
Registration of Scheme Booklet and reinstatement of Nexus shares

Nexus Energy Limited (ASX:NXS) (**Nexus**) today provides a further update in relation to the proposed scheme of arrangement under which Seven Group Holdings Limited (**SGH**) will acquire, through its wholly owned subsidiary SGH Energy (No 2) Pty Limited, all of the shares in Nexus (**Scheme**).

Following the orders made by the Federal Court of Australia on 7 May 2014, a copy of the Scheme Booklet, which includes an independent expert's report prepared by Deloitte Corporate Finance Pty Ltd, was registered with the Australian Securities and Investments Commission. The Scheme Booklet accompanies this announcement, and will now be printed and despatched to Nexus shareholders.

The Scheme Booklet also contains notice convening the meeting of Nexus shareholders to consider and vote on the Scheme. The Scheme Meeting will be held at 11.00 am (Melbourne time) on 12 June 2014 in Promenade Rooms 2 & 3 of the Crown Promenade Hotel on Level 1, 8 Whiteman Street, Southbank, Victoria.

Shareholders should read the Scheme Booklet in full as it contains important information in relation to the Scheme and will assist shareholders in making an informed decision on how to deal with their Nexus shares, including as to whether or not to vote in favour of the Scheme. The Scheme Booklet contains information on how to vote at the Scheme Meeting. If shareholders are in any doubt as to how to deal with the Scheme Booklet, they should consult their financial, legal or other professional adviser.

As announced on 5 May 2014, Nexus shares will be reinstated to quotation following the release of this announcement.

If you have any queries with respect to voting or the Scheme in general, please call the Shareholder Information Line on: 1300 856 028 within Australia or +61 2 8022 7909 outside Australia, or visit the Scheme website at www.nexusenergyscheme.com.

Lucio Della Martina
Managing Director & Chief Executive Officer

For further information please contact:
Susan Robutti
Chief Financial Officer & Company Secretary



Scheme Booklet

for the acquisition of all of the issued shares in Nexus Energy Limited ACN 058 818 278 by SGH Energy (No 2) Pty Limited ACN 168 935 644, a wholly owned subsidiary of Seven Group Holdings Limited ACN 142 003 469

**Your Directors unanimously recommend that you vote in favour of the Scheme
in the absence of a Superior Proposal**

This is an important document and requires your immediate attention. You should read this document in its entirety before deciding whether or not to vote in favour of the Scheme. If you are in any doubt as to how to deal with this document, you should consult your financial, legal or other professional adviser immediately.

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Important notices

Purpose of this Scheme Booklet

This Scheme Booklet provides Shareholders with information about the proposed acquisition of Nexus Energy Limited ACN 058 818 278 by SGH Energy (No 2) Pty Limited ACN 168 935 644, a wholly owned subsidiary of Seven Group Holdings Limited ACN 142 003 469.

The purpose of this Scheme Booklet is to explain the terms of the Scheme and the manner in which the Scheme will be considered and, if approved, implemented. This Scheme Booklet provides all information required to be given to Shareholders or that is otherwise material to the decision of Shareholders whether or not to vote in favour of the Scheme at the Scheme Meeting.

Defined terms

Capitalised terms and certain abbreviations used in this Scheme Booklet (other than in the Independent Expert's Report contained in Annex 4) and the Proxy and Voting Form have the defined meanings set out in the Glossary in Section 11. The Independent Expert's Report contained in Annex 4 contains its own defined terms which are sometimes different from those in the Glossary in Section 11.

General

You should read this Scheme Booklet in its entirety before making a decision as to how to vote on the resolution to be considered at the Scheme Meeting. If you are in any doubt as to what to do, you should consult your financial, legal or other professional adviser immediately.

Responsibility statement

Nexus has provided, and is responsible for, the Nexus Information in this Scheme Booklet, and none of the SGH Group and their respective directors, officers, employees and advisers assumes any responsibility for the accuracy or completeness of the Nexus Information.

SGH Group has provided, and is responsible for, the SGH Information in this Scheme Booklet and none of the Nexus Group or their directors, officers, employees and advisers assumes any responsibility for the accuracy or completeness of the SGH Information.

Deloitte Corporate Finance Pty Limited has prepared and is responsible for the Independent Expert's Report and none of the SGH Group or the Nexus Group or their respective directors, officers, employees and advisers assumes any responsibility for the accuracy or completeness of the information in the Independent Expert's Report except, in the case of Nexus, in relation to information given by Nexus to the Independent Expert.

Role of ASIC

This Scheme Booklet contains the explanatory statement for the Scheme for the purposes of section 412(1) of the Corporations Act. A copy of this Scheme Booklet has been registered by ASIC for the purposes of section 412(6) of the Corporations Act. ASIC has been given the opportunity to comment on this Scheme Booklet in accordance with section 411(2)(b) of the Corporations Act. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the Court hearing to approve the Scheme.

Court order under subsection 411(1) of the Corporations Act

The fact that under subsection 411(1) of the Corporations Act the Court has ordered that the Scheme Meeting be convened and has approved the explanatory statement required to accompany the notice of the Scheme Meeting does not mean that the Court has formed any view as to the merits of the proposed Scheme or as to how Shareholders should vote on the Scheme (Shareholders must reach their own decision on this matter) or has prepared, or is responsible for the content of, this Scheme Booklet or the explanatory statement contained within it.

Forward looking statements

Certain statements in this Scheme Booklet relate to the future. The forward looking statements in this Scheme Booklet are not based on historical facts, but rather reflect the current views and expectations of Nexus concerning future events and circumstances. These statements may generally be identified by the use of forward looking verbs such as "aim", "anticipate", "believe", "estimate", "expect", "foresee", "intend" or "plan", qualifiers such as "may", "should", "likely" or "potential" or derived or similar words. Similarly, statements that describe the expectations, goals, objectives, plans or targets of the Nexus Group are or may be forward looking statements.

These forward looking statements are based on certain assumptions regarding the operations of the Nexus Group and the economic and regulatory environment in which the Nexus Group will operate in the future. They are subject to known and unknown risks and uncertainties that could cause the actual outcomes, and the actual performance or results of the Nexus Group to be materially different from the outcomes, or the performance or results of the Nexus Group expressed or implied by such statements, including, among other things, general economic conditions, changes in law, regulation or government policy and certain other operational and financial risks and uncertainties associated with carrying on business in the oil and gas industry. Further information regarding the risks and uncertainties relevant to holding shares in Nexus is set out in Section 6.5. All forward looking statements should be read in light of such risks and uncertainties.

The forward looking statements in this Scheme Booklet reflect views and expectations held only at the date of this Scheme Booklet. Nexus believes that all forward looking statements included in the Nexus Information have been made on a reasonable basis and SGH and SGH Energy believe that all forward looking statements included in the SGH Information have been made on a reasonable basis. However, none of the Nexus Group or the SGH Group or their respective directors nor any other person gives any representation, assurance or guarantee that any outcome, performance or results expressed or implied by any forward looking statements in this Scheme Booklet will actually occur. Shareholders should therefore treat all forward looking statements with caution and not place undue reliance on them.

You should review all of the information in this Scheme Booklet carefully. All subsequent written and oral forward-looking statements attributable to Nexus or SGH or any person acting on their behalf are qualified by these cautionary statements.

Subject to any continuing obligations under law or the ASX Listing Rules, the Nexus Group and its directors disclaim any obligation to revise or update after the date of this Scheme Booklet any forward looking statements to reflect any change in the views, expectations or assumptions on which those statements are based.

Notice to persons outside Australia

This Scheme Booklet has been prepared having regard to Australian disclosure requirements and Australian accounting standards. These disclosure requirements and accounting standards may be different from those in other countries.

This Scheme Booklet and the Scheme do not, either individually or in combination, constitute a solicitation of an offer to acquire from Shareholders any securities in Nexus in any jurisdiction where such solicitation would be illegal.

Shareholders who are not Australian resident taxpayers or who are liable for tax outside Australia should seek specific tax advice in relation to the Australian and overseas tax consequences of the Scheme.

Privacy and personal information

Nexus and its share registry may collect personal information in the process of implementing the Scheme. The personal information may include the names, contact details and bank account details of Shareholders and details of their holdings of Shares, and the names of individuals appointed by Shareholders as corporate representatives, proxies or attorneys at the Scheme Meeting. Individuals in respect of whom personal information is collected have certain rights to access the personal information collected in relation to them. Such individuals should in the first instance contact the Nexus Registry if they wish to request access to that personal information. The personal information referred to above is collected for the primary purpose of assisting Nexus and SGH to implement the Scheme and conduct the Scheme Meeting and may also be used for the purposes of calling Shareholders in relation to their holdings of Shares or the Scheme. The personal information referred to above may be disclosed to the share registries of Nexus and SGH, to securities brokers, to third party service providers, including professional advisers and print and mail service providers, to Related Bodies Corporate of Nexus and SGH and each of their agents and contractors, and to ASX and other regulatory authorities. It may also be disclosed where required or permitted by law or where the individual Shareholder has consented to such disclosure. Shareholders who appoint an individual as their corporate representative, proxy or attorney to vote at the Scheme Meeting should inform that individual of the matters referred to above.

Investment decisions

This Scheme Booklet does not constitute financial product advice and has been prepared without reference to the investment objectives, financial situation, tax position or other circumstances of any particular Shareholder or any other person. This Scheme Booklet should not be relied upon as the sole basis for any investment decision in relation to Shares or any other securities, and you should seek independent financial, legal, tax or other professional advice before making any such investment decision.

Effect of rounding

Certain amounts or figures in this Scheme Booklet, including those in respect of the consideration due under the Scheme, are subject to the effect of rounding. Accordingly, the actual calculation of these amounts or figures may differ from the amounts or figures set out in this Scheme Booklet.

References to currency

All references to \$, A\$, dollars or cents in this Scheme Booklet are to Australian currency, unless otherwise specified.

References to time

All references to time in this Scheme Booklet are Australian Eastern Standard Time (or AEST), unless otherwise specified.

Date of this Scheme Booklet

This Scheme Booklet is dated 7 May 2014.

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Key dates

Event	Date and Time (AEST)
Deadline for receipt of direct votes and proxy appointments Last time and date to submit a direct vote or appoint a proxy to vote at the Scheme Meeting	11.00 am (AEST) on 10 June 2014
Time and date for determining eligibility to vote at Scheme Meeting	7.00 pm (AEST) on 10 June 2014
Scheme Meeting to be held at Promenade Rooms 2 & 3, Level 1, Crown Promenade Hotel, 8 Whiteman Street, Southbank Victoria	11.00 am (AEST) on 12 June 2014

If the resolution considered at the Scheme Meeting is approved:

Court hearing for approval of the Scheme	16 June 2014
Effective Date	17 June 2014
Scheme Record Date Time and date for determining entitlements to Scheme Consideration under the Scheme	7.00 pm (AEST) on 23 June 2014
Implementation Date <ul style="list-style-type: none"> • Despatch of cheques for Scheme Consideration • Transfer of Shares to SGH Energy 	30 June 2014
Termination of official quotation of Shares on ASX	7 July 2014

This timetable is indicative only. The actual timetable will depend upon the time at which the conditions precedent to the Scheme, including conditions relating to receipt of regulatory approvals, are satisfied or, if applicable, waived. Those conditions are summarised in Section 5.1 of this Scheme Booklet. Nexus has the right to vary the timetable set out above subject to the approval of such variation by the Court and ASX where required. Any variation to the timetable set out above will be announced to ASX (www.asx.com.au) and published on Nexus' website (www.nexusenergy.com.au) as well as www.nexusenergyscheme.com.

Nexus Directors' letter

7 May 2014

Proposed Acquisition of Nexus Energy Limited by Seven Group Holdings Limited

Dear Shareholder

On 31 March 2014, Nexus Energy Limited (**Nexus**) announced that it had entered into agreements with Seven Group Holdings Limited (**SGH**), under which SGH has agreed to acquire all Nexus shares for 2 cents per share under a proposed scheme of arrangement (**Scheme**).

Full details of the Scheme and relevant considerations for Shareholders are set out in this Scheme Booklet, which you should read carefully.

We would, however, like to bring to your attention the following key considerations (all of which are explained further in this Scheme Booklet):

- The Board resolved to proceed with the Scheme and enter into the agreements with SGH as it considered that the Scheme would deliver a better return to Shareholders than all other proposals identified and considered by the Board after an extensive process (including a refinancing of the Senior Facility, a sell down of Longtom, Crux or Echuca Shoals and an equity raising). In each case, it was determined that the other proposals identified and considered by the Board would be unlikely to be sufficient to meet Nexus' substantial funding requirements and were incapable of acceptance.
- The Independent Expert (Deloitte Corporate Finance Pty Limited) has concluded that, in its opinion, the Scheme is in the best interests of Shareholders (see Annex 4 of this Scheme Booklet).
- The Scheme provides a certain and immediate cash return for Shareholders.
- No Superior Proposal has emerged as at the date of this Scheme Booklet.
- If the Scheme is voted down, the Bridge Facility and Senior Facility would become immediately repayable and as a result the Board would need to place Nexus into voluntary administration (absent an alternative proposal that provides adequate and immediately available funding). In this circumstance, SGH as secured creditor and holder of more than 66.67% of the Notes would be likely to enforce its security and may seek to acquire all of the shares in Nexus or its assets through these enforcement or administration processes (please refer to Sections 3.2(d), 3.4(b) and 7.5 for further detail on SGH's intentions in such circumstances). The Directors expect that a shareholder return would be unlikely if Nexus goes into voluntary administration.
- The Independent Expert has also acknowledged that if the Scheme is not approved, "the Board may be compelled to place Nexus into voluntary administration". Given this, the Independent Expert has provided a valuation of Nexus under an "orderly realisation of assets" basis, under which they estimate that the "calculated preferred value" is "nil" (see Annex 4 of this Scheme Booklet).

Notwithstanding the above, you may nonetheless consider voting against the Scheme at the Scheme Meeting because you may:

- disagree with the unanimous recommendation of the Directors and the conclusion of the Independent Expert, and believe that the Scheme is not in your best interests;
- consider that a potential alternative acquirer will emerge and a Superior Proposal may be made; or
- consider that there are better alternatives than the Scheme available to Nexus, such as renegotiating the debt arrangements with SGH or a refinance of Nexus' debt facilities or a major equity capital raising.

The Board believes that the Scheme is in the best interests of Shareholders and unanimously recommends that you vote in favour of the Scheme, in the absence of a Superior Proposal emerging.

All of your Directors intend to vote in favour of the Scheme in respect of all of their Shares (representing 3.97% of all Shares), in the absence of a Superior Proposal emerging.

To ensure all Shareholders are able to receive any return on their Shares, it is critical that all Shareholders vote in favour of the Scheme, irrespective of the size of your holding. Details of how to vote are set out in Section 1 and the Notice of Scheme Meeting in Annex 5 of this Scheme Booklet.

If you have any queries with respect to voting or the Scheme in general, please call our Shareholder Information Line on: 1300 856 028 within Australia or +61 2 8022 7909 outside Australia, or visit the Scheme website at www.nexusenergyscheme.com.

Yours sincerely,

Lucio Della Martina

Chief Executive Officer and Managing Director

Symon Drake-Brockman

Non-Executive Director

John Hartwell

Non-Executive Director

1 Overview

The Scheme	<p>SGH Energy, a wholly owned subsidiary of SGH, proposes to acquire 100% of the issued shares in Nexus under a scheme of arrangement. The arrangements between Nexus and SGH Group in relation to the Scheme are contained in the Implementation Agreement set out in Annex 1 and summarised in Section 5.1.</p> <p>SGH (via its subsidiary NIH) has acquired certain of Nexus' debt (the Senior Facility and more than 66.67% of the Notes) and entered into a Bridge Facility with Nexus to fund certain of Nexus' capital commitments for the period during which the Scheme is, subject to the approval of shareholders and other conditions, implemented.</p>
Consideration	If the Scheme is approved, Scheme Shareholders will receive 2 cents per Share on the Implementation Date, currently expected to be 30 June 2014.
Independent Expert's opinion	The Independent Expert has concluded that, in its opinion, the Scheme is fair and reasonable and therefore in the best interests of Shareholders. The Independent Expert's Report is set out in full in Annex 4.
Directors' recommendation and voting intention	The Directors unanimously recommend that Shareholders vote in favour of the Scheme and intend to vote all Shares held by them, representing in aggregate 3.97% of all Shares, (see Section 10.5) in favour of the Scheme in the absence of a Superior Proposal.
Reasons for entry into Implementation Agreement	The Board resolved to proceed with the Scheme and enter into the agreements with SGH as it considered that the Scheme was likely to deliver a better return to Shareholders than all other proposals identified and considered by the Board after an extensive process (including a refinancing of the Senior Facility, a sell down of Longtom, Crux or Echuca Shoals and an equity raising).
Reasons for recommendation and voting intention	<p>The reasons for the recommendation and voting intention of the Directors are set out more fully in Section 3.6. In summary, they are:</p> <ul style="list-style-type: none"> • The Scheme provides a certain and immediate cash return for Shareholders. • The Independent Expert's opinion that the Scheme is fair and reasonable and therefore in the best interests of Shareholders. • If the Scheme is voted down: <ul style="list-style-type: none"> – The Bridge Facility and Senior Facility would become immediately repayable to SGH. – The Board would need to place Nexus into voluntary administration absent an alternative proposal that provides adequate funding to immediately repay the amounts under the Bridge Facility and the Senior Facility (including refinancing or cash backing the \$60 million LC Facility), repay the Notes in accordance with their terms and address Nexus' other financial and operating commitments (see Sections 3.2(d), 3.4(b) and 7.5 for further information). – SGH, as secured creditor, would be likely to enforce its security, which may include the appointment of receivers and managers to Nexus, Nexus VICP54, NEANL and NEC or, as secured creditor and holder of more than 66.67% of the Notes, to participate in the administration process. SGH may seek to acquire all of the shares in Nexus or its assets through these enforcement or administration processes (please refer to Section 7.5 for further detail on SGH's intentions in such circumstances). – The Directors expect that Shareholders are unlikely to receive any return on their equity if Nexus goes into voluntary administration (see Section 3.4(b)). – The Independent Expert has also acknowledged that "the Board may be compelled to place Nexus into voluntary administration". Given this, the Independent Expert has provided a valuation of Nexus under an "orderly realisation of assets" basis, under which they estimate that the "calculated preferred value" is "nil" (see Annex 4 of this Scheme Booklet). • No Superior Proposal has emerged as at the date of this Scheme Booklet. Nexus believes that for any third party to be able to provide Nexus with an alternate proposal capable of being a Superior Proposal (either at the corporate level or for the Company's assets), the third party would need to address Nexus' funding constraints which would involve the immediate repayment of the Bridge Facility (up to \$40 million comprising establishment fee of \$2 million plus the commitment fee and amounts drawn), the Senior Facility (\$47.4 million plus refinancing or cash backing the \$60 million LC Facility) and repayment of the Notes (face value \$117.6 million, at least 66.67% of which are held by SGH) in accordance with their terms plus any accrued but unpaid interest owing, and providing the Board with a reasonable basis to expect that it will be able to meet Nexus' other financial, contractual and operating commitments.
Reasons to consider voting against the Scheme	<p>You may disagree with the conclusion of the Independent Expert and the unanimous recommendation of the Directors, and believe:</p> <ul style="list-style-type: none"> • that the Scheme is not in the best interests of Shareholders, or • that there are other alternatives available to Nexus, <p>See Section 3.3 for further information.</p>
Scheme Meeting	The Scheme Meeting will be held on Thursday, 12 June 2014 at Promenade Rooms 2 & 3, Level 1, Crown

	<p>Promenade Hotel, 8 Whiteman Street, Southbank Victoria, in accordance with orders of the Court dated 7 May 2014. The fact that under subsection 411(1) of the Corporations Act the Court has ordered that the Scheme Meeting be convened and has approved the explanatory statement required to accompany the notice of the Scheme Meeting does not mean that the Court has prepared, or is responsible for the content of, this Scheme Booklet or the explanatory statement contained within it or has formed any view as to the merits of the proposed Scheme or as to how Shareholders should vote. The purpose of the Scheme Meeting is for Shareholders to consider whether or not to approve the Scheme. If a Superior Proposal has not been received prior to the Scheme Meeting and Shareholders do not approve the Scheme, the Board would need to place Nexus into voluntary administration (see Sections 3.2(d), 3.4(b) and 7.5 for further information).</p>
How to Vote	<p>Your vote is important</p> <p>Your Board believes the Scheme is a matter of critical importance for all Shareholders and therefore urges you to vote on the Scheme if you are entitled to do so. Shareholders who are registered on the Register at 7.00 pm (AEST) on 10 June 2014 may vote at the Scheme Meeting in person, by direct vote, or by appointing a corporate representative (in the case of corporate shareholders), proxy or attorney.</p> <p>Before voting, you should read this Scheme Booklet carefully. If you have any questions, please consult your financial, legal or other professional adviser or call the Shareholder information line on 1300 856 028 from within Australia only or +61 2 8022 7909 from outside Australia between 9.00 am and 7.00 pm (AEST), Monday to Friday or visit the Scheme website at www.nexusenergyscheme.com.</p> <p>Please refer to the Section headed "Questions about the Scheme Meeting" on page 13 and the Notice of Scheme Meeting contained in Annex 5 for more details on how to vote.</p>

2 Key questions

This Section provides summary answers to some key questions that you may have in relation to the Scheme. It does not provide all relevant information for Shareholders and should be read together with the rest of this Scheme Booklet.

Question	Summary answer	Further information
Questions about the Scheme		
What is the Scheme?	The Scheme is a scheme of arrangement between Nexus and its Shareholders pursuant to which Nexus is asking Shareholders to consider and vote on the proposed Scheme to effect the acquisition of Nexus by the SGH Group. If the Scheme is approved and implemented, Shareholders will receive the Scheme Consideration of 2 cents for each Share they own on the Scheme Record Date.	Sections 1 and 5
What do the Directors recommend?	The Directors unanimously recommend that Shareholders vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert not varying adversely or withdrawing its conclusion that the Scheme is in the best interests of Shareholders.	Section 3.6
What is the Independent Expert's opinion on the Scheme?	The Independent Expert has concluded that the Scheme is fair and reasonable and therefore in the best interests of Shareholders. The Independent Expert's Report is set out in full in Annex 4.	Section 3.2(e) and Annex 4
How will I know if there is a Superior Proposal?	No Superior Proposal has emerged as at the date of this Scheme Booklet. If an alternative proposal is received that the Directors determine to be capable of being a Superior Proposal, further information about that proposal, and its impact on the Scheme, will be communicated to Shareholders. In order to constitute a Superior Proposal, an alternate proposal would need to provide for immediate repayment of the Bridge Facility, the Senior Facility and the Notes.	Sections 3.2(c) and 3.3(b)
What needs to happen for the Scheme to proceed?	The Scheme must be approved by the required shareholder majorities and the Court. The Scheme is also subject to a number of other conditions precedent, which are set out in Section 5.1.	Section 5.3
What vote is required to approve the Scheme?	For the Scheme to proceed, it must be passed by: <ul style="list-style-type: none"> a majority (greater than 50%) in number of Shareholders who vote on the resolution; and at least 75% of the votes cast on the resolution. The Court has the discretion to waive the first of these two requirements if it considers it appropriate to do so.	Section 5.4
What are the conditions to the Scheme?	The Scheme (including the payment of Scheme Consideration) is subject to a number of conditions precedent, including: <ul style="list-style-type: none"> all ASX, ASIC and other regulatory approvals having been obtained; approval of Shareholders by the requisite majorities at the Shareholder Meeting; approval of the Scheme by the Court; and no Nexus Prescribed Occurrence, Regulated Event or Material Adverse Change occurring before 8:00 am (AEST) on the Second Court Date. 	Section 5.1(a)
Who are SGH and SGH Energy?	SGH is a publicly listed company and is a leading Australian diversified operating and investment group with market leading businesses in industrial services and media. SGH Energy is an indirect, wholly owned subsidiary of SGH which has been incorporated for the purpose of acquiring Shares under the Scheme.	Section 7.1
What are SGH's intentions?	SGH's intention in pursuing the acquisition of Nexus is to form a core investment arm focusing on the energy business. Following the Scheme, SGH intends for Nexus to be removed from the official list, for certain members of the Nexus Board to be replaced with SGH nominees, and for Nexus to continue operating as a wholly owned subsidiary of SGH.	Section 7.4
What happens if the Scheme does not proceed?	Absent a Superior Proposal, if the Scheme does not proceed: <ul style="list-style-type: none"> The Bridge Facility and the Senior Facility would become immediately repayable by Nexus to SGH. 	Section 3.4

Question	Summary answer	Further information
	<ul style="list-style-type: none"> If payment is made under the Bridge Facility and Senior Facility then the Notes may also become repayable subject to the Intercreditor Deed (see Section 8.2(c)). The Board would need to place Nexus into voluntary administration (see Sections 3.2(d), 3.4(b) and 7.5 for further information). SGH as secured creditor would be likely to enforce its security, which may include the appointment of receivers and managers to Nexus or involvement in an administration process. SGH may seek to acquire all of the shares in Nexus or its assets through these enforcement or administration processes. See Section 7.5 for further information on SGH's intentions in these circumstances. The Directors expect that Shareholders are unlikely to receive any return on their equity after debts to Nexus' creditors have been met (including SGH in respect of the Senior Facility and Bridge Facility, Noteholders including SGH and potentially Sedco in respect of its claim - see Section 3.4(c)). The Independent Expert has also acknowledged that "the Board may be compelled to place Nexus into voluntary administration". Given this, the Independent Expert has provided a valuation of Nexus under an "orderly realisation of assets" basis, under which they estimate that the "calculated preferred value" is "nil" (see Annex 4 of this Scheme Booklet). 	
What are the tax consequences of the Scheme?	<p>Section 9 provides a general description of some Australian tax implications for certain Shareholders who dispose of their Shares in accordance with the Scheme.</p> <p>You should consult with your own tax adviser regarding the consequences of disposing of Shares in accordance with the Scheme in light of current tax laws and your particular circumstances.</p>	Section 9
What is the 'Reimbursement Fee' and when would it be payable?	<p>A Reimbursement Fee of \$3 million is payable by Nexus to SGH within 10 business days of any of the following events occurring:</p> <ul style="list-style-type: none"> any Director withdraws, adversely revises or adversely qualifies his support of the Scheme or his recommendation; any Director recommends Shareholders support a Competing Proposal; a Competing Proposal is announced during the Exclusivity Period and a transaction is agreed or completed by Nexus and the relevant third party within 12 months; the conditions to the Scheme are not satisfied as a result of acts or omissions that could reasonably have been prevented by Nexus; or a failure of the Court to approve the terms of the Scheme as a result of non-compliance by Nexus with its obligations under the Implementation Agreement. 	Section 5.1(c)
Questions about the Scheme Consideration		
What will I receive if the Scheme proceeds?	Those Shareholders on the Register on the Scheme Record Date will become entitled to 2 cents for each Share they hold at that time.	Section 1 'Consideration'
How will I be paid?	You will be paid by way of electronic transfer to the bank account details which have been given to the Nexus Registry. If no bank account details have been given, a cheque will be sent to the postal address recorded on the Nexus Registry for each Scheme Shareholder.	Section 5.9
When will I receive the Scheme Consideration?	Payment of the Scheme Consideration is expected to be made on or about 30 June 2014.	"Key Dates" and Section 5.9
Questions about the Scheme Meeting		
When and where will the Scheme Meeting be held?	11.00 am (AEST), 12 June 2014 at Promenade Rooms 2 & 3, Level 1, Crown Promenade Hotel, 8 Whiteman Street, Southbank Victoria.	Section 5.4 and Annex 5
Who can vote at the Scheme Meeting?	Each Shareholder who is registered on the Register on the Voting Entitlement Date at 7.00 pm (AEST) on Tuesday, 10 June 2014 is entitled to attend and vote at the Scheme Meeting.	Section 1 and Annex 5 (Explanatory Notes)
How do I vote if I	You may either:	Annex 5

Question	Summary answer	Further information
cannot attend the Scheme Meeting?	<ul style="list-style-type: none"> submit a direct vote by logging onto www.investorvote.com.au using the Control Number and SRN/HIN set out in the enclosed Proxy and Voting Form or completing the Vote Directly section of the enclosed Proxy and Voting Form and returning it to the Share Registry as per the instructions on the form; appoint a proxy by logging onto www.investorvote.com.au and following the instructions using the Control Number and SRN/HIN set out in the enclosed Proxy and Voting Form or completing the Appoint a Proxy section of the enclosed Proxy and Voting Form and returning it to the Share Registry as per the instructions on the form; or appoint a body corporate representative (in the case corporate Shareholders) or an attorney. <p>All completed Proxy and Voting Forms must be:</p> <ul style="list-style-type: none"> sent to the Nexus Registry by using the reply paid envelope included with this Scheme Booklet at Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001; or faxed to the Nexus Share Registry on 1800 783 447 from within Australia or +61 3 9473 2555 from overseas, <p>in each case so that it is received by no later than 11.00 am on 10 June 2014. Direct votes and proxy appointments submitted through www.investorvote.com.au must also be received by no later than 11.00 am (AEST) on 10 June 2014.</p> <p>Direct votes and proxy appointments received after 11.00 am (AEST) on 10 June 2014 will be invalid.</p>	(Explanatory Notes)
Do I have to vote?	<p>You do not have to vote, however, if you do not vote, it may be possible that the requisite majorities of Shareholders required to approve the Scheme at the Scheme Meeting may not be achieved and the Scheme will not proceed.</p> <p>Your Directors believe the Scheme is a matter of critical importance for all Shareholders and therefore urge you to vote on the Scheme if you are entitled to do so.</p>	Section 3
When will I know the result of the Scheme Meeting?	<p>The result of the Scheme Meeting will be available shortly after the conclusion of the meeting and will be announced to ASX once available.</p> <p>Even if the resolution approving the Scheme is passed by the Scheme Meeting, the Scheme remains subject to approval of the Court.</p>	Sections 5.4 and 5.5
Other questions		
Can I sell my Shares now?	<p>You can sell your Shares on ASX prior to (and on) the Effective Date. However, you will not be able to do so after the Effective Date.</p> <p>If you sell your Shares on ASX:</p> <ul style="list-style-type: none"> you may pay brokerage on the sale; and there may be different tax consequences for you compared to those that would arise under implementation of the Scheme. <p>If trading in Shares is suspended, Shares can be sold through off-market transfers. You are encouraged to read this Scheme Booklet and consult your financial, legal or other professional adviser before making any decision about selling your Shares.</p>	
How can I get further help or information?	<p>This Scheme Booklet provides important information concerning the Scheme. If you have any questions, please consult your financial, legal or other professional adviser or call the Shareholder information line on 1300 856 028 from within Australia only or +61 2 8022 7909 from outside Australia between 9.00 am and 7.00 pm (AEST), Monday to Friday or visit the Scheme website at www.nexusenergyscheme.com.</p>	

3 Relevant considerations for Shareholders

3.1. Introduction

The purpose of this Section 3 is to identify significant issues for Shareholders to consider in relation to the Scheme. Before deciding how to vote at the Scheme Meeting, Shareholders should carefully consider the factors discussed below, as well as the other information contained in this document.

