



SGH

Industrial Services, Media and Investments

Investor presentation

Scheme offer for Nexus Energy Limited

April 2014



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Disclaimer

Basis of preparation of slides

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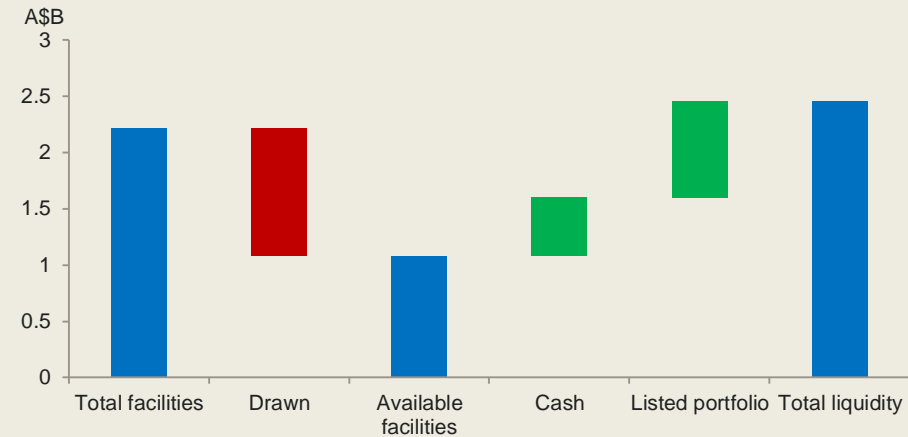
Investment approach and portfolio enhancement

SGH adopts a disciplined, value-driven methodology of investment selection

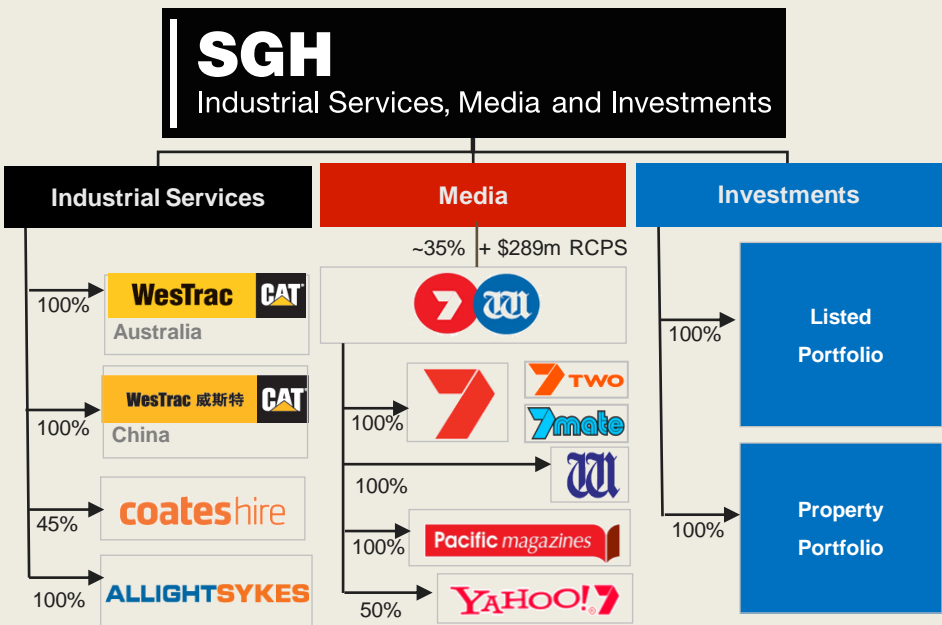
Indicative criteria for new strategic investments

- ▶ Asset quality (growth sectors that offer comparative advantage)
- ▶ Add value beyond capital (leveraging existing assets, expertise or relationships)
- ▶ ROI to exceed cost of capital
- ▶ Enhance portfolio diversification (scalability / capacity for further investment)
- ▶ Acceptable risk profile
- ▶ Acceptable implied opportunity cost (quantum, timing & liquidity of investment)

