as given and received at the time set out in the table below.

However, if this means the Notice would be regarded as given and received outside the period between 9.00am and 5.00pm (addressee's time) on a Business Day (**business hours period**), then the Notice will instead be regarded as given and received at the start of the following business hours period.

Method of giving Notice	**When Notice is regarded as given and received**
By hand to the nominated address	When delivered to the nominated address
By pre-paid post to the nominated address	At 9.00am (addressee's time) on the second Business Day after the date of posting
By fax to the nominated fax number	At the time indicated by the sending party's transmission equipment as the time that the fax was sent in its entirety. However, if the recipient party informs the sending party within 4 hours after that time that the fax transmission was illegible or incomplete, then the Notice will not be regarded as given or received. When calculating this 4 hour period, only time within a business hours period is to be included.
By email to the nominated email address	When the email (including any attachment) comes to the attention of the recipient party or a person acting on its behalf.

15.3 Notice must not be given by electronic communication

A Notice must not be given by electronic means of communication (other than fax and email as permitted in clause 15.2).

HERBERT
SMITH
FREEHILLS

Schedule 1

Hourly Rates – McGrath Nicol

Role	Hourly Rate (excluding GST)
Partner	$690
Director 1	$625
Director	$580
Senior Manager	$515
Manager 1	$460
Manager	$410
Assistant Manager	$370
Senior Accountant 1	$320
Senior Accountant	$285
Accountant 1	$250
Accountant	$245
Undergraduate/Cadet	$210
Practice Services Director	$580

HERBERT SMITH FREEHILLS

Role	Hourly Rate (excluding GST)
Senior Practice Services	$410
Senior Client Administration and Senior Treasury	$210
Client Administration and Treasury	$160

HERBERT
SMITH
FREEHILLS

Schedule 2

Notice details

Clause 15.1

Trustees	Matthew Caddy, Tony McGrath and Jason Preston in their capacity as joint and several Deed Administrators of Nexus
Address	Level 31, 60 Margaret Street, Sydney NSW 2000
Attention	Matthew Caddy
Phone	+61 2 9338 2600
Fax	+61 2 9338 2699
Email	MCaddy@mcgrathnicol.com

Nexus	Nexus Energy Limited (Subject to Deed of Company Arrangement)
Address	Level 23, 530 Collins St, Melbourne VIC 3000
Attention	Susan Robutti
Phone	+61 3 9660 2500
Fax	+61 3 9660 2574
Email	srobutti@nxs.com.au

SGH Energy	SGH Energy (No 2) Pty Limited
Address	Level 2, 38-42 Pirrama Road, Pyrmont NSW 2009
Attention	Warren Coatsworth
Phone	+61 2 8777 7777
Fax	+61 2 8777 7192
Email	WCoatsworth@seven.com.au

HERBERT SMITH FREEHILLS

Signing page

Executed as a deed

Deed Administrator

Signed sealed and delivered by
Matthew Caddy

sign here ► _____

print name MATTHEW CADDY

in the presence of

sign here ► _____
Witness

print name LISA CLINGAN

Deed Administrator

Signed sealed and delivered by
Tony McGrath

sign here ► _____

print name _____

in the presence of

sign here ► _____
Witness

print name _____

HERBERT
SMITH
FREEHILLS

Signing page

Executed as a deed

Deed Administrator

Signed sealed and delivered by
Matthew Caddy

sign here ►

print name

in the presence of

sign here ►
Witness

print name

Deed Administrator

Signed sealed and delivered by
Tony McGrath

sign here ►

print name Anthony Gregory McGrath

in the presence of

sign here ►
Witness

print name Zoe Bastian

HERBERT
SMITH
FREEHILLS

Deed Administrator

Signed sealed and delivered by
Jason Preston

sign here ►

print name Jason Preston

in the presence of

sign here ►

Witness

print name Zoe Bastian

Signed for
Nexus Energy Limited (administrators appointed)
by one of its joint and several administrators

sign here ►

Administrator

print name JASON PEESTON

in the presence of

sign here ►

Witness

print name LEANNE JANINE BELTON

HERBERT
SMITH
FREEHILLS

Signed for
SGH Energy (No 2) Pty Limited
in accordance with section 127 of the *Corporations Act 2001 (Cth)*

sign here ▶ _____
~~Director~~ / ~~Company~~ Secretary

print name JOHN KENNETH KINNINMONT

sign here ▶ _____
Director / ~~Company Secretary~~

print name ~~RICHARD RICHARDS~~

HERBERT
SMITH
FREEHILLS

Deed

Nexus Creditors' Trust Deed

Matthew Caddy, Tony McGrath and Jason Preston in their capacity as joint and several Deed Administrators of Nexus

Nexus Energy Limited (Subject to Deed of Company Arrangement)

SGH Energy (No 2) Pty Limited

MLC Centre Martin Place Sydney NSW 2000 Australia
GPO Box 4227 Sydney NSW 2001 Australia

Telephone +61 2 9225 5000 Facsimile +61 2 9322 4000
www.herbertsmithfreehills.com DX 361 Sydney

HERBERT
SMITH
FREEHILLS

Contents

Table of contents

HERBERT SMITH FREEHILLS

Contents

Herbert Smith Freehills owns the copyright in this document and using it without permission is strictly prohibited.

