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## Nexus Energy Limited and Santos Limited agree to amend Longtom Gas Sales Agreement

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The amended Longtom Gas Sales agreement provides:

- **Enhanced value of the Longtom asset through a revised production profile and pricing structure**
- **Revised contract parameters that support a strong business case for the forward work program, which includes drilling of Longtom-5**

Nexus Energy Limited (ASX:NXS) (Nexus) today announces that it has reached a binding agreement with Santos Limited (Santos) to amend the Longtom Agreement relating to Nexus' 100% owned Longtom gas production asset.

The agreement is subject to certain conditions being satisfied or waived by 30 June 2013. These include Nexus obtaining funding for the required work program to satisfy the supply requirements (which may be satisfied or waived by Nexus), and Santos confirmation of the capacity to accommodate Longtom-5 into the existing subsea infrastructure (which may be satisfied or waived by Santos).

The amendments to the Longtom Agreement, which take effect from 1 July 2013 (subject to the satisfaction or waiver of the conditions above), provide for a revised production profile and pricing structure for delivery of a remaining aggregate contract quantity of 83PJ of gas for the period to 31 December 2018.

Consistent with the amended production profile, Nexus plans to drill the Longtom-5 well in late 2014, with increased deliveries to Santos under an accelerated production profile from early 2015. The required work program also includes a workover of the Longtom-4 well to access previously unexploited sands. Under these arrangements, a strong business case for the development of the Longtom asset has been achieved and underpins the revised supply requirements under the Longtom Agreement in full.

The amendments also provide contractual arrangements for additional production from the Longtom area to be processed through Santos' Patricia-Baleen processing plant should further quantities be available for sale from the Longtom area prior to 31 December 2018.

Lucio Della Martina, Managing Director and Chief Executive Officer of Nexus Energy, said,

*"This is a positive commercial outcome for both Nexus and Santos with the production profile re-aligned to meet future gas supply and demand. The amended agreement increases the value of Longtom and a strategic review of the asset including growth options has been initiated. This represents important progress towards achieving Nexus' strategic objectives, one of which is to optimise the value from the Longtom asset."*

**Lucio Della Martina**  
Managing Director & Chief Executive Officer

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**Background - Longtom Gas Project VIC/L29 (Nexus 100%)**

The Longtom gas field is located in Production Licence VIC/L29 within the Gippsland Basin, offshore Victoria. Longtom was originally discovered by BHP in 1995 but was considered non-economic at the time. In 2006, Nexus and its partners drilled the Longtom-3 well which confirmed the commercial potential of the field when a flow rate of over 75 MMscf/d was recorded during a production test over several reservoir sections.

A gas sales agreement for Longtom was signed with Santos in December 2005. A final commitment to the development of the Longtom gas project was made in April 2007 following completion of commercial arrangements for financing the development. First production from the Longtom gas project commenced in October 2009.

The Longtom development involves the production of gas through two horizontal subsea wells tied-back to an upgraded Santos operated Patricia-Baleen onshore gas plant. Gas is delivered into the eastern gas pipeline connecting the Melbourne and Sydney gas markets and condensate is trucked and sold to the Shell refinery in Geelong. Further upside volume potential within the production licence is recognised with the Grayling-1A gas discovery and the undrilled Gemfish prospect.

Nexus is the operator of the Longtom gas project and has managed the drilling of the offshore wells, with substantial horizontal sections; construction and design of all offshore facilities; and the gas sales and financing arrangements.