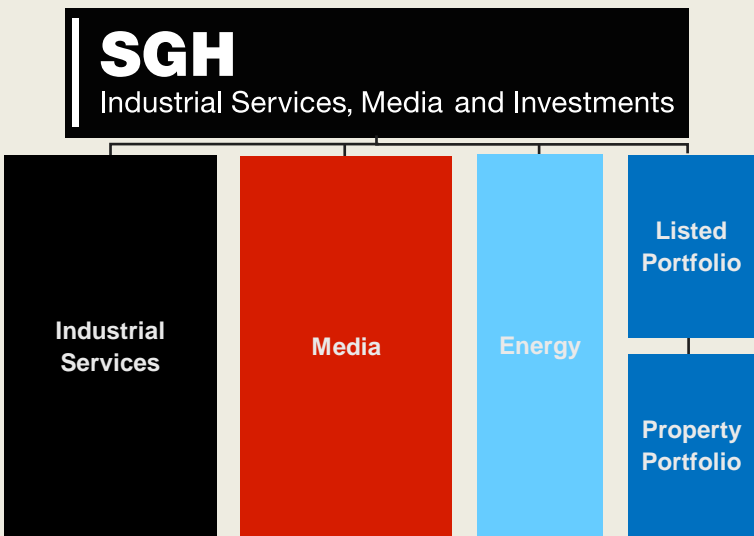
SGH has funding capacity for strategic investment



Building on a diversified operating & investment portfolio...



To optimise long-term value-creation, flexibility & resilience...



With a continued focus on identifying new strategic investment opportunities...

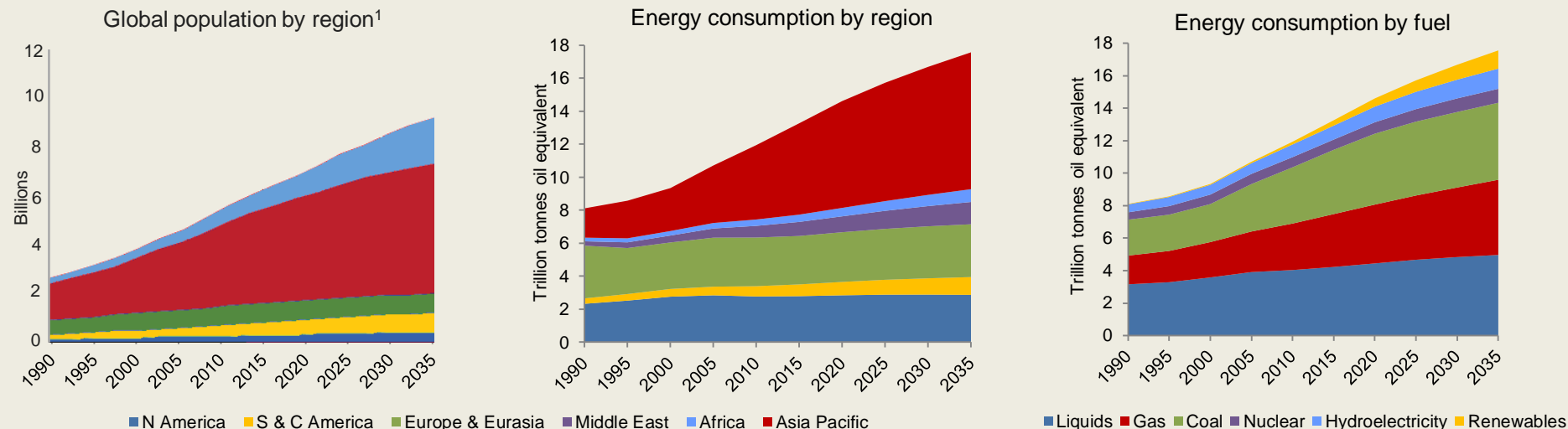
1. Group structure & funding capacity as at 31-Dec-13.
2. Seven West Media (SWM) investment includes 35% of SWM ordinary shares on issue & \$289m book value of Redeemable Convertible Preference Shares (RCPS), as at 31-Dec-13.
3. Interest in Coates Hire based on diluted interest after considering vesting conditions for options issued under Coates Management Equity Plan.