HERBERT
SMITH
FREEHILLS

Nexus Creditors' Trust Deed

Date ▸21 August 2014

Between the parties

Trustees	**Matthew Caddy, Tony McGrath and Jason Preston** in their capacity as joint and several Deed Administrators of Nexus Level 31, 60 Margaret Street, Sydney NSW 2000 Telephone: +61 2 9338 2600 Fax: +61 2 9338 2699 Attention: Matthew Caddy
Nexus	**Nexus Energy Limited (Subject to Deed of Company Arrangement)** ACN 058 818 278 Level 23, 530 Collins St, Melbourne VIC 3000 Telephone: +61 3 9660 2500 Fax: +61 3 9660 2574 Attention: Susan Robutti
SGH Energy	**SGH Energy (No 2) Pty Limited** ACN 168 935 644 Level 2, 38-42 Pirrama Road, Pyrmont NSW 2009 Telephone: +61 2 8777 7777 Fax: +61 2 8777 7192 Attention: Warren Coatsworth

HERBERT SMITH FREEHILLS

Recitals

1 On 12 June 2014, Matthew Caddy, Tony McGrath and Jason Preston were appointed as administrators of Nexus pursuant to Part 5.3A of the Act.

2 On 11 August 2014, pursuant to section 439A of the Act, a second meeting of creditors of Nexus was held. At that meeting, the creditors resolved that Nexus execute a deed of company arrangement.

3 On 21 August 2014, the Deed Administrators and Nexus executed the DOCA pursuant to section 444B(2)(b) of the Act.

4 The Fund Amount will be transferred to the Trustees to settle the Trust in accordance with clause 7.4(d) of the DOCA. Any further amounts paid by SGH Energy in accordance with clause 2(c) of this Deed will also be held on trust by the Trustees in accordance with this Deed.

5 Nexus and the Trustees enter into this deed as contemplated by the DOCA in order to facilitate distribution by the Trustees to the Trust Creditors in their capacity as beneficiaries of the Trust Fund.

Governing law Victoria

This deed witnesses as follows:

HERBERT SMITH FREEHILLS

1 Definitions and interpretation

1.1 Definitions

The meanings of the terms used in this deed are set out below.

Term	Meaning
Act	the *Corporations Act 2001* (Cth).
Administration Period	the period of time commencing on the Appointment Date and concluding on the Commencement Date.
Admitted Claim	the Claim of any Trust Creditor admitted by the Trustees after adjudication in accordance with clause 6 of this Deed.
Appointment Date	12 June 2014, being the date on which the Deed Administrators were appointed voluntary administrators of Nexus pursuant to section 436C of the Act.
Business Day	any day other than a Saturday, Sunday or public holiday in Perth or Sydney.
Claim	a debt payable by, and all claims against, either of Nexus (present or future, certain or contingent, ascertained or sounding only in damages), being debts or claims the circumstances giving rise to which occurred on or before the Appointment Date that would be admissible to proof against either of Nexus in accordance with Division 6 of Part 5.6 of the Act, if Nexus had been wound up and the winding up is taken to have commenced on the Appointment Date.
Commencement Date	the date of the DOCA.
Court	the Supreme Court of New South Wales or any court having jurisdiction to hear and determine matters under the Act and the Trustees Act.
Creditor	any creditor who would have been entitled to prove in a winding up of Nexus, if Nexus had been wound up and the winding up was

Term	Meaning
	taken to have commenced on the Appointment Date.
Deed	this creditors' trust deed as amended from time to time.
Deed Administrators	jointly and severally, Matthew Caddy, Tony McGrath and Jason Preston in their capacity as administrators of the DOCA and any successor to that office appointed pursuant to the Act.
Deed Administrators' Costs	includes costs, charges and expenses, including those incurred in connection with advisers, incurred in connection with the performance of the Deed Administrators' duties, obligations and responsibilities under the Act and the DOCA during the Administration Period and the DOCA Period.
Deed Creditor	Creditors who will receive payments pursuant to clauses 7.3(a) and 7.4(a) to 7.4(d) of the DOCA.
Dividend	any amount paid to a Trust Creditor in respect of that creditors' Admitted Claim.
DOCA	the deed of company arrangement executed by Nexus and the Deed Administrators on or about 21 August 2014.
DOCA Period	the period commencing on the Commencement Date and ending on the DOCA Termination Date.
DOCA Termination Date	the date upon which the DOCA is terminated.
Employee Creditor	an employee or former employee of Nexus with a Claim in their capacity as an employee of Nexus.
Employee Priority Claim	a Claim of an Employee Creditor, other than an Excluded Superannuation Debt, that would be entitled to be paid in priority to the payment of other unsecured Claims under section 556 of the Corporations Act if Nexus was taken to be in liquidation on the Appointment Date.
Excess Amount	has the meaning given to that term in clause 2(b)(1).