3.2. Reasons to VOTE IN FAVOUR of the Scheme

(a) The Directors unanimously recommend that you vote in favour of the Scheme

The Directors believe that the Scheme is in the best interests of Shareholders and unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal emerging and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Shareholders.

In forming this view, the Directors considered in detail the alternatives available to Nexus and conducted extensive evaluation and analysis of those alternatives (see Section 4.3). This analysis included an assessment of the recent outage at Longtom in the context of the Nexus' funding needs, and the ability of Nexus to continue as a going concern and to meet its debts and commitments as they fall due.

(b) The Scheme provides a certain and immediate cash return for Shareholders

If the Scheme is approved, the Scheme Consideration of 2 cents cash for each Share provides Shareholders with certain and immediate value for their Shares.

The certainty of 2 cents cash for each Share should be weighed up in comparison with the likely nil return to Shareholders under a scenario of receivership or administration if no Superior Proposal emerges prior to the Scheme Meeting and the Scheme does not proceed.

(c) No Superior Proposal has emerged

As at the date of this Scheme Booklet, the Board has not received a Superior Proposal. The emergence of a Superior Proposal is subject to Nexus' exclusivity obligations under the Implementation Agreement as set out in Section 5.1. The Board has conducted an extensive and well publicised strategic review for the purpose of generating solutions to Nexus' immediate funding challenges, further details of which are set out in Section 4.3. Shareholders should not assume that any alternatives will be available to be implemented instead of the Scheme.

Nexus will inform Shareholders if an offer is received that the Directors determine to be a Superior Proposal to the Scheme.

(d) If the Scheme is not approved, Nexus would need to be placed into voluntary administration

The Bridge Facility and Senior Facility would become repayable to SGH in circumstances where the Scheme is no longer likely to be implemented, and the Board believes that SGH would not be likely to grant any waivers from the payment obligations that immediately arise under the Bridge Facility and Senior Facility (see Section 7.5) held by SGH. In these circumstances, absent an alternative proposal that provides adequate funding to immediately repay the amounts owing under the Bridge Facility and the Senior Facility (including refinancing or cash backing the \$60 million LC Facility), repay the Notes in accordance with their terms and provide the Board with a reasonable basis to believe that Nexus will be able to meet its other financial, contractual and operating commitments, the Board would need to place Nexus into voluntary administration. SGH as secured creditor would be likely to enforce its security, which may include the appointment of receivers and managers to Nexus, Nexus VICP54, NEANL and NEC or participation by SGH in the administration process. SGH may seek to acquire all of the shares in Nexus or its assets through these enforcement or administration processes. See Section 7.5 for further information on SGH's intentions in these circumstances.

The Directors expect that Shareholders are unlikely to receive any return on their equity on an administration or receivership scenario for the reasons set out in Section 3.4(b).

The Independent Expert has also acknowledged that "the Board may be compelled to place Nexus into voluntary administration". Given this, the Independent Expert has provided a valuation of Nexus under an "orderly realisation of assets" basis, under which they estimate that the "calculated preferred value" is "nil" (see Annex 4 of this Scheme Booklet).

(e) The Independent Expert's Opinion

The Independent Expert has concluded that, in its opinion, the Scheme is fair and reasonable and therefore in the best interests of Shareholders.

In reaching this conclusion, the Independent Expert has made the following statements:

- The Scheme is “fair” on the basis the Scheme Consideration is:
 - within the range of the Independent Expert’s estimate of the fair market value of a Share, which the Independent Expert estimates as being between nil and \$0.04; and
 - above the Independent Expert’s selected preferred value of \$0.01.
- The Scheme is “reasonable” for the following reasons:
 - the Scheme is “fair”;
 - the Scheme appears to be the best alternative available to Shareholders; and
 - the value of Nexus is heavily dependent on the value of the Crux Project, the development of which is highly uncertain.

However, the Independent Expert also noted that whilst the Scheme allows Shareholders to realise their investment in Nexus for a certain cash amount, they will not be able to participate in the future growth of Nexus to the extent that it generates future value above the offer price.

In forming its conclusion, the Independent Expert commented that the “Scheme allows Nexus Shareholders to immediately realise their investment in Nexus for a known cash amount, in comparison to administration or receivership of the business, which would result in an uncertain and potentially lengthy timeframe and an unknown return, if any, to Shareholders.”

The Independent Expert has acknowledged that if the Scheme is not approved, the Board may be compelled to place Nexus into voluntary administration. Given this, the Independent Expert has also provided a valuation of Nexus under an “orderly realisation of assets” basis, under which they estimate that the “calculated preferred value” is “nil”.

The Independent Expert's Report is set out in full in Annex 4.

(f) No brokerage or stamp duty will be payable on the transfer of your Shares

You will not incur any brokerage or stamp duty on the transfer of your Shares in accordance with the Scheme.

3.3. Possible disadvantages and risks of the Scheme and reasons to consider VOTING AGAINST the Scheme

(a) Belief that the Scheme is not in the best interests of Shareholders

You may disagree with the unanimous recommendation of the Directors and the conclusion of the Independent Expert, and believe that the Scheme is not in your best interests.

For example, notwithstanding Nexus' financial position and the likelihood the Board would need to place Nexus into voluntary administration should the Scheme not proceed (see Section 3.2(d)), you may consider that Nexus would be able to refinance its existing Senior Facility, Bridge Facility and Notes debt. The extensive strategic review process undertaken by the Board does not form a basis for such belief. You may consider that the Scheme Consideration does not represent good value based on your view of the underlying value of Shares.

Shareholders are also referred to the Independent Expert's Report in Annex 4 that sets out the factors the Independent Expert considered when reaching its conclusion, including the disadvantages to Shareholders.

(b) You may believe there is the potential for a Superior Proposal

You may consider that a potential alternative acquirer will emerge and a Superior Proposal may be made. Shareholders are referred to Section 4.3 which explains that, despite the Board’s efforts to seek out strategic proposals with respect to the Company, as at the date of this Scheme Booklet Nexus has not received a proposal which is superior to the Scheme.

Were an alternative proposal to emerge which the Directors determine to be a Superior Proposal, the Board will ensure that Shareholders are given all material information relating to that proposal and sufficient time to consider that information. To the extent the Directors believe the proposal is superior to the Scheme, the Directors will respond appropriately.

If no Superior Proposal has been received prior to the Scheme Meeting, Shareholders must vote on the basis that the only alternatives available are the implementation of the Scheme or, for the reasons described in Section 3.2(d) above, for Nexus to be placed into voluntary administration.

(c) Availability of alternatives

You may consider, contrary to the unanimous recommendation of the Directors and the conclusion of the Independent Expert, that there are better alternatives than the Scheme available to Nexus, such as an equity capital raising, renegotiating the debt arrangements with SGH or a refinance of Nexus' debt facilities. However, Shareholders should note the following:

- The Board has pursued an extensive and well publicised strategic review process which has included consideration of a broad range of re-financing initiatives in light of Nexus' material finance, capital and other commitments, as discussed in Section 4.3. In each case, the Board determined that the refinancing proposals received would be unlikely to be sufficient to meet Nexus' substantial funding requirements and in addition would require the consent of holders of Notes and in some instances would require either the conversion of existing debt into equity or the issue of new equity that would be extremely dilutive to existing equity. As such these proposals were not seen as either feasible, in the interests of Nexus, or preferable to the Scheme.
- Given that the Bridge Facility and Senior Facility become immediately repayable in circumstances where the Scheme is no longer likely to be implemented, and the Board understands that SGH would not be likely to grant any waivers from the payment obligations that immediately arise under the Bridge Facility and Senior Facility. In these circumstances, the Board would need to place Nexus into voluntary administration (see Section 3.2(d)). Accordingly, the only realistic alternative for Nexus, should the Scheme not be approved where a Superior Proposal has not been secured prior to the Scheme Meeting, is voluntary administration.

3.4. Key implications if the Scheme does not proceed

(a) No payment of consideration

If the Scheme is not approved by Shareholders and the Court, SGH will not pay the Scheme Consideration to Shareholders and Shareholders will retain their Shares.

(b) Nexus would need to be placed into voluntary administration unless an alternative proposal capable of acceptance has emerged

Where the Scheme is no longer likely to be implemented, the Bridge Facility and Senior Facility become immediately repayable to SGH, in respect of which the Board understands SGH would not be likely to grant any waiver to Nexus. In these circumstances, absent an alternative proposal that provides adequate funding to immediately repay the amounts under the Bridge Facility and the Senior Facility (including refinancing or cash backing the \$60 million LC Facility), repay the Notes in accordance with their terms and provide a reasonable basis for the Board to believe that Nexus can meet its other financial and operating commitments, the Board would need to place Nexus into voluntary administration.

If Nexus is placed into voluntary administration, it is expected that SGH (as secured creditor and as a holder of more than 66.67% of the Notes) would be likely to cause the security relating to the Bridge Facility and Senior Facility to be enforced, which may include the appointment of receivers and managers to Nexus, Nexus VICP54, NEANL and NEC, or to participate in the administration process. If receivers and managers are appointed or an administrator is appointed, they would likely:

- suspend any interest and principal repayments on the Notes;
- only fund such expenditure commitments of Nexus to the extent that doing so would retain value in Nexus' assets;
- conduct a sale process of each of Nexus' assets or investigate alternative means for recapitalising Nexus; and
- use the proceeds of any sale to make payments in the following order:
 - costs of enforcement and trading liabilities incurred by the receivers and administrators during the receivership or administration together with the receiver's or administrator's costs;
 - priority creditors such as employee entitlements and tax obligations;
 - secured creditors, including up to \$40 million (comprising an establishment fee of \$2 million plus the commitment fee and amounts drawn) under the Bridge Facility plus \$47.4 million under the Senior Facility held by SGH and such other amounts made available by SGH to support the operations of Nexus as it sees fit;
 - unsecured creditors, including \$117.6 million (face value) under the Notes (at least 66.67% of which are held by SGH) plus trade creditors and (as noted below) potential litigation creditors such as Sedco; and

- the residual amount (if any) to equity holders.

Other unsecured creditors may include Sedco, in relation to its claim for US\$67million excluding interest which totalled approximately US\$13 million as at 12 March 2014 (see Section 3.4(c) below).

Alternatively, a deed of company arrangement process may be pursued in an administration, under which SGH may seek to acquire some or all of the shares in Nexus or its assets.

It should be noted that the Senior Facility and more than 66.67% of the Notes were acquired by SGH at a discount to face value, which suggests that there was a risk to Nexus' previous lenders with respect to the recovery of the full amount of these debts. Both the Senior Facility and the Notes rank ahead of the equity claims of Shareholders.

With respect to a sale process of Nexus' assets or Nexus itself under voluntary administration or receivership, the Directors consider that competition would be limited and that sale proceeds may be negatively impacted by the following factors:

- The assets have already been the subject of broad sale processes – Nexus has undertaken a comprehensive strategic review process which involved the potential sale of one or more of its assets that did not result in any unconditional or binding offers;
- Uncertainty with respect to the LNG price outlook – The emerging threat of additional LNG supply from North America, driven in part by relatively low Henry Hub gas prices, and additional supply from potential new LNG precincts such as East Africa is arguably adversely impacting buyer interest for Pacific Basin LNG projects, such as Crux;
- Crux is subject to pre-emptive rights – Under the Crux JOA, Shell and Osaka Gas hold pre-emptive rights, which could potentially deter parties who may otherwise be interested in purchasing the Crux asset given the prospect of losing a bid under pre-emption after a lengthy and costly due diligence and negotiation process; and
- Numerous competing processes – A number of competing processes where asset owners are looking to sell out completely, or to attract farm-in partners, have recently commenced in the Asia Pacific region and are likely to adversely impact potential demand for Nexus' assets, in particular Crux. The processes which have been publicly announced or speculated in media reports include similar potential offshore Western Australian LNG assets (for example, Karoon Gas Australia Limited is reportedly seeking a farm-in partner for its Browse Basin asset); unconventional gas assets with LNG potential in the Canning and Cooper Basins which have recently been the subject of significant farm-in activity; and conventional oil and gas assets such as the interests of PTT Exploration and Production Public Company Limited in the Montara and Cash / Maple fields offshore Western Australia, and Talisman Energy Inc. interests in the Laminaria / Corallina fields offshore Darwin. In addition, global majors such as Shell and international independents such as Murphy Oil Corporation are understood or reported to be divesting assets in the Asia Pacific Region, again adversely impacting the ability of small companies to complete transactions.

Given the above factors, the Directors have formed the view that Shareholders are unlikely to receive any return under voluntary administration or receivership.

The Independent Expert has also acknowledged that "the Board may be compelled to place Nexus into voluntary administration". Given this, the Independent Expert has provided a valuation of Nexus under an "orderly realisation of assets" basis, under which they estimate that the "calculated preferred value" is "nil" (see Annex 4 of this Scheme Booklet).

(c) Termination of settlement agreement in relation to Sedco litigation

As announced on 12 March 2014, the terms of the deed of settlement and release entered between Nexus (and wholly owned subsidiary NEWA), Osaka Gas and Sedco require Nexus to pay Sedco US\$30 million (**Sedco Settlement**). Sedco initially lodged a claim for approximately US\$67 million in July 2011. A mediation process occurred with Sedco and Osaka Gas during February 2014 by which time Sedco's primary claim with interest was approximately US\$80 million. The Sedco Settlement (and Nexus' payment obligation) is conditional upon Nexus executing a binding asset or corporate sale transaction by 2 April 2014 and such a transaction completing by 31 August 2014. Should the Scheme not be approved and thus not be implemented, the Sedco Settlement will terminate and Sedco would likely continue its claim against Nexus for approximately US\$67 million plus any interest (US\$13 million as at 12 March 2014), unless an alternative proposal meeting the parameters of the Sedco Settlement completes before 31 August 2014. In the context of voluntary administration and likely security enforcement the administrator or NIH would need to consider whether to fund the defence of any claims pursued by Sedco, whether to endeavour to negotiate a settlement with Sedco or whether to not fund the costs of a defence and allow Sedco to obtain judgment for the amount of its claim. It is possible that Sedco may obtain judgment for an amount in excess of the amount required to be paid under the Sedco Settlement and will be a creditor entitled to payment of that amount, along with the claims of all other creditors, prior to any return to Shareholders.

(d) Other alternatives may not be available

The Board has conducted an extensive and well publicised strategic review for the purpose of generating solutions to Nexus' immediate funding challenges, further details of which are set out in Section 4.3. As at the date of this Scheme Booklet, no alternatives have emerged which, in the opinion of the Board, would provide an effective solution to Nexus' immediate needs, other than the Scheme. Shareholders should not assume that any alternatives will be available to be implemented instead of the Scheme.

3.5. Other relevant considerations

(a) The Scheme may be implemented even if you vote against it

Even if you do not vote, or vote against the resolution to approve the Scheme, the Scheme may still proceed if it is agreed to by the requisite majorities of Shareholders and the Court (as set out in more detail in Section 5.4 of this Scheme Booklet). If the Scheme is implemented, your Shares will be transferred to SGH Energy and you will receive the Scheme Consideration despite the fact you did not vote on, or you voted against, the resolution to approve the Scheme.

(b) Conditionality of the Scheme

The Scheme is subject to a number of conditions precedent, certain of which are outside of the control of Nexus. The conditions precedent to implementation of the Scheme are summarised in Section 5.1 of this Scheme Booklet and set out in full as part of the Implementation Agreement, which is attached as Annex 1 to this Scheme Booklet.

(c) Reimbursement Fee

The Implementation Agreement includes provisions requiring the payment of the Reimbursement Fee to SGH for reimbursement of costs incurred by SGH should the Scheme not be implemented. The triggers for payment of the Reimbursement Fee are summarised in Section 5.1 and set out in full in clause 13 of the Implementation Agreement which is attached as Annex 1 to this Scheme Booklet.

(d) No stamp duty payable by Shareholders

SGH will pay any stamp duty in connection with the transfer of Shares under the Scheme.

3.6. Your Directors' recommendation and intentions

Your Directors are Lucio Della Martina, Symon Drake-Brockman and John Hartwell.

The Board considered in detail the alternatives available to Nexus and conducted extensive evaluation and analysis of those alternatives for an extended period of time in the context of Nexus' funding requirements prior to executing the Implementation Agreement with SGH. A detailed discussion of this is set out in Section 4.3.

As a result of this extensive process, the Board concluded that, in Nexus' extremely challenging operational and financial circumstances, the best available prospect to deliver any return to Shareholders is the Scheme and that the Scheme is in the best interests of Shareholders.

Having regard to all of the considerations discussed in this document, and in particular this Section 3:

- your Directors unanimously recommend that Shareholders vote in favour of the Scheme; and
- each Director will vote, or procure the voting of, any Shares held by or on behalf of him or listed as an indirect interest in the latest Appendix 3Y lodged by Nexus with ASX in respect of him, in favour of the Scheme at the Scheme Meeting.

4 Background to the Scheme

4.1. Background

Since 2012, the Board has undertaken a range of initiatives to provide funding and reduce expenditure, including:

- a retirement of \$73 million of debt obligations during financial year ended 30 June 2013;
- a reduction of 37% in annual administration costs during financial year ended 30 June 2013; and
- a revised Longtom Agreement being executed with Santos with respect to the Longtom Project in May 2013, which incorporated a defined work program that is less capital intensive.

Notwithstanding these initiatives, the Company remains highly geared and faces substantial forward capital requirements and costs. Nexus' challenging financial circumstances were also impacted by the unexpected operational issues at the Longtom Project (Nexus' sole producing asset) in June 2012 (22 day production outage), January 2013 (137 day production outage) and again in February 2014 (18 day production outage at the Longtom-4 well and on-going outage at the Longtom-3 well).

4.2. Nexus' material finance, capital and other commitments

This section contains a detailed overview of Nexus' considerations in recommending the Scheme. In light of these considerations, there is material uncertainty which may cast significant doubt about the ability of the Nexus Group to continue as a going concern, and therefore whether it will realise its assets and discharge its liabilities in the normal course of business. This concern was emphasised in the half year accounts for the period ended 31 December 2013 and was noted in the auditor's report on the half year accounts prepared by PricewaterhouseCoopers.

Commitments		Estimated Amount	Description
<i>Finance Commitments</i>			
Senior Facility	Principal Outstanding	\$47.4 million	On 10 January 2014, revised terms were completed and executed with Nomura Special Investments Singapore Pte Ltd and Merrill Lynch International, extending the review event date for signing of a transaction and which provided for \$2 million to be capitalised to the Senior Facility, and a further \$3 million was capitalised on 2 April 2014, resulting in a total Senior Facility of \$47.4 million.
Notes	Principal Outstanding	\$117.6 million \$4.96 million of interest is payable on 15 July 2014	Nexus has in place \$117.6 million (face value) of Notes with bi-annual principal repayments commencing in July 2014 and a bullet repayment in January 2017. The Notes carry a semi-annual coupon fixed at 8.5 per cent payable in arrears. The interest rate steps up to 13 per cent from July 2014 until the maturity date. The Notes become repayable at face value on a change in control of Nexus without the prior approval of the Note Trustee (acting on the instructions of the Majority Noteholders).
LC Facility cash back		\$60 million	The Longtom Agreement requires Nexus to provide a \$60 million letter of credit which has been provided under the LC Facility. The LC Facility must be cash backed as to \$30 million by 1 July 2014 and fully cash backed to \$60 million by 1 March 2015.
<i>Capital Commitments</i>			
Longtom Capital Requirements		\$110 million	Capital requirements for the Longtom Project (Nexus 100%), including Nexus' obligations to undertake the Longtom-4 workover (targeted for March 2015 quarter) and commencement of drilling of the Longtom-5 well (targeted for mid-2015 calendar year). Nexus' current internal indicative estimate for this work is approximately \$110 million based on conceptual work completed in December 2012. Engineering work is in progress which will result in progress and an up to date cost and schedule estimate. Target date to complete this engineering is mid-2014. The terms of the Longtom Agreement require Longtom-5 to be completed by 30 June 2015.
Longtom-3 Remedial Works		\$3 to \$7 million	Remedial works will need to be undertaken in relation to the Longtom-3 subsea facilities. 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

Commitments	Estimated Amount	Description
		<p>of the Longtom Project. Nexus has begun the process of defining the required scope of work and timing for a future campaign to enable production at Longtom-3 to be returned.</p> <p>Nexus' best internal estimate of the cost of those works is expected to be between \$3 to \$7 million (including contingency) subject to vessel and equipment availability.</p>
Crux Joint Venture Contributions – Plug and Abandonment Activities	\$45 million	<p>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 to be completed by February 2015. 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.</p> <p>The plugging and abandonment obligation is based on estimates provided by Shell as operator of the joint venture.</p>
Crux Joint Venture Contributions – Auriga Exploration Drilling	\$10 million	Exploration drilling of the Auriga commitment well (targeted for December 2014 quarter) and required (as a condition of the Retention Lease) to be completed by February 2015.
Echuca Shoals – Drilling Commitment Well	\$60 million	Drilling of a commitment well under the Echuca Shoals petroleum exploration permit (Nexus 100%) targeted for the second half of 2015. Nexus' current internal indicative estimate for those expenditures is approximately \$60 million. The commitment well is required (as a condition of the permit) to be drilled by September 2015.
<i>Litigation Commitments</i>		
Sedco Settlement	US\$30 million	Conditional upon the Scheme (or some other alternative proposal meeting the requirements of the Sedco Settlement) completing before 31 August 2014. If the condition is not met the Sedco Settlement is terminated and proceedings in respect of the claim will likely be recommenced for in excess of US\$80 million (including interest). See Sections 3.4(c) and 4.7.
<i>Other Commitments</i>		
Trade Creditors	\$11.3 million	Balance relates to trade and other payables as at 31 March 2014. The balance includes the unearned revenue amount of \$4.25 million payable under the Longtom Agreement.
Employee Liabilities	\$0.7 million	Balance relates to Annual Leave and Long Service Leave accrued to 31 March 2014.
General and Administrative Expenses (average)	\$1.1 million per month	Estimated general and administrative expenses per month (based on the monthly average during the 9 month period between 1 July 2013 to 31 March 2014.

4.3. Alternative strategic options investigated by the Board

Despite the initiatives outlined in Section 4.1 above, the Board formed the view that in light of the Company's material financial, capital and other commitments, Nexus would need to explore various strategic options which included both sell-down and refinancing strategies as summarised below:

- Sell-down strategies:
 - selling down an interest in the Crux or Longtom assets; and
 - farming out an interest in exploration permits to meet future exploration commitments;
- Refinancing strategies:
 - refinancing the existing Senior Facility with the existing and/or new lenders; and
 - recapitalisation of Nexus through the issue of new equity; and
- A corporate acquisition of Nexus.

(a) Sell-down strategies

Following the consolidation of interests in the Crux asset in October 2012, a comprehensive and well publicised process to divest a tranche of Nexus' participating interest in the Crux Joint Venture was initiated with the objective of providing funding to support the next stage of Nexus' growth and development.

In relation to the Crux sale process, Nexus' advisors formally approached a broad range of qualified potential buyers or partners. The Crux sale process was well publicised and any interested parties would have been aware of the process. A number of these parties signed confidentiality agreements and 10 parties were granted data room access. These parties included global and regional oil and gas E&P companies, state-owned national oil and gas companies as well as other strategic buyers.

As part of the Crux sale process, the Company received two non-binding proposals, both of which had an implied value for Nexus' 15% interest in Crux of less than \$100 million, the most recent of which was received in February 2013. The Board concluded that neither of these proposals received for Crux were capable of acceptance on the basis that both proposals were:

- priced significantly below the value range of selected comparable transactions, collated by Nexus' financial advisers, involving companies with similar proportionate interests in either contingent resources (selected based on maturity of development concept) or prospective resources (selected based on resource quality);
- non-binding and indicative; and
- highly conditional.

The Crux sale process (assisted by mandated global investment banks) was extended to include a divestment of the Longtom Project following the amendment of the Longtom Agreement in May 2013. Nexus received an expression of interest and three non-binding proposals in respect of the Longtom Project. The expression of interest was such that it was not capable of being progressed, despite the efforts of the Board. One of the three non-binding proposals in respect of the Longtom Project was received in late March 2014, and was considered alongside the Scheme proposal. In respect of all three proposals received, the Board concluded that the proposals were not capable of acceptance on the basis that the proposals were:

- non-binding and indicative; and
- highly conditional and included conditions that were outside of the control of Nexus, such as the renegotiation of the Longtom Agreement and the existing Longtom security arrangements, the prospects of which were, in the Board's view, extremely unlikely.

Prior to resolving to proceed with the Scheme, Nexus continued to solicit interest in respect of the Crux and Longtom projects and engage with interested parties, including through granting access to the Crux and Longtom virtual data rooms, albeit such engagement did not result in the receipt of any formal proposals.

Despite the Board's best efforts to progress discussions with the counterparties to the proposals received in respect of the sale of Nexus' interest in Crux and the Longtom Project, and its attempts to attract additional third party interest, the proposals were not revised or progressed by the relevant counterparties (other than one Longtom sale proposal, however such revision was inadequate) and no further Crux or Longtom sale proposals were received by the Board.

(b) Farming out an interest in exploration permits to meet future exploration commitments

Nexus held discussions with potential parties in respect of farming out an interest in the Echuca Shoals permit. However, no proposal was received and there is no realistic prospect that any proposal would be received within the time needed to address Nexus' immediate funding requirements.

(c) Refinancing the existing Senior Facility with the existing and/or new lenders

Concurrent to the sell-down strategies considered above, the Board pursued a number of refinancing initiatives which included:

- refinancing the existing Senior Facility with the existing and/or new lenders;
- a convertible bond proposal from an investment bank; and
- equity raising proposals received from investment banks.

Nexus has had on-going discussions with arrangers (whilst progressing in parallel a corporate acquisition of Nexus) in relation to a whole of company refinance proposal. However, no binding refinancing arrangements were achieved and

there was no assurance that any binding arrangements would be received within the time needed to address Nexus' immediate needs or at all.

In early March 2014, the Board considered an initial draft term sheet and then an amended draft term sheet for a new facility replacing the existing Senior Facility, with provision for further funding. The term sheet:

- included short term (12 month) financing, significant costs (a minimum percentage return required for the lender in excess of 25% over the 12 month period) and stringent covenants;
- provided funding at a level which was insufficient to meet the Company's liabilities even over the life of the 12 month facility (meaning that further fundraising would have been required, including in relation to the on-going costs of the legal dispute with Sedco as the Sedco Settlement would not crystallise as a result of implementation of this option), noting that further incomplete negotiations have been held with respect to increasing the quantum of the funding, but no revised term sheet had been received;
- required the Company to refinance or fully cashback the undrawn \$60 million LC Facility within 12 months of execution, which the Company had no identified means of achieving;
- did not provide accommodation to allow on-going compliance with the payment obligations under the Note Trust Deed; and
- provided funding which would theoretically allow Shareholders to continue to participate in possible equity appreciation in the future, however this would be subject to finding the additional funding referred to above which the Company had not identified any means of doing, and any on-going participation by Shareholders would be subject to significant dilution as a result of the costs of the facility, and to the additional dilutive effect of the further fundraising solutions required as a result of the limited funding available under this facility.

Following receipt of the proposal, Nexus engaged in discussions with the third party financier, however Nexus could not progress the proposal for the above reasons. In late March 2014, the third party financier reconfirmed its interest in a refinancing transaction on substantially the same terms as the previous term sheets. For the same reasons, the Board did not consider that this refinancing proposal was on terms which were in the best interests of the Company or its shareholders.

The Board also held early stage discussions with one party with respect to a 24 month convertible bond. Based on these discussions, the Board determined that the funding potentially available under this convertible bond:

- was insufficient to meet the cash needs of the business (including in relation to the on-going costs of the legal dispute with Sedco as the Sedco Settlement would not crystallise as a result of implementation of this option);
- appeared to involve extreme dilution of existing shareholders' interests; and
- was not underwritten or committed and on its terms the transaction was not capable of being progressed.

(d) Recapitalisation of the Company through the issue of new equity

The Company held discussions with its financial advisers and received a series of proposals from a number of different counterparties over an extended period of time between March 2013 and March 2014 with respect to a potential recapitalisation of the Company through the issue of new equity. The Board investigated a number of different recapitalisation options including:

- the issue of equity in conjunction with a refinancing proposal;
- the issue of convertible equity instruments (as noted in Section 4.3(c));
- private placements; and
- pro-rata rights issues and share purchase plans.

On the basis of those discussions the Board concluded that:

- the quantum of funding which could be generated was not certain and would be unlikely to be sufficient to meet the Company's funding requirements (including in relation to the on-going costs of the legal dispute with Sedco as the Sedco Settlement would not crystallise if this option could be implemented) meaning that additional bridging facilities would be required by additional financing or mandated asset sale, which the Company had not identified any realistic means of obtaining;

- the voluntary suspension of the Company from the Longtom outage placed further constraints on the Company's ability to raise equity and created additional regulatory and timetable obligations, including the requirement for shares to be issued under a prospectus;
- this option involved significant costs (for example, one proposal had underwriting fees of 6%);
- an equity raising could not be completed within the timeframe required to satisfy the review events under the Senior Facility;
- additional accommodation by the Senior Facility lenders would be required to ensure on-going compliance with the Senior Facility (which would not be satisfied by implementation of this option); and
- this option would either require participation by existing shareholders and/or involve a significant dilution of their shareholding, as the equity issue would almost certainly require a pricing that would be at a material discount to the prevailing market price of Shares (this was exacerbated by uncertainties around the Longtom outage).

Accordingly, this option was not seen by the Board as feasible to execute.

4.4. Impact of Longtom Outage

Nexus' challenging financial circumstances were also impacted by the unexpected operational issues at the Longtom Project (Nexus' sole producing asset) in June 2012 (22 day production outage), January 2013 (137 days production outage) and again in February 2014 (18 day outage at Longtom-4 well and on-going outage at the Longtom-3 well). In the Company's financial statements for the year ended 31 December 2013, Nexus recorded a \$14 million provision for doubtful debts, relating to the June 2013 Longtom take or pay receivable under the Longtom Agreement which remains disputed and unpaid by Santos. As a result of the 2013 Longtom outage, Nexus' FY2013 revenues were down 36% and operating cash flow was down 51%.

On 21 February 2014, production at the Longtom gas processing facility was suspended. At that time the cause of the production halt was unknown other than it was an offshore electrical fault. An offshore program was undertaken and on 12 March 2014, the Company issued a Longtom operational update that advised of the return to gas production from the Longtom-4 well, and the identification of the electrical fault as being contained within the Longtom-3 subsea facilities. At that time, however, further investigations were required to ascertain the cause of the electrical fault and determine the work necessary to rectify the fault, the time and costs that would be involved and whether it would be viable to carry out the rectification work compared to continuing with reduced production from the Longtom-4 well alone.