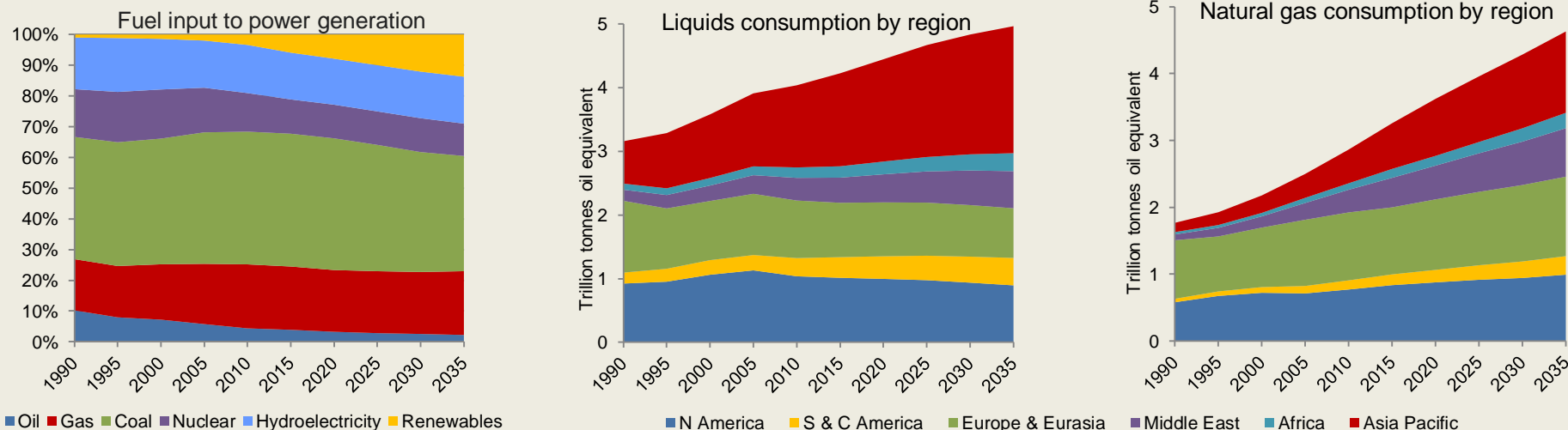
Strategic rationale for investment in Oil & Gas

Global & regional energy market trends support the view that the sector offers long-term value

Population & urbanisation growth is lifting energy demand, especially for natural gas, which is versatile, affordable & relatively clean



Demand for gas as an input to power generation and strong Asia-Pacific Oil & Gas consumption growth is expected to continue



Sources: United Nations Department of Economic & Social Affairs; BP.
1. Middle East consolidated in Asian estimates.



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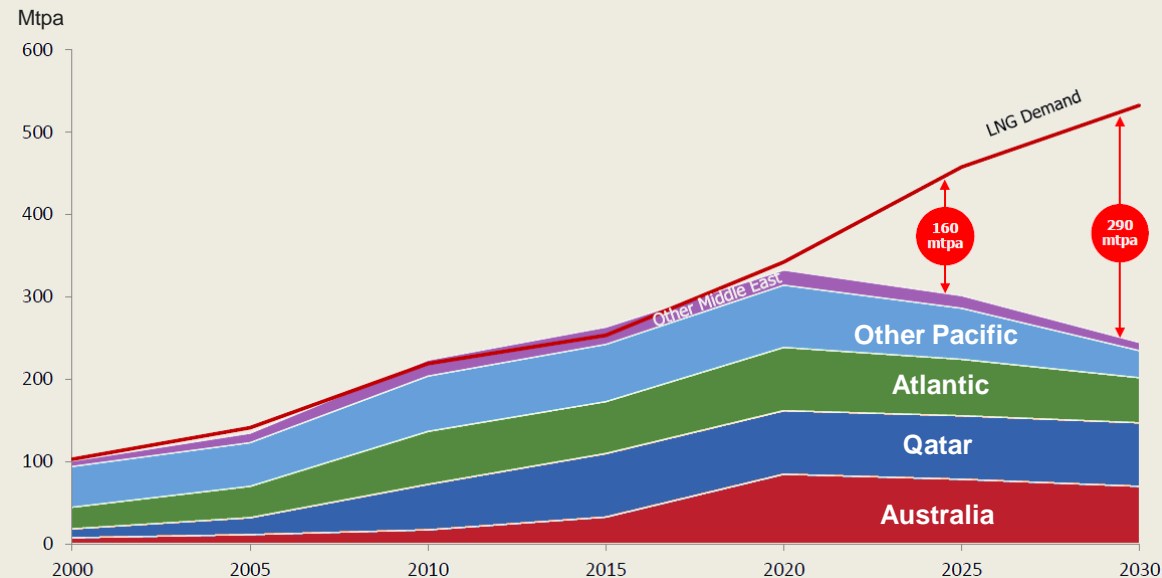
Strategic rationale for investment in Australian Oil & Gas