Term	Meaning
Excluded Superannuation Debt	a Superannuation Debt (as defined in clause 7.8(b) of the DOCA) in respect of which the Deed Administrators make a determination under clause 7.8(b) of the DOCA.
Final Dividend	the last Dividend payment to be made by the Trustees to any Trust Creditor under this Deed.
Fund Amount	has the meaning as defined in the DOCA.
GST	has the meaning given in *A New Tax System (Goods and Services Tax) Act 1999* (Cth).
Initial Amount	the Fund Amount less $50,000.
Trust Creditors	all the Creditors other than: • the Deed Creditors; and • the Subordinated Creditors, and includes Employee Creditors to the extent that an Employee Creditor has a Claim which has not been paid in full under clause 7.3 of the DOCA.
Trust Creditor's Claim	a Claim of a Trust Creditor.
Regulations	the *Corporations Regulations 2001 (Cth)*.
Related Body Corporate	has the meaning that 'related body corporate' has in the Act.
Scheduled Rates	the rates set out in Schedule 1 of this Deed.
SGH Energy	SGH Energy (No 2) Pty Limited (ACN 168 935 644).
Subordinated Creditors	a Creditor with a '**subordinate claim**' as defined in section 563A of the Corporations Act.
Termination Date	the date on which the Trust terminates in accordance with clause

Term	Meaning
	13.
Trust	the trust established by this Deed.
Trust Fund	the fund contemplated by the DOCA and established under this Deed.
Trustee Act	the *Trustee Act 1958* (Vic).
Trustees	jointly and severally, Matthew Caddy, Tony McGrath and Jason Preston in their capacity as trustees of the Trust and any successor to that office appointed pursuant to the Trustee Act.
Trustees' Costs	the costs, charges and expenses, incurred by the Trustees in connection with the performance of their duties, obligations and responsibilities as trustees of the Trust, including those incurred in connection with advisers.

1.2 Interpretation

In the Deed, unless the subject or context otherwise requires:

(a) headings and bold type are for convenience only and do not affect the interpretation of this Deed;

(b) the singular includes the plural and the plural includes the singular;

(c) words of any gender include all genders;

(d) other parts of speech and grammatical forms of a word or phrase defined in this Deed have a corresponding meaning;

(e) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any government agency as well as an individual;

(f) a reference to a clause, party, part, schedule, attachment or exhibit is a reference to a clause or part of, and a party, schedule, attachment or exhibit to, this Deed;

(g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or reenactments of any of them;

(h) a reference to a document (including this Deed) includes all amendments or supplements to, or replacements or novations of, that document;

(i) a reference to '$', 'A$' or 'dollar' is to Australian currency unless denominated otherwise;

(j) a reference to any time is, unless otherwise indicated, a reference to that time in Sydney;

(k) a term defined in or for the purposes of the Corporations Act has the same meaning when used in this Deed;

(l) a reference to a party to a document includes that party's successors and permitted assignees;

(m) no provision of this Deed will be construed adversely to a party because that party was responsible for the preparation of this Deed or that provision;

(n) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;

(o) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally; and

(p) a reference to a body, other than a party to this Deed (including an institute, association or authority), whether statutory or not:

(1) which ceases to exist; or

(2) whose powers or functions are transferred to another body,

is a reference to the body which replaces it or which substantially succeeds to its powers or functions.

1.3 Inconsistency with Act or Regulations

If there is any inconsistency between the provisions of this Deed and the Act or Regulations, this Deed shall prevail to the extent permitted by law.

1.4 Other inconsistencies

If there is any inconsistency between the provisions of this Deed and the constitution of Nexus and any other obligation binding on Nexus, the provisions of this Deed shall prevail to the extent of the inconsistency, and all persons bound by this Deed agree to sign all documents and do all things necessary to remove such inconsistency, the costs of which shall be borne by Nexus.

1.5 Business Days

Except where otherwise expressly provided, if the day on or by which any act, matter or thing is to be done as required by this Deed is a day other than a Business Day, such act, matter or thing shall be done on the immediately succeeding Business Day.

2 Payment of Trust Fund

(a) The Deed Administrators will pay the Trustees the Fund Amount in accordance with clause 7.4(d) of the DOCA;

(b) If the total amount of the Admitted Claims exceeds the Initial Amount, the Trustees may issue a notice to SGH Energy which sets out:

(1) the amount by which the total of the Admitted Claims exceeds the Initial Amount (**Excess Amount**); and

(2) such information as SGH Energy reasonably requires in respect of the Admitted Claims.

(c) Subject to receiving a notice in accordance with clause 2(b) (and subject to clause 2(d)), SGH Energy must, as soon as reasonably practicable pay the Excess Amount to the Trustees to be used to satisfy the Admitted Claims or so much of them as is able to be satisfied by the payment.

(d) The maximum liability of SGH Energy to make payments to the Trustees under clause 2(c) is limited to $45,000 plus the amount of any Employee Priority Claim which has not been paid in full under the DOCA.

3 Declaration of Trust

3.1 Declaration

The Trustees acknowledge and declare that the Trust Fund will be held on trust by the Trustees for the Trust Creditors and (for any surplus remaining in the Trustees' hands after all other proper payments) for SGH Energy on the terms in this Deed.

3.2 Name of Trust

The trust constituted by this Deed will be called the Nexus Creditors' Trust.