In relation to the Longtom-3 subsea facilities, Nexus has been developing alternative options to enable Longtom-3 production to be returned. These options include a standalone offshore campaign (with limited reliability and scope), around mid-2014 calendar year, a standalone offshore campaign to reinstate Longtom-3 with greater reliability around October 2014 and an offshore campaign (with full rectification scope), integrated with the proposed Longtom-5 subsea work program targeted by 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 to \$7 million (including contingency) depending on the option chosen. The option chosen will be dependent on the final cost estimates, risk profile of the associated work program together with the timing of first production. In order to carry out any rectification works, Nexus would need to identify a source of funding to meet the costs of the rectification works.

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 could 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 have been applied, being:

- oil price: starting at a price of US\$109 per barrel and based on the Brent Forward Curve for crude oil; and
- discount rates: the post-tax discount rate applied to cash flow projections is 9.5%.

In order to avoid this negative NPV impact, Nexus would need to identify a source of funding to meet the costs of Longtom-3 rectification works. Refer to Section 6.4 for details on the latest Nexus financial disclosure.

Nexus entered into the Bridge Facility with SGH in conjunction with the Implementation Agreement to provide funding to meet costs associated with the Longtom Project, near term capital commitments, contingencies and corporate expenses for the period anticipated to be required to complete the implementation of the Scheme. Any drawdowns under the Bridge Facility require the approval of SGH. Based on the current timetable for the Scheme, the rectification works for the

Longtom subsea facilities will not need to be undertaken until after completion of the Scheme. However, Nexus (subject to the approval of SGH) may need to make commitments in respect of the Longtom rectification works in the period prior to completion of the Scheme.

4.5. A corporate acquisition of Nexus

In August 2013, the Board met to discuss the various strategic options being pursued by the Company, including the refinancing proposals received to date and an update on the on-going asset divestment process. At that meeting, the possibility of a total company sale was also proposed. During this discussion, Don Voelte advised the Board that if there is going to be an industry-wide process SGH may be interested and that he would need to recuse himself from any and all participation. The Board resolved to adopt a takeover defence manual, including independent board committee management protocols to ensure the Company's readiness and good corporate governance in the event a whole of company proposal did emerge.

At a board meeting on 11 December 2013 Lucio Della Martina proposed a formal resolution that the Board progress with a whole of company sale process. Mr Voelte immediately declared a potential conflict, advised that he would abstain from any discussions in relation to the matter, and excused himself from the meeting. Once Mr Voelte had left the meeting, the remaining directors formed an independent board committee in accordance with the protocols previously adopted (**Independent Board Committee**) and resolved to proceed with a whole of company sale process, which would be conducted in parallel to the asset divestment and refinancing strategies, and requested Deutsche Bank (as takeover defence advisers) to commence this process.

4.6. Receipt of proposal from SGH

On 19 December 2013, Nexus and SGH entered into confidentiality arrangements pursuant to which Nexus granted SGH access to a data room for the purposes of SGH conducting financial, commercial and legal due diligence investigations. After initial discussions with SGH that terminated without agreement (as announced to ASX on 20 February 2014, Nexus received a proposal from SGH in relation to the acquisition of all of the Shares under the Scheme and the provision of bridge financing. The Board assessed the merits of the proposal against all other available alternatives, including the indicative, non-binding and conditional Longtom sale proposal and refinancing proposal (further details of which are set out in Section 4.3). The Board concluded that the Scheme represented the best prospect of delivering value to shareholders in light of Nexus' financial, contractual and operating commitments.

Information regarding Mr Voelte's non-participation in respect of the SGH proposal is set out in his profile in Section 7.2.

4.7. Potential litigation risks

(a) TDJV

In 2007, NEC 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 NEC owes TDJV amounts for work performed under the offshore installation contract including with respect to variations to the original contract scope of works. In November 2013, the liquidators of TDJV conveyed that the claims amount to approximately \$20 million. Nexus has asserted it has a larger claim against TDJV relating to the abandonment of the contract.

Nexus and TDJV's liquidators continue their good faith discussions in relation to this matter. It is possible that TDJV's liquidators may commence proceedings against NEC in the future and exposure to such a claim could negatively impact on the Nexus Group's financial performance through increased costs, payments for damages and damage to reputation.

(b) Sedco

The Sedco Settlement is conditional upon the Scheme (or some other asset sale or corporate transaction in respect of Nexus meeting certain parameters of the Sedco Settlement) completing before 31 August 2014 (see Section 3.4(c)). Therefore, if the Scheme is not implemented and there is no alternative proposal capable of acceptance by Nexus, the Sedco Settlement will terminate and Sedco will likely recommence proceedings against Nexus for the full value of its original claim for approximately US\$67 million plus interest (US\$13 million as at 12 March 2014). If the Sedco Settlement is terminated on 31 August 2014 (i.e. because Nexus has not completed the Scheme or any other transaction) it is likely that Nexus will be in administration. Any judgement in favour of, or settlement with, Sedco would rank ahead of Shareholders in these circumstances.

5 Implementation of the Scheme

5.1. Implementation Agreement

On 31 March 2014, Nexus and SGH (acting on behalf of SGH Energy) entered into the Implementation Agreement under which Nexus agreed to propose the Scheme at a meeting of Shareholders and Nexus and SGH agreed to the terms and conditions relating to the Scheme.

The acquisition of Nexus by SGH Energy is proposed to be implemented by way of a scheme of arrangement. The Scheme is set out in full in Annex 2. A scheme of arrangement is an arrangement between a company and its shareholders, which is voted on by those shareholders and, subject to approval by a requisite majority of shareholders and the court, is binding on all shareholders. In the current circumstances, if the required majority of Shareholders vote in favour of the Scheme and if it is then approved by the Court, the Scheme is binding on Nexus and all Shareholders.

(a) Conditions Precedent

The Scheme is subject to a number of conditions precedent that must be satisfied (or, if applicable, waived) before it can come into effect. These conditions precedent are set out in full in clause 3.1 of the Implementation Agreement set out in Annex 1 and clause 3.1 of the Scheme set out in Annex 2 and summarised below:

Regulatory approvals	All necessary ASX, ASIC and other regulatory approvals for the Scheme being obtained.
Shareholder approval	Shareholders approve the Scheme by the requisite majorities under the Corporations Act.
Court approval	The Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act.
No Restraint	No restraint or injunction is issued in respect of the Scheme (i.e. by a court or the Takeovers Panel).
No Nexus Prescribed Occurrence	No Nexus Prescribed Occurrence occurs before 8.00 am (AEST) on the Second Court Date.
No Nexus Regulated Event	No Nexus Regulated Event occurs before 8.00 am (AEST) on the Second Court Date.
No Nexus Material Adverse Change	No Nexus Material Adverse Change occurs before 8.00 am (AEST) on the Second Court Date.
Index Out	The S&P ASX 200 not closing 15% or more below the level as at the close of trading on ASX on 28 March 2014: <ul style="list-style-type: none">• for three consecutive days; and• at the close of trading on ASX on the Business Day before the Second Court Date.
No material breach	Nexus is not in breach, in any material respect, of its obligations under the Implementation Agreement.
Nexus' representations and warranties	The representations and warranties given by Nexus under the Implementation Agreement remain true and correct in all respects as at 8.00 am (AEST) on the Second Court Date.
Continuous disclosure	Nexus complying with its continuous disclosure obligations.
Material contracts	Nexus obtaining waivers in respect of any rights (e.g. change of control rights) in favour of counterparties under the contracts material to Nexus triggered by the Scheme. As at the date of this Scheme Booklet, this condition is believed by Nexus to have been either satisfied or waived in respect of each material contract.
No litigation	No litigation, investigation, prosecution etc being commenced against Nexus or any other member of the Nexus Group which may reasonably result in a liability of \$1 million or more.
Notes acquisition	Completion of the acquisition by a Related Body Corporate of SGH of Notes representing not less than 66.67% of the aggregate face value of all Notes. As announced on 11 April 2014, completion of the acquisition has occurred and this condition has been satisfied.
Court Conditions	Such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme and agreed to by SGH Energy and Nexus having been satisfied or waived.
Court Orders	The orders of the Court under subsection 411(4)(b), including with any alterations required by the Court under section 411(6) of the Corporations Act, approving the Scheme coming into effect, pursuant to section 411(10) of the Corporations Act on or before the End Date.

(b) Exclusivity Provisions

Nexus has agreed to exclusivity provisions including no shop and no talk provisions, notification and matching rights regarding Competing Proposals (subject to customary fiduciary and legal obligation carve-outs) during the Exclusivity Period. These provisions are summarised below and set out in full in clause 11 of the Implementation Agreement set out in Annex 1.

No shop	Nexus may not actively seek a Competing Proposal.
No talk	Nexus must not engage with an unsolicited Competing Proposal (except where not doing so would likely result in a breach of the statutory or fiduciary duties of the Directors).
Notification	Nexus must immediately notify SGH of any Competing Proposal received by Nexus and provide a summary of the material terms of the proposal (but is not required to disclose the identity of the party proposing the Competing Proposal).
Matching right	Nexus must allow SGH 3 Business Days to provide a matching or superior proposal before entering into any legally binding agreement in relation to a Competing Proposal or changing their recommendation to vote in favour of the Scheme.
Cease discussions	Nexus agreed to cease all discussions in relation to any Competing Proposal or potential Competing Proposal immediately upon signing the Implementation Agreement.
Equal information	Any non-public information provided to a third party in connection with a Competing Proposal must be immediately provided to SGH (except where doing so would likely be a breach of the statutory or fiduciary duties of the Directors).

(c) Reimbursement Fee

Nexus has agreed to pay SGH a Reimbursement Fee of \$3 million within 10 Business Days of certain events occurring. These events are summarised below and set out in full in clause 13 of the Implementation Agreement set out in Annex 1:

Withdrawal or qualification of support	Any Director withdraws, adversely revises or adversely qualifies his support of the Scheme or his recommendation unless (in the absence of a Superior Proposal) the Independent Expert concludes that the Scheme is not in the best interests of Shareholders.
Recommendation of Competing Proposal	Any Director recommends Shareholders support a Competing Proposal.
Completion of a Competing Proposal	A Competing Proposal is announced during the Exclusivity Period and a transaction is agreed or completed by Nexus and the relevant third party within 12 months.
Unsatisfied Conditions	The conditions to the Scheme are not satisfied as a result of acts or omission that could reasonably have been prevented by Nexus.
Failure of Court to approve	A failure of the Court to approve the terms of the Scheme as a result of non-compliance by Nexus with its obligations under the Implementation Agreement.

(d) Termination

If the Implementation Agreement is terminated, the Scheme will not proceed. The circumstances in which the Implementation Agreement may be terminated are summarised below and set out in full in clause 14 of the Implementation Agreement set out in Annex 1:

Either party may terminate the Implementation Agreement...	On failure of satisfaction of the conditions precedent, on a material breach of a fundamental term of the Implementation Agreement by the other party (subject to appropriate notice and a 10 Business Day cure period (or shorter period ending immediately before completion)) or if the Scheme has not been implemented by 31 August 2014 or if, before 8.00 am on the Second Court Date, the Court or any government agency takes any action permanently restraining, prohibiting or preventing the Scheme or has refused to do anything necessary to permit the Scheme (and such action or refusal is final and cannot be appealed).
SGH may also terminate the Implementation Agreement if...	<ul style="list-style-type: none">• A Nexus Material Adverse Change, Nexus Prescribed Occurrence or Nexus Regulated Event occurs.• Any Director withdraws, adversely revises or adversely qualifies his support of the Scheme for any reason or makes a public statement that he no longer recommends the Scheme for any reason or recommending, supporting or endorsing another transaction (including any Competing Proposal).• Nexus is in material breach of a representation and warranty under the Implementation Agreement (subject to appropriate notice and a 10 Business Day cure period (or shorter period ending immediately before completion)).

Nexus may also terminate the Implementation Agreement if...	<ul style="list-style-type: none"> • The Board (or a majority of the Board) has changed, withdrawn or modified its recommendation as permitted and Nexus has paid the Reimbursement Fee. • SGH is in material breach of a representation and warranty under the Implementation Agreement (subject to appropriate notice and a 10 Business Day cure period (or shorter period ending immediately before completion)).
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5.2. Deed Poll

SGH and SGH Energy executed the Deed Poll under which they agreed, subject to the Scheme becoming Effective, to provide each Scheme Shareholder with the Scheme Consideration to which it is entitled under the Scheme. The Deed Poll may be relied upon and enforced by any Scheme Shareholder, despite the fact that the Shareholder is not a party to it, and each Scheme Shareholder appoints Nexus as its agent to enforce its rights under the Deed Poll against SGH and SGH Energy. A copy of the Deed Poll is set out in Annex 3.

5.3. Overview of implementation steps

The key steps to implement the Scheme are as follows:

- Nexus has applied to the Court to convene the Scheme Meeting and approve despatch of this Scheme Booklet to Shareholders;
- Shareholders will vote on whether to approve the Scheme at the Scheme Meeting;
- if the required majorities of Shareholders approve the Scheme and all conditions precedent to the Scheme (other than approval by the Court) have been satisfied or waived, Nexus will apply to the Court for approval of the Scheme at the Second Court Hearing;
- if the Court approves the Scheme, Nexus will lodge with ASIC a copy of the Court orders approving the Scheme. The date on which this occurs will be the Effective Date for the Scheme and will be the last day on which trading in Shares on ASX can occur;
- on the Implementation Date, SGH Energy will acquire all existing Shares and will provide the Scheme Consideration to the Scheme Shareholders (being those Shareholders who are registered as the holders of Scheme Shares as at 7.00pm (AEST) on the Scheme Record Date); and
- following the Implementation Date, Nexus will apply for termination of the official quotation of Shares on ASX, and to have itself removed from the official list of ASX.

These steps are described in further detail in Sections 5.4 to 5.10. The expected dates for the key steps are set out on page 6 of this Scheme Booklet (but those dates are subject to change).

5.4. Scheme Meeting

In accordance with an order of the Court dated 7 May 2014, Shareholders will be asked to approve the Scheme at the Scheme Meeting to be held at Promenade Rooms 2 & 3, Level 1, Crown Promenade Hotel, 8 Whiteman Street, Southbank Victoria on Thursday, 12 June 2014 starting at 11.00 am (AEST). The notice convening the Scheme Meeting is set out in Annex 5.

At the Scheme Meeting, Shareholders will be asked to consider and, if thought fit, to pass a resolution approving the Scheme. For the Scheme to proceed, it must be approved by:

- unless the Court orders otherwise, a majority in number of Shareholders voting at the Scheme Meeting whether in person, by direct vote, or by appointing corporate representative (in the case of corporate shareholders), proxy or attorney; and
- Shareholders who together hold at least 75% of the votes cast on the resolution.

5.5. Second Court Hearing

If the Scheme is approved by Shareholders by the required majorities and all other conditions precedent to implementation of the Scheme set out in the Implementation Agreement (other than approval by the Court) have been satisfied (or, if applicable) waived, Nexus will apply to the Court for orders approving the Scheme. The Corporations Act and the relevant Court rules provide a procedure for Shareholders to oppose the approval by the Court of the Scheme. Any shareholder who wishes to oppose the approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on Nexus a notice of appearance in the prescribed form together with any affidavit on which the shareholder will seek to rely at the Second Court Hearing. The Second Court Hearing is currently scheduled to occur on

16 June 2014. Any change to this date will be announced to ASX (www.asx.com.au) and published on Nexus' website (www.nexusenergy.com.au) or www.nexusenergyscheme.com.

5.6. Effective Date

If the Court approves the Scheme, Nexus will lodge with ASIC an office copy of the Court order approving the Scheme. The Scheme comes into effect on the date on which the order is lodged. This date is referred to in this Scheme Booklet as the Effective Date. If the Scheme has not become effective by 31 August 2014 or such later date as Nexus and SGH agree in writing the Scheme will lapse and be of no further force or effect.

Once the Scheme comes into effect, Nexus will notify ASX and will apply for Shares to be suspended from official quotation on ASX from close of trading on the Effective Date.

5.7. Determination of entitlements to Scheme Consideration

Shareholders will be entitled to receive the Scheme Consideration if, and only if, they are registered as the holders of Shares as at 7.00pm (AEST) on the Scheme Record Date. The Scheme Record Date is the date that is 5 Business Days after the Effective Date. The Scheme Record Date is currently expected to be 23 June 2014.

For the purposes of establishing the Shareholders entitled to receive the Scheme Consideration (referred to in this Scheme Booklet as Scheme Shareholders) dealings in Shares will be recognised provided that:

- in the case of dealings of the type to be effected on CHESS, the transferee is registered in the Register as the holder of the relevant Shares before 7.00pm on the Scheme Record Date; or
- in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the Nexus Registry before 7.00pm on the Scheme Record Date (in which case Nexus must register such transfers before 7.00pm on the Scheme Record Date).

Nexus will not accept for registration, or recognise for the purpose of establishing who are Scheme Shareholders, any transmission application or transfer in respect of Shares received after 7.00pm on the Scheme Record Date or received prior to that time but not in a registrable or actionable form.

5.8. Dealings in Shares after the Scheme Record Date

All share certificates and holding statements for the Scheme Shares existing at the Scheme Record Date will cease to have effect as documents of title from that date, and each entry on the Register on the Scheme Record Date will cease to have any effect other than as evidence of entitlement to the Scheme Consideration.

5.9. Implementation Date

The Implementation Date will be 3 Business Days after the Scheme Record Date. On the Implementation Date:

- SGH or SGH Energy will deposit the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders in cleared funds to an account established by Nexus to be held on trust for all Scheme Shareholders under the terms of the Scheme;
- once the Scheme Consideration has been deposited by SGH Energy as described above, all of the Scheme Shares will be transferred to SGH Energy without any need for further action by Scheme Shareholders; and
- the Scheme Consideration will be paid to each individual Scheme Shareholder from the trust account referred to above, by way of electronic transfer to the bank account details of which have been given by the Scheme Shareholder to the Nexus Registry or, if no bank account details have been given, by way of cheque.

In the case of Scheme Shares held in joint names, the Scheme Consideration will be paid to the holder whose name appears first in the Register as at 5.00pm on the Scheme Record Date.

5.10. Deemed warranty

If the Scheme becomes Effective, each Scheme Shareholder is deemed to have provided to Nexus and SGH Energy the warranties described in clause 9.2(b) of the Scheme, as summarised below and set out in the Scheme in Annex 2:

- All of the Shares registered in the name of that Scheme Shareholder as at the Scheme Record Date will, as at the Implementation Date, be free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind.

- The Scheme Shareholders have full power and capacity to transfer their Shares to SGH Energy under the Scheme.

5.11. Amendment to the Scheme

SGH and Nexus have agreed to amend the proposed scheme of arrangement included as Attachment 2 to the copy of the Implementation Agreement released to ASX on 31 March 2014 to remove clause 6 (“Release”), which is reflected in the copy of the Scheme attached as Annex 2.

6 Information about Nexus

6.1. Overview

Nexus is an independent ASX-listed oil and gas exploration and production company. Nexus has a portfolio of energy assets in two regions, namely, Gippsland Basin, off the south east coast of Victoria and the Browse Basin, off the northwest coast of Western Australia.

Nexus was incorporated in the Northern Territory in February 1993 and was admitted to the official list of ASX in September 2000.

6.2. Key business operations

(a) Longtom Gas Project (100% Nexus)

Overview

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 Santos owned Patricia-Baleen plant and the products are sold to Santos under the Longtom Agreement, containing a long term gas sales agreement. Longtom is Nexus' sole producing asset.

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

Following recent further technical studies, which included seismic reprocessing and a rebuilt subsurface model, Nexus' subsurface understanding of Longtom has been further enhanced. Field infill well opportunities recognised as part of the rebuilt subsurface model will now be progressed. Subject to SGH's approval for drawdown under the Bridge Facility for the purposes of funding the necessary expenditure for the Longtom Project, the development plan has been optimised to meet the revised gas supply requirements and includes:

- Longtom-5 infill well targeted to commence drilling by mid-2015;
- Longtom-4 workover targeted for March quarter 2015 to open up previously unexploited proven gas sands; and
- inlet pressure reduction at the Patricia-Baleen plant to increase recovered volumes.

Recent asset history and current production issues

On 14 March 2012, Nexus announced a downgrade in proved 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.

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.

On 14 January 2013, Nexus announced that production at the Longtom gas processing facility was suspended as a result of an electrical fault. On 11 February 2013 and 27 May 2013, Nexus announced offshore intervention programs were completed and production recommenced on 26 May 2013.

On 21 February 2014, production at the Longtom gas processing facility was 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. An assessment is on-going to define the scope of work and timing of future campaign for a return to production from the Longtom-3 well. On 11 March 2014, Longtom gas production recommenced from the Longtom-4 well.

In relation to the Longtom-3 subsea facilities, Nexus has been developing alternative options to enable Longtom-3 production to be returned. These options include a standalone offshore campaign (with limited scope) around October 2014 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 to \$7 million (including contingency) depending on the

option chosen. The option chosen will be dependent on the final cost estimates, risk profile of the associated work program together with the timing of first production.

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 have been applied. In order to avoid this negative NPV impact, Nexus would need to identify a source of funding to meet the costs of Longtom-3 rectification works. Refer to Section 6.4 for details on the latest Nexus financial disclosure.

Medium term capital commitments: Approximately \$110 million to fund Longtom development (based on conceptual work completed in December 2012). The Longtom Agreement requires Longtom-5 to be completed by 30 June 2015.

(b) Crux Project (15% Nexus)

Overview

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 CO₂ content.

In the financial year ended 30 June 2012, Nexus recognised an impairment loss 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. 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%.

The Crux petroleum retention lease work program (issued in February 2013) 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).

Medium term capital commitments: Approximately \$55 million to fund Auriga drilling and the Plugging and Abandonment Operations.

(c) Echuca Shoals (100% Nexus)

Overview

Echuca Shoals is an exploration asset located in the Browse Basin, offshore Western Australia. The Echuca Shoals petroleum exploration permit is currently in Year 2 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).

Medium term capital commitments: Approximately \$60 million on Echuca Shoals drilling obligation.

6.3. Board and senior management

(a) Members of the Board

The members of the Board are as follows:

- Lucio Della Martina – Chief Executive Officer and Managing Director

Mr Martina has over 25 years' experience in the international oil and gas industry. He has held various positions in Woodside covering gas business development, LNG marketing, supply planning and oil development. Prior to his tenure with Woodside, Lucio spent 11 years with the Shell Group of Companies in Africa and Europe in a variety of roles covering refining technology, operations, economics, planning and international oil trading.

- Symon Drake-Brockman – Non-Executive Director

Mr Drake-Brockman has over 20 years of finance experience covering both the debt and equity markets. He was formerly Chief Executive Officer of RBS Global Banking and Markets in the Americas and Chief Executive

Officer of RBS Greenwich Capital, Global head of RBS' Debt Markets division and Board member of RBS Global Banking and Markets. Mr Drake-Brockman previously held senior positions with ING Barings and JP Morgan in London, New York, Tokyo and Hong Kong.

- John Hartwell – Non-Executive Director

Mr Hartwell has over 18 years' experience working in the Australian Government where he held a range of positions dealing with trade, commodity and energy and resources issues. From 2002 to 2010 he was head of the Resources Division, in the Department of Resources, Energy and Tourism, Canberra. The Resources Division provides advice to the Australian Government on policy issues, legislative changes and administrative matters related to the petroleum industry, upstream and downstream and the coal and minerals industries.

(b) Senior management

Together with the Chief Executive Officer referred to above, the following persons make up the senior management team of Nexus:

- Susan Robutti – Company Secretary and Chief Financial Officer; and
- Margaret Hall – Development Manager.

6.4. Financial information

(a) Overview and basis of preparation

2014 Half Year Financial Statements

The half year financial statements for the period ending 31 December 2013 have been reviewed (unaudited) and released publicly.

2013 and 2012 Full Year Financial Statements

The general purpose 2013 and 2012 Full Year Financial Statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Nexus Energy Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS – the 2013 and 2012 Full Year Financial Statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

New and Amended Standards Adopted by the Group – none of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Historical Cost Convention – the 2013 and 2012 Full Year Financial Statements have been prepared on an accrual basis under the historical cost convention as modified, when relevant by the revaluation of selected financial assets and liabilities for which the fair value basis of accounting has been applied.

Early Adoption of Standards – the Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2012.

Rounding of Amounts

All values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company.

ASIC Class Order 98/100

The Company is an entity to which the Class Order applies.

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars (\$) which is the Company's functional and presentation currency.

(b) Current financial position

Material uncertainty regarding ability to continue as a going concern

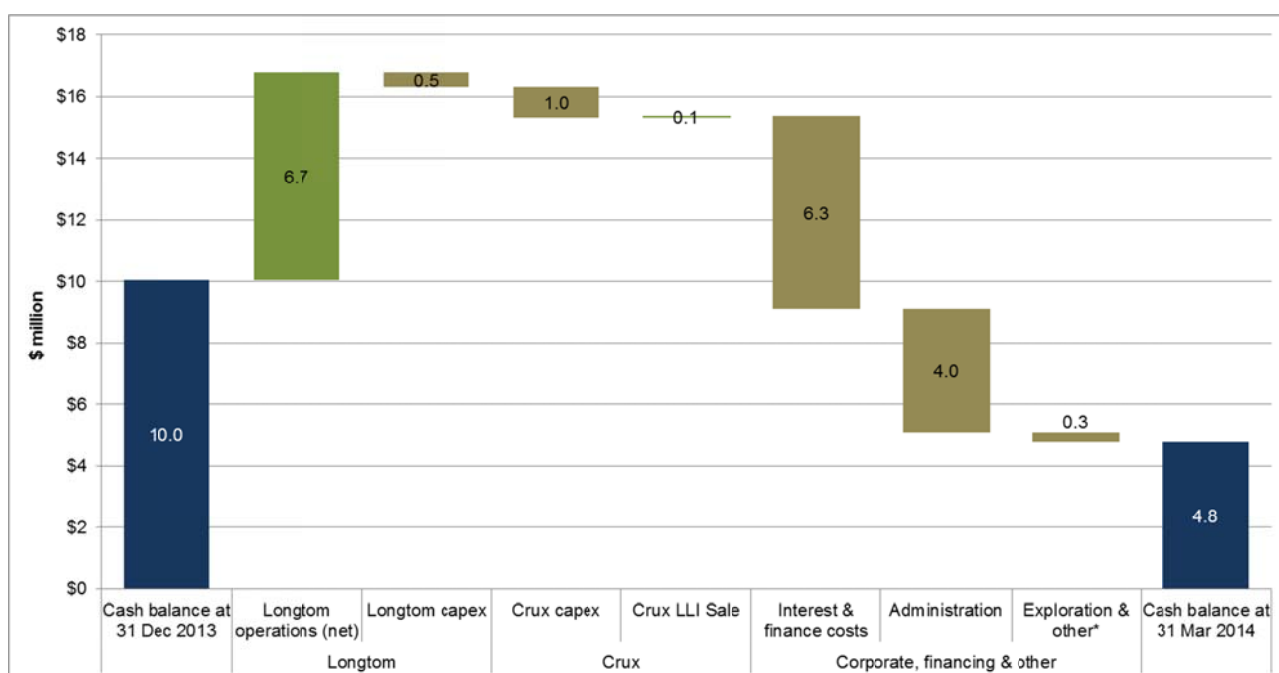
The 2014 half year financial statements noted that there was material uncertainty which may cast significant doubt about the ability of the Nexus Group to continue as a going concern, and therefore whether it will realise its assets and discharge its liabilities in the normal course of business. This concern was emphasised both in the half year accounts and was noted in the auditor's report on the half year accounts prepared by PricewaterhouseCoopers.

Summary of cash balance as at 31 March 2014

As at 31 March 2014, Nexus had a cash balance of \$4.8m (reduced from \$10.0 million and \$11.8 million as at 31 December 2013 and 30 June 2013 respectively). The balance at 31 March 2014 includes \$2 million of restricted cash and \$2.8 million of unrestricted cash. Refer to Section 4.2 for detail of Nexus' medium term capital commitments.

Sources and allocation of cash for the quarter end 31 March 2014

Below is summary of Nexus' sources and allocation of cash for the quarter ended 31 March 2014. The sources and allocation of cash for the quarter ended 31 March 2014 is based on March 2014 management accounts.



*Other includes net GST payable, payments for PP&E and effect of exchange rate changes on the balance of cash held in foreign currencies.

(c) Historical Consolidated Statement of Financial Position

Below is the Consolidated Statement of Financial Position as at:

- 31 December 2013 (based on reviewed (unaudited) accounts); and
- 30 June 2013 and 30 June 2012 (based on audited accounts).

The table below should be read in conjunction with the notes contained in Section (f), further below, which details the material changes in the position of Nexus since 31 December 2013.

\$'000	Note	As at 31 Dec 2013	As at 30 Jun 2013	As at 30 Jun 2012
Current assets				
Cash and cash equivalents	(1)	10,049	11,806	33,653
Trade and other receivables		5,972	21,754	7,820
Inventories		16	1	15
Other current assets		2,165	2,415	2,453
Total current assets		18,202	35,976	43,941
Non-current assets				
Property, plant and equipment		137	199	241
Deferred tax asset		-	112,090	123,345
Intangible assets		3	12	27
Exploration and evaluation assets		12,889	12,542	11,655
Development assets		247,414	218,659	233,631
Production assets	(2)	110,453	139,194	145,384
Other non-current assets		19,156	22,972	22,467
Total non-current assets		390,052	505,668	536,750
Total assets		408,254	541,644	580,691
Current liabilities				
Trade and other payables	(3)	11,003	14,018	27,093
Borrowings	(4)	54,182	-	43,489
Total current liabilities		65,185	14,018	70,582
Non-current liabilities				
Trade and other payables		-	11,960	3,021
Derivative financial liabilities		132	315	1,089
Borrowings	(4)	97,241	146,513	167,412
Long term provisions	(5)	86,682	59,864	47,476
Total non-current liabilities		184,055	218,652	218,998
Total liabilities		249,240	232,670	289,580
Net assets		159,014	308,974	291,111
Equity				
Issued capital		689,594	689,594	689,594
Reserves		8,028	7,871	7,556
Retained profits/(accumulated losses)		(538,608)	(388,491)	(406,039)
Total equity		159,014	308,974	291,111

(d) Historical Consolidated Statement of Comprehensive Income

Below are the Consolidated Statement of Comprehensive Income for:

- half year ended 31 December 2013 (based on reviewed (unaudited) accounts); and
- full year ended 30 June 2013 and 30 June 2012 (based on audited accounts).