Australia's comparative advantage in natural resources & recent gas market dislocation are attractive

Key rationale for domestic Oil & Gas investment

- ▶ Australia has **world-class Oil & Gas resources and expertise**
- ▶ Australia's **proximity to the Asian LNG market**, where demand & pricing are attractive, represents a strong comparative advantage
- ▶ The **Australian Gas sector has experienced market dislocation**, particularly small-caps, as global majors divest non-core assets, suffer cost blowouts & experience technical difficulties in collecting coal seam gas (CSG), which has created the opportunity to acquire selected assets at reasonable valuations
- ▶ **Proximity to management & operations, in a familiar, stable economy** with relatively low geopolitical risk, with the opportunity to leverage SGH & Nexus' Oil & Gas expertise
- ▶ Oil & Gas **diversifies SGH's current domestic portfolio** and, as a new sector of investment, avoids competition with valued WesTrac customers that have operations in other commodities

Australia's share of global LNG supply is growing & excess demand expected post-2020 positions Australian supply favourably¹



Sources: Wood Mackenzie, Santos.

1. LNG supply represents contracted volumes & potential contract roll-overs from operating & under construction projects.



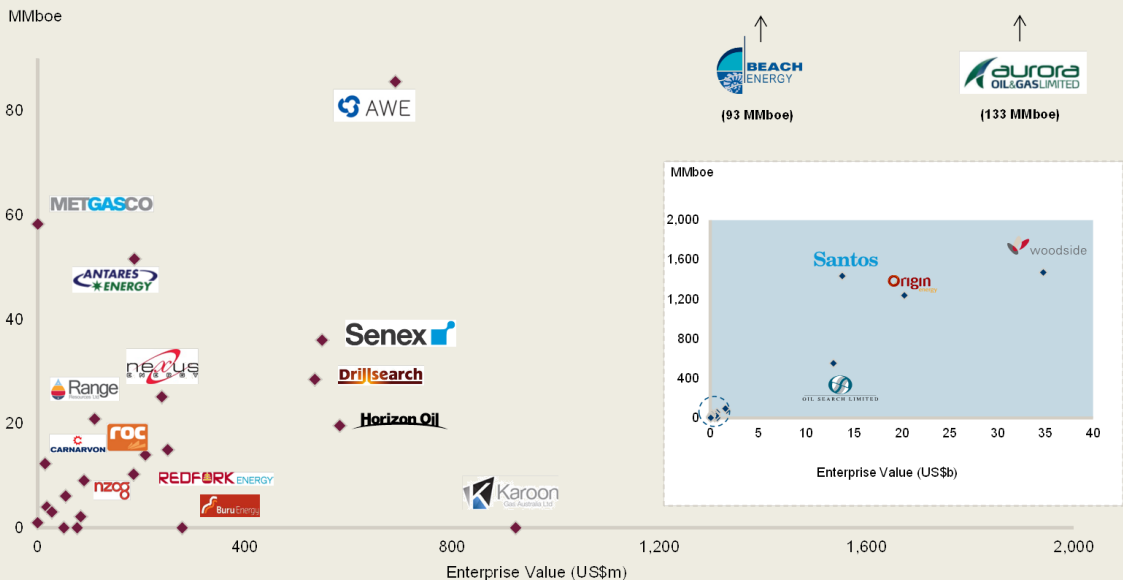
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Oil & Gas – identifying value & leveraging expertise