3.3 Trustees' powers

Without limiting the powers that the Trustees have by operation of the Trustees Act, for the purposes of administering the trust created by this Deed, the Trustees have the following powers:

(a) to administer the Trust Fund in accordance with the provisions set out in the DOCA and this Deed;

(b) to fulfil the Trustees' obligations in accordance with the terms of this Deed;

(c) to sell, re-invest or otherwise deal with the assets of the Trust Fund;

(d) to perfect title in any assets of the Trust Fund;

(e) to insure any assets of the Trust Fund;

(f) to, at any time, call meetings of the Creditors for the purpose of considering the variation or termination of this Deed in accordance with the provisions of this Deed;

(g) to admit Claims to proof in accordance with the provisions of the DOCA and this Deed;

(h) to determine Admitted Claims and then to pay Dividends in accordance with the terms of this Deed;

(i) to act as attorney for Nexus or any other person for any purpose associated with the Trust or this Trust Fund;

(j) to enforce compliance with the terms of this Deed;

(k) to accept the transfer of any shares, stocks, debentures, debenture stock, annuities, bonds, obligations or other securities of whatever nature that may at any time be transferred to it;

(l) to enter upon or take possession of the Trust Fund and to collect the revenue or income from or interest on the Trust Fund and exercise any rights or powers relating to any part of the Trust Fund;

(m) to bring, prosecute and defend any claim, action, suit or proceeding, which power includes the power to bring and defend any claim, counter-claim, set-off, action, suit or proceeding in either of Nexus' names or (after assignment) in the Trustees' name, to enforce any right, claim or cause of action that forms part of the Trust Fund, and to that end:

(1) to issue or accept service of any writ, summons or other legal process and to appear or be represented in any court and before all wardens, magistrates or judicial or other officers as the Trustees think fit and to commence or defend and conduct any action or other proceeding in any court of justice in relation to the Trust Fund and any claim, proceeding or action forming part of the Trust Fund and to prosecute, discontinue, compromise, stay, terminate or abandon that proceeding or action as the Trustees think fit;

(2) to appoint any solicitor and counsel to prosecute or defend in those proceedings as occasion may require; and

(3) to take any other lawful ways and means for the recovering or getting in any of the Trust Fund;

(n) to convene and hold meetings of the Creditors for any purpose as the Trustees consider fit;

(o) to permit any person authorised by the Trustees to operate any account in the name of the Trust;

(p) to do all acts and execute in the name and on behalf of the Trust all deeds, receipts and other documents;

(q) to draw, accept, make or endorse any bill of exchange or promissory note in the name and on behalf of the Trust;

(r) subject to the Act, to prove in the winding up of or under any scheme of arrangement entered into by, or deed of company arrangement executed by, any contributory or debtor of the Trust;

(s) to bring or defend an application for the vesting or winding up of the Trust;

(t) to report to the Creditors from time to time;

(u) to make interim or other distributions of the Trust Fund;

(v) to appoint agents to do any business or attend to any matter or affairs of the Trust that the Trustees are unable to do, or that it is unreasonable to expect the Trustees to do, in person;

(w) to appoint a solicitor, accountant or other professionally qualified person to assist the Trustees;

(x) to compromise any claim, action, suit or proceeding brought by or against the Trustees on such terms as the Trustees consider fit, which power includes the power to compromise any claim, action, suit or proceeding referred to in paragraph (m) of this clause;

(y) to provision for and set aside a sum or sums equal to an amount which the Trustees reasonably anticipate may be payable in respect of any tax, including income tax, capital gains tax or GST;

(z) to do anything incidental to exercising a power set out in this Deed; and

(aa) to do anything else that is necessary or convenient for administering the Trust.

4 Trust Fund

4.1 Trust Fund

The Trust Fund shall be comprised of:

(a) the Fund Amount received by the Trustees under clause 2(a) of this Deed; and

(b) (if applicable) any amounts received by the Trustees under clause 2(c) of this Deed.

4.2 Trust Deed

The Trust Fund is to be held by the Trustees for the benefit of the Trust Creditors on the terms of this Deed.

4.3 Distribution of the Trust Fund

(a) Provided that each Trust Creditor has an Admitted Claim, the Trust Fund will be available for distribution to Trust Creditors as follows:

(1) first, to the Trustee in satisfaction of the Trustees Costs (which may include an amount of the Trustees' Costs which it is estimated will be incurred by the Trustee up to the Termination Date);

(2) next, to the relevant Employee Creditor, the amount of any Employee Priority Claim which was not paid in full under the DOCA; and

(3) next, to the remaining Trust Creditors in satisfaction of those Trust Creditors' Claims.

4.4 Surplus in the Trust Fund

In the event that there is:

(a) a surplus or balance in the Trust Fund after the Trust Creditors have received 100 cents in the dollar on their Admitted Claims; or

(b) a remaining balance of any distribution of trust property to Trust Creditors which has remained under the control of the Trustees and has been unclaimed for more than 6 months after the day on which the Trustees declare their intention to distribute a Final Dividend in accordance with this Deed,

such surplus or balance shall be paid by the Trustees to SGH Energy.

4.5 Postponement

Should proceedings be brought by any person in respect of the distribution of the Trust Fund then the Trustees are entitled at their sole discretion to postpone the payment of any entitlement until determined by the Trustees.

5 Perpetuity Period

Notwithstanding any other provision in this Deed, each

(a) interest in property; and

(b) Trustees' power over or in connection with property,

created or granted by this Deed that, but for this provision, might vest, take effect, or be exercisable after the expiry of eighty (80) years commencing on the date of this Deed, but which has not vested or taken effect by that date,

(c) will vest or take effect on the last day of that period; and

(d) is exercisable only on or before the last day of that period.