\$'000	Half year end 31 Dec 2013	Year end 30 Jun 2013	Year end 30 Jun 2012
Sales revenue	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
Exploration expenditure expensed	(21)	(310)	(322)
Employee benefits expense	(2,394)	(5,156)	(6,750)
Depreciation and amortisation	(76)	(160)	(98)
Finance costs	(12,481)	(27,546)	(32,777)
Mark-to-market gain/(loss) on derivative financial instruments	183	775	565
Net foreign currency gains/(losses)	(42)	(235)	1,003
Inventory write down	-	-	(1,903)
Loss on disposal of inventory	-	-	(6,456)
Restoration provision expense	(923)	(4,047)	(1,609)
Impairment of development asset – Long Lead Items (LLI)	-	-	(81,038)
Impairment of production asset	(22,174)	-	(162,778)
Provision for doubtful recovery of prepayment	(4,066)	-	-
Professional fees	-	(4,665)	(4,655)
Other expenses	(5,909)	(5,896)	(5,109)
Profit/(Loss) before income tax	(38,027)	28,803	(283,441)
Income tax (expense)/credit	(112,090)	(11,255)	(58,882)
Profit/(Loss) for the year attributable to the owners of Nexus Energy Ltd.	(150,117)	17,548	(342,323)
Other comprehensive income			
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive loss for the year attributable to the owners of Nexus Energy Ltd.	(150,117)	17,548	(342,323)
Basic earnings per share (cents)	(11.29)	1.32	(25.80)
Diluted earnings per share (cents)	(11.29)	1.31	(25.80)

(e) **Historical Consolidated Statement of Cash Flows**

Below are the Consolidated Statement of Cash Flows for:

- quarter ended 31 March 2014 (based on Management accounts);
- half year ended 31 December 2013 (based on reviewed (unaudited) accounts); and
- full year ended 30 June 2013 and 30 June 2012 (based on audited accounts).

\$'000	Quarter end 31 Mar 2014	Half year end 31 Dec 2013	Year end 30 Jun 2013	Year end 30 Jun 2012
Cash flows from operating activities				
Receipts from customers	12,418	33,800	50,842	92,378
Payments to suppliers and employees	(9,870)	(24,582)	(37,649)	(58,350)
Interest received	29	82	682	2,524
Finance costs	(6,311)	(7,571)	(19,049)	(22,492)
Net cash provided by/(used in) operating activities	(3,734)	1,729	(5,174)	14,060
Cash flows from investing activities				
Payments for plant and equipment and intangible assets	(1)	(3)	(103)	(139)
Payments for exploration, development and production expenditure	(1,595)	(7,200)	(18,959)	(36,950)
Proceeds from part sale of Crux asset	-	-	75,000	-
Proceeds from sale of casing and former Crux Long Lead Items	59	3,774	338	5,046
Net cash flows provided by / used in investing activities	(1,537)	(3,429)	56,276	(32,043)
Cash flows from financing activities				
Payments for transaction costs arising on share issues	-	-	-	(19)
Repayment of borrowings	-	-	(72,879)	(11,000)
Net cash flows (used in)/provided by financing activities	-	-	(72,879)	(11,019)
Net (decrease)/increase in cash and cash equivalents held	(5,271)	(1,700)	(21,777)	(29,002)
Cash and cash equivalents at beginning of financial year	10,049	11,806	33,653	62,612
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(3)	(57)	(70)	43
Cash and cash equivalents at end of financial year / period	4,775	10,049	11,806	33,653

(f) **Notes to the accounts**

The Statement of Financial Position as at 31 December 2013, detailed in the table above, should be read in conjunction with the following notes. The following material changes have been noted for the period from 31 December 2013 until the date of this Scheme Booklet:

- (1) The cash balance at 31 March 2014 is \$4.8 million. The balance at 31 March 2014 includes \$2 million of restricted cash and \$2.8 million of unrestricted cash. Since 31 December 2013, revenues and cash inflows from Longtom have been impacted by the shut down on 21 February 2014 and payment of \$4.96 million in respect of the Notes interest payment in January 2014.

Nexus has entered into the \$40 million Bridge Facility with SGH. Nexus entered into the Bridge Facility in conjunction with the conditional Implementation Agreement to provide funding to meet costs associated with the Longtom Project, near term capital commitments, contingencies and corporate expenses for the period anticipated to be required to complete the implementation of the Scheme. On 11 April 2014, Nexus announced that the conditions precedent to drawdown on the Bridge Facility had been satisfied. An establishment fee of \$2 million has been incurred and will be capitalised as principal outstanding under the Bridge Facility on the date of first drawdown under the Bridge Facility. The commitment fee of 3% per annum on the undrawn commitment is capitalised at the end of the each calendar month, on the termination date and on the date the commitments are cancelled in full. Any drawdowns under the Bridge Facility require the approval of SGH. As at the date of this Scheme Booklet, no amount has been drawn under the Bridge facility.

- (2) On 21 February 2014, production was shut down at the Longtom gas processing facility. See Section 6.2 for further information on the potential financial implications of the outage.
- (3) On 12 March 2014, the Sedco Settlement was reached with Sedco in relation to an alleged breach of contract relating to the charter of the Transocean Legend drilling rig. The Sedco Settlement provides for Nexus to be fully

and finally released from the dispute (without admission of liability by any party) subject to certain conditions including the payment by Nexus to Sedco of \$US30 million.

As at 31 March 2014, the Sedco Settlement amount of US\$30 million has been shown as a current liability.

Note the Sedco Settlement (and Nexus' payment obligation) remains conditional upon Nexus completing a binding asset or corporate sale transaction by 31 August 2014. Should the Scheme not proceed the Sedco Settlement would terminate and Sedco would likely continue its primary claim against Nexus for approximately US\$67 million excluding interest (which totalled US\$13 million as at 31 March 2013 (see Section 3.4(c)), unless an alternative proposal meeting the parameters of the Sedco Settlement completes before 31 August 2014.

- (4) As at 31 December 2013, Borrowings relates to the Senior Facility and the Notes.

On 10 January 2014, revised terms were completed and executed with Nomura Special Investments Singapore Pte Ltd and Merrill Lynch International. The revised terms provide for:

- An amended review event that requires either a debt refinance or the Company executing a binding agreement by 2 April 2014 with a third party that will retire the outstanding Senior Facility and fully cash back the undrawn \$60 million letter of credit issued under the LC Facility, by 1 July 2014.
- A restatement of the principal outstanding from 10 January 2014 to:
 - \$42.4 million plus \$2 million to be capitalised on 10 January 2014; or
 - \$44.4 million plus \$3 million to be capitalised on 2 April 2014.
- On 9 April 2014, SGH (through a subsidiary company) acquired all of the debt under the Senior Facility and more than 66.67% of the Notes.

- (5) The Provision balance at 31 December 2013 relates to restoration provisions for the Longtom and Crux assets and long service leave. At 31 December 2013 the restoration provisions for the Longtom and Crux assets were as follows:

- Longtom \$41.9 million; and
- Crux \$44.6 million.

The Crux restoration provision is based on estimates provided by Shell as Operator of the Crux Joint Venture. The timing of the restoration works for the existing Crux wells is dependent on the Crux Joint Venture securing a suitable drilling rig. Depending on a rig's availability the proposed restoration works and Auriga exploration well drilling may be brought forward into the current calendar year, noting that the Crux restoration provision was disclosed as a non-current liability as at 31 December 2013.

6.5. Risks related to holding shares in Nexus

There are existing risks relating to Nexus' business and attaching to an investment in Nexus, which may affect the future operating and financial performance of Nexus and the value of the Shares that will be relevant to Shareholders if the Scheme is not implemented. The following summary of risk factors, which include both general and specific risks associated with Nexus' business and investment in Nexus, are not intended to be an exhaustive list of all the risks to which Nexus is exposed. Additional risks and uncertainties that Nexus is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect Nexus' operating and financial performance.

Nexus faces risks that are specific to the company, which include but are not limited to:

- the likelihood that Nexus will be placed into voluntary administration, given there is significant doubt over the ability of the Nexus Group to continue as a going concern in light of the existing finance commitments and upcoming capital commitments set out in Section 4.2;
- operational and production risks associated with Longtom (Nexus' sole producing asset), as set out in Section 6.2;
- the possibility that the Crux Joint Venture (Nexus 15%) may be unable to fulfil the requirements associated with the Crux Retention Lease, as set out in Section 6.2;
- on-going litigation risks involving Nexus, including in connection with material legacy disputes such as the Sedco litigation claim and TDJV issues, further details of which are set out in Sections 3.4(c) and 4.7;
- cost overruns in capital work programs at Longtom, Crux and/or Echuca Shoals; and

- Crux is subject to pre-emptive rights in favour of Shell and Osaka Gas, which would potentially deter parties who may otherwise be interested in purchasing the Crux asset given the prospect of losing a bid under pre-emption after a lengthy due diligence and negotiation process.

There are risks associated with general investment that are outside the control of Nexus and may result in material and adverse impacts on the business and its operating results including:

- economic conditions, both domestic and global, that may affect the performance of Nexus. Adverse changes in matters such as the level of inflation, interest rates, exchange rates, availability of credit, global commodity prices, government policy (including fiscal, monetary and regulatory policies), consumer spending, employment rates and industrial disruption, amongst others;
- general market conditions and factors specifically affecting the Australian resources sector and exploration companies which may affect the profitability, dividends, the level of franking credits, return on capital, or the price at which the Shares may be traded on the ASX;
- changes in government, both within Australia and internationally, which can affect industry profitability;
- in the ordinary course of operations and development, Nexus will be required to issue financial assurances, particularly insurances and bond/bank guarantee instruments, and to secure statutory and environmental performance undertaking and commercial arrangements. Nexus' ability to provide such assurances is subject to external financial and credit market assessments and, its own financial position;
- insurance risk, Nexus currently maintains insurance coverage as determined appropriate by the Board and its management, but no assurance can be given that Nexus will continue to be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover all claims; and
- exposure to litigation brought by third parties such as customers, regulators, suppliers, service providers employees or business associates could negatively impact on Nexus through increased costs, payments for damages and damage to its reputation.

There are also general risks associated with investments in companies involved in the exploration, appraisal, development and production of oil and gas which even with a combination of experience, knowledge and careful evaluation may be unable to protect against and which are beyond the control of Nexus, including:

- **counterparty risk:** the ability of counterparties to meet their commitments under contracts with Nexus, including sales contracts for the supply of products by Nexus and contracts for the supply of goods and services to Nexus which may impact upon Nexus' business and financial condition. Whilst this risk is substantially mitigated for Longtom operations, where Santos is the gas off-taker for all gas volumes, any future developments of Nexus' projects (including Crux) will involve contracting with numerous third parties and the ability of Nexus to achieve its objective may be dependent on the performance by such parties of their commitments;
- **production risk:** disruption to Nexus' expected production (due to changes in the operating factors to which it is subject, including such things as operational and technical difficulties, mechanical failure or plant breakdown, adverse weather conditions, accidents, industrial disputes, unexpected shortages of commodities and other risk factors included in this section of the presentation, including in relation to Nexus' own infrastructure and the infrastructure owned by third parties (such as Santos, with respect to the Patricia Baleen facilities through which gas and condensate from Longtom are processed)) may result in variations to Nexus' expected revenue and could have an adverse effect on Nexus' financial performance and ongoing operations and may expose Nexus to liabilities where it is not capable of supplying minimum contracted amounts of petroleum for processing or sale. This risk may be amplified as a result of the recent outages at Longtom (Nexus' sole producing asset) and the continuing suspension of production from the Longtom-3 well (refer to Section 4.6 of this Scheme Booklet);
- **commodity price risk:** although the majority of the revenue stream from the Longtom gas project is tied to contracted gas prices and not exposed to market forces, the price of condensate, which is also produced, is achieved on sales is linked to oil prices and is subject to commodity price risk. The demand for, and price of, oil is highly dependent on a variety of factors, including international supply and demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments. International oil prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Any long-term significant fall in oil prices could impact Crux Project returns or economic viability;
- **currency risk:** on account of the following:

- gas sales from Nexus' Longtom producing asset are expressed in Australian dollars with lower revenues from condensate sales being denominated in US dollars;
 - Longtom funding is in Australian dollars such that the project is largely internally hedged against foreign exchange fluctuations, however a residual foreign exchange exposure remains;
 - the development of the Crux Project is likely to generate revenues denominated in US dollars with any debt funding likely to be denominated in US dollars; and
 - Capex costs are likely to be primarily denominated in US dollars but some contracts are expected to be Euro, GB Sterling, and Australian dollar denominated,
 - fluctuations in the Australian dollar exchange rate relative to other currencies may result in foreign exchange gains and losses which may impact Nexus' financial performance;
- **exploration risk:** the risk that exploration of Nexus' permits (including in respect of reservoir targets) will not result in the discovery of commercially viable hydrocarbon accumulations. Even if an apparently commercial reserve is identified, no assurances can be given that Nexus will be able to commercialise any such resources as intended. The exploration targets and costing are based on certain assumptions and estimates (including as to the method and timing of exploration) which are subject to significant uncertainties and changes to those assumptions and estimates may increase the costs from those currently projected, which may materially and adversely affect Nexus' financial performance;
 - **drilling risk:** Nexus may encounter hazards inherent in oil and gas drilling activities which may increase costs of those activities in a way which may materially and adversely affect Nexus' financial performance. Examples of such hazards include the risk of unusual or unexpected formations, abnormal pressures or rock properties;
 - **field development risk:** Nexus has a number of field development opportunities which, if progressed, may result in variations to Nexus' expected returns and cash flow as a result of, for example, increases in development costs and delays to development timetables including delays and other timing issues associated with obtaining authorisations, consents and licences. These variations could have an adverse impact on Nexus' financial performance and ongoing operations. Actual production from development opportunities may vary materially from that currently projected as such projections are based on assumptions and estimates which are subject to significant uncertainties and which may prove inaccurate;
 - **reserves and resources reporting:** reserve and resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates, which were valid when made, may change significantly when new information becomes available. In addition, reserve and resource estimates depend on interpretations which may prove to be inaccurate. The actual reserves and resources may differ from those estimated which could have either a positive or negative effect on Nexus' financial performance. Risks with respect to Nexus' projects include the possibility that prospects may not contain any gas (that is exploration wells drilled on such prospects may fail), that the current reserves base for Nexus' projects may be downgraded on account of the results of further drilling and appraisal and finalisation of field development plans or that downgrades of reserves could result in write-downs of asset valuations or breaches of the terms of financial commitments;
 - **joint venture participants and contractual risks:** Nexus may be exposed to risks associated with the failure, financial or otherwise (including a failure to contribute to financing commitments), or default by a participant in any joint ventures or other contractual relationships with Nexus (including the Crux Venture). While Nexus may seek contractual indemnities from any such participant, no assurance can be given that there would be sufficient coverage in the event that a particular project did not meet Nexus' expectations. As in any contractual relationship, the ability of Nexus to benefit from its joint venture arrangements and other contractual arrangements is dependent on its ability to comply with its obligations. There can be no assurance that any failure or default by Nexus in any joint venture or other contractual relationship will not adversely affect the results of operations or the financial condition of Nexus and defaults may result in a forced divestment of Nexus's interest in such projects. Further, should a dispute arise with a counterparty to a joint venture agreement or other contractual relationship, any legal action required by Nexus to enforce its rights under those relationships may be costly and there is no assurance that any legal remedy that may be sought will be obtained in the form sought by Nexus and this may have a materially adverse effect on Nexus' operating results and financial performance;
 - **funding risks:** additional funding will immediately be required to service Nexus' debt facility and Note repayment obligations and capital, financial and operating commitments (refer to Sections 3.4(d), 4.2, 7.5, 8.1, 8.2 and 8.3) and for the further exploration, appraisal and development of Nexus' permits and licences in the form of debt or equity or, asset sales or a combination of such. There can be no assurance Nexus will be able to secure any such additional finance on commercially acceptable terms, or at all. If the Scheme does not proceed, the Board would need to place Nexus into voluntary administration as the Board understands SGH would not be likely to grant a waiver of the payment obligations that immediately arise under the Bridge Facility and Senior Facility in

these circumstances. In addition, any failure or delay in obtaining additional finance may have a material adverse effect on the profitability of Nexus by reducing the scope of its operations or forcing it to postpone planned expansions which may have the potential to risk the good standing of Nexus' petroleum titles;

- **rising commodity costs:** in undertaking any exploration or field development, Nexus may be exposed to increasing material and labour costs due to a number of factors (such as rising oil prices, macro-economic factors such as inflationary expectations, interest rates, currency exchange rates particularly the strength of the US dollar (given capital expenditure costs are likely to be denominated in US dollars), as well as general global economic conditions and political trends) may lead to an increase in commodity and energy costs which may impact Nexus' financial performance;
- **contractors:** in that certain aspects of Nexus' business rely on contractors for whom there is no readily available alternative, in particular oil and gas processing and transport, construction and drilling contractors. If any of these contractors are unable to perform their obligations, this may have a material adverse effect on Nexus' business;
- **personnel risk:** Nexus is reliant on a number of key senior management. Loss of such personnel may have an adverse impact on Nexus' performance. However, this risk is mitigated by the fact that the oil and gas industry is international in nature and has a significant depth of suitably qualified alternative personnel. Notwithstanding this, there may be periods of time where a particular position remains vacant while a suitable replacement is identified and appointed;
- **capital expenditure:** Nexus invests significant amounts of capital in a variety of exploration, production and development projects. The planned capital, financial and operating commitments will put pressure on the Nexus balance sheet (refer to Sections 3.4(d), 4.2, 7.5, 8.1, 8.2 and 8.3). If the Scheme does not proceed, the Board would need to place Nexus into voluntary administration as the Board understands SGH would not be likely to grant a waiver of the payment obligations that immediately arise under the Bridge Facility and Senior Facility in these circumstances. Further, Nexus' development projects may be delayed or unsuccessful for many reasons, including unanticipated financial, operational or political events, cost overruns, declines in oil and gas prices, equipment and labour shortages, mechanical and technical difficulties, increases in operating cost structures, misalignment of joint venture participants, industrial actions or other circumstances which may result in the delay, suspension or termination of capital projects, the total or partial loss of Nexus' investment and a material adverse effect on the results of operations and financial condition;
- **completion risk:** as commercial development of petroleum reserves requires construction of processing facilities, storage and transportation infrastructure. Determination of relevant infrastructure requirements, agreement with third parties for access to infrastructure and completion of these facilities on time and to budget is crucial to project economics. Delays may be caused by a number of factors beyond Nexus' control, such as the ability to contract with third parties, weather, permitting, availability of equipment, or other unforeseen events. Such delays may negatively impact project values and rates of return;
- **regulatory risks:** as the operations of Nexus are subject to various Federal, State and local laws and plans, including those relating to exploration, appraisal, development, permit and licence requirements, industrial relations, environment, safety and occupational health. Whilst all relevant approvals are in place for current operations on Nexus' tenements, no assurance can be given that Nexus will be successful in extending those approvals in the future or obtaining any or all of the various approvals for future operations, including the development of Crux and its other assets. To the extent such approvals are required and not retained, obtained or extended in a timely manner or at all, Nexus may be curtailed or prohibited from continuing or proceeding with exploration, appraisal, development or production. Further, Nexus is required to comply with its obligations pursuant to such approvals, licences and permits, including the maintenance all of its tenements in good standing (failure to comply with which may expose Nexus to loss of such tenements). In particular, the Crux petroleum retention lease currently requires the submission of a report outlining the final development concept for Crux by 16 May 2018. There can be no assurance that by that date operations with respect to Crux will have indicated that development is commercially viable (in which case an extension of the Crux title may be sought) or that the Crux Joint Venture will be in a position to provide such report;
- **environmental risks:** as oil and gas exploration, development and production can be hazardous to the environment. If it is responsible for environmental damage, Nexus may incur substantial costs for environmental rehabilitation, damage control and losses by third parties resulting from its operations. Nexus is subject to relevant environmental laws and regulations in connection with its operations, conducts its activities in an environmentally responsible manner. However, Nexus could be subject to liability due to risks inherent in its activities, such as accidental spills, leakages or other unforeseen circumstances or increased costs due to additional legislation or regulation which may materially increase costs or impose conditions in a manner which may restrict, prevent or defer operations. Extreme environmental events such as cyclones or earthquakes may cause damage to or shut-in of facilities which may result in increased capital and operating costs;

- **governmental action:** including delay, inaction or policy change, particularly in relation to access to infrastructure, environmental regulation, taxation, royalties, health, safety, regulatory responses to the potential impact of climate change and greenhouse gas emissions and production and exploration licensing may adversely affect Nexus' operations and financial performance. Introduction of new legislation or regulations, amendments to existing legislation or regulations, the application of developments in existing common law or the interpretation of those laws, could also have a material adverse effect on Nexus; and
- **tax risks:** future changes in taxation laws in Australia, including changes in interpretation or application of existing laws by the courts or taxation authorities in Australia, may affect taxation treatment of Nexus securities or the holding or disposal of those securities. In addition to the normal level of income tax imposed on all industries, companies in the petroleum and gas industries are required to pay government royalties, direct and indirect taxes and other imposts. The profitability of companies in these industries can be affected by changes in government taxation and royalty policies or in the interpretation or application of such policies. The tax consequences for individual investors of an investment in Nexus will depend on the individual financial affairs of the investor and all investors should obtain independent taxation advice with respect to their personal position.

6.6. Additional information

Certain additional information in relation to Nexus and the Shares is set out in Section 10.

7 Information about SGH

7.1. Overview

(a) SGH

SGH is a leading Australian diversified operating and investment group with market leading businesses in industrial services and media. In industrial services, WesTrac Group is the sole authorised Caterpillar dealer (including in Bucyrus mining equipment) in Western Australia, New South Wales and the Australian Capital Territory in Australia, and in North Eastern China territories. WesTrac Group is one of Caterpillar's top five dealers globally (by sales value). SGH also owns AllightSykes, a supplier of lighting towers, generators and pumps, and has a 45 per cent shareholding in Coates Hire, Australia's largest equipment hire business. In media, SGH has a 35.3 per cent shareholding (and additional convertible interest) in Seven West Media, Australia's largest multiple platform media company, including Seven Network, West Australian Newspapers, Pacific Magazines and Yahoo!7.

(b) History

SGH was incorporated in February 2010 for the purpose of the merger of WesTrac Holdings Pty Limited and Seven Network, becoming the parent company of the new group. SGH was listed on ASX in April 2010.

SGH Energy is an indirect, wholly owned subsidiary of SGH. It has no existing operations. It was incorporated in April 2014 for the purpose of acquiring Nexus.

(c) Structure

SGH is a holding company that conducts business operations through its subsidiaries. As at 31 December 2013, SGH had a market capitalisation of over \$2.6 billion, comprising ordinary shares (\$2.2 billion) and Transferable Extendable Listed Yield Shares (TELYS) (\$0.42 billion). SGH is headquartered in Sydney. Mr Kerry Stokes AC, through Wroxby Pty Limited ACN 061 621 921, Ashblue Holdings Pty Limited ACN 068 180 898 and North Aston Pty Limited ACN 009 387 606 (which are entities associated with Mr Stokes AC), is the largest substantial holder of SGH with an interest in 67.87% of SGH's fully paid ordinary shares.

(d) Ownership

The table below sets out the substantial shareholders of SGH as at the date of their most recent substantial holder notice. The remaining shares are held by minority shareholders.

Substantial holder	Number of shares	Voting power
Mr Kerry Stokes AC, Wroxby Pty Limited, Ashblue Holdings Pty Limited, North Aston Pty Limited and others	207,304,349	67.87%

(e) Principal activities of the SGH Group

SGH has through WesTrac Holdings Pty Limited two core investment arms, being the WesTrac Group and the Seven Network Group. Information on each of the core investment arms and their principal activities is set out below. Energy would form a third investment arm following the acquisition of Nexus.

WesTrac Group

Business	Interest	Principal activities
WesTrac Australia	100%	WesTrac Australia is an authorised Caterpillar dealer including Bucyrus in Western Australia, New South Wales and the Australian Capital Territory. WesTrac Australia is one of the leading authorised Caterpillar dealers in Australia and is the leading provider of heavy equipment solutions in Western Australia, New South Wales and the ACT. It primarily services the mining and construction markets. WesTrac Australia distributes Caterpillar equipment in the heavy equipment industry, which includes mining and construction machinery.
WesTrac China	100%	WesTrac China is one of the leading authorised Caterpillar dealers in China. WesTrac China is an authorised Caterpillar dealer in its North Eastern China service territory, which covers six provinces and the municipalities of Beijing and Tianjin. WesTrac China operates in the construction, mining, marine, power generation and petroleum markets in North Eastern China.
Coates Hire	45%	The largest equipment hire business in Australia with over 200 branches and satellite locations and serves the mining, construction and event management sectors.
Allight Sykes	100%	Supplier of lighting towers, generators and pumps

Seven Network Group

Business	Interest	Principal activities
Seven West Media	35.3% and \$276 million Convertible Preference Shares (as at 31 December 2013)	<p>Seven West Media is listed on the ASX and is Australia's largest diversified media business, owning:</p> <ul style="list-style-type: none"> • Australia's largest commercial television network (by audience and advertising market share), The Seven Network; • the leading metropolitan newspaper in Western Australia, The West Australian; • the second largest publisher of magazines in Australia, Pacific Magazines; • 23 regional newspapers across Western Australia, and a 49.9% stake in Community Newspaper Group, a joint venture with News Limited publishing 17 local newspapers in Western Australia; • nine regional radio licences, including RED FM, WA FM and Spirit Radio Network; • a specialist publishing business and digital division; and • a 50% interest in one of Australia and New Zealand's leading online platforms, through its joint venture in Yahoo!7.

(f) Historical Financial Information on the SGH Group

Basis of presentation of historical financial information

The historical financial information below relates to the SGH Group and does not reflect any impact of the Offer. It is a summary only and the full historical financial accounts for SGH, including for the financial periods described below, which include the notes to the accounts, can be found in SGH's annual reports for those periods.

Consolidated statement of financial position

The consolidated statement of financial position of the SGH Group as at 31 December 2013 set out below has been extracted from the audited financial report of the SGH Group as at 31 December 2013, being the last balance date prior to the date of this Scheme Booklet. This was released to the ASX on 27 February 2014.

	Note	31-Dec-2013 \$'000	30-Jun-2013 \$'000
CURRENT ASSETS			
Cash and cash equivalents	12a	524,925	542,108
Trade and other receivables		552,085	719,809
Inventories		888,961	1,050,490
Other current assets		20,238	16,736
Derivative financial instruments		11,075	4,286
Total current assets		1,997,284	2,333,429
NON-CURRENT ASSETS			
Investments accounted for using the equity method	8	1,346,752	1,173,872
Trade and other receivables		-	1,770
Derivative financial instruments		59,284	67,575
Other financial assets		1,146,651	1,035,275
Property, plant and equipment		265,338	267,034
Intangible assets		777,907	765,205
Deferred tax assets		11,437	10,176
Total non-current assets		3,607,369	3,320,907
Total assets		5,604,653	5,654,336
CURRENT LIABILITIES			
Trade and other payables		398,516	516,775
Derivative financial instruments		12,669	51,313
Interest bearing loans and borrowings	9	59,443	180,750
Deferred income		94,717	128,700
Current tax liabilities		7,218	129,883
Provisions		144,261	138,306
Total current liabilities		716,824	1,145,727
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings	9	1,073,166	1,074,720
Derivative financial instruments		57,286	72,324
Deferred tax liabilities		403,845	307,988
Provisions		1,447	1,446
Deferred income		15,482	16,797
Other payables		3,225	-
Total non-current liabilities		1,554,451	1,473,275
Total liabilities		2,271,275	2,619,002
Net assets		3,333,378	3,035,334
EQUITY			
Contributed equity	10	2,630,352	2,630,352
Reserves	11	(488,073)	(597,434)
Retained earnings		1,179,196	990,053
Total equity attributable to equity holders of the Company		3,321,475	3,022,971
Non-controlling interest		11,903	12,363
Total equity		3,333,378	3,035,334

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements included in the half year report released to ASX on 27 February 2014.

Consolidated cash flow statement

The consolidated cash flow statement of the SGH Group for the half year ending 31 December 2013 shown below has been extracted from the half year report released to ASX on 27 February 2014.

	Note	6 months to 31-Dec-2013 \$'000	6 months to 31-Dec-2012 \$'000
CASH FLOWS RELATED TO OPERATING ACTIVITIES			
Receipts from customers		1,936,043	3,281,120
Payments to suppliers and employees		(1,598,954)	(2,560,096)
Dividends received from equity accounted investees	8	21,178	28,424
Other dividends received		27,522	26,432
Interest and other items of a similar nature received		11,915	3,788
Interest and other costs of finance paid		(45,472)	(63,339)
Income taxes paid		(137,537)	(93,496)
Income tax funding received from associate		10,615	-
Net operating cash flows	12b	225,310	622,833
CASH FLOWS RELATED TO INVESTING ACTIVITIES			
Payments for purchases of property, plant and equipment		(12,412)	(34,362)
Proceeds from sale of property, plant and equipment		5,948	1,356
Payments for purchase of intangible assets		(535)	(1,156)
Payments for other investments		(165,937)	(80,737)
Proceeds from sale of other financial assets		82,330	97,471
Proceeds from sale of shares in equity accounted investees		1,755	491,270
Return of capital from investment in equity accounted investee		21,050	-
Proceeds from sale of subsidiary, net of cash disposed		-	9,100
Deferred consideration from sale of subsidiary		60,000	-
Acquisition of equity accounted investees		-	(180,669)
Loans and deposits repaid		4,125	65
Net investing cash flows		(3,676)	302,338
CASH FLOWS RELATED TO FINANCING ACTIVITIES			
Ordinary dividends paid	6	(61,633)	(61,482)
TELYS4 dividends paid	6	(13,117)	(13,948)
Dividends paid to non-controlling interests		(848)	(1,150)
Proceeds from borrowings		162,631	679,593
Repayment of borrowings		(327,759)	(1,224,373)
Net financing cash flows		(240,726)	(621,360)
Net (decrease)/increase in cash and cash equivalents		(19,092)	303,811
Cash and cash equivalents at beginning of period		542,108	127,749
Effect of exchange rate changes on cash and cash equivalents		1,909	114
Cash and cash equivalents at end of the period	12a	524,925	431,674

The consolidated cash flow statement is to be read in conjunction with the notes to the financial statements included in the half year report released to ASX on 27 February 2014.

Consolidated income statement

The consolidated income statement of the SGH Group for the half year ending 31 December 2013 shown below has been extracted from the half year report released to ASX on 27 February 2014.

	Note	6 months to 31-Dec-2013 \$'000	6 months to 31-Dec-2012 \$'000
REVENUE			
Revenue from product sales		853,035	1,935,614
Revenue from product support		724,089	762,864
Other		-	5,761
Total revenue		1,577,124	2,704,239
OTHER INCOME			
Dividend income		16,085	15,165
Net gain on sale of investments, equity accounted investees and subsidiary		21,152	66,980
Fair value movement of derivatives		10,964	-
Other investment income		12,653	11,576
Other		35,407	21,989
Total other income		96,261	115,710
Share of results from equity accounted investees	8	82,191	79,435
Impairment reversal of equity accounted investees	8	127,902	-
EXPENSES EXCLUDING DEPRECIATION AND AMORTISATION			
Materials cost of inventory sold and used		(1,097,610)	(1,845,107)
Raw materials and consumables purchased		(47,063)	(76,161)
Employee benefits expense		(222,877)	(353,385)
Operating lease rental expense		(32,106)	(29,843)
Impairment of non-current assets		-	(9,464)
Fair value movement of derivatives		-	(8,620)
Other expenses		(104,425)	(137,766)
Total expenses excluding depreciation and amortisation		(1,504,081)	(2,460,346)
Profit before depreciation and amortisation, net finance costs and tax		379,397	439,038
Depreciation and amortisation		(24,473)	(26,790)
Profit before net finance costs and tax		354,924	412,248
Finance income	4	26,541	7,685
Finance costs	4	(49,268)	(67,848)
Net finance costs		(22,727)	(60,163)
Profit before tax		332,197	352,085
Income tax expense		(67,524)	(94,127)
Profit for the period		264,673	257,958
Profit for the period attributable to:			
Equity holders of the Company		263,893	256,784
Non-controlling interest		780	1,174
Profit for the period		264,673	257,958
EARNINGS PER SHARE (EPS)			
Ordinary shares			
Basic earnings per share (\$)	7	\$ 0.81	\$ 0.79
Diluted earnings per share (\$)	7	\$ 0.81	\$ 0.79

The consolidated income statement is to be read in conjunction with the notes to the financial statements included in the half year report released to ASX on 27 February 2014.