Value considerations

- ▶ **Upstream assets** (exploration, development & production) are preferable to downstream assets (refinement, transportation & marketing), given Australia's strengths in natural resource ownership & extraction and the dominance of NOCs & large multinational firms in other segments of the sector that have lower costs of capital
- ▶ **Conventional gas opportunities** require less drilling & are less technically complex in general
- ▶ **USD functional currency** diversifies SGH's currency exposure
- ▶ Opportunity to progress assets from **development to production** stage is attractive
- ▶ **LNG pricing should remain stable**

Relative valuation of large-cap & small-cap ASX Energy stocks



SGH's key Oil & Gas expertise

| | |
|--|--|
| Don Voelte AO Managing Director & Chief Executive Officer, SGH | 39+ years' experience in global Oil & Gas. Prior roles include MD & CEO of Woodside Petroleum Limited (Woodside) (2004-11) & senior Executive roles at Mobil Corporation, Atlantic Richfield Company & Chroma Energy. Degree in Civil Engineering, University of Nebraska. |
| Martin Ferguson AM Group Executive, Resources, SGH | Director, British Gas (BG). Former Member of Parliament (1996–2013) & Minister for Resources & Energy (2007–2013); retired prior to the 2013 general elections. Degree in Economics (Hons), University of Sydney. |
| Bill Forbes AM Chief Risk, Safety & Security Officer SGH | 8+ years' experience in global Oil & Gas. Prior roles include Security & Emergency Manager at Woodside Energy, various roles in Australian Defence Force, US Marine Corp, US Navy Seals. US Marine Corps Command & Staff College (Hons). |



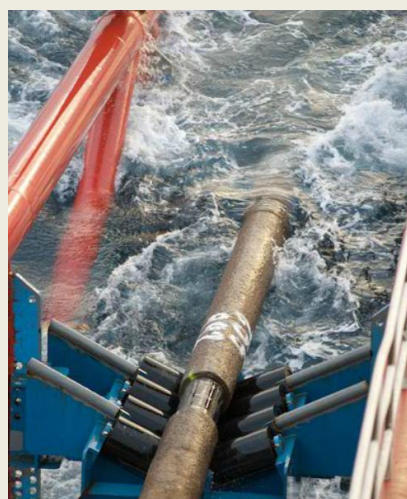
Nexus Energy Limited (Nexus) – Company overview

Description

- ▶ ASX-listed Oil & Gas explorer & producer, with a portfolio of assets: Longtom – a producing gas/condensate field in the Gippsland Basin (off the south east coast of Victoria) – and Crux & Echuca Shoals – development & exploration assets in the Browse Basin (off the northwest coast of Western Australia)

Recent challenges

- ▶ **Reserves downgrades & asset impairments** (2012): 2P reserves downgrade led to \$163m impairment of Longtom & \$81m impairment of Crux long lead items associated with a former liquids project, as reflected in Nexus' FY12 accounts
- ▶ **Operating issues** (Jun-12, Jan-May-13 & since Feb-14): Longtom gas production suspensions due to electrical faults, the latest of which is ongoing
- ▶ **Legacy litigation issues:** Disputes with former directors (settled), Sedco (settlement terms agreed Mar-14, completion pending acquisition completion) & TDJV (regarding a 2007 contract, TDJV in liquidation since Dec-09)
- ▶ **Financial pressure:** Nexus' senior lenders reviewed ongoing support for the company