6 Claims

6.1 Admissibility of Claims

(a) Upon this Deed being settled, and in accordance with clause 6.8 of the DOCA, all Claims of the Trust Creditors against Nexus will convert to and become claims against the Trust Fund under this Deed, equal in amount to the released Claims.

(b) Interest will not accrue or be payable on any Admitted Claim.

6.2 Trustees' discretion

The Trustees may, in their absolute discretion:

(a) admit all or part of a Claim;

(b) reject all or part of a Claim; or

(c) pay any Admitted Claim,

in accordance with the provisions of this Deed.

6.3 Determination of Claims

(a) Subdivisions A, B, C, D and E of Division 6 of Part 5.6 of the Act (except sections 554A(3) to 554A(8) and section 556 (other than to the extent expressly incorporated)) apply to Claims under this Deed as if references to the liquidator were references to the Trustees and references to winding up were references to this Deed, and with such other modifications as are necessary to give effect to this Deed, except to the extent that those provisions are varied or excluded expressly or impliedly by this Deed.

(b) Regulations 5.6.11A, 5.6.37, 5.6.39 to 5.6.43 (inclusive), 5.6.44 to 5.6.53 (inclusive) and 5.6.55 to 5.6.72 (inclusive) of the Regulations shall apply to this Deed and to the Trustees as if references to the liquidator were references to the Trustees and references to winding up were references to this Deed, and with such other modifications as are necessary to give effect to this Deed, except to the extent that those provisions are varied or excluded expressly or impliedly by this Deed.

(c) The Trustee may make interim distributions of trust property under this Deed.

(d) The Trustee must declare and distribute trust property under this Deed as soon as practicable after the Trust comes into effect under clause 3.1. However, subject to clauses 6.3(a) and 6.3(b), the Trustee has an absolute and unfettered discretion as to the admission of Claims, and the amount and timing of the distribution of the trust property in payment of Admitted Claims.

(e) Where the Trustee proposes to reject a Claim (whether in part or in full) the Trustee shall send a notice to the Claimant informing the Claimant of the proposed rejection and giving the party 21 days within which to make an application to the Court under order 54.02 of the Supreme Court (General Civil Procedure) Rules 2005 (Vic) to determine the questions relating to the Claim.

6.4 Retention of and Access to Records

(a) Nexus must retain all records relating to the period prior to the Commencement Date for 7 years in accordance with section 286(2) of the Act.

(b) The Trustees may at any time inspect the books and records of Nexus and Nexus authorise the Trustees and their staff to enter Nexus' premises for the purpose of conducting such an inspection and for the purpose of doing anything necessary or desirable in the exercise of their powers and discretions and the performance of their duties, obligations and responsibilities as Trustees under this Deed.

6.5 Superannuation Debts not Admissible

If the Trustees determine that the whole of a Claim is, save for this clause, otherwise admissible to proof under the terms of this Deed by virtue of being by way of a superannuation contribution, such Claim is not admissible proof if:

(a) a debt by way of superannuation guarantee charge:

(1) has been paid and to that extent only; or

(2) is, or is to be, admissible to proof under this Deed; and

(b) the Trustees are satisfied that the superannuation guarantee charge is attributable to the whole of that Claim.

For the purposes of this clause "superannuation contribution" has the meaning given in section 556 of the Act.

6.6 Creditors' costs and expenses

Any costs and expenses incurred by a Creditor in asserting a Claim under this Deed will be borne by that Creditor and will not form part of that Creditor's Claim under this Deed.

6.7 Abandonment of Claims

A Creditor will have abandoned, and will be taken for all purposes to have abandoned, all Claims and all other entitlements (if any) in the Trust Fund:

(a) which are not the subject of a proof lodged with the Deed Administrators or the Trustees in the form required by the Trustees prior to the declaration of a Final Dividend; or

(b) which have been rejected by the Trustees and which are not the subject of any appeal or application to the Court within the time allowed under clause 6.3(e).

6.8 Discharge of Claims

All persons having a Claim must accept their Admitted Claims under this Deed (if any) in full satisfaction and complete discharge of all claims which they have or claim to have against the Trustees or the Trust Fund and each of them will, if called upon to do so, execute and deliver to the Trustees such forms of release of any such claim as the Trustees require.

6.9 Claims extinguished

On payment of the Final Dividend to the Trust Creditors from the Trust Fund, all Claims against the Trust Fund are extinguished and each Creditor (including the Excluded Creditors) will, if called upon to do so, execute and deliver to the Trustees such forms of release of any Claim as the Trustees require.

6.10 Bar

After distribution of the Final Dividend from the Trust Fund, the Trustees may plead this Deed in bar to any Claim.

6.11 Deed Creditors

The Deed Creditors (other than a Deed Creditor who is also an Employee Creditor and whose Claim is not paid in full under clause 7.3 of the DOCA) are not entitled to participate in or receive any distribution from, and will not prove to recover any Claim for the purposes of, and in relation to, the Trust Fund.

6.12 Subordinated Creditors

The Subordinated Creditors are not entitled to participate in or receive any distribution from, and will not prove to recover any Claim for the purposes of, and in relation to, the Trust Fund.