Consolidated statement of comprehensive income

The consolidated statement of comprehensive income of SGH Group for the half year ending 31 December 2013 shown below has been extracted from the half report released to ASX on 27 February 2014.

	Note	6 months to 31-Dec-2013 \$'000	6 months to 31-Dec-2012 \$'000
Profit for the period		264,673	257,958
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale financial assets	11	119,620	119,001
Cash flow hedges: effective portion of changes in fair value	11	12,250	(14,173)
Foreign currency differences for foreign operations		21,728	(329)
Income tax on items of other comprehensive income	5	(43,879)	(30,485)
Total Items that may be reclassified subsequently to profit or loss		109,719	74,014
Other comprehensive income for the period, net of tax		109,719	74,014
Total comprehensive income for the period		374,392	331,972
Total comprehensive income for the period attributable to:			
Equity holders of the Company		373,504	330,826
Non-controlling interest		888	1,146
Total comprehensive income for the period		374,392	331,972

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements included in the half year report released to ASX on 27 February 2014.

(g) SGH issued securities

As at 31 December 2013, SGH's issued securities consisted of:

- 308,160,281 fully paid ordinary shares; and
- 4,963,640 Transferrable Extendable Listed Yield Shares (TELYS4).

(h) Management commentary on half year results to 31 December 2013

SGH reported a statutory net profit after taxation (**NPAT**) of \$264.7 million for the six months to 31 December 2013. This was up 3 per cent on the previous comparative period. After adjustment for significant items, SGH reported underlying NPAT of \$131.8 million, a decrease of 44 per cent off the record first half of FY2013.

SGH delivered underlying earnings before interest and tax (**EBIT**) of \$189.3 million, a decrease of 50 per cent on the comparative six months, on reduced revenue of \$1,577.1 million, down 42 per cent principally due to declining product sales into the mining industry. Underlying earnings per share (excluding significant items) is down 47 per cent to \$0.38 per ordinary share. Statutory earnings per share are up 3 per cent to \$0.81 per share.

This result reflected the challenging conditions faced by SGH's industrial services businesses in Australia, as the mining services market contracted in response to significant cost cutting across the mining industry and is in line with guidance provided by SGH at the SGH AGM.

(i) Board of SGH

The members of the board of directors of SGH are as follows:

- Kerry Matthew Stokes AC
- Don Voelte AO
- Peter David Ritchie AO
- David John Leckie
- Elizabeth Dulcie Boling
- Terry James Davis
- Christopher John Mackay

- Bruce Ian McWilliam
- Ryan Kerry Stokes
- Richard Anders Uechtritz
- Professor Murray Charles Wells

(j) Publicly available information about SGH

SGH is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, SGH is subject to the ASX Listing Rules which require continuous disclosure of any information SGH has concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

ASX maintains files containing publicly disclosed information about all listed companies. SGH's file is available for inspection at ASX during normal business hours.

In addition, SGH is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC by SGH may be obtained from, or inspected at, an ASIC office.

A substantial amount of information about SGH is available in electronic form from: www.sevengroup.com.au

7.2. SGH Energy – SGH Energy (No 2) Pty Limited

SGH Energy is an Australian proprietary company incorporated on 4 April 2014 and is an indirect wholly owned subsidiary of SGH. SGH Energy is the entity that will acquire the Scheme Shares if the Scheme is implemented. SGH Energy does not undertake any trading activities, and acts solely as a holding company.

The directors of SGH Energy are as follows:

- Donald Rudolph Voelte AO

Managing Director & Chief Executive Officer of SGH since 1 July 2013. Chairman of Coates Hire. Mr Voelte has significant experience in the global oil and gas industry and, prior to his retirement in June 2011, was the Managing Director and Chief Executive Officer of Woodside Petroleum Limited, a position he had held since joining the company in 2004. Prior to joining Woodside Petroleum Limited, Mr Voelte held a number of Senior Executive positions in the oil and gas sector. Mr Voelte was a member of the Board of the University of Western Australia Business School during his Woodside tenure, and is a member of the Society of Petroleum Engineers, the American Society of Civil Engineers, the Chi Epsilon Honor Society, a Foreign Fellow to ATSE (FTSE) and a Fellow of the Australian Institute of Company Directors (AICD). He is a trustee of the University of Nebraska Foundation and was awarded the University of Nebraska Engineering Alumni of Year in 2002. The University of Nebraska recently named their Nanotechnology and Metrology Research Centre for Mr Voelte and his wife Nancy. He has a degree in Civil Engineering, from the University of Nebraska.

Mr Voelte was also a director and Chairman of Nexus from 11 October 2012 to 18 February 2014 and currently holds 1,000,000 ordinary Shares. At the first mention of a whole of a corporate transaction process during his tenure, at a Board meeting on 20 August 2013, Mr Voelte advised the Board that, if there was going to be an industry-wide process, SGH may be interested and that he would need to recuse himself from any and all participation. Mr Voelte offered his resignation at that time, but the rest of the Board were of the view that, should a corporate transaction not eventuate, and on the basis that appropriate measures were put in place to manage any potential conflict of interest, his continued involvement on the Board was in shareholders' best interests. No additional Board discussions concerning a whole of company transaction took place until the 11 December 2013 Board meeting where Mr Voelte immediately excused himself from the meeting before the vote to proceed with the whole of company transaction process. An independent committee of the Board was immediately organised for the sale process. Mr Voelte remained recused from corporate transaction discussions from that point in time until his resignation.

- Bruce Ian McWilliam

Director of SGH Energy (No 2) Pty Limited since its incorporation. Director of SGH since April 2010. Director of Seven Network since September 2003. Appointed Commercial Director for Seven Network in May 2003. Director of Seven Media Group Pty Limited since December 2006. Former partner of law firms Gilbert & Tobin, Turnbull McWilliam and Allen Allen & Hemsley specialising in media and commercial law. Former Director BskyB, Executive Director News International Television and General Counsel, News International plc. Director of Australian News Channel Pty Limited. Director of Engin Limited since 31 October 2006 (company delisted on 8 August 2011). Director of vividwireless Group Limited (formerly Wireless Broadband Australia Limited and

Unwired Group Limited) since 14 January 2008 (company delisted on 7 May 2008). Honorary Fellow of the University of Sydney. Chairman, Sydney University Law School Advisory Committee. Council Member, St Pauls College, University of Sydney. Honorary Governor – The Thalidomide Foundation Limited.

- **Richard Richards**

Chief Financial Officer of SGH since 1 October 2013. Director of Coates Hire. Mr Richards joined SGH from diverse industrials group, Downer EDi where he was Deputy Chief Financial Officer responsible for group finance across the company for the past three years. Prior to joining Downer EDi, Mr Richards was CFO for the Family Operations of LFG, the private investment and philanthropic vehicle of the Lowy Family for two years. Prior to LFG, Mr Richards held senior finance roles at Qantas. Mr Richards has a Bachelor of Commerce/Laws (Hons) from Bond University, a Master of Laws from the University of Sydney and a Master of Applied Finance from Macquarie University.

7.3. Funding arrangements

Funding required

If the Scheme becomes Effective, the total cash amount payable by SGH Energy in respect of the Scheme Consideration will be \$26,923,297.18.

Sources of funds

The cash consideration payable by SGH Energy will be provided to SGH Energy by WesTrac Holdings Pty Limited (**WesTrac Holdings**), a wholly-owned subsidiary of SGH, under an intra-group facility. Details of this intra-group facility are disclosed below.

WesTrac Holdings has approximately \$23 million cash on hand and \$160 million in term deposits as at 2 May 2014. WesTrac Holdings will provide the funding to SGH Energy to fund the payment of the Scheme Consideration from WesTrac Holdings' existing cash reserves and term deposits under an intra-group facility, the terms of which are described below.

Particulars of intra group facility

Under the terms of the intra group facility, WesTrac Holdings will ensure that the funds are available to SGH Energy before SGH Energy is required to pay the Scheme Consideration.

SGH Energy must pay interest on the principal outstanding from time to time at the rate (if any) specified from time to time by WesTrac Holdings. Interest (if any) will be calculated daily and payable upon demand by WesTrac Holdings, except that until the scheme consideration has been paid, interest will be capitalised.

WesTrac Holdings may capitalise any interest that is not paid when demanded. Capitalised interest is treated as principal outstanding for all purposes, including the calculation of interest.

SGH Energy must repay the principal outstanding, together with all accrued but unpaid interest, upon demand by WesTrac Holdings. However, no demand for repayment may be made by WesTrac Holdings before the Scheme Consideration has been paid.

7.4. SGH's intentions regarding Nexus and its business

SGH's acquisition of Nexus is part of SGH's strategy to establish another core investment arm in the form of an energy business.

The following reflects SGH's current intentions, which are subject to further consideration once implementation has occurred and SGH works through the integration and capital optimisation process.

Following implementation of the Scheme, SGH would arrange for Nexus to be removed from the official list of the ASX, and would replace certain members of the Board with the nominees of SGH. Replacement board members have not yet been identified by SGH and their identity will depend on the circumstances at the relevant time. However, it is expected that the majority of the replacement board members will be members of the SGH management team.

SGH intends that Nexus' existing business would be continued. SGH would invest the capital needed to optimise Nexus' existing assets. Should alternative options become available that result in a higher value outcome for any or all of the assets, SGH may consider those options, but SGH is not currently aware of alternatives which it believes will deliver such an outcome.

SGH intends to continue the employment of Nexus' current regular employees and to analyse any skill or resource gaps which may exist and the optimal geographic spread of its employees, and to recruit to fill any such gaps.

Other than as set out above it is the intention of SGH, on the basis of the facts and information concerning Nexus that are known to it and the existing circumstances affecting the assets and operations of Nexus at the date of this Scheme Booklet, that:

- the business of Nexus will be conducted in the same manner as at the date of this Scheme Booklet;
- there will be no redeployment of the fixed assets of Nexus; and
- the present employees of Nexus will continue to be employed by Nexus.

7.5. SGH's intentions as senior lender in the event the Scheme is not implemented

SGH and NIH have indicated that if the Scheme fails, SGH (including through NIH or any other subsidiaries of SGH as appropriate or applicable) would:

- take such actions and exercise such rights as senior lender as it considered to be in its interests in the circumstances, and it is not likely that NIH would grant any waiver from the payment obligations of Nexus that immediately arise under the Bridge Facility or Senior Facility on that scenario;
- require payments of principal and interest on the Notes; and
- exercise its rights as a secured creditor and look to appoint receivers and managers to Nexus, Nexus VICP54, NEANL and NEC, or look to participate in an administration as both a senior and unsecured creditor of Nexus, and may look to acquire all of the shares in Nexus or its assets through these enforcement or administration processes.

8 Summary of additional material contracts

This Section contains a summary of the material terms of the other material transaction documents entered into in connection with the Scheme. Defined terms have the meaning given to them in the particular sub-Section. Otherwise, undefined terms have the meaning given to them in the relevant transaction document.

8.1. Senior Facility Agreement

(a) Overview

In May 2007 Nexus VicP54 entered into the Senior Facility Agreement to refinance amounts outstanding under a previous facility and provide funding for the development of Longtom. Under the Senior Facility Agreement Nexus VicP54 is provided with:

- a cash advance facility with a limit of \$76.5 million, plus a capitalised payment-in-kind interest limit of \$3.85 million (**Term Facility**); and
- a letter of credit facility with a current limit of \$60 million (**LC Facility**).

The Term Facility was fully drawn and a portion of the principal outstanding has been repaid so that the principal outstanding at the date of this Scheme Booklet is \$47.4 million and no further funds are available for drawdown.

A letter of credit with a face value of \$60 million has been issued by BOS International (Australia) Limited to Santos in accordance with Nexus VICP54's obligations under the Longtom Agreement. The letter of credit remains undrawn.

On 9 April 2014, NIH acquired the full amount of the commitments under the Term Facility and the LC Facility from the previous lenders and is now the sole participant under the Senior Facility Agreement.

(b) Guarantees and Security

Each of Nexus, NEANL and NEC has provided guarantees and indemnities under the Senior Facility Agreement. The Guarantors together with Nexus VICP54, as borrower, are collectively referred to as the 'Obligors'.

The funds provided under the Senior Facility Agreement are secured against:

- all the assets of Nexus VicP54, being the owner and operator of the Longtom Project;
- all the assets of NEC;
- all the shares in Nexus VICP54 held by NEANL;
- the shares in each of NEANL and NEC held by Nexus (being all outstanding shares in those entities); and
- certain accounts related to the Longtom Project.

Following the acquisition by NIH of the commitments under the Senior Facility Agreement and entry into the Bridge Facility Agreement (refer to Section 8.3), Nexus has granted additional security over substantially all of its assets, being the shares in its subsidiaries, in addition to NEANL and NEC, including the shares in Nexus Energy WA Pty Ltd, the holder of the Nexus Group's interest in the Crux Project. In addition NEANL granted additional security over its assets to the extent doing so does not conflict with its existing arrangements.

All of the security provided by the Obligors secures the Obligors obligations owing under both the Senior Facility Agreement and the Bridge Facility Agreement.

If the Senior Facility becomes repayable and the Obligors cannot meet the required payments, NIH will have the right to enforce the above security including by taking possession of the secured assets or appointing a receiver to take possession of the secured assets and undertake a sale process to realise those secured assets and apply the sale proceeds to repaying the monies owing under the Senior Facility Agreement (as well as the Bridge Facility as discussed in Section 8.3).

(c) Interest and LC Facility fees

Interest accrues on cash loans under the Term Facility at a rate equal to the Reuters BBSY bid rate plus 3.5% and is paid in arrears. A letter of credit fee is payable on the face value of the letter of credit outstanding under the LC Facility at 3.5% per annum, unless cash backing has been provided for a portion of the outstanding letter of credit in which case the fee for the covered portion is 1.2% per annum.

Customary fees are also payable to the agent and the security trustee under the Senior Facility Agreement.

(d) Repayment

Nexus VicP54 is required to repay the full amount outstanding under the Term Facility on 31 December 2014. Repayment of the LC Facility is required on or before 19 December 2019.

Nexus VICP54 is required to provide cash cover for the LC Loan by depositing at least \$30 million to an LC collateral account, controlled by the agent under the Senior Facility Agreement, by 1 July 2014 and to ensure the balance of the account is equal to \$60 million, being the principal outstanding on the LC Facility, by 31 March 2015. In addition there are quarterly cash sweeps between 1 July 2014 and 31 March 2015 to the LC collateral account of any available funds in the proceeds account maintained in accordance with the Senior Facility Agreement.

(e) Voluntary prepayment

Nexus VICP54 may prepay the facility in whole or in part on giving notice to NIH. Break costs in an amount necessary to cover any loss incurred by NIH as a result of the prepayment may apply.

(f) Mandatory prepayments

Nexus VICP54 is required to apply funds received in certain circumstances towards prepayment of the Senior Facility, including damages received under a material project document, prepayments required in accordance with Nexus VICP54's insurance policies and in the event that certain transactions occur, such as a Longtom farm-in.

(g) Undertakings

The Senior Facility Agreement includes detailed undertakings given by Nexus VICP54 and the other Obligors as would typically be expected for a facility of this type. These undertakings include, without limitation:

- reporting requirements including annual, semi-annual, quarterly, monthly and weekly reporting requirements on financial accounts, and management and project reporting as well as reporting in relation to cashflows and budget updates;
- the requirement to notify the agent of the occurrence of certain events, subject to certain materiality thresholds, including in relation to events of default, potential events of default, review events, breaches under material project documents, litigation or disputes, force majeure events, casualty occurrences, events materially affecting the financial model, environmental issues and various other events;
- requirements to maintain the Longtom Project and comply with material project agreements; comply with applicable laws and not vary material project agreements without the agent's consent;
- the requirement to prepare revisions to the agreed financial model and the group cashflow model and to undertake a process for having variations to those models approved by the agent;
- restrictions on asset disposals, granting security interests, incurring finance debt, sale and leaseback arrangements, providing financial accommodation or guarantees, entering into partnerships or joint ventures and acquiring shares or businesses, with certain permitted exceptions to these restrictions;
- the maintenance of certain controlled accounts and requirement to pay all proceeds received by Nexus VICP54 into those accounts and control over withdrawals from those accounts in accordance with an agreed payment waterfall; and
- restrictions on Nexus VICP54 making distributions to other Nexus entities and on the guarantors making distributions except in accordance with agreed Group cashflow model and subject to certain further limits.

(h) Events of default

The Senior Facility Agreement contains detailed events of default which might be considered customary for facilities of this type. They include, without limitation:

- An Obligor fails to pay an amount due under a 'Finance Document' related to the Senior Facility Agreement or to comply with any of its obligations thereunder (subject to applicable cure periods). A representation, warranty or statement is not true in a material respect or is misleading when made or repeated.
- A debt owed by Nexus VICP54 in excess of \$5 million or by a guarantor in excess of \$10 million is not paid when due or becomes due and payable (or capable of being declared so) before its stated maturity or expiry, a facility or obligation granted to an Obligor is prematurely terminated or an event of default as defined in another document related to the Senior Facility Agreement occurs.

- The occurrence of certain insolvency style events including appointment of an administrator, enforcement of securities or of judgments, compulsory acquisition of assets or an investigation into the affairs of an Obligor commences under companies legislation.
- An Obligor reduces its capital or amends its constitution in a material respect without the agent's prior consent.
- A document related to the Senior Facility Agreement or the agreement dated 24 April 2007 in respect of the Longtom Project as amended (**Longtom Agreement**) is terminated or is or becomes void, illegal, invalid, unenforceable or of limited force and effect, or a party to such document becomes entitled to terminate, rescind or avoid it.
- A material project document (other than the Longtom Agreement) is terminated or becomes void, illegal, invalid, unenforceable or of limited force and effect in a material respect and is not replaced by another document on terms satisfactory to the agent within 14 days, or a party to such document becomes entitled to terminate, rescind or avoid it. An Obligor defaults under a material project document which is not cured and which has or is likely to have a material adverse effect.
- A material authorisation is revoked and not replaced by another authorisation acceptable to the agent within 14 days. All or a material part of the project is abandoned, or all or a material part of the secured property is destroyed or damaged beyond repair (unless adequately replaced).
- A member of the Nexus Group ceases to be a wholly owned subsidiary of Nexus or there is a material change in its management without the agent's prior consent.
- An environmental claim is made, or is likely in the opinion of the agent to be made, which is reasonably likely to have a material adverse effect.
- The Longtom Project licence is repealed, revoked, terminated or held invalid, expires or is suspended or modified conditions are attached to it which could reasonably be expected to have a material adverse effect.
- Any event or series of events occur which is reasonably likely to have a material adverse effect on the Longtom Project or the financial condition, business or prospects of an Obligor or the valuation of the property the subject of the security or nature of the total liabilities of an Obligor or the ability of any Obligor to perform its obligations under a finance document or material project document or the enforceability of a finance document or material project document.
- A representation, warranty or statement is not true in a material respect or is misleading when made or repeated.

(i) Assignment

NIH may assign or transfer all or any of its rights or obligations under the Senior Facility Agreement at any time without the consent of any Obligor.

8.2. Subordinated Notes

(a) Overview

On or about 30 July 2010, Nexus issued subordinated unsecured notes in two tranches with face values of \$117.6 million and \$14.2 million (the **Tranche A Notes** and the **Tranche B Notes** respectively and, generally, the **Notes**). The maturity date of the Tranche A Notes is 15 January 2017.

As at the date of this Scheme Booklet, the Tranche B Notes have been fully repaid. The Tranche A Notes remain outstanding.

(b) Identity of Noteholders

On 9 April 2014, NIH acquired more than 66.67% of the Tranche A Notes at \$0.89 (plus accrued interest) per dollar of face value and as such constitutes the **Majority Noteholders** for the purposes of the Note Trust Deed and the applicable conditions. This means that NIH alone now has the power to direct the Trustee in respect of any decision other than the following decisions which require the approval of all Noteholders. A decision which has the effect of:

- increasing the "Moneys Owning", or changing the date, amount, priority or order of any payment to, a Noteholder;
- changing the definition of Majority Noteholders; or
- change any requirement for the agreement or instructions of all Noteholders or a specified majority of Noteholders (or any category of them) to be obtained.

(c) Ranking of Notes

The Tranche A Notes constitute unsecured obligations of Nexus which rank behind the Senior Facility and the Bridge Facility in accordance with an intercreditor deed dated 30 July 2010 between Nexus as 'Note Issuer', BOS International (Australia) Limited as 'Senior Agent' and BNY Trust Company of Australia Limited as 'Note Trustee' (**Intercreditor Deed**). Under the Intercreditor Deed, the Noteholders are prohibited from enforcing their rights under the Note Trust Deed, the loan notes issued under the Note Trust Deed and Intercreditor Deed (**Note Documents**) in certain circumstances unless they obtain the consent of the lenders under the Senior Facility Agreement.

Except in certain limited circumstances until all liabilities under the Senior Facility Agreement and Bridge Facility Agreement are satisfied in full Nexus shall not make any payment in reduction of the liabilities owing to the Noteholders or Note Trustee under the Note Trust Deed. Payments of interest on the Notes are permitted from available cash and payments of principal are permitted if Nexus has set aside sufficient reserves to meet the liabilities under the Senior Facility Agreement and Bridge Facility Agreement. The Note Trustee (on instructions from 'Majority Noteholders') may also enforce repayment of the Notes if an event of default has occurred under the Note Trust Deed and the liabilities under the Senior Facility Agreement and Bridge Facility Agreement have been repaid in full or the failure to pay the amount owing under the Note Trust Deed has not been remedied within 180 days of the occurrence of the event of default.

(d) Interest

Interest accrues daily on the face value of each Tranche A Note at 8.50% per annum until 15 July 2014 and then increases to 13% per annum and is payable on 15 January and 15 July of each year.

(e) Repayment

Nexus must repay the face value of the Tranche A Notes by five equal instalments of 10% of the face value of the Note on the issue date (\$11.8 million) with the first instalment on 15 July 2014 and the subsequent instalments six monthly thereafter.

The balance of the face value of the Tranche A Notes is repayable on the maturity date of 15 January 2017.

(f) Redemption

The Tranche A Notes may be redeemed in whole, but not in part, by Nexus on any interest payment date, after 30 days' notice to the Note Trustee, provided that it pays the following issuer redemption amounts for redemptions on the following dates:

- 105% of the face value of the Tranche A Notes if redeemed on 15 July 2014;
- 104% of the face value of the Tranche A Notes if redeemed on 15 January 2015;
- 103% of the face value of the Tranche A Notes if redeemed on 15 July 2015;
- 102% of the face value of the Tranche A Notes if redeemed on 15 January 2016;
- 101% of the face value of the Tranche A Notes if redeemed on 15 July 2016; and
- 100% of the face value of the Tranche A Notes if a change of control is called by the Majority Noteholders.

(g) Right of first refusal

Nexus grants and will procure that each of its subsidiaries grants the Noteholders a right of first refusal to finance or take part in the financing of any project finance debt which is, or once provided would constitute, debt which is subordinated to the Tranche A Notes and is approved by the Majority Noteholders (acting reasonably).

(h) Transfer

The Tranche A Notes are freely transferrable to any person in parcels of over \$500,000 or to existing Noteholders or "Sophisticated Investors" or "Professional Investors" (as defined in the Corporations Act) in smaller parcels.

(i) Undertakings

Under the terms of the Tranche A Notes, Nexus gives certain undertakings in relation to itself and its subsidiaries, including

- reporting requirements including annual and semi-annual financial reports; quarterly project reports and notification of the occurrence of certain events including events of default, potential events of default, material project events, litigation and notice from Government which may have a material adverse effect; and

- restrictions on asset disposals, acquisitions of assets, granting security interests, incurring finance debt, sale and leaseback arrangements, providing financial accommodation or guarantees, paying distributions, protecting cashflows and a gearing ratio, with certain permitted exceptions to these restrictions.

(j) Events of default

The conditions governing the Tranche A Notes contain events of default of a type that would be expected for arrangements of this nature. These events of default include, without limitation:

- Nexus fails to pay an amount due under a Note Document or to comply with any of its obligations thereunder (subject to applicable cure periods). A representation, warranty or statement is not true in a material respect or is misleading when made or repeated.
- A debt owed by Nexus or a subsidiary whose earnings or assets represent 5% or more of the group's earnings or assets (**Principal Subsidiary**) in excess of \$10 million (other than project finance debt or subordinated debt) is not paid when due or becomes due and payable (or capable of being declared so) before its stated maturity or expiry, a facility or obligation granted to Nexus or a Principal Subsidiary is prematurely terminated.
- The occurrence of certain insolvency style events including appointment of an administrator, enforcement of judgments or compulsory acquisition of assets.
- Nexus reduces its capital or amends its constitution in a material respect without the Note Trustee's (on instructions from Majority Noteholders) prior consent.
- A Note Document is terminated or is or becomes void, illegal, invalid, unenforceable or of limited force and effect, or a party to such document becomes entitled to terminate, rescind or avoid it.
- An authorisation material to the performance by Nexus of a Note Document is repealed, revoked, terminates or expires or is modified in a manner which is unacceptable to the Note Trustee (on instructions from Majority Noteholders).
- Nexus becomes a subsidiary of another person or there is a change of control of the Nexus (which occurs where a person and its associates have a relevant interest in 50% or more of the shares in Nexus having previously had a relevant interest in less than 50% of the shares on Nexus) without the Note Trustee's consent (on instructions from Majority Noteholders).
- Any event or change occurs which has a material adverse effect on the financial condition, business or prospects of the Nexus group of companies as a whole or the ability of Nexus to perform its payment obligations or other material obligations under a Note Document or the validity or enforceability of a Note Document.
- A change of control without the prior approval of the Note Trustee (acting on the instructions of the Majority Noteholders).

Upon the occurrence of an event of default the Note Trustee must, if the Majority Noteholders so direct, by notice to Nexus declare the Tranche A Notes immediately due and payable (subject to any standstill or consent requirements applicable under the Intercreditor Deed referred to in Section 8.2(c) above).

8.3. Bridge Facility

(a) Overview

On 31 March 2014 Nexus, through its subsidiary Nexus VICP54, and SGH, through its subsidiary NIH, entered into a four month secured bridge facility agreement (**Bridge Facility Agreement**) under which NIH agreed to provide Nexus VicP54 with an \$40 million cash advance facility (the **Bridge Facility**). Nexus, Nexus VICP54, NEANL and NEC are guarantors under the Bridge Facility Agreement and the guarantors and Nexus VICP54 (as "Borrower") are referred to as "Obligors".

The Bridge Facility Agreement and associated documents are designated as a "Finance Document" under the Senior Facility Agreement so a breach or event of default under either the Bridge Facility Agreement or the Senior Facility Agreement will be a breach or event of default under the other. If either facility becomes repayable the other will become repayable at the same time.

(b) Purpose

The purpose of the Bridge Facility is to provide Nexus VICP54 with sufficient funding to meet costs associated with the Longtom Project (including commitments in relation to current operations), its near term capital commitments, contingencies and the corporate expenses of Nexus, for the period anticipated to be required to complete the

implementation of the Scheme. However, Nexus VICP54 must use the proceeds of a drawdown only to pay expenses approved by NIH.

(c) Security

All of the obligations under the Bridge Facility are secured by the same security as secure the obligations under the Senior Facility Agreement, including the additional security provided by Nexus and NEANL in conjunction with entering into the Bridge Facility Agreement, as summarised in Section 8.1(b) above.

If the Bridge Facility Agreement becomes repayable and the Obligors cannot meet the required payments, NIH will have the right to enforce the security including by taking possession of the secured assets or appointing a receiver to take possession of the secured assets and undertake a sale process to realise those secured assets and apply the sale proceeds to repaying the monies owing under the Bridge Facility Agreement (as well as the Senior Facility as discussed in Section 8.1).

(d) Conditions to each drawdown

NIH is not obliged to provide any funding to Nexus VICP54 until Nexus VICP54 has satisfied a number of conditions to NIH's satisfaction, including the submission of a funding notice, the repetition of representations and warranties and the satisfaction of the requirement that there be no subsisting default or potential event of default. Further, Nexus VICP54 will not be permitted to draw on the Bridge Facility unless, in relation to each draw down, NIH has approved the purpose for which funds will be utilised and has authorised the payment of the expense or other item to be paid with the proceeds of the drawdown.

(e) Interest

Nexus VICP54 must pay interest at 13% per annum on the principal amount of each drawdown for each interest period, which interest will be capitalised and form part of the principal amount on the last day of each interest period.

(f) Fees

Nexus VICP54 must pay to NIH:

- An establishment fee of \$2 million, the fee will be capitalised and treated as forming part of the principal outstanding under the Bridge Facility on the date on which the first funding portion is advanced under the Bridge Facility.
- A non-refundable commitment fee for the Bridge Facility equal to 3.00% per annum calculated on the undrawn amount available under the Bridge Facility. The commitment fee must be paid in arrears on the date the commitment under the Bridge Facility is cancelled in full, on the last day of each calendar month and on the Termination Date.

(g) Repayment

The Bridge Facility must be repaid in full on the date which is four months after the date on which funding first occurs (**Termination Date**) unless required to repay earlier in accordance with a mandatory prepayment event or an unremedied event of default (as outlined below).

(h) Voluntary Prepayment / Cancellation by Nexus VicP54

Nexus VICP54 may cancel any of the undrawn amount under the Bridge Facility or prepay any of the outstanding funds without penalty by giving NIH prior written notice, either in full or in part. If the Bridge Facility is required to be prepaid in accordance with the mandatory prepayment provisions (discussed below) or following an event of default then Nexus VICP54 must pay to NIH an amount equal to the interest which would have been payable up to the Termination Date.

(i) Mandatory Prepayment

Nexus VICP54 is required to prepay immediately the full amount outstanding under the Bridge Facility, together with any unpaid interest accrued on that amount, if any of the following events occur:

- all or substantially all assets or businesses of Nexus and its subsidiaries are sold;
- a change of control occurs in respect of Nexus (other than where that change of control is in favour of NIH and its affiliates);
- the Board does not unanimously recommend (in its notice to shareholders regarding the Scheme) or ceases to unanimously recommend that its shareholders accept the offer by NIH (or its affiliate) to acquire all outstanding shares of Nexus on the terms of the Scheme; or

- the Scheme is rejected by Shareholders.