Historical profit & loss

| \$'000, unless otherwise stated | 1HFY14 | FY13 | FY12 |
|-----------------------------------|-----------|---------------------|------------------------|
| Revenue ¹ | 28,624 | 51,996 | 80,670 |
| Operating costs | (23,308) | (33,424) | (66,170) |
| Operating profit/(loss) | 5,316 | 18,572 | 14,500 |
| Other income | 4,560 | 57,471 | 3,986 |
| Other expenses | (21,728) | (47,620) | (51,222) |
| D & A | (76) | (160) | (98) |
| Impairments | (22,174) | | (243,816) |
| Provisions | (4,066) | | |
| Inventory write downs/disposals | | | (8,359) |
| Currency & derivative adjustments | 141 | 540 | 1,568 |
| PBT | (38,027) | 28,803 | (283,441) |
| Income tax | (112,090) | (11,255) | (58,882) |
| NPAT | (150,117) | 17,548 ² | (342,323) ³ |
| Basic EPS (cents) | (11.29) | 1.32 | (25.8) |
| Diluted EPS (cents) | (11.29) | 1.31 | (25.8) |

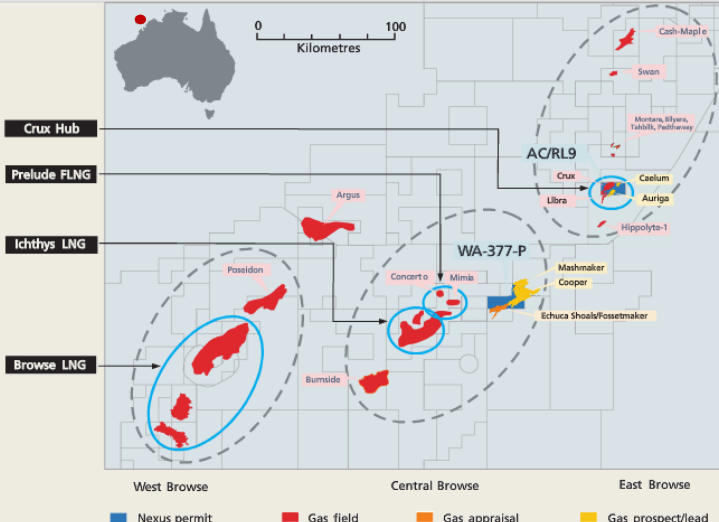
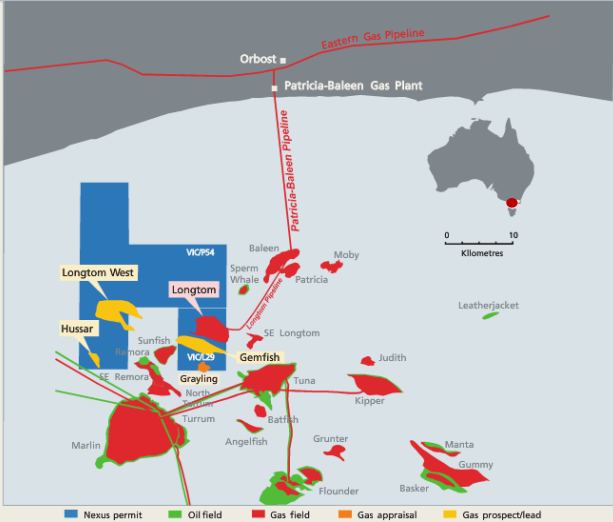
1. Longtom gas sales revenue was impacted in FY12 & FY13 due to production suspensions.
2. Includes \$46m profit on disposal of a 2% interest in Crux to Shell.
3. Includes Crux consolidation of interests transaction (Crux production license conversion) & impairments of Longtom & Crux.