7 Meetings of Creditors

The Trustees may at any time convene a meeting of Creditors and except to the extent (if any) they are excluded or modified by or are inconsistent with the terms of this Deed, regulations 5.6.11 to 5.6.36A of the Regulations apply, with such modifications as are necessary, to meetings of the Creditors as if the references to the liquidator, the liquidator or provisional liquidator, the liquidator, provisional liquidator or chairperson, or a

liquidator, provisional liquidator or trustee for debenture holders, as the case may be, were references to the Trustees.

8 Remuneration

8.1 Remuneration of Trustees

The Trustees:

(a) are to be remunerated at the usual rates charged from time by McGrathNicol (which are, at the date of this Deed, the Scheduled Rates) in respect of any work done by the Trustees, and any partner or employee of the Trustees, in connection with:

(1) the calling for and adjudicating upon proofs of Claims;

(2) the distribution of the Trust Fund;

(3) the exercise of their powers and discretions and performance of their duties, obligations and responsibilities as Trustees under this Deed; and

(b) acknowledge that the Trustees' Costs, including costs, charges and expenses (including those incurred in connection with advisers) incurred in connection with the foregoing, including any stamp duty payable by them in respect of this Deed will be payable from the Trust Fund.

9 Indemnity

9.1 Indemnity

The Trustees are entitled to be indemnified out of the Trust Fund for all actions, suits, proceedings, accounts, claims and demands arising out of or relating to this Deed which may be commenced, incurred by or made on the Trustees by any person and against all costs, charges and expenses incurred by the Trustees in respect of them, provided that the Trustees shall not be entitled to an indemnity in respect of any liabilities or demands to the extent that the indemnification contravenes the Act or the Trustee Act or if the Trustees, or any partner, employee, authorised agent or delegate of the the Trustees, have acted negligently, in breach of fiduciary duty or in breach of trust.

9.2 Continuing indemnity

This indemnity takes effect on and from the Commencement Date and will be without limitation as to time and will operate notwithstanding the removal of the Trustees (or either of them) and the appointment of new trustees or the termination of this Trust for any reason whatsoever.

9.3 Indemnity not to be affected or prejudiced

The indemnity under clause 9.1 will not:

(a) be affected, limited or prejudiced in any way by any irregularity, defect or invalidity in the appointment of the the Trustees and will extend to all actions,

suits, proceedings, accounts, liabilities, claims and demands arising in any way out of any defect in the appointment of the Trustees, the approval and execution of this Deed or otherwise; or

(b) affect or prejudice all or any rights that the the Trustees may have against any other person to be indemnified against the costs, charges, expenses and liabilities incurred by the Trustees of or incidental to the exercise or performance of any of the powers of authorities conferred on the Trustees by this Deed or otherwise.

10 Liability

10.1 Exclusion of liability

(a) The Trustees, and the Trustees' partners and employees, are not liable for any loss or damage occasioned to the Trust Property or to any person by:

(1) the exercise of any discretion or power conferred by this Deed or by law on the Trustees or any delay or failure to exercise any of those discretions or powers;

(2) any breach of duty or trust, unless it is proved to have been committed, made or omitted in personal, conscious and fraudulent bad faith by the Trustees, partner or employee; or

(3) any disclosure by the Trustees or the officer of any document, matter or thing relating to the Trust, the Trust Property or any Trust Creditor.

(b) All persons claiming any interest in the Trust Property must be treated as taking it with and subject to notice of the protection conferred by this clause 10.

10.2 Proceedings against co-trustee

The Trustees are not bound to take any proceeding against a co-trustee for any breach or alleged breach of trust committed by the co-trustee.

10.3 Reliance on advice

Where the Trustees act in reliance upon the advice of any solicitor instructed on behalf of the Trust in relation to the interpretation of the provisions of this Deed or any document or statute or any matter concerning the administration of the Trust, the Trustees are not liable to any person in respect of any act done or omitted to be done by the Trustees in accordance with the advice.

11 Trustees' Resignation

Any Trustee may resign at any time by giving not less than 28 days' prior written notice to Nexus in which event the Trustees must:

(a) convene a meeting of Trust Creditors in accordance with clause 7 of this Deed for the purpose of nominating a replacement trustee;

(b) assign to a replacement trustee nominated by the Trust Creditors the Trustees' rights, title and benefit under this Deed; and

(c) do all things reasonably necessary to effect the assignment referred to in clause 11(b).

12 Trustees Not Obliged to Take Action

The Trustees will not be obliged to take any action under this Deed until such time as there are sufficient funds in hand to pay their remuneration, costs, fees and expenses.

13 Termination

13.1 Termination of the Trust

This Trust will terminate and the Trustees will resign as soon as reasonably practicable:

(a) after distribution of the Final Dividend from the Trust Fund; or

(b) upon the expiry of the perpetuity period referred to in clause 5,

whichever occurs first.

13.2 Meeting of Trust Creditors

The Trustees must convene a meeting of Trust Creditors to consider a resolution to vary this Deed or terminate the Trust if:

(a) at any time prior to the termination of the Trust, the Trustees determine that it is no longer practicable or desirable to continue to implement or carry out this Deed; or

(b) the Court so orders.

13.3 Termination of the Trust by Court order and Trust Creditors' resolution

This Trust will terminate if:

(a) a Court so orders; or

(b) the Trust Creditors pass a resolution terminating this Trust at a meeting duly convened pursuant to clause 13.2.