(j) Covenants

The Bridge Facility includes various covenants which place material restrictions on the activities of Nexus and the Obligor and in certain cases the other Nexus subsidiaries. These covenants include the following requirements:

- To provide the financial reports, accounts, budgets and other certificates required to be provided under the Senior Facility Agreement.
- To fully and punctually perform all obligations under the Senior Finance Documents and Note Documents.
- For Nexus to not issue any shares to any person other than SGH.
- Restrictions on asset disposals, granting security interests, incurring finance debt, providing financial accommodation or guarantees, entering into any dealings other than on arm's length terms, amending constitutions or changing the core business or operations or paying any distributions, in some cases with certain very limited exceptions. The effect of these restrictions is that Nexus VICP54 will require NIH's approval to undertake certain activities that are anticipated to be required prior to the Scheme being implemented. These include applying certain funds to be drawdown by Nexus VICP54 under the Bridge Facility and on-lent to Nexus to meet corporate expenses and also making other intragroup loans to fund expenses on the Crux Project.

(k) Events of Default

The Bridge Facility includes customary events of default including a failure to pay any amounts due under the Bridge Facility, Senior Facility or other indebtedness (in excess of \$250,000) when due; breaches of representations; insolvency events including the appointment of an administrator or enforcement of judgments or security.

In addition it will be an event of default and the Bridge Facility may become immediately repayable if any of the following occur:

- an event of default occurs under the Senior Finance Documents or Note Documents;
- a provision of the Bridge Facility Agreement, Senior Finance Documents, Note Documents, Implementation Agreement, the sale documents pursuant to which NIH acquired more than 66.67% of the Notes and all of the commitments under the Senior Facility Agreement or of a document related to the Bridge Facility (**Transaction Documents**) becomes unenforceable;
- Nexus is removed from the official list of ASX;
- an event occurs which has a material adverse effect on the assets, business or operations of Nexus or any member of the group or their ability to perform obligations under the Bridge Facility and related documents;
- any party (other than NIH or an Obligor) fails to perform its obligations under any Transaction Document or such documents are amended or terminated without NIH's prior written consent. If Nexus terminates the Implementation Agreement, NIH would be entitled to call for immediate repayment of the Bridge Facility and the Senior Facility, even if the Implementation Agreement is terminated due to a breach by NIH; or
- NIH determines at any time (acting reasonably) that the Scheme can no longer be achieved as a direct consequence of the actions (or inaction) of the Board. The mere consideration by the Board of a competing proposal or entry into discussions with a third party with respect to a potential competing proposal, to the extent permitted in accordance with the Implementation Agreement, will not constitute an event of default.
- If an event of default occurs NIH may by notice to Nexus VICP54 declare the monies owing under the Bridge Facility Agreement immediately due and payable and may cancel the commitments under the Bridge Facility Agreement. It may also declare all of the monies owing under the Senior Facility Agreement immediately due and payable. If Nexus fails to pay the amount owing, NIH as majority Noteholder may also instruct the Note Trustee to enforce repayment of the Notes, although such enforcement will be subject to the Intercreditor Deed (see Section 8.2(c)).

(l) Immediate Repayment of Bridge Facility and Senior Facility on termination of Implementation Agreement

If at any time the Implementation Agreement is terminated, NIH determines at any time (acting reasonably) that the Scheme can no longer be achieved as a direct consequence of the actions (or inaction) of the Board or if a provision of the Implementation Agreement is unenforceable (including if any such provisions are held by the Takeover Panel to be unacceptable and therefore unenforceable) then NIH can call for immediate repayment of the Bridge Facility and the Senior Facility. Further if the Board changes its recommendation to vote in favour of the Scheme (including where there

is a superior proposal or because the expert determines that the Scheme is not in the best interests of the Company) or the Scheme is rejected by the shareholders of Nexus then the amounts owing under the Bridge Facility become immediately repayable. If payment is not made when due, NIH would be entitled to enforce the security relating to the Bridge Facility and the Senior Facility. In these circumstances it would be likely that the Board would place the Obligors into administration and NIH would be likely to appoint receivers to the Obligors and commence enforcement action. This would also give rise to an event of default under the Note Documents and the amounts owing under the Note Documents may be declared immediately due and payable. However payments to the Noteholders rank behind the Senior Facility and Bridge Facility and the Noteholders are restricted in their ability to enforce the Notes until the Senior Facility and Bridge Facility have been repaid (or the lapse of 180 days if earlier).

(m) Assignment

NIH may assign or transfer all or any of its rights or obligations under the Bridge Facility Agreement at any time without the consent of any Obligor.

8.4. Deutsche Bank Mandate

Nexus has entered into a financial advisory mandate with Deutsche Bank AG, Sydney Branch (Deutsche Bank) pursuant to which Nexus has appointed Deutsche Bank as its exclusive financial advisor in connection with the Scheme and any other potential or actual whole of company of transaction in respect of Nexus (**Advisory Mandate**).

In consideration for Deutsche Bank's services, Nexus will be required to pay Deutsche Bank the following fees:

- if SGH completes a whole of company transaction in respect of Nexus, an advisory fee of \$700,000 (inclusive of disbursement);
- if another whole of company transaction in respect of Nexus by a party other than SGH completes at a price that is less than or equal to \$0.02 per Share, an advisory fee of \$700,000; and
- if another whole of company transaction in respect of Nexus by a party other than SGH (Superior Proposal) completes at price that is higher than \$0.02 per Share:
 - an advisory fee of \$700,000; and
 - an incentive fee of:
 - if the price per Share under the Superior Proposal is greater than \$0.02 per Share but less than or equal to approximately \$0.023 per Share, not more than approximately \$100,000¹; and
 - if the price per Share under the Superior Proposal is greater than \$0.023 per Share, approximately \$100,000 plus 3.5% of the difference between the Superior Proposal price per Share and \$0.023 per Share multiplied by the number of Shares.

The Advisory Mandate contains other customary provisions, including that Nexus indemnifies Deutsche Bank and its related entities for loss and damage arising in connection with the Advisory Mandate and releases Deutsche Bank and its related entities from liabilities to Nexus that may arise in connection with the Advisory Mandate (except in the case of fraud, wilful misconduct or gross negligence). The Advisory Mandate can be terminated by either Nexus or Deutsche Bank by ten days' written notice to the other party.

Where the Advisory Mandate is terminated by Nexus, for reasons other than Deutsche Bank's material default, gross negligence or breach of law, Deutsche Bank will be entitled to the fees set out above if Nexus completes or enters into an agreement in relation to a whole of company transaction within nine months of the date of termination.

¹ Based on the number of Shares on issue at the date of this Scheme Booklet

9 Taxation implications

9.1. Background

This Tax Summary is a general guide to the Australian income tax, stamp duty and GST implications arising to Shareholders and option holders from the Scheme the subject of this Scheme Booklet. The description is based upon Australian law and administrative practice in effect at the date of this Scheme Booklet.

The Tax Summary is necessarily general in nature, and it is recommended that you seek professional advice in relation to your specific personal circumstances. Nexus and its advisors will not be held responsible to Shareholders or employees who act solely on the information provided in this Tax Summary.

The Tax Summary should be read in conjunction with the rest of the Scheme Booklet. Unless otherwise defined, all capitalised terms are as defined in the Scheme Booklet.

This Tax Summary applies to Shareholders who:

- have acquired Shares for the purposes of holding them in their own capacity for long-term capital gain;
- have not changed their status from being a tax resident of Australia to a non-resident, or vice versa, since acquiring their Shares;
- do not hold their Shares via a permanent establishment in a country other than the country of their tax residence;
- are not banks, insurance companies, tax exempt organisations, trusts or superannuation funds (other than where specified);
- are not subject to the taxation of financial arrangements regime in Division 230 of the Income Tax Assessment Act 1997 (Cth) in respect of their Shares;
- do not have a 10% or greater associate-inclusive interest in Nexus; and
- in the case of Shareholders who acquired their Shares through options under the Performance Rights Plan) – are Australian resident individuals who are employees of Nexus (rather than associated family members or family entities of those employees).

The tax implications for Shareholders and option holders who do not fall within the parameters listed above may be different, and it is strongly recommended that you seek appropriate professional advice referable to your particular circumstances.

9.2. Resident Shareholders

(a) Capital gain or capital loss

Under the proposed Scheme, Scheme Shareholders will dispose of their Shares to an SGH entity for consideration of 2 cents per Share. This disposal may trigger a liability to capital gains tax (**CGT**). The disposal will be classified as a CGT event A1, occurring on the Implementation Date.

For Australian tax resident Shareholders, a capital gain or capital loss may arise on this disposal.

A Shareholder will make a capital gain if the Shareholder's proceeds on disposal exceed the Shareholder's cost base in the Shares. The cost base will include the consideration paid to acquire the Shares, plus any incidental costs of acquisition and disposal, and any non-deductible costs of ownership.

Alternatively, a Shareholder will make a capital loss if the disposal proceeds are less than the Shareholder's reduced cost base, which will include the consideration paid to acquire the Shares, plus any incidental costs of acquisition and disposal, but will not include certain non-deductible costs of ownership.

(b) Shareholder holding Shares acquired under Performance Rights Plan

Where a Shareholder has acquired Shares under the Performance Rights Plan, the cost base and reduced cost base of the Shares will include the market value of the Shares at the time of vesting (rather than consideration paid to acquire the Shares, which was nil).

(c) Indexation

If a Shareholder acquired Shares before 21 September 1999, the Shareholder is entitled to increase the cost base (but not the reduced cost base) of the Shares to reflect movements in the CPI from the date of acquisition of the Shares until the quarter ended 30 September 1999.

Company Shareholders are entitled to this indexation relief.

Shareholders that are individuals, trusts, or complying superannuation funds can elect to apply indexation relief, or CGT discount relief (discussed in Section 7.2(d) below).

If Shares were acquired after 21 September 1999, no indexation relief is available.

(d) CGT discount provisions

If a Shareholder has held Shares for at least 12 months prior to disposal, any capital gain may qualify for CGT discount treatment. Where the Shareholder is an individual or a trust, any capital gain may be discounted by 50%.

Complying superannuation funds and complying superannuation/first home saver account assets of life insurance companies receive a one-third reduction. Companies do not qualify for the discount.

If a Shareholder has elected for indexation relief (refer to Section 9.2(c) above), the CGT discount provisions are not applicable.

A Shareholder is required to first apply any prior year or current year capital losses against the full capital gain before applying this CGT discount to the remaining net amount.

(e) Application of capital gains and capital losses

Capital losses can be offset against other capital gains made by a Shareholder but not against other types of income.

Any net capital gain (after offsetting current year or carried forward capital losses) is included in assessable income.

Any net capital loss can be carried forward to offset future capital gains (subject to certain loss recoupment rules).

9.3. Non-resident shareholders

Where a Shareholder is a non-resident of Australia, and is (as has been assumed) holding the Shares for the purposes of long-term capital gain, and is not holding the Shares through a permanent establishment in Australia, then the disposal of the Shares will not give rise to a capital gain or capital loss for Australian CGT purposes unless both of the following elements are satisfied:

- the Shareholder, together with any associates, holds a 10% or greater participation interest in Nexus at the time of disposal, or during any 12-month period in the two years prior to disposal; and
- more than 50% of the value of Nexus is derived from direct and indirect interests in taxable Australian real property assets, as defined (which includes mining and prospecting rights to minerals and petroleum located in Australia).

Provided that the Shareholder does not satisfy the 10% participation interest test (element (a) above), the disposal of the Shares should not give rise to a capital gain or capital loss for Australian CGT purposes.

9.4. Option holders

The Nexus Performance Rights consist of options to acquire Shares at a nil exercise price which were issued to selected employees of Nexus.

These options will vest on the approval by the Court of the Scheme and Shares will be issued to option holders, and the Shares will then be sold to SGH Energy for 2 cents per Share under the Scheme.

The amount to be included in assessable income will equal 2 cents per option. There will be no further tax on the sale of the Shares to SGH Energy.

9.5. Stamp Duty

Shareholders should not be liable to stamp duty on disposal of their Shares under the Scheme.

9.6. Goods and Services Tax (GST)

Shareholders should not be liable to GST on disposal of their Shares under the Scheme, regardless of whether they are registered for GST or not. If a Shareholder is registered, the disposal of the Shares would be classified as an input taxed financial supply.

Shareholders may incur GST in connection with the disposal of their Shares under the Scheme (for example brokerage or advisor fees). Shareholders who are registered for GST, or required to be registered, may not receive full input tax credits for such GST incurred. A reduced input tax credit may be available. Shareholders should seek GST advice referable to their own particular circumstances.

10 Additional information

10.1. Nexus securities

At the date of this Scheme Booklet, Nexus has on issue:

- 1,330,219,459 Shares; and
- 15,945,400 Nexus Performance Rights.

10.2. Substantial shareholders

As at 14 April 2014, the following persons had notified Nexus that they had a relevant interest in 5% or more of Shares on issue:

Name	Number of Shares	Percentage of Shares
Credit Suisse Holdings (Australia) Limited	153,884,309	11.57%
Andrew Greig	85,808,005	6.45%
Dimensional Fund Advisors	66,566,809	5.00%

10.3. Top 20 Shareholders

As at 14 April 2014, based on information publicly available or known to Nexus, the top 20 Shareholders of Nexus were:

Name	Number of Shares	Percentage of Shares
Citicorp Nominees Pty Limited	277,552,711	20.87%
Bond Street Custodians Limited <DAVKRE – V05765 A/C>	85,230,137	6.41%
HSBC Custody Nominees (Australia) Limited	58,474,279	4.40%
JP Morgan Nominees Australia Limited	39,506,061	2.97%
JP Morgan Nominees Australia Limited <Cash Income a/c>	22,594,653	1.70%
National Nominees Limited	22,189,784	1.67%
Keong Lim Pty Limited <SK Lim Family A/C>	21,571,153	1.62%
Hotlake Pty Ltd <Halycon Super Fund A/C>	16,400,000	1.23%
Bond Street Custodians Limited <RTWF – D04766 A/C>	15,849,660	1.19%
Bond Street Custodians Limited <TINDAL – D04702 A/C>	13,989,971	1.05%
VBS Investments Pty Ltd	13,176,500	0.99%
Cullen Holdings Pty Ltd	12,450,250	0.94%
McNeil Nominees Pty Limited	12,000,000	0.90%
UOB Kay Hian (Hong Kong) Limited <Clients A/C>	8,700,000	0.65%
Mr Philip Edward Watt + Mrs Jan Lorraine Watt <Pickens Pty Ltd S/Fund A/C>	8,287,335	0.62%
BDH Nominees	7,640,663	0.57%
Majorcraft Pty Ltd <No 2 Super Fund A/C>	7,300,000	0.55%
Tess Aust Pty Ltd <The Fowler Family A/C>	6,651,511	0.50%
Mr Brian Dennis Hannon + Mrs Angelike Irene Dorteia Hannon <Brain D Hannon SF A/C>	6,333,334	0.48%
Woss Group Film Productions Pty Ltd	5,868,870	0.44%

10.4. SGH and SGH Energy's interests in Nexus securities

(a) SGH and SGH Energy's interests in Shares and Nexus Performance Rights

As at the date of this Scheme Booklet, Mr Donald Voelte has an interest in 1,000,000 Shares noted above in Section 7. Neither SGH nor SGH Energy has a Relevant Interest in any Shares or Nexus Performance Rights and has no voting power in Nexus.

(b) Acquisitions of Shares by SGH, SGH Energy or their associates

In the 4 months prior to the date of this Scheme Booklet, neither SGH, SGH Energy nor any of their associates have provided, or agreed to provide, consideration for Shares under a purchase or agreement, other than the undertakings given by SGH and SGH Energy in the Implementation Agreement and the Deed Poll to pay the Scheme Consideration under the Scheme if it becomes Effective.

(c) No collateral benefits

In the 4 months prior to the date of this Scheme Booklet, neither SGH, SGH Energy, nor any of their associates has provided any benefit, or agreed to provide any benefit, to a person to induce them to vote in favour of the Scheme or to dispose of their Shares, other than the undertakings given by SGH and SGH Energy in the Implementation Agreement and the Deed Poll to pay the Scheme Consideration under the Scheme if it becomes Effective.

10.5. Nexus securities held by Directors

The Directors and the number of Shares and Nexus Performance Rights held by or on behalf of each of them at the date of this Scheme Booklet are set out below:

Name	Number of Shares	Number of Nexus Performance Rights
Lucio Della Martina	4,250,000	8,755,300
John Hartwell	400,000	Nil
Symon Drake-Brockman	48,141,286	Nil

10.6. Interests of Directors in SGH securities

As at the date of this Scheme Booklet, no Director holds any interest in any securities of SGH or SGH Energy.

10.7. Payments and other benefits to directors, secretaries and executive offices of Nexus

(a) Benefits in connection with retirement from office

There is no payment or other benefit that is proposed to be made or given to any director, secretary or executive officer of Nexus or the Nexus Group as compensation for loss of or consideration for or in connection with his or her retirement from office in Nexus or the Nexus Group in connection with Scheme, subject to usual redundancy entitlements and the vesting of Nexus Performance Rights (see Sections 10.5 and 10.11). To date, other than the Directors' intention to resign from the Board if the Scheme is implemented (as required under the Implementation Agreement), no discussions have taken place between any director, secretary or executive officer of Nexus or the Nexus Group and SGH regarding any changes to their employment contract or specific roles in Nexus as a subsidiary of SGH.

(b) Agreements connected with or conditional on the Scheme

There are no agreements made between any director, secretary or executive officer of Nexus and any other person in connection with, or conditional on, the outcome of the Scheme other than in their capacity as the holder of Shares and Nexus Performance Rights and as set out in Section 10.7(a) above.

(c) Participation in the Scheme

No director, secretary or executive officer of Nexus has agreed to receive, or is entitled to receive, any benefit from SGH which is conditional on, or is related to, the Scheme, other than in their capacity as holders of Shares and Nexus Performance Rights and as set out in Section 10.7(a) above.

10.8. Other agreements or arrangements with Directors

Except as set out in Section 10.7, no agreements or arrangements have been made between any Director and any other person, including SGH Energy and SGH in connection with or conditional upon the outcome of the Scheme.

10.9. Interests of Directors in contracts entered into by SGH Energy or SGH

No Director has any interest in any contract entered into by SGH Energy or SGH.

10.10. Material change in financial position

As disclosed in this Scheme Booklet, the financial position of Nexus has materially changed since 31 December 2013, being the end of Nexus' half year (the results in respect of which were announced to the ASX on 14 March 2014), as set out in Section 6.4 of this Scheme Booklet.

10.11. Impact of Scheme on Nexus Performance Rights

In accordance with the terms of the Nexus Performance Rights Plan all unvested Nexus Performance Rights will vest on a change in control event, which for the purposes of the Nexus Performance Rights Plan includes court approval of a scheme of arrangement for the acquisition of at least 50% of Shares. Therefore, if the Scheme is approved by the Court, all unvested Nexus Performance Rights will vest and holders of Nexus Performance Rights will acquire (prior to the Scheme Record Date) one Share for each Nexus Performance Right for nil consideration. As the Nexus Performance Rights will not have vested at the time of the Scheme Meeting, holders of Nexus Performance Rights will not be entitled to any votes at the Scheme Meeting in respect of those Nexus Performance Rights.

Holders of Shares acquired pursuant to the vesting of Nexus Performance Rights upon Court approval of the Scheme will be entitled to the Scheme Consideration in respect of those Shares in the same way as other Scheme Shareholders.

10.12. Intentions of Directors concerning the business of Nexus

If the Scheme is implemented, it is expected that the existing Directors will resign from the Nexus board. Accordingly, the existing Directors are not able to make any statements of intention regarding the continuation of Nexus' business or how the business will be conducted after the implementation of the Scheme, any major changes to the business, including any redeployment of the fixed assets or the future employment of present employees. SGH Energy has provided a statement of its intentions for Nexus' operations which is set out in Sections 7.4 and 7.5.

10.13. Regulatory matters – ASIC modifications

ASIC has granted Nexus the exemptions and modifications set out below in connection with the Scheme and the preparation of this Scheme Booklet.

Clause 8302(h) of Schedule 8 of the Corporations Regulations requires this Scheme Booklet to disclose the extent to which the financial position of Nexus has materially changed since the date of the last balance sheet laid before Nexus' general meeting, being its financial statements for 12 month period ended 30 June 2013.

ASIC has allowed Nexus to confine its disclosure to all material changes to Nexus' financial position between 31 December 2013, being the end of Nexus' half year (the results in respect of which were announced to the ASX on 14 March 2014), and the lodgement of this Scheme Booklet for registration by ASIC, on condition that:

- Nexus states it will give a copy of the financial report for the half year ended 31 December 2013 free of charge to any Shareholder who asks for a copy before the Scheme is approved by the Court;
- any material changes to Nexus' financial since 31 December 2013, within the knowledge of Directors, are disclosed to Shareholders. This information is provided in Section 10.10 of this Scheme Booklet;
- Nexus discloses in announcements to the ASX any material changes to its financial position that occur after the date of lodgement of the Scheme Booklet for registration by ASIC but prior to the Scheme being approved by the Court; and
- this Scheme Booklet, which is to be sent to Shareholders, is substantially in the form given to ASIC on or about 5 May 2014.

A copy of Nexus' half year report for the period ended 31 December 2013 is available on Nexus' website at www.nexusenergy.com.au.

10.14. Consents and disclaimers

(a) Consents

Each of the following persons has given and has not before the date of this Scheme Booklet withdrawn its written consent to be named in this Scheme Booklet in the form and context in which it is named:

- Allen & Overy as legal adviser to Nexus in relation to the Scheme;

- PricewaterhouseCoopers as auditor to Nexus; and
- Computershare Investor Services Pty Ltd as the Nexus Registry.

Deutsche Bank AG, Sydney Branch has given and has not before the date of this Scheme Booklet withdrawn its written consent to be named as the financial adviser to Nexus on the cover page, in clause 8.4, in clause 10.14(a) and in the Corporate Directory of this Scheme Booklet.

Deloitte Corporate Finance Pty Limited has given and has not before the date of this Scheme Booklet withdrawn its written consent to be named as the Independent Expert in this Scheme Booklet and to the inclusion in this Scheme Booklet of the Independent Expert's report set out in Annex 4 and the references to the Independent Expert's Report elsewhere in this Scheme Booklet, in each case in the form and context in which they are included.

SGH has given and has not before the date of this Scheme Booklet withdrawn its written consent to the inclusion in this Scheme Booklet of the SGH Information in the form and context in which it is included.

(b) Disclaimers of responsibility

Each person named in Section 10.14(a):

- has not authorised or caused the issue of this Scheme Booklet;
- does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based other than as specified in Section 10.14(a); and
- to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for any part of, this Scheme Booklet other than a reference to its name and any statement or report which has been included in this Scheme Booklet with the consent of that person referred to in Section 10.14(a).

10.15. Publicly available information in relation to Nexus

Nexus is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. In addition, under the ASX Listing Rules, subject to certain limited exceptions, Nexus is required, to notify ASX immediately on becoming aware of any information that a reasonable person might expect to have a material impact on the price or value of Shares.

Copies of documents given by Nexus to ASIC under the Corporations Act may be obtained from or inspected at any office of ASIC. Copies of documents given by Nexus to ASX are available from ASX's website www.asx.com.au and on Nexus' website at www.nexusenergy.com.au. The documents available at ASX's website and Nexus' website include:

- Nexus' financial report for the half year ended 31 December 2013; and
- Nexus' annual report and financial report for the year ended 30 June 2013.

Nexus will make copies of these documents available free of charge to Shareholders. Please contact the Nexus information line on 1300 856 028 from within Australia or +61 2 8022 7909 from outside Australia between 9.00 am and 5.00 pm (AEST), Monday to Friday to request a copy.

10.16. Supplementary information

If, between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date, Nexus becomes aware of any of the following:

- a material statement in this Scheme Booklet is false or misleading;
- a material omission from this Scheme Booklet;
- a significant change affecting a matter included in this Scheme Booklet; or
- a significant new matter that has arisen and that would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC,

Nexus will make available supplementary information to Shareholders. Nexus intends to make available any such supplementary information by releasing that information to ASX (www.asx.com.au) and posting the supplementary information to Nexus's website (www.nexusenergy.com.au). Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Nexus may also send such supplementary information to Shareholders.

10.17. Other material information

Except as set out in this Scheme Booklet (including the information contained in the Independent Expert's Report and the other annexes to this Scheme Booklet), there is no information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any Director, or any director of any Related Body Corporate of Nexus, which has not previously been disclosed to Shareholders.

11 Definitions and interpretation

11.1. Definitions

In this Scheme Booklet:

AEST means Australian Eastern Standard Time;

ASIC means the Australian Securities and Investments Commission;

ASX Listing Rules means the official listing rules of ASX;

ASX means ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates;

Bridge Facility means the bridge facility agreement dated 31 March 2014 between, among others, Nexus Energy VICP54 Pty Ltd as borrower and Network Investment Holdings Pty Ltd as lender;

Board means the board of directors of Nexus;

Business Day means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Sydney or Perth;

CGT means capital gains tax;

Claim means any allegation, debt, cause of action, Liability, assessment, claim, proceeding, suit or demand of any nature however arising and whether present or future, fixed or unascertained, actual or contingent whether at law, in equity, under statute or otherwise;

Competing Proposal means:

- any proposal, agreement, arrangement or transaction, which, if entered into or completed, would mean a third party (either alone or together with any associate) may:
 - directly or indirectly acquire a relevant interest in, or have a right to acquire, a legal, beneficial or economic interest in, or control of, any Shares or of the share capital of any subsidiary of Nexus;
 - acquire control of Nexus or any subsidiary of Nexus;
 - directly or indirectly acquire or become the holder of, or otherwise acquire or have a right to acquire, a legal, beneficial or economic interest in, or control of, all or a material part of Nexus' business, operations or assets or the business, operations or assets of the Nexus Group; or
 - otherwise directly or indirectly acquire or merge with Nexus or a subsidiary of Nexus, whether by way of takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction, buy back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), or other transaction or arrangement; or
- any debt, equity or hybrid debt/equity raising or proposal, agreement, arrangement or transaction for a debt, equity or hybrid debt/equity raising by or in respect of Nexus or any subsidiary of Nexus; or
- any proposal, agreement, arrangement, transaction or understanding requiring Nexus to abandon, or otherwise fail to proceed with, the Scheme,

provided that any proposal, agreement, arrangement or transaction for, or in connection with, the entry by Nexus into voluntary administration (other than as part of a pre-pack deed of company arrangement or similar arrangement) is expressly excluded from this definition;

Corporations Act means the *Corporations Act 2001* (Cth);

Court means the Federal Court of Australia (Perth Registry Branch);

Crux means the petroleum field known as "Crux" within petroleum retention lease AC/RL9 (and its predecessor in title, petroleum production licence AC/L9) governed by the Petroleum Act;

Crux Consolidation Agreement means the Consolidation Agreement – AC/L9 between NEWA, OG Crux and Shell dated 3 August 2012, as secured by the Nexus/OG Consolidation Agreement Security between NEWA and Osaka Gas and the Deed of Indemnity Security between Shell, NEWA and Osaka Gas, each dated 23 October 2012;

Crux Cross Charge means the Deed of Cross Security between Shell, NEWA and Osaka Gas dated 23 October 2012;

Crux JOA means the Crux Area Joint Operating Agreement between Nexus, NEWA, Shell, Osaka Gas and Osaka Gas Parent dated 3 August 2012;

Crux Joint Venture means the joint venture between Shell (operator and 82 per cent participating interest), NEWA (15 per cent participating interest) and Osaka Gas (3 per cent participating interest) with respect to Crux;

Deed Poll means the deed poll to be dated 6 May 2014 entered into by SGH Energy and SGH in favour of the Scheme Shareholders in the form set out in Annex 3;

Director or **Directors** means the directors of Nexus as at the date of this Scheme Booklet, whose names are set out in Section 6.3(a);

Echuca Shoals means the petroleum field known as "Echuca Shoals" within petroleum exploration permit WA-377-P governed by the Petroleum Act;

Effective means, when used in relation to the Scheme, the coming into effect pursuant to section 411(10) of the Corporations Act of the order of the Court made under section 411(4)(b) in relation to the Scheme;

Effective Date means the date the Scheme becomes Effective;

End Date means 31 August 2014, or such other date as agreed in writing by the parties;

Exclusivity Period means the period from and including 31 March 2014 to the earlier of the date of termination of the Implementation Agreement, the End Date and the Effective Date;

First Court Date means the first day on which an application is made to the Court for an order under Section 411(1) of the Corporations Act approving the convening of the Scheme Meeting;

GST means any tax arising in relation to *A New Tax System (Goods and Services Tax) Act 1999* (Cth);

Implementation Agreement means the implementation agreement dated 31 March 2014 between SGH Energy and Nexus;

Implementation Date means the date which is 3 Business Days after the Scheme Record Date, or such other date as SGH and Nexus agree in writing;

Independent Expert means Deloitte Corporate Finance Pty Limited;

Independent Expert's Report means the independent expert's report prepared by the Independent Expert in relation to the Scheme, a copy of which is set out in Annex 4;

LC Facility means a letter of credit facility provided to NexusVICP54 under the Senior Facility with a current limit of \$60 million;

Liability has the meaning given to it in clause 1.1 of the Scheme;

Longtom means the petroleum field known as "Longtom" within Petroleum Production Licence VIC/L29 (governed by the Petroleum Act);

Longtom Agreement means the Longtom Agreement Deed of Amendment and Restatement between Santos, NEANL and Nexus VICP54 dated 24 April 2007, including the toll processing agreement and the gas sales agreement (as amended from time to time, most recently as announced on 14 May 2013);

Longtom Project means the operations to recover and process gas and condensate from Longtom;

NEANL means Nexus Energy Aust. NL ACN 090 835 608, a wholly owned subsidiary of Nexus;

NEC means Nexus Energy Corporate Pty Ltd ACN 123 237 712, a wholly owned subsidiary of Nexus;

NEWA means Nexus Energy WA Pty Ltd ACN 113 911 274, a wholly owned subsidiary of Nexus;

Nexus means Nexus Energy Limited ACN 058 818 278;

Nexus Group means Nexus and all of its Related Bodies Corporate;

Nexus Information means all information included in this Scheme Booklet other than:

- the information contained in the Independent Expert's Report; and
- the SGH Information;

Nexus Material Adverse Change has the meaning given to it in clause 1.1 of the Implementation Agreement;

Nexus Performance Rights means options to acquire new Shares granted to certain employees of the Nexus Group under the Performance Rights Plan;

Nexus Prescribed Occurrence has the meaning given to it in clause 1.1 of the Implementation Agreement;

Nexus Registry means Computershare Investor Services Pty Limited (ACN 078 279 277) of Yarra Falls, 452 Johnston Street, Abbotsford, VIC, Australia, 3067;

Nexus Regulated Event has the meaning given to it in clause 1.1 of the Implementation Agreement;

Nexus VICP54 means Nexus Energy VICP54 Pty Ltd ACN 108 405 009, a wholly owned subsidiary of Nexus;

NIH means Network Investment Holdings Pty Limited ACN 078 448 512, a wholly owned subsidiary of SGH;

Notes means the subordinated loan notes issued by Nexus pursuant to the Note Trust Deed;

Note Trust Deed means the note trust deed dated 30 July 2010 between BNY Trust Company Australia Limited and Nexus.