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Nexus – Asset overview

| | Longtom | Crux | Echuca Shoals |
|--|--|---|--|
| Location | Gippsland Basin, offshore Victoria | Browse Basin, offshore Western Australia | Browse Basin, offshore Western Australia |
| Licence ownership | Longtom, Gemfish, Grayling - VIC/L29: 100% Longtom West - VIC/P54: 100% | Crux, Auriga, Caelum, Shiraz AC/RL9: 15% (Shell - 82%; Osaka Gas - 3%) | Echuca Shoals/Fossetmaker, Mashmaker WA-377-P: 100% |
| Description | Longtom – gas & condensate in production Grayling – gas in appraisal Gemfish & Longtom West – gas prospects | Discovered gas & condensate in appraisal, with first gas not expected until 2024 at earliest. Shell & Osaka Gas hold pre-emptive rights over Nexus’ interest (not triggered by Nexus’ takeover) | Gas & condensate field in exploration |
| Reserves estimate – proved & probable (2P) | Sales gas (PJ): Longtom - 121 Condensate (MMStb): Longtom - 1.40 | | |
| Contingent resource estimate – best estimate (2C) recoverable | Sales gas (PJ): Longtom - 102 Condensate (MMStb): Longtom - 1.14 | | |
| Discovered petroleum initially in-place (P50 best estimate) ^{1, 2, 3} | Gas in place (Bcf): Grayling – 33 Condensate in place (MMbbls): Grayling – 1.0 | Gas in place (Bcf): Crux -374 Condensate in place (MMbbls): Crux - 13 | Gas in place (Bcf): Echuca Shoals - 35 Condensate in place (MMbbls): Echuca Shoals- 1.4 |
| Undiscovered petroleum initially in-place (P50 best estimate unrisked) ^{1, 3} | Gas in place (Bcf): Gemfish - 274; Grayling - 86; Longtom West - 292 Condensate in place (MMbbls): Gemfish - 12; Grayling - 2; Longtom West - 3 | Gas in place (Bcf): Auriga - 192; Caelum - 162; Shiraz - 35 Condensate in place (MMbbls): Auriga - 6; Caelum - 6; Shiraz - 1 | |
| Medium-term capital commitments ³ | ~A\$110m: Longtom development | ~A\$55m: Auriga drilling plus plugging & abandonment | ~A\$60m: drilling obligations |



- Crux field/prospect volumes show only Nexus’ 15% interest.
- P50 discovered estimates for Crux were prepared by Gaffney, Cline & Associates (GCA) as of 31-Oct-11, reported to Nexus in Nov-11 & not updated since.
- Based on Nexus management estimates – not yet verified by SGH.



Independent engagement with Nexus

SGH took appropriate, effective steps to ensure its engagement with Nexus proceeded according to the highest standards of corporate governance.

- ▶ Dec-13: Nexus' advisors approached SGH to invite SGH to consider a whole-of-company takeover of Nexus
- ▶ SGH established an independent Nexus Review Committee comprising COO Ryan Stokes, CFO Richard Richards & Commercial Director Bruce McWilliam to evaluate Nexus as a potential investment opportunity & make a recommendation to the SGH Board
- ▶ SGH MD & CEO Don Voelte expressly excluded himself from:
 - ▶ Nexus' evaluation of SGH as a potential acquirer of Nexus
 - ▶ Membership of the Nexus Review Committee
 - ▶ Any SGH Board meeting convened in relation to Nexus (notwithstanding that Nexus did not require him to do so)
 - ▶ Nexus entirely and permanently by resigning the position of Chairman



Proposed acquisition of Nexus

On 31-Mar-14, SGH announced it had signed a conditional Merger Implementation Agreement to acquire Nexus via scheme of arrangement.

Offer highlights

- ▶ Nexus shareholders to receive A\$0.02 per share in cash
- ▶ Transaction close is expected in Jun-14, subject to various conditions, including, among others, Nexus shareholder & court approval
- ▶ SGH has acquired the senior debt & sufficient subordinated notes to enable it to provide Nexus a A\$40m four month bridge-loan facility, to enable Nexus to remain solvent until the proposed scheme of arrangement is implemented

Indicative transaction timetable

| Event | Timing |
|--|--------------|
| Draft Scheme Booklet to ASIC | Mid Apr-14 |
| 1st Court Hearing | Early May-14 |
| Notice of Meeting sent to Nexus shareholders | Early May-14 |
| Scheme Meeting | Mid Jun-14 |
| 2nd Court Hearing / Effective Date | Mid Jun-14 |
| Scheme Record Date | Late Jun-14 |
| Implementation Date | Late Jun-14 |