In that event, any remaining part of the Trust Fund must be immediately refunded to the SGH Energy and shall not be available for distribution to Trust Creditors.

13.4 Report to Trust Creditors

Upon a meeting being convened pursuant to clause 13.2, the Trustees must send each Trust Creditor prior to the meeting a report as to the state of affairs of the Trust accompanied by such financial statements as the Trustees think fit. The report must include:

(a) a statement explaining the circumstances which have caused the Trustees to convene the meeting pursuant to clause 13.2; and

(b) a statement that this Trust will be terminated if the Trust Creditors so resolve.

13.5 Previous operation of this deed preserved

The termination or avoidance, in whole or in part, of this Trust does not affect the efficacy of any act done prior to the termination or avoidance.

13.6 Variation of Deed

This Deed may be varied:

(a) with the consent of the Trustees by resolution passed at a meeting of Trust Creditors by a majority of Trust Creditors in number and in value, but only if the variation is not materially different from the proposed variation set out in the notice of that meeting; or

(b) by the Court upon application of any of the Trust Creditors or the Trustees in accordance with sections 63A and 64 of the Trustee Act.

14 General

14.1 Invalidity and enforceability

(a) If any provision of this Deed is invalid under the law of any jurisdiction the provision is enforceable in that jurisdiction to the extent that it is not invalid, whether it is in severable terms or not.

(b) Clause 14.1(a) does not apply where enforcement of the provision of this Deed in accordance with clause 14.1(a) would materially affect the nature or effect of the parties' obligations under this Deed.

14.2 Waivers

No party to this deed may rely on the words or conduct of any other party as a waiver of any right unless the waiver is in writing and signed by the party granting the waiver.

The meanings of the terms used in this clause 14.2 are set out below.

Term	Meaning
conduct	includes delay in the exercise of a right.
right	any right arising under or in connection with this Deed and includes the right to rely on this clause.
waiver	includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

14.3 Counterparts

(a) This Deed may be executed in any number of counterparts.

(b) All counterparts, taken together, constitute one instrument.

(c) A party may execute this deed by signing any counterpart.

14.4 Governing law

This Deed is governed by the law in force in the State of Victoria.

14.5 Further action to be taken at each party's own expense

Each party must, at its own expense, do all things and execute all documents necessary to give full effect to this deed and the transactions contemplated by it.

14.6 Entire agreement

This Deed states all the express terms agreed by the parties in respect of its subject matter. It supersedes all prior discussions, negotiations, understandings and agreements in respect of its subject matter.

14.7 No reliance

No party has relied on any statement by any other party not expressly included in this Deed.

14.8 Relationship of the parties

Nothing in this Deed gives a party authority to bind any other party in any way.

14.9 Exercise of rights

(a) Unless expressly required by the terms of this Deed, a party is not required to act reasonably in giving or withholding any consent or approval or exercising any other right, power, authority, discretion or remedy, under or in connection with this Deed.

(b) A party may (without any requirement to act reasonably) impose conditions on the grant by it of any consent or approval, or any waiver of any right, power, authority, discretion or remedy, under or in connection with this Deed. Any conditions must be complied with by the party relying on the consent, approval or waiver.

14.10 Stamp duty

Any stamp duty assessed on this Deed is to be paid out of the Trust Fund.

15 Notices

15.1 Form of Notice

A notice or other communication to a party under this Deed (**Notice**) must be:

(a) in writing and in English and signed by or on behalf of the sending party; and

(b) addressed to that party in accordance with the details nominated in Schedule 2 (or any alternative details nominated to the sending party by Notice).

15.2 How Notice must be given and when Notice is received

(a) A Notice must be given by one of the methods set out in the table below.

(b) A Notice is regarded as given and received at the time set out in the table below.

However, if this means the Notice would be regarded as given and received outside the period between 9.00am and 5.00pm (addressee's time) on a Business Day (**business hours period**), then the Notice will instead be regarded as given and received at the start of the following business hours period.

Method of giving Notice	**When Notice is regarded as given and received**
By hand to the nominated address	When delivered to the nominated address
By pre-paid post to the nominated address	At 9.00am (addressee's time) on the second Business Day after the date of posting
By fax to the nominated fax number	At the time indicated by the sending party's transmission equipment as the time that the fax was sent in its entirety. However, if the recipient party informs the sending party within 4 hours after that time that the fax transmission was illegible or incomplete, then the Notice will not be regarded as given or received. When calculating this 4 hour period, only time within a business hours period is to be included.
By email to the nominated email address	When the email (including any attachment) comes to the attention of the recipient party or a person acting on its behalf.

15.3 Notice must not be given by electronic communication

A Notice must not be given by electronic means of communication (other than fax and email as permitted in clause 15.2).