Osaka Gas means Osaka Gas Crux Pty Ltd ACN 126 767 093;

Osaka Gas Parent means Osaka Gas Co., Ltd.;

Performance Rights Plan means the Nexus Executive Director and Employee Plan;

Petroleum Act means the Offshore Petroleum and Greenhouse Gas Storage Act 2006 (Cth);

Plugging and Abandonment Obligations means the obligations of NEWA (as to 85%) and Osaka Gas (as to 15%), jointly and severally, to carry the cost of previous activities in respect of Crux, including plugging and abandonment operations in relation to the existing Crux-2/ST-1, Crux-3 and Crux-4 wells up to an agreed cap formula under the Crux Consolidation Agreement;

Proxy and Voting Form means the proxy and voting form for the Scheme Meeting which accompanies this Scheme Booklet or, as the context requires, any replacement or substitute proxy and voting form provided by or on behalf of Nexus;

Register means the register of Shares maintained by Computershare Investor Services Pty Ltd on behalf of Nexus;

Reimbursement Fee means \$3 million;

Related Body Corporate has the meaning given in the Corporations Act;

Relevant Interest has the meaning given in the Corporations Act;

Relevant Person means each person who was, at any time before or at the Second Court Date a director, officer or employee of Nexus or SGH;

Santos means, collectively, Santos Offshore Pty Ltd ACN 005 475 589 and Santos (N.T.) Pty Ltd ACN 008 481 990;

Scheme means the proposed acquisition by SGH Energy of all of the issued shares in Nexus by way of a scheme of arrangement under Part 5.1 of the Corporations Act between Nexus and Shareholders, in the form attached as Annex 2, subject to any amendments made or required by the Court under section 411(6) of the Corporations Act and approved by SGH and Nexus in writing;

Scheme Booklet means this document;

Scheme Consideration means 2 cents in cash in respect of each Share held by a Scheme Shareholder;

Scheme Meeting means the meeting of Shareholders ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act in respect of the Scheme;

Scheme Record Date means the date which is 5 Business Days after the Effective Date;

Scheme Shareholder means a person who is registered in the Register as the holder of one or more Scheme Shares as at 7.00pm on the Scheme Record Date;

Scheme Shares means all of the Shares on issue as at 7.00pm on the Scheme Record Date;

Second Court Date means the first day on which the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned for any reason, the first day on which the adjourned application is heard;

Second Court Hearing means the hearing of the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme;

Sedco means Sedco Forex International Inc.;

Sedco Settlement has the meaning given in Section 3.4(c);

Senior Facility means the senior facility agreement originally dated on or about 11 May 2007 (and amended from time to time) under which Nexus VICP54 (as the borrower) is provided with the Term Facility and the LC Facility;

SGH means Seven Group Holdings Limited ACN 142 003 469;

SGH Group means SGH, SGH Energy and all of their Related Bodies Corporate;

SGH Energy means SGH Energy (No 2) Pty Limited ACN 168 935 644;

SGH Information means the information contained in:

- the following paragraphs in the Important Notices:
 - “SGH Group has provided, and is responsible for, the SGH Information in this Scheme Booklet and none of the Nexus Group or their directors, officers, employees and advisers assumes any responsibility for the accuracy or completeness of the SGH Information”; and
 - “and SGH and SGH Energy believe that all forward looking statements included in the SGH Information have been made on a reasonable basis”;
- Section 7; and
- Section 10.4;

Share means a fully paid ordinary share in the capital of Nexus;

Shareholder means a person who is registered in the Register as the holder of one or more Shares;

Shell means Shell Development (Australia) Pty Ltd ACN 009 663 576;

Superior Proposal means a publicly announced, bona fide Competing Proposal which the Board determines:

- is reasonably capable of being valued and completed in a timely fashion taking into account all aspects of the Competing Proposal including any timing considerations, any conditions precedent and the identity of the proponent; and
- would, if completed substantially in accordance with its terms, be more favourable to Shareholders (as a whole) than the Scheme, taking into account all terms and conditions of the Competing Proposal;

TDJV means T-D Joint Venture Pty Ltd (in administration) ACN 124 308 685;

Term Facility means the cash advance facility provided under the Senior Facility;

US means the United States of America; and

Voting Entitlement Date means 7.00 pm (AEST) on Tuesday, 10 June 2014;

11.2. Interpretation

In this Scheme Booklet

- other words and phrases have the same meaning (if any) given to them in the Corporations Act;

- words of any gender include all genders
- words importing the singular include the plural and vice versa;
- an expression importuning a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- a reference to a section or annexure, is a reference to a section of or annexure to this Scheme Booklet as relevant;
- a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;
- headings and bold type are for convenience only and do not affect the interpretation of this Scheme Booklet;
- a reference to time is a reference to Australian Eastern Standard Time;
- a reference to dollars, A\$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia;
- an accounting term is a reference to that term as it is used in accounting standards under the Corporations Act, or, if not inconsistent with those standards, in accounting principles and practices generally accepted in Australia; and
- the words 'include', 'including', 'for example' or 'such as' when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.

Annex 1
Implementation Agreement



Agreement

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Merger Implementation Agreement

Seven Group Holdings Limited

Nexus Energy Limited

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Merger Implementation Agreement

Date ►

Between the parties

SGH

Seven Group Holdings Limited

ACN 142 003 469 of Level 2, 38-42 Pirrama Road, Pymont NSW 2009

Nexus

Nexus Energy Limited

ACN 058 818 278 of Level 23, 530 Collins Street, Melbourne, Victoria 3000

Recitals

- 1 The parties have agreed that SGH or its subsidiary will acquire all of the ordinary shares in Nexus by means of a scheme of arrangement under Part 5.1 of the Corporations Act between Nexus and the Scheme Shareholders.
- 2 The parties have agreed to implement the scheme of arrangement on the terms of this agreement.

The parties agree as follows:

1 Definitions and interpretation

1.1 Definitions

The meanings of the terms used in this agreement are set out below.

Term	Meaning
ASIC	the Australian Securities and Investments Commission.
Associate	has the meaning set out in section 12 of the Corporations Act, as if subsection 12(1) of the Corporations Act included a reference to this agreement and Nexus was the designated body.
ASX	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.
Bridge Facility	Bridge Facility Agreement means the bridge facility agreement dated on or about the date of this agreement between, among others, Nexus Energy VICP54 Pty Ltd as borrower and Network Investment Holdings Pty Ltd as lender.
Business Day	a day that is not a Saturday, Sunday or a public holiday or bank holiday in Sydney or Perth.
Claim	<p>any claim, demand, legal proceedings or cause of action (including any claim, demand, legal proceedings or cause of action):</p> <ol style="list-style-type: none">1 based in contract (including breach of warranty);2 based in tort (including misrepresentation or negligence);3 under common law or equity; or4 under statute (including the Australian Consumer Law (being Schedule 2 of the <i>Competition and Consumer Act 2010</i> (Cth) (CCA)) or Part VI of the CCA, or like provision in any state or territory legislation)), <p>in any way relating to this agreement or the Transaction, and includes a claim, demand, legal proceedings or cause of action arising under an indemnity in this agreement.</p>
Competing Proposal	<ol style="list-style-type: none">1 any proposal, agreement, arrangement or transaction, which, if entered into or completed, would mean a Third Party (either

alone or together with any Associate) may:

- directly or indirectly acquire a Relevant Interest in, or have a right to acquire, a legal, beneficial or economic interest in, or control of, any Nexus Shares or of the share capital of any Subsidiary of Nexus;
 - acquire Control of Nexus or any Subsidiary of Nexus;
 - directly or indirectly acquire or become the holder of, or otherwise acquire or have a right to acquire, a legal, beneficial or economic interest in, or control of, all or a material part of Nexus' business, operations or assets or the business, operations or assets of the Nexus Group; or
 - otherwise directly or indirectly acquire or merge with Nexus or a Subsidiary of Nexus,
- whether by way of takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction, buy back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), or other transaction or arrangement; or
- 2 any debt, equity or hybrid debt/equity raising or proposal, agreement, arrangement or transaction for a debt, equity or hybrid debt/equity raising by or in respect of Nexus or any Subsidiary of Nexus; or
 - 3 any proposal, agreement, arrangement, transaction or understanding requiring Nexus to abandon, or otherwise fail to proceed with, the Transaction,
- provided that any proposal, agreement, arrangement or transaction for, or in connection with, the entry by Nexus into voluntary administration (other than as part of a pre-pack deed of company arrangement or similar arrangement) is expressly excluded from this definition.

Condition Precedent

each of the conditions set out in clause 3.1.

Confidentiality Agreement

the confidentiality agreement between SGH and Nexus dated 19 December 2013 and the Deed Polls dated 19 December 2013 and granted by SGH in favour of Santos Offshore Pty Ltd ACN 005 475 589, Santos (N.T.) Pty Ltd ACN 008 481 990, Nexus Energy VICP54 Pty Ltd ACN 090 835 608; and in favour of Shell Development (Australia) Pty Ltd ACN 009 663 576, Osaka Gas Crux Pty Ltd ACN 126 767 093, Osaka Gas Co. Ltd., Nexus and Nexus Energy WA Pty Ltd ACN 113 911 274.

Control

has the meaning given in section 50AA of the Corporations Act.

Corporations Act

the *Corporations Act 2001* (Cth).

Corporations

the *Corporations Regulations 2001* (Cth).

Regulations

the Federal Court of Australia (Perth registry) or such other court of competent jurisdiction under the Corporations Act agreed to in writing by SGH and Nexus.

Court**Deed Poll**

a deed poll substantially in the form of Attachment 3 under which SGH (and, if SGH makes the nomination in accordance with clause 4.3, SGH Sub) covenants in favour of the Scheme Shareholders to perform the obligations attributed to SGH (and, if SGH makes the nomination in accordance with clause 4.3, SGH Sub) under the Scheme.

Director Nexus Share

any Nexus Share:

- 1 held by or on behalf of a Nexus Board Member; or
- 2 listed as an indirect interest in an Appendix 3X or Appendix 3Y lodged by Nexus with ASX in respect of any Nexus Board Member.

Disclosure Materials

- 1 the documents and information contained in the data room made available by Nexus to SGH and its Related Persons, the index of which has been initialised by, or on behalf of, the parties for identification; and
- 2 written responses from Nexus and its Related Persons to requests for further information made by SGH and its Related Persons.

Effective

when used in relation to the Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the order of the Court made under paragraph 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date

the date on which the Scheme becomes Effective.

End Date

31 August 2014, or such other date as agreed in writing by the parties.

Exclusivity Period

the period from and including the date of this agreement to the earlier of:

- 1 the date of termination of this agreement;
- 2 the End Date; and
- 3 the Effective Date.

Financial Advisor	any financial advisor retained by Nexus in relation to the Transaction or a Competing Proposal from time to time.
Financial Indebtedness	<p>any debt or other monetary liability (whether actual or contingent) in respect of monies borrowed or raised or any financial accommodation including under or in respect of any:</p> <ol style="list-style-type: none">1 bill, bond, debenture, note or similar instrument;2 acceptance, endorsement or discounting arrangement;3 guarantee;4 finance or capital lease;5 agreement for the deferral of a purchase price or other payment in relation to the acquisition of any asset or service on terms in excess of 30 Business Days; or6 obligation to deliver goods or provide services paid for in advance by any financier.
First Court Date	the first day on which an application made to the Court for an order under subsection 411(1) of the Corporations Act convening the Scheme Meeting is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
Government Agency	any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any State, and any other federal, state, provincial, or local government, whether foreign or Australian.
Implementation Date	the third Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as the parties agree in writing.
Independent Expert	the independent expert in respect of the Scheme appointed by Nexus.
Independent Expert's Report	means the report to be issued by the Independent Expert in connection with the Scheme.
Insolvency Event	<p>means, in relation to an entity:</p> <ol style="list-style-type: none">1 an application or order being made for the winding up or dissolution of the entity, or a resolution being passed, or any steps being taken to pass a resolution for the winding up or dissolution of the entity;2 a liquidator, provisional liquidator, administrator, receiver, receiver and manager, trustee or similar other official being

	<p>appointed to the entity over the whole, or a substantial part of the assets or undertakings of the entity;</p> <ol style="list-style-type: none">3 the entity entering into, or agreeing to enter into, any arrangement, composition or compromise with, or assignment for the benefit of, its lenders or any class of them;4 the entity ceases, or threatens to cease to, carry on any of its business conducted by it as at the date of this agreement;5 the entity suspends payment of its debts generally, or becomes unable to pay its debts when they fall due; or6 the entity being deregistered as a company or otherwise dissolved.
Integration Committee	a committee comprised of three senior Nexus executives and three senior SGH executives, and other persons as agreed by the parties.
Listing Rules	the official listing rules of ASX.
Material Contract	<p>any agreement, contract or other arrangement or instrument to which a member of the Nexus Group is a party that:</p> <ol style="list-style-type: none">1 involves the provision of financial accommodation to any member of the Nexus Group;2 imposes obligations or liabilities on any party of at least \$500,000 over the life of the agreement, contract, agreement or other arrangement or instrument; or3 is material in the context of the businesses of the Nexus Group taken as a whole.
Nexus Board	the board of directors of Nexus from time to time and a 'Nexus Board Member' means any director of Nexus comprising part of the Nexus Board.
Nexus Consolidated Tax Group	the consolidated group of which Nexus is the head company (where 'consolidated group' and 'head company' have the same meaning as in the Tax Act).
Nexus Group	Nexus and each of its Subsidiaries, and a reference to a 'Nexus Group Member' or a 'member of the Nexus Group' is to Nexus or any of its Subsidiaries.
Nexus Indemnified Parties	Nexus, its Subsidiaries and their respective directors, officers and employees.
Nexus Information	information regarding the Nexus Group prepared by Nexus for inclusion in the Scheme Booklet except that it does not include

the SGH Information or the Independent Expert's Report.

Nexus Material Adverse Change

an event, change, condition, matter, circumstance or thing occurring before, on or after the date of this agreement (each a **Specified Event**) which, whether individually or when aggregated with all such events, changes, conditions, matters, circumstances or things of a like kind that have occurred and which have:

- 1 a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the Nexus Group taken as a whole;
- 2 the effect of a diminution in the value of the consolidated gross assets of the Nexus Group, taken as a whole, by at least \$500,000 against what it would reasonably have been expected to have been but for such Specified Event; or
- 3 the effect of a diminution in the consolidated earnings before interest, tax depreciation and amortisation of the Nexus Group, taken as a whole, by at least \$500,000 in any financial year for the Nexus Group against what they would reasonably have been expected to have been but for such Specified Event,

other than those events, changes, conditions, matters, circumstances or things:

- 4 notified to ASX or disclosed in a document lodged with ASIC by or on behalf of Nexus prior to the date of this agreement or as disclosed under clause 9.1 (provided that, where any such matter is subsequently exacerbated or is more serious than has been disclosed (either because it is more serious than was initially appreciated or the earlier disclosure was not comprehensive or not accurate), this test will be applied in relation to the exacerbation or the extent to which it has not been previously disclosed);
- 5 required or permitted by this agreement, the Scheme or the transactions contemplated by either;
- 6 disclosed to an extent satisfactory to SGH (acting reasonably) in the Disclosure Materials; or
- 7 agreed to in writing by SGH.

Nexus Option

an unlisted employee option (performance right) issued pursuant to the Nexus Option Plan to acquire one unissued Nexus Share with zero exercise price.

Nexus Option Plan

Executive Director and Employee Plan.

Nexus Optionholder

each person who is registered in the Nexus register of optionholders as the holder of a Nexus Option.

Nexus Prescribed Occurrence

other than as:

- 1 required or expressly permitted by this agreement, the

Scheme or the transactions contemplated by either, or

- 2 agreed to in writing by SGH,

the occurrence of any of the following:

- 1 Nexus converting all or any of its shares into a larger or smaller number of shares;
- 2 a member of the Nexus Group resolving to reduce its share capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its capital;
- 3 a member of the Nexus Group:
 - entering into a buy-back agreement; or
 - resolving to approve the terms of a buy-back agreement under the Corporations Act;
- 4 a member of the Nexus Group issuing shares, or granting an option over its shares, or agreeing to make such an issue or grant such an option, other than to a directly or indirectly wholly-owned Subsidiary of Nexus;
- 5 a member of the Nexus Group issuing or agreeing to issue securities convertible into shares; or
- 6 an Insolvency Event occurs in relation to a member of the Nexus Group.

Nexus Registry

Computershare Investor Services Pty Limited (ACN 078 279 277) of Yarra Falls, 452 Johnston Street, Abbotsford, VIC, Australia, 3067.

Nexus Regulated Event

other than:

- 1 as required or expressly permitted by this agreement, the Scheme or the transactions contemplated by either;
 - 2 in accordance with drawdowns and applying the proceeds of drawdowns in a manner approved by the lender under the Bridge Facility;
 - 3 granting any Security Interest permitted under clause 8.10 of the Bridge Facility;
 - 4 incurring any Financial Indebtedness permitted under clause 8.12 of the Bridge Facility; or
 - 5 agreed to in writing by SGH,
- the occurrence of any of the following:
- 1 Nexus or a Subsidiary of Nexus reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares;
 - 2 SGH becoming aware that the Nexus Representation and Warranty in paragraph (j) of Schedule 3 is materially inaccurate;
 - 3 Nexus announcing, making, declaring, paying or distributing any dividend, bonus or other share of its profits or assets or returning or agreeing to return any capital to its members

(whether in cash or in specie);

- 4 Nexus amending the terms of the Nexus Option Plan;
- 5 a member of the Nexus Group making any change to its constitution;
- 6 a member of the Nexus Group commencing business activities not already carried out as at the date of this agreement, whether by way of acquisition or otherwise;
- 7 a member of the Nexus Group:
 - acquiring, leasing, disposing of or granting a Security Interest over;
 - entering into, agreeing to or announcing any agreement to acquire, lease, dispose of or grant a Security Interest over, or
 - offering, proposing, announcing a bid or tendering for, any business, property, assets, entity or undertaking (or any interest therein);
 - the transaction value of which exceeds A\$100,000 (individually or in aggregate); or
 - which would or would be likely to involve a material change in the manner in which Nexus conducts its business, the nature (including balance sheet classification), extent or value of the assets or liabilities of Nexus;
- 8 a member of the Nexus Group entering into a contract or commitment restraining a member of the Nexus Group from competing with any person or conducting activities in any market;
- 9 a member of the Nexus Group:
 - entering into any contract or commitment (including in respect of Financial Indebtedness) requiring payments by the Nexus Group in excess of A\$500,000 (individually or in aggregate) other than any payment required by law;
 - (without limiting the foregoing) incurring, committing to incur or agreeing to incur capital expenditure from the date of this agreement of more than A\$100,000 (individually or in aggregate);
 - waiving any material Third Party default where the financial impact on the Nexus Group will be in excess of A\$100,000 (individually or in aggregate); or
 - accepting as a compromise of a matter less than the full compensation due to a member of the Nexus Group where the financial impact of the compromise on the Nexus Group is more than A\$100,000 (individually or in aggregate);
- 10 a member of the Nexus Group providing financial accommodation other than to members of the Nexus Group (irrespective of what form of Financial Indebtedness that accommodation takes) in excess of A\$100,000 (individually or in aggregate);
- 11 a member of the Nexus Group entering into any agreement,

- arrangement or transaction with respect to derivative instruments (including, but not limited to, swaps, futures contracts, forward commitments, commodity derivatives or options) or similar instruments;
- 12 a member of the Nexus Group entering into, or resolving to enter into, a transaction with any related party of Nexus (other than a related party which is a member of the Nexus Group), as defined in section 228 of the Corporations Act;
 - 13 a member of the Nexus Group entering into or materially altering, varying or amending any employment, consulting, severance or similar agreement or arrangement with one or more of its officers, directors, other executives or employees, or accelerating or otherwise materially increasing compensation or benefits for any of the above;
 - 14 a member of the Nexus Group paying any of its directors or employees a termination or retention payment, other than in accordance with contractual arrangements in effect on the date of this agreement which have been disclosed to SGH in writing before the date of this agreement
 - 15 a member of the Nexus Group entering into any enterprise bargaining agreement;
 - 16 a member of the Nexus Group changing any accounting policy applied by them to report their financial position other than any change in policy required by a change in accounting standards;
 - 17 a member of the Nexus Group doing anything that would result in a change in the Nexus Consolidated Tax Group;
 - 18 a member of the Nexus Group agrees (whether conditionally or unconditionally) to make, is liable to make or makes any payment by way of break fee, inducement fee, cost reimbursement or otherwise, to any Third Party, or forgoing any amount to which it would otherwise be entitled, in respect of an actual or potential Competing Proposal; or
 - 19 a member of the Nexus Group agrees (whether conditionally or unconditionally) to make, is liable to make or makes any payment by way of transaction fee, advisory fee, incentive fee or otherwise, to any Third Party (including a Financial Advisor) in excess of A\$100,000 (individually or in aggregate) as a result of, or relating in any way to, the Transaction.

Nexus Representations and Warranties	the representations and warranties of Nexus set out in Schedule 3.
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Nexus Share	a fully paid ordinary share in the capital of Nexus.
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Nexus Share Register	the register of members of Nexus maintained in accordance with the Corporations Act.
Nexus Shareholder	each person who is registered as the holder of a Nexus Share in the Nexus Share Register.
NIH	Network Investment Holdings Pty Limited (ABN 50 078 448 512)
Registered Address	in relation to a Nexus Shareholder, the address shown in the Nexus Share Register as at the Scheme Record Date.
Regulator's Draft	the draft of the Scheme Booklet in a form which is agreed to between the parties and that is provided to ASIC for approval pursuant to subsection 411(2) of the Corporations Act.
Regulatory Approval	an approval or consent set out in clause 3.1(a).
Reimbursement Fee	A\$3,000,000.
Related Bodies Corporate	has the meaning set out in section 50 of the Corporations Act.
Related Person	<ol style="list-style-type: none">in respect of a party or its Related Bodies Corporate, each director, officer, employee, advisor, agent or representative of that party or Related Body Corporate; andin respect of a Financial Advisor, each director, officer, employee or contractor of that Financial Advisor.
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act.
Relevant Person	means each of: <ol style="list-style-type: none">the directors of Nexus as of the date of this agreement;Susan Robutti (in her capacity as Chief Financial Officer); andMargaret Hall (in her capacity as Development Manager).
RG 60	Regulatory Guide 60 issued by ASIC in September 2011.
Scheme	the scheme of arrangement under Part 5.1 of the Corporations Act between Nexus and the Scheme Shareholders, the form of which is attached as Attachment 2, subject to any alterations or conditions made or required by the Court under subsection

	411(6) of the Corporations Act and agreed to by SGH and Nexus.
Scheme Booklet	<p>the scheme booklet to be prepared by Nexus in respect of the Scheme in accordance with clause 5.1(a) in a form agreed between the parties to be despatched to the Nexus Shareholders and which must include or be accompanied by:</p> <ul style="list-style-type: none">a copy of the Scheme;an explanatory statement complying with the requirements of the Corporations Act, the Corporations Regulations and RG 60;the Independent Expert's Report;a copy or summary of this agreement;a copy of the executed Deed Poll;a notice of meeting; anda proxy form.
Scheme Consideration	A\$0.02 cash for each Scheme Share held by a Scheme Shareholder.
Scheme Meeting	the meeting of Nexus Shareholders ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on the Scheme and includes any meeting convened following any adjournment or postponement of that meeting.
Scheme Record Date	5.00pm on the fifth Business Day after the Effective Date or such other time and date as the parties agree in writing.
Scheme Shareholder	a holder of Nexus Shares recorded in the Nexus Share Register as at the Scheme Record Date.
Scheme Shares	all Nexus Shares held by the Scheme Shareholders as at the Scheme Record Date.
Second Court Date	the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
Security Interest	has the meaning given in section 51A of the Corporations Act.

SGH Group	SGH and each of its Subsidiaries, and a reference to a 'SGH Group Member' or a 'member of the SGH Group' is to SGH or any of its Subsidiaries.
SGH Indemnified Parties	SGH, its Subsidiaries (including, for the avoidance of doubt, SGH Sub) and their respective directors, officers and employees.
SGH Information	<p>information regarding the SGH Group following implementation of the Scheme, provided by SGH to Nexus in writing for inclusion in the Scheme Booklet, being:</p> <ol style="list-style-type: none">any letter from SGH's Chairman;information about SGH, other SGH Group members, the businesses of the SGH Group, SGH's interests and dealings in Nexus Shares, SGH's intentions for Nexus and Nexus' employees, and funding for the Scheme; andany other information required under the Corporations Act, Corporations Regulations or RG 60 to enable the Scheme Booklet to be prepared that the parties agree is 'SGH Information' and that is identified in the Scheme Booklet as such with the express written consent of SGH.
SGH Representations and Warranties	the representations and warranties of SGH set out in Schedule 2.
SGH Sub	has the meaning given to that term in clause 4.3.
Subordinated Note	a note issued pursuant to the Subordinated Note Trust Deed.
Subordinated Notes Sale Deed	each deed between a beneficial owner of Subordinated Notes and NIH dated on or about the date of this agreement.
Subordinated Note Trust Deed	the note trust deed between Nexus and the Subordinated Notes Trustee dated 30 July 2010.
Subordinated Notes Trustee	BNY Trust Company of Australia Limited.
Subsidiary	has the meaning given in Division 6 of Part 1.2 of the Corporations Act.
Superior Proposal	a publicly announced, bona fide Competing Proposal (and not resulting from a breach by Nexus of any of its obligations under clause 11 of this agreement (it being understood that any actions by the Related Persons of Nexus in breach of clause 11 shall be deemed to be a breach by Nexus for the purposes of this

definition)) which the Nexus Board, acting in good faith, and after receiving written legal advice from its legal advisor and written advice from its Financial Advisor, determines:

- 1 is reasonably capable of being valued and completed in a timely fashion taking into account all aspects of the Competing Proposal including any timing considerations, any conditions precedent and the identity of the proponent; and
- 2 would, if completed substantially in accordance with its terms, be more favourable to Nexus Shareholders (as a whole) than the Scheme (as the Scheme may be amended or varied following application of the matching right set out in clause 11.5), taking into account all terms and conditions of the Competing Proposal.

Tax Act	the <i>Income Tax Assessment Act 1997</i> (Cth).
Third Party	a person other than SGH and its Associates.
Timetable	the indicative timetable for the implementation of the Transaction set out in Attachment 1.
Transaction	the acquisition of the Scheme Shares by SGH (or, if SGH makes the nomination in accordance with clause 4.3, SGH Sub) through implementation of the Scheme in accordance with the terms of this agreement.

1.2 Interpretation

In this agreement:

- (a) headings and bold type are for convenience only and do not affect the interpretation of this agreement;
- (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 agreement 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, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to this agreement;
- (g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re enactments of any of them (whether passed by the same or another Government Agency with legal power to do so);
- (h) a reference to a document (including this agreement) includes all amendments or supplements to, or replacements or novations of, that document;

- (i) a reference to a party to a document includes that party's successors and permitted assignees;
- (j) 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;
- (k) 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;
- (l) a reference to an agreement other than this agreement includes a deed and any legally enforceable undertaking, agreement, arrangement or understanding, whether or not in writing;
- (m) a reference to liquidation or insolvency includes appointment of an administrator, compromise, arrangement, merger, amalgamation, reconstruction, winding up, dissolution, deregistration, assignment for the benefit of creditors, scheme, composition or arrangement with creditors, insolvency, bankruptcy, or any similar procedure or, where applicable, changes in the constitution of any partnership or person, or death;
- (n) no provision of this agreement will be construed adversely to a party because that party was responsible for the preparation of this agreement or that provision;
- (o) a reference to a body (including an institute, association or authority), other than a party to this agreement, 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;
- (p) a reference to '\$', 'A\$' or 'dollar' is to the lawful currency of Australia;
- (q) a reference to any time, unless otherwise indicated, is to the time in Sydney, Australia;
- (r) if a period of time is specified and dates from a given day or the day of an act or event, it is to be calculated exclusive of that day;
- (s) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (t) if an act prescribed under this agreement to be done by a party on or by a given day is done after 5.00pm on that day, it is taken to be done on the next day;
- (u) a term defined in or for the purposes of the Corporations Act, and which is not defined in clause 1.1, has the same meaning when used in this agreement; and
- (v) a reference to the Listing Rules and the Market Rules includes any variation, consolidation or replacement of these rules and is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

1.3 Interpretation of inclusive expressions

Specifying anything in this agreement after the words 'include' or 'for example' or similar expressions does not limit what else is included.

1.4 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

1.5 Agreement components

This agreement includes any schedule and attachments.

2 Agreement to proceed with the Transaction

- (a) Nexus agrees to propose the Scheme on and subject to the terms and conditions of this agreement.
- (b) SGH agrees to:
 - (1) assist Nexus to propose the Scheme; and
 - (2) if SGH makes the nomination in accordance with clause 4.3, procure SGH Sub, as appropriate, to assist Nexus propose the Scheme, on and subject to the terms and conditions of this agreement.
- (c) Nexus and SGH agree to implement (and if SGH makes the nomination in accordance with clause 4.3, SGH agrees to procure SGH Sub, as appropriate, implement) the Scheme on and subject to the terms and conditions of this agreement.

3 Conditions Precedent and pre-implementation steps

3.1 Conditions Precedent

Subject to this clause 3, the Scheme will not become Effective, and the respective obligations of SGH under clause 4.4 are not binding, until each of the following Conditions Precedent is satisfied or waived to the extent and in the manner set out in this clause 3.

- (a) **Regulatory Approvals:** before 5.00pm on the Business Day before the Second Court Date:
 - (1) **ASIC and ASX:** ASIC and ASX issue or provide all consents or approvals, and do all other acts, necessary, or which Nexus and SGH agree are desirable, to implement the Scheme and such consents, approvals or other acts (as the case may be) have not been withdrawn, suspended or revoked before 8.00am on the Second Court Date; and
 - (2) **other:** any other approvals or consents that are required by law, or by any Government Agency, to implement the Scheme are obtained on an unconditional basis, remain in full force and effect in all respects, and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same.

- (b) **Shareholder approval:** Nexus Shareholders agree to the Scheme at the Scheme Meeting by the requisite majorities under subparagraph 411(4)(a)(ii) of the Corporations Act.
- (c) **Court approval:** the Court approves the Scheme in accordance with paragraph 411(4)(b) of the Corporations Act.
- (d) **Restraints:** no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or Government Agency, or other material legal restraint or prohibition, preventing or delaying the Transaction is in effect at 8.00am on the Second Court Date.
- (e) **No Nexus Prescribed Occurrence:** no Nexus Prescribed Occurrence occurs between (and including) the date of this agreement and 8.00am on the Second Court Date.
- (f) **No Nexus Regulated Event:** no Nexus Regulated Event occurs between (and including) the date of this agreement and 8.00am on the Second Court Date.
- (g) **No Nexus Material Adverse Change:** no Nexus Material Adverse Change occurs or is discovered, announced, disclosed or otherwise becomes known to SGH between (and including) the date of this agreement and 8.00am on the Second Court Date.
- (h) **Index out:** between (and including) the date of this agreement and 5.00pm on the Business Day before the Second Court Date, the S&P ASX 200 Index does not close at a level 15% or more below the level as at the close of trade on the date of this agreement for more than 3 consecutive trading days, and at close of trading on ASX on the Business Day before the Second Court Date, the S&P ASX 200 Index is not at a level 15% or more below the level as at the close of trade on the date of this agreement.
- (i) **No breach:** Nexus is not in breach, in any material respect, of its obligations under this agreement at 5.00pm on the Business Day before the Scheme Meeting and at 8.00am on the Second Court Date.
- (j) **Nexus' representations and warranties:** the Nexus Representations and Warranties that are qualified as to materiality are true and correct in all respects, and the Nexus Representations and Warranties that are not so qualified are true and correct in all material respects, in each case as at 8.00am on the Second Court Date as though made at that time, except to the extent any such representation or warranty expressly relates to an earlier date.
- (k) **Continuous disclosure:** between (and including) the date of this agreement and 8.00am on the Second Court Date, SGH does not become aware of any matter, event, action or circumstance:
- (1) that is materially adverse in relation to a Nexus Group member;
 - (2) in respect of which Nexus has not complied with its disclosure obligations under Listing Rule 3.1 at any time; and
 - (3) that was not in the Disclosure Materials.
- (l) **Material Contracts:** for each Material Contract under which a party (other than Nexus or any of its subsidiaries) could be entitled to:
- (1) terminate that Material Contract;
 - (2) vary, amend or modify that Material Contract; or
 - (3) exercise or enforce any right under that Material Contract,
 - (4) benefit from the operation of a provision which automatically terminates, varies, amends or modifies that Material Contract,

(including where that entitlement or effect is subject to the satisfaction or failure of a contingency or condition) as a direct or indirect result of:

- (5) SGH and Nexus entering into this agreement;
 - (6) Nexus performing its obligations under this agreement (including those obligations in clause 5.1);
 - (7) SGH acquiring, or acquiring a Relevant Interest in, any Nexus Shares;
 - (8) SGH obtaining a Relevant Interest in 50% or more of Nexus Shares then on issue;
 - (9) SGH acquiring control of Nexus;
 - (10) SGH implementing or seeking to implement any of its intentions for Nexus as described in the Scheme Booklet provided that such intentions are not inconsistent with the existing terms of the Material Contracts; or
 - (11) any of the directors of Nexus supporting the Scheme or making a recommendation that Nexus Shareholders vote in favour of the Scheme,
- that party provides to Nexus and SGH in writing a binding, irrevocable and unconditional waiver or release of that entitlement or effect before 8.00am on the Second Court Date.
- (m) **Litigation:** Between (and including) the date of this agreement and 8.00am on the Second Court Date, no litigation, investigation, prosecution, arbitration or dispute against Nexus or a member of the Nexus Group which may reasonably result in a liability of \$1,000,000 or more is commenced, is threatened to be commenced, is announced, or is made known to SGH (whether or not becoming public) or Nexus, other than that which is in the public domain as at the date of this agreement.
- (n) **Subordinated Notes acquisition:** By 8.00am on the Second Court Date, settlement under the Subordinated Notes Sale Deeds has occurred.

3.2 Reasonable endeavours

- (a) Nexus must, to the extent it is within their power to do so, use its reasonable endeavours to procure that each of the Conditions Precedent in clauses 3.1(b), 3.1(c), 3.1(e), 3.1(f), 3.1(g), 3.1(h), 3.1(i), 3.1(j), 3.1(k), and 3.1(m) is satisfied as soon as practicable after the date of this agreement and continues to be satisfied at all times until the last time that the relevant clause provides that it is to be satisfied.
- (b) SGH must, to the extent it is within their power to do so, use its reasonable endeavours to procure that the Condition Precedent in clause 3.1(n) is satisfied as soon as practicable after the date of this agreement and continues to be satisfied at all times until the last time that the relevant clause provides that it is to be satisfied.
- (c) Each party must, to the extent it is within their power to do so, use its reasonable endeavours to procure that:
 - (1) the Conditions Precedent in clauses 3.1(a) and 3.1(l) are satisfied as soon as practicable after the date of this agreement and continue to be satisfied at all times until the last time that the clause provides that it is to be satisfied; and

- (2) there is no occurrence within its control or the control of any of its Subsidiaries that would prevent any of the Conditions Precedent in clause 3.1, which that party (alone or together with the other party) must use reasonable endeavours to satisfy, being or remaining satisfied.
- (d) Without limiting this clause 3.2, each party must, in relation to the Scheme:
- (1) promptly apply for all relevant Regulatory Approvals (as applicable) and provide to the other party a copy of all those applications;
 - (2) take all steps it is responsible for as part of the Regulatory Approval process, including responding to requests for information from the relevant Government Agencies at the earliest practicable time;
 - (3) keep the other party informed of progress in relation to each Regulatory Approval (including in relation to any material matters raised by, or conditions or other arrangements proposed by, or to, any Government Agency in relation to a Regulatory Approval) and provide the other party with all information reasonably requested in connection with the applications for, or progress of, the Regulatory Approvals;
 - (4) consult with the other party in advance in relation to the progress of obtaining, and all material communications with Government Agencies regarding any of, the Regulatory Approvals; and
 - (5) provide the other party with all assistance and information that it reasonably requests in connection with an application for a Regulatory Approval to be lodged by that other party, provided that:
- (6) the party applying for a Regulatory Approval may withhold or redact information or documents from the other party if and to the extent that they are either confidential to a third party or commercially sensitive and confidential to the applicant;
 - (7) neither party is required to disclose materially commercially sensitive information to the other party; and
 - (8) the party applying for a Regulatory Approval is not prevented from taking any step (including communicating with a Government Agency) in respect of a Regulatory Approval if the other party has not promptly responded under clause 3.2(d)(4).

3.3 Waiver of Conditions Precedent

- (a) The Conditions Precedent in clauses 3.1(a), 3.1(b), 3.1(c) and 3.1(d) cannot be waived.
- (b) The Conditions Precedent in clauses 3.1(e), 3.1(f), 3.1(g), 3.1(h), 3.1(i), 3.1(j), 3.1(k), 3.1(l), 3.1(m) and 3.1(n) are for the sole benefit of SGH and may only be waived by SGH (in its absolute discretion) in writing.
- (c) If a party waives the breach or non-satisfaction of any of the Conditions Precedent in clause 3.1, that waiver does not prevent that party from suing the other party for any breach of this agreement that resulted in the breach or non-satisfaction of the relevant Condition Precedent.
- (d) Waiver of a breach or non-satisfaction in respect of one Condition Precedent does not constitute:

- (1) a waiver of breach or non-satisfaction of any other Condition Precedent resulting from the same event; or
- (2) a waiver of breach or non-satisfaction of that Condition Precedent resulting from any other event.

3.4 Termination on failure of Condition Precedent

- (a) If:
- (1) there is an event or occurrence that would, or does, prevent any of the Conditions Precedent being satisfied;
 - (2) there is an event or occurrence that would, or does, prevent any of the Conditions Precedent being satisfied by the time and date specified in this agreement for the satisfaction of that Condition Precedent; or
 - (3) it becomes more likely than not that the Scheme will not become Effective by the End Date,
- the parties must consult in good faith to:
- (4) consider and, if agreed, determine whether the Transaction may proceed by way of alternative means or methods;
 - (5) consider and, if agreed, change the date of the application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving the Scheme or adjourning that application (as applicable) to another date agreed to in writing by SGH and Nexus (being a date no later than 5 Business Days before the End Date); or
 - (6) consider and, if agreed, extend the relevant date or End Date.
- (b) Subject to clauses 3.4(d) and 3.4(e), if the parties are unable to reach agreement under clause 3.4(a):
- (1) within 5 Business Days of becoming aware of the relevant event or occurrence that would, or does, prevent a Condition Precedent being satisfied;
 - (2) within 5 Business Days of the time and date specified in this agreement for the satisfaction of a Condition Precedent; or
 - (3) by the End Date,
- as appropriate, then, unless that Condition Precedent has been waived in accordance with clause 3.3, either party may terminate this agreement without any liability to the other party because of that termination. However, a party may not terminate this agreement pursuant to this clause 3.4(b) if the relevant occurrence or event, the failure of the Condition Precedent to be satisfied, or the failure of the Scheme to become Effective, arises out of a breach of clauses 3.2 or 3.5 by that party, although in such circumstances the other party may still terminate this agreement. For the avoidance of doubt, nothing in this clause 3.4(b) affects the obligation of Nexus to pay the Reimbursement Fee, if it is required to do so under clause 12.
- (c) Subject to any rights or obligations arising under or pursuant to clauses that are expressed to survive termination (including by virtue of clause 13.3), on termination of this agreement, no party shall have any rights against or obligations to any other party under this agreement except for those rights and obligations which accrued prior to termination.

- (d) If the Condition Precedent in clause 3.1(b) is not satisfied only because of a failure to obtain the majority required by sub-subparagraph 4.1(4)(a)(ii)(A) of the Corporations Act, then either party may by written notice to the other within 3 Business Days after the date of the conclusion of the Scheme Meeting require the approval of the Court to be sought, pursuant to the Court's discretion in that sub-subparagraph, provided the party has, in good faith, reasonably formed the view that the prospect of the Court exercising its discretion in that way is reasonable.
- (e) If the Court refuses to make an order approving the Scheme which satisfies the Condition Precedent in clause 3.1(c), at SGH's request Nexus must appeal the Court's decision to the fullest extent possible (except to the extent that the parties agree otherwise, or an independent Senior Counsel indicates that, in his or her view, an appeal would have negligible prospects of success before the End Date). Nexus may bring an appeal even if not requested by SGH. If any such appeal is undertaken at the request of SGH, each party will bear their own costs of the appeal unless the parties otherwise agree. If any such appeal is undertaken by Nexus, without the prior request from SGH, Nexus will bear SGH's costs of the appeal unless the parties otherwise agree.

3.5 Certain notices relating to Conditions Precedent

- (a) Nexus and SGH (as the case may be) must promptly advise each other in writing, of satisfaction of a Condition Precedent.
- (b) If a Condition Precedent is not satisfied by the time and date specified for satisfaction of that Condition Precedent, then, unless there is no reasonable prospect that the Condition Precedent will be satisfied before the End Date, Nexus must make an application to defer the Second Court Date until such time (being not later than the Business Day before the End Date) as reasonably required to enable the relevant Condition Precedent to be satisfied.
- (c) If, before the time and date specified for satisfaction of a Condition Precedent, an event or occurrence that will prevent that Condition Precedent being satisfied occurs, the party with knowledge of that event must give the other party written notice of that event or occurrence as soon as possible.
- (d) Nexus and SGH (as the case may be) must promptly advise each other, in writing, of any fact, matter, change, event or circumstance causing, or which, so far as can reasonably be foreseen, would cause:
- (1) a representation or warranty provided in this agreement by the relevant party to be false;
 - (2) a breach or non-satisfaction of any of the Conditions Precedent; or
 - (3) a material breach of this agreement by the relevant party.

4 Transaction steps

4.1 Scheme

Nexus must propose the Scheme to Nexus Shareholders.

4.2 No amendment to the Scheme without consent

Nexus must not consent to any modification of, or amendment to, or the making or imposition by the Court of any condition in respect of, the Scheme without the prior written consent of SGH.

4.3 Nomination of alternative acquirer of Nexus Shares

SGH may nominate a wholly owned Subsidiary of SGH to be the acquirer of the Scheme Shares under this agreement (the **SGH Sub**) by notice in writing to Nexus at least 10 Business Days before the First Court Date. The notice must state the identity of the SGH Sub.

4.4 Scheme Consideration

- (a) Each Scheme Shareholder is entitled to receive the Scheme Consideration in respect of each Scheme Share held by that Scheme Shareholder in accordance with the terms of this agreement and the Scheme.
- (b) Subject to clause 4.4(c) and the terms of the Scheme, SGH undertakes and warrants to Nexus (in its own right and separately as nominee for and on behalf of the Scheme Shareholders) that, in consideration of the transfer to SGH (or if SGH makes the nomination in accordance with clause 4.3, SGH Sub) of each Nexus Share held by a Scheme Shareholder under the terms of the Scheme, on the Implementation Date SGH will:
- (1) accept the transfer, or if SGH makes the nomination in accordance with clause 4.3, procure that SGH Sub will accept that transfer; and
 - (2) provide to each Scheme Shareholder the Scheme Consideration for each Scheme Share in accordance with the terms of this agreement and the Scheme.
 - (c) Where the calculation of the Scheme Consideration to be provided to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, the fractional entitlement will be rounded down to the nearest whole cent.

4.5 Provision of Nexus Share information

- (a) In order to facilitate the provision of the Scheme Consideration, Nexus must provide, or procure the provision of, to SGH or a nominee of SGH a complete copy of the Nexus Share Register as at the Scheme Record Date (which must include the name, Registered Address and registered holding of each Scheme Shareholder as at the Scheme Record Date), within one Business Day after the Scheme Record Date.
- (b) The details and information to be provided under clause 4.5(a) must be provided in such form as SGH or its nominee may reasonably require.

5 Implementation

5.1 Nexus' obligations

Nexus must take all necessary steps to implement the Scheme as soon as is reasonably practicable and, without limiting the foregoing, use all reasonable endeavours to ensure that each step in the Timetable is met by the relevant date set out beside that step (and must consult with SGH on a regular basis about its progress in that regard), including doing any acts it is authorised and able to do on behalf of Nexus Shareholders, and including each of the following:

- (a) **preparation of Scheme Booklet:** subject to clause 5.2(a), prepare and despatch the Scheme Booklet in accordance with all applicable laws (including the Corporations Act and the Corporations Regulations), RG 60 and the Listing Rules;
- (b) **directors' recommendation:** include in the Scheme Booklet a statement by the Nexus Board:
 - (1) unanimously recommending that Nexus Shareholders vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert concluding that the Scheme is in the best interests of Nexus Shareholders; and
 - (2) that each Nexus Board Member will (in the absence of a Superior Proposal and subject to the Independent Expert concluding that the Scheme is in the best interests of Nexus Shareholders) vote, or procure the voting of, any Director Nexus Shares at the time of the Scheme Meeting in favour of the Scheme at the Scheme Meeting, unless there has been a change of recommendation permitted by clause 5.5;
- (c) **paragraph 411(17)(b) statement:** apply to ASIC for the production of:
 - (1) an indication of intent letter stating that it does not intend to appear before the Court on the First Court Date; and
 - (2) a statement under paragraph 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;
- (d) **Court direction:** apply to the Court for orders pursuant to subsection 411(1) of the Corporations Act directing Nexus to convene the Scheme Meeting;
- (e) **Scheme Meeting:** convene the Scheme Meeting to seek Nexus Shareholders' agreement to the Scheme in accordance with the orders made by the Court pursuant to subsection 411(1) of the Corporations Act;
- (f) **Court documents:** consult with SGH in relation to the content of the documents required for the purpose of each of the Court hearings held for the purpose of subsection 411(1) and paragraph 411(4)(b) of the Corporations Act in relation to the Scheme (including originating process, affidavits, submissions and draft minutes of Court orders) and consider in good faith, for the purpose of amending drafts of those documents, comments from SGH and its Related Persons on those documents;
- (g) **Court approval:** (subject to all Conditions Precedent in clause 3.1, other than the Condition Precedent in clause 3.1(c), being satisfied or waived in accordance with this agreement) apply to the Court for orders approving the Scheme as agreed to by the Nexus Shareholders at the Scheme Meeting;
- (h) **Certificate:** at the hearing on the Second Court Date provide to the Court a certificate confirming whether or not the Conditions Precedent in clause 3.1

(other than the Condition Precedent in clause 3.1(c)) have been satisfied or waived in accordance with this agreement. A draft of such certificate shall be provided by Nexus to SGH by 4.00 pm on the date that is 5 Business Days prior to the Second Court Date;

- (i) **lodge copy of Court order:** lodge with ASIC an office copy of the Court order in accordance with subsection 411(10) of the Corporations Act approving the Scheme by no later than the Business Day after the date on which the Court order was made (or such later date as agreed in writing by SGH);

- (j) **Scheme Consideration:** if the Scheme becomes Effective, finalise and close the Nexus Share Register as at the Scheme Record Date, and determine entitlements to the Scheme Consideration, in accordance with the Scheme and the Deed Poll;

- (k) **transfer and registration:** if the Scheme becomes Effective and subject to SGH having issued the Scheme Consideration in accordance with the Scheme and Deed Poll:

- (1) execute, on behalf of Scheme Shareholders, instruments of transfer of Nexus Shares held by Scheme Shareholders to SGH (or, if SGH makes the nomination in accordance with clause 4.3, SGH Sub); and
- (2) register all transfers of Nexus Shares held by Scheme Shareholders to SGH (or, if SGH makes the nomination in accordance with clause 4.3, SGH Sub) on the Implementation Date;

- (l) **consultation with SGH in relation to Scheme Booklet:** consult with SGH as to the content and presentation of the Scheme Booklet including:

- (1) providing to SGH drafts of the Scheme Booklet and the Independent Expert's Report for the purpose of enabling SGH to review and comment on those draft documents;
- (2) taking all comments made by SGH into account when producing a revised draft of the Scheme Booklet;
- (3) providing to SGH a revised draft of the Scheme Booklet within a reasonable time before the Regulator's Draft is finalised and to enable SGH to review the Regulator's Draft before the date of its submission;
- (4) obtaining written consent from SGH for the form and content in which the SGH Information appears in the Scheme Booklet; and
- (5) confirming in writing to SGH the accuracy of the Nexus Information in the Scheme Booklet;

- (m) **information:** provide all necessary information, and procure that the Nexus Registry provides all necessary information, in each case in a form reasonably requested by SGH, about the Scheme, the Scheme Shareholders and Nexus Shareholders to SGH and its Related Persons, which SGH reasonably requires in order to:

- (1) canvass agreement to the Scheme by Nexus Shareholders (including the results of directions by Nexus to Nexus Shareholders under Part 6C.2 of the Corporations Act); or
- (2) facilitate the provision by, or on behalf of, SGH of the Scheme Consideration.

Nexus must comply with any request of SGH for Nexus to give directions to Nexus Shareholders pursuant to Part 6C.2 of the Corporations Act from time to time for one of the purposes referred to in (1) or (2) above;

- (n) **ASIC and ASX review:** keep SGH informed of any matters raised by ASIC or ASX in relation to the Scheme Booklet or the Transaction, and take into consideration in resolving such matters any issues raised by SGH;
- (o) **representation:** procure that it is represented by counsel at the Court hearings convened for the purposes of subsection 411(1) and paragraph 411(4)(b) of the Corporations Act;
- (p) **Independent Expert:** promptly appoint the Independent Expert and provide all assistance and information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report for inclusion in the Scheme Booklet (including any updates to such report) and any other materials to be prepared by the Independent Expert for inclusion in the Scheme Booklet (including any updates thereto);
- (q) **assistance:** up to the Implementation Date and subject to obligations of confidentiality owed to third parties and undertakings to Government Agencies, provide SGH and its Related Persons with access during normal business hours to information and personnel of Nexus Group that SGH requests for the purpose of collation and provision of the SGH Information and Implementation of the Transaction;
- (r) **compliance with laws:** do everything reasonably within its power to ensure that the Transaction is effected in accordance with all applicable laws and regulations;
- (s) **listing:** subject to clause 5.1(u), not do anything to cause Nexus Shares to cease being quoted on ASX or to become permanently suspended from quotation prior to implementation of the Transaction unless SGH has agreed in writing;
- (t) **update Scheme Booklet:** until the date of the Scheme Meeting, promptly update the Scheme Booklet with any information that arises after the Scheme Booklet has been despatched that is necessary to ensure that the Scheme Booklet does not contain any material statement that is false or misleading in a material respect including because of any material omission from that statement; and
- (u) **suspension of trading:** apply to ASX to suspend trading in Nexus Shares with effect from the close of trading on the Effective Date.

5.2 SGH's obligations

SGH must take all necessary steps to implement the Scheme as soon as is reasonably practicable and without limiting the foregoing use reasonable endeavours to ensure that each step in the Timetable is met by the date set out beside that step (and must consult with Nexus on a regular basis about its progress in that regard), including doing each of the following:

- (a) **SGH Information:**
- (1) prepare and provide to Nexus the SGH Information for inclusion in the Scheme Booklet;
 - (2) ensure that the SGH Information complies in all material respects with all applicable laws (including the Corporations Act and the Corporations Regulations), RG 60 and the Listing Rules; and
 - (3) consent to the inclusion of that information in the Scheme Booklet;
- (b) **review of Scheme Booklet:** review the drafts of the Scheme Booklet prepared by Nexus and provide comments on those drafts in good faith;

- (c) **Independent Expert's Report:** subject to the Independent Expert entering into arrangements with SGH including in relation to confidentiality in a form reasonably acceptable to SGH, provide any assistance or information reasonably requested by Nexus or by the Independent Expert in connection with the preparation of the Independent Expert's Report to be sent together with the Scheme Booklet;
- (d) **Deed Poll:** by no later than the Business Day prior to the First Court Date, execute and deliver to Nexus the Deed Poll;
- (e) **accuracy of SGH Information:** confirm in writing to Nexus the accuracy of the SGH Information in the Scheme Booklet;
- (f) **share transfer:** if the Scheme becomes Effective:
- (1) accept (or, if SGH makes the nomination in accordance with clause 4.3, procure that SGH Sub accepts) a transfer of the Scheme Shares as contemplated by clause 4.4(b); and
 - (2) execute (or, if SGH makes the nomination in accordance with clause 4.3, procure that SGH Sub executes) instruments of transfer in respect of the Scheme Shares;
- (g) **Scheme Consideration:** if the Scheme becomes Effective, provide the Scheme Consideration in the manner and amount contemplated by clause 6 and the terms of the Scheme and the Deed Poll;
- (h) **update SGH Information:** until the date of the Scheme Meeting, provide to Nexus any information that arises after the Scheme Booklet has been despatched that is necessary to ensure that the SGH Information contained in the Scheme Booklet does not contain any material statement that is false or misleading in a material respect including because of any material omission from that statement; and
- (i) **compliance with laws:** do everything reasonably within its power to ensure that the Transaction is effected in accordance with all applicable laws and regulations.

5.3 Conduct of business

- (a) Except as agreed in writing and subject to clauses 5.3(b) and 5.3(c), from the date of this agreement up to and including the Implementation Date, and without limiting any other obligations of Nexus under this agreement, Nexus must:
- (1) conduct its businesses and operations, and must cause each other Nexus Group Member to conduct its respective business and operations, in the ordinary and usual course consistent with the manner in which each such business and operations have been conducted in the 12 month period prior to the date of this agreement;
 - (2) keep SGH informed of material developments in relation to the conduct of business, and respond to any requests from SGH for updates on the conduct of Nexus Group's business;
 - (3) not enter into any line of business or other activities in which the Nexus Group is not engaged as of the date of this agreement;
 - (4) provide regular reports on the financial affairs of the Nexus Group, including the provision of Nexus Group's monthly management accounts, in a timely manner to SGH;

- (5) ensure that between (and including) the date of this agreement and 8.00am on the Second Court Date, no Nexus Prescribed Occurrence and no Nexus Regulated Event occurs; and
- (6) procure that each other Nexus Group Member makes all reasonable efforts, to:
- (A) preserve and maintain the value the businesses and assets of the Nexus Group;
- (B) keep available the services of the directors, officers and employees of each member of the Nexus Group; and
- (C) maintain and preserve their relationships with Government Agencies, customers, suppliers and others having business dealings with any Nexus Group Member (including, using reasonable endeavours to obtain consents from Third Parties to any change of control provisions which SGH reasonably requests in contracts or arrangements to which a member of the Nexus Group is a party).
- (b) Nothing in clause 5.3(a) restricts the ability of Nexus to take any action:
- (1) which is required by this agreement or the Scheme;
- (2) which is required to respond to an operational emergency where the law or the terms of a petroleum licence require Nexus to act immediately and provided that Nexus first notifies SGH of the proposed response and, if and to the extent practicable, consults SGH before taking any action; or
- (3) which is a drawdown or the application of the proceeds of one or more drawdowns in a manner approved by the lender under the Bridge Facility;
- (4) which has been agreed to in writing by SGH.
- (c) For the avoidance of doubt, nothing in this clause 5.3 restricts the ability of Nexus to respond to a Competing Proposal in accordance with clause 11.
- (d) From the date of this agreement until the Second Court Date unless SGH agrees otherwise in writing, Nexus will promptly notify SGH of anything of which it becomes aware that:
- (1) makes any material information publicly filed by Nexus (either on its own account or in respect of any other Nexus Group Member) incomplete, incorrect, untrue or misleading in any material respect;
- (2) makes any of the Nexus Representations and Warranties false, inaccurate, misleading or deceptive in any material respect; or
- (3) makes any information provided in the Disclosure Materials incomplete, incorrect, untrue or misleading in any material respect.

5.4 Appointment of directors

Nexus must, as soon as practicable:

- (a) on the Implementation Date after the Scheme Consideration has been despatched to Scheme Shareholders:
- (1) take all actions necessary to cause the appointment of the nominees of SGH to the Nexus Board; and

- (2) ensure that all directors on the Nexus Board, other than the SGH nominees, resign and release Nexus from any claims they may have against Nexus; and
- (b) on the Implementation Date, after the Scheme Consideration has been despatched to Scheme Shareholders, take all actions to ensure that all directors on the boards of Nexus' Subsidiaries resign and to cause the appointment of nominees of SGH to those boards.

5.5 Nexus Board recommendation

- (a) Nexus must include in its Scheme Booklet a statement by the members of the Nexus Board unanimously recommending the Nexus Shareholders vote in favour of the Scheme at the Scheme meeting in the absence of any Superior Proposal, subject to the Independent Expert concluding that the Scheme is in the best interests of Nexus Shareholders, unless there has been a change of recommendation permitted by this clause 5.5.
- (b) The Nexus Board collectively, and the members of the Nexus Board individually, must not change withdraw or modify its, his or her recommendation to vote in favour of the Scheme unless:
- (1) Nexus has received, other than as a result of a breach of clause 11, a Superior Proposal;
- (2) the Independent Expert determines that the Scheme is not in the best interests of Nexus Shareholders (for reasons other than the emergence of a Competing Proposal); or
- (3) the Nexus Board has determined, after receiving written legal advice from its legal advisors, that the Nexus Board, by virtue of the directors' or statutory duties of the members of the Nexus Board, is required to change, withdraw or modify its recommendation,
- and Nexus has complied with its obligations under clause 11.
- (c) The parties acknowledge that Nexus' maximum liability for any breach of this clause 5.5 will be payment of the Reimbursement Fee in accordance with clause 12.

5.6 Conduct of Court proceedings

- (a) Nexus and SGH are entitled to separate representation at all Court proceedings affecting the Transaction.
- (b) This agreement does not give Nexus or SGH any right or power to give undertakings to the Court for or on behalf of the other party without that party's written consent.
- (c) Nexus and SGH must give all undertakings to the Court in all Court proceedings which are reasonably required to obtain Court approval and confirmation of the Transaction as contemplated by this agreement.

5.7 Responsibility statements in the Scheme Booklet

- (a) The Scheme Booklet will contain a responsibility statement to the effect that:
- (1) SGH is responsible for the SGH Information contained in the Scheme Booklet; and

- (2) Nexus is responsible for the Nexus Information contained in the Scheme Booklet.
- (b) The parties acknowledge that SGH and its directors and officers do not assume any responsibility for the accuracy or completeness of the Nexus Information.
- (c) The parties acknowledge that Nexus and its directors and officers do not assume any responsibility for the accuracy or completeness of the SGH Information.

5.8 Disagreement on form or content of the Scheme Booklet

- (a) If after a reasonable period of consultation, Nexus and SGH are unable to agree on the form or content of the Scheme Booklet (including, without limitation, if SGH disagrees with any Nexus Information proposed to be included in the Scheme Booklet), the following process will apply:
 - (1) either party may inform the other party in writing that they do not agree on the form and/or content of the Scheme Booklet, setting out the matters in respect of which it disagrees (**Disputed Matters**) and the grounds on which it disagrees;
 - (2) immediately after delivery of the written notice in clause 5.8(a)(1), the Disputed Matters must be referred for resolution to the Integration Committee;
 - (3) if within 5 Business Days after the Disputed Matters have been referred to the Integration Committee they resolve the Disputed Matters, their decision will be final, conclusive and binding (except in the case of manifest error); and
 - (4) if the Integration Committee cannot resolve the Disputed Matters within 5 Business Days after the Disputed Matters have been referred to them, then the unresolved Disputed Matters must be referred for resolution to an independent Senior Counsel unanimously agreed by the Integration Committee within a further 2 Business Days. If the Integration Committee cannot agree on who the Senior Counsel will be, the Integration Committee must promptly request the President for the time being of the New South Wales Bar Association to appoint an independent Senior Counsel to determine the unresolved Disputed Matters.
- (b) If an independent Senior Counsel is appointed in accordance with clause 5.8(a)(4):
 - (1) the Integration Committee must instruct the independent Senior Counsel to decide within the shortest practicable time the Disputed Matters;
 - (2) SGH and Nexus must provide all information and assistance the independent Senior Counsel reasonably requests for the purpose of deciding the Disputed Matters;
 - (3) the independent Senior Counsel will act as an expert, not as an arbitrator, in determining the dispute and his or her decision will be final, conclusive and binding (except in the case of manifest error); and
 - (4) the costs of the independent Senior Counsel must be paid by the party against whom the determination of the independent Senior Counsel is made and the parties must instruct the independent Senior

Counsel to make a decision on this matter. If the independent Senior Counsel is, for any reason whatsoever, unable to make a decision on the matter and so certifies to SGH and Nexus, the costs of the independent Senior Counsel must be shared equally and paid by SGH and Nexus.

6 Integration

6.1 Access to information

- (a) Between (and including) the date of this agreement and the Implementation Date, Nexus must, and must cause each other Nexus Group Member to, afford to SGH and its Related Persons access to information (subject to any existing confidentiality obligations owed to third parties), premises or such senior executives of any member of the Nexus Group as requested by SGH and other assistance as is required at mutually convenient times and afford SGH co-operation for the purpose of:
 - (1) implementation of the Scheme;
 - (2) SGH obtaining an understanding of the operations of the Nexus Group's business, financial position (including debt structure and security), prospects and affairs in order to allow and facilitate the development and the implementation of the plans of SGH for those businesses following implementation of the Scheme and to assist in any dealings SGH has with Nexus' lenders, creditors, joint venture partners, customers, suppliers and other relevant parties; and
 - (3) any other purpose agreed between the parties,provided that nothing in this clause will require Nexus to provide information concerning Nexus' directors and management's consideration of the Scheme.
- (b) Nexus must provide, and must cause each other Nexus Group Member to provide, SGH and its Related Persons with access (at mutually convenient times) to books and records (including financial reports, audited or otherwise