Contingency plan

- ▶ As Nexus noted in its 1H results released on 14-Mar-14, "the continuing viability of [Nexus] and its ability to continue as a going concern and meet its debt and commitments as they fall due, are dependent upon [Nexus] being successful in generating sufficient future cash flows to meet its debt repayments and other obligations."
- ▶ If the requisite shareholder approval (at least 75% of shareholders by value & 50% by number of shareholders who vote) is not obtained at the Scheme Meeting, SGH's control of Nexus' senior debt will enable SGH to control the voluntary administration called by Nexus' directors

Indicative sources and uses of funds

| Sources of funds A\$m | | Uses of funds A\$m | | |
|--------------------------|------------|--|------------|---|
| Existing facilities | 438 | Subordinated noteholders | 107 | \$180m Indicative acquisition cost |
| | | Senior debtholders | 44 | |
| | | Shareholders | 27 | |
| | | Transaction costs | 2 | |
| | | Sedco litigation settlement ¹ | 33 | Likely required in next 18- months |
| | | Future capital expenditure: ² | | |
| | | Longtom | 110 | |
| | | Crux | 55 | |
| | | Echuca Shoals | 60 | |
| Total | 438 | Total | 438 | |

1. Subject to approval of the proposed scheme of arrangement.
2. Nexus' estimates only – not yet verified by SGH.



Balance sheet considerations on acquisition

SGH is required to recognise appropriate provisions (including covering contingent liabilities) in respect of Nexus & has 12 months to re-state Nexus' assets & liabilities to fair value.

Nexus' balance sheet prior to acquisition

| A\$'000 | As at 31-Dec-13 | Adjustments | Pro-forma |
|----------------------------------|--------------------|-------------|----------------|
| Current assets | | | |
| Cash and cash equivalents | 10,049 | (5,249) | 4,800 |
| Trade and other receivables | 5,972 | | 5,972 |
| Inventories | 16 | | 16 |
| Other current assets | 2,165 | | 2,165 |
| Total current assets | 18,202 | | 12,953 |
| Non-current assets | | | |
| Property, plant and equipment | 137 | | 137 |
| Deferred tax asset | - | | |
| Intangible assets | 3 | (3) | TBC |
| Exploration & evaluation assets | 12,889 | | 12,889 |
| Development assets | 247,414 | | 247,414 |
| Production assets | 110,453 | | 110,453 |
| Other non-current assets | 19,156 | | 19,156 |
| Total non-current assets | 390,052 | | 390,049 |
| Total assets | 408,254 | | 403,002 |
| Current liabilities | | | |
| Trade and other payables | 11,003 | | 11,003 |
| Borrowings | 54,182 | (54,182) | - |
| Total current liabilities | 65,185 | | 11,003 |
| Non-current liabilities | | | |
| Trade and other payables | - | | |
| Derivative financial liabilities | 132 | | 132 |
| Borrowings | 97,241 | (97,241) | - |
| Long term provisions | 86,682 | 33,000 | 119,682 |
| Total non-current liabilities | 184,055 | | 119,814 |
| Total liabilities | 249,240 | | 130,817 |
| Net assets | 159,014 | | 272,185 |

Indicative only

- ▶ Based on Nexus' balance sheet as at 31-Dec-13 (adjusted for known change in cash balance) total assets historically determined to be acquired, pre-goodwill, are ~A\$403m (as highlighted)
- ▶ SGH would assume liabilities of ~A\$131m (as highlighted), excluding borrowings & including ~A\$33m Sedco litigation settlement provision
- ▶ SGH would acquire net assets of ~A\$272m, pre-fair value adjustment
- ▶ As per the indicative "uses of funds" on slide 8, SGH's acquisition cost would be ~A\$180m
- ▶ Enterprise value implied by acquisition cost, being the sum of Nexus' liabilities assumed (A\$131m) & payments made (~A\$180m) is ~A\$311m
- ▶ SGH would acquire gross assets of ~A\$403m for A\$311m, resulting in a fair value adjustment for the difference (A\$92m)
- ▶ SGH would hold Nexus' assets on a preliminary basis post-acquisition & have 12 months to re-state them at fair value
- ▶ Acquisition would enable SGH to utilise its true balance sheet capacity, at a lower marginal cost of debt than Nexus



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