HERBERT SMITH FREEHILLS

Schedule 1

Hourly Rates – McGrath Nicol

Role	Hourly Rate (excluding GST)
Partner	$690
Director 1	$625
Director	$580
Senior Manager	$515
Manager 1	$460
Manager	$410
Assistant Manager	$370
Senior Accountant 1	$320
Senior Accountant	$285
Accountant 1	$250
Accountant	$245
Undergraduate/Cadet	$210
Practice Services Director	$580
Senior Practice Services	$410

HERBERT
SMITH
FREEHILLS

Senior Client Administration and Senior Treasury	$210
Client Administration and Treasury	$160

HERBERT SMITH FREEHILLS

Schedule 2

Notice details

Clause 15.1

Trustees	Matthew Caddy, Tony McGrath and Jason Preston in their capacity as joint and several Deed Administrators of Nexus
Address	Level 31, 60 Margaret Street, Sydney NSW 2000
Attention	Matthew Caddy
Phone	+61 2 9338 2600
Fax	+61 2 9338 2699
Email	MCaddy@mcgrathnicol.com

Nexus	Nexus Energy Limited (Subject to Deed of Company Arrangement)
Address	Level 23, 530 Collins St, Melbourne VIC 3000
Attention	Susan Robutti
Phone	+61 3 9660 2500
Fax	+61 3 9660 2574
Email	srobutti@nxs.com.au

SGH Energy	SGH Energy (No 2) Pty Limited
Address	Level 2, 38-42 Pirrama Road, Pyrmont NSW 2009
Attention	Warren Coatsworth
Phone	+61 2 8777 7777
Fax	+61 2 8777 7192
Email	WCoatsworth@seven.com.au

HERBERT
SMITH
FREEHILLS

Signing page

Executed as a deed

Deed Administrator

Signed sealed and delivered by
Matthew Caddy

sign here ►

print name MATTHEW CADDY

in the presence of

sign here ►
Witness

print name LISA CLINGAN

Deed Administrator

Signed sealed and delivered by
Tony McGrath

sign here ►

print name

in the presence of

sign here ►
Witness

print name

HERBERT
SMITH
FREEHILLS

Signing page

Executed as a deed

Deed Administrator

Signed sealed and delivered by
Matthew Caddy

sign here ► _____

print name _____

in the presence of

sign here ► _____
Witness

print name _____

Deed Administrator

Signed sealed and delivered by
Tony McGrath

sign here ► _____

print name Anthony Gregory McGrath

in the presence of

sign here ► _____
Witness

print name Zoe Baslian

HERBERT
SMITH
FREEHILLS

Deed Administrator

Signed sealed and delivered by
Jason Preston

sign here ►

print name Jason Preston

in the presence of

sign here ►

Witness

print name Zoe Bastian

Signed for
Nexus Energy Limited (Subject to Deed of Company Arrangement)
by its one of its joint and several ~~Deed~~ Administrators

sign here ►

Administrator

print name JASON PRESTON

in the presence of

sign here ►

Witness

print name LEANNE JANINE BELTON

HERBERT
SMITH
FREEHILLS

Signed for
SGH Energy (No 2) Pty Limited
in accordance with section 127 of the *Corporations Act 2001 (Cth)*

sign here ▶ _____
~~Director /~~ Company Secretary

print name JOHN KENNETH KINNINMONT

sign here ▶ _____
Director / Company Secretary

print name RICHARD RICHARDS

Messrs Matthew Caddy, Tony McGrath and Simon Caddy
Deed Administrators of Nexus Energy Limited (Subject to Deed of Company Arrangement)
McGrath Nicol
Level 31, 60 Margaret St
SYDNEY NSW 2000
MCaddy@mcgrathnicol.com

29 September 2014
By Email

Dear Sirs

Confidential

Deed of Company Arrangement - Extension of Conditions satisfaction date

We refer to the deed of company arrangement between SGH Energy, Nexus, and the Deed Administrators and dated 22 August 2014 (**Deed**). Unless otherwise indicated, capitalised terms in this letter have the same meaning as in the Deed.

Pursuant to clause 4.3 of the Deed, we confirm our agreement to an extension of the date by which the conditions in clause 4.1 of the Deed must be satisfied to 31 October 2014.

Please indicate your agreement to this extension by signing this letter and returning a copy to us.

Signed on behalf of
SGH Energy (No 2) Pty Limited
by

sign here ►
Company Secretary/~~Director~~

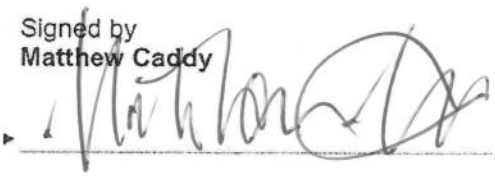
print name John Kininmont

sign here ►
Director

print name Bruce McWilliam

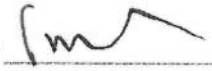
Deed Administrator

Signed by
Matthew Caddy

sign here ▸ 

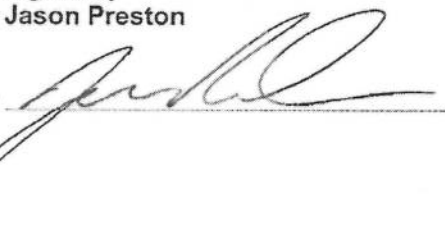
Deed Administrator

Signed by
Tony McGrath

sign here ▸ 

Deed Administrator

Signed by
Jason Preston

sign here ▸ 

SGH Energy (No 2) Pty Limited | ABN 42 168 935 644
Level 2, 38-42 Pirrama Road | Pyrmont NSW 2009 Australia | Postal Address: PO Box 777 | Pyrmont NSW 2009 Australia
Telephone +61 2 8777 7777 | Facsimile +61 2 8777 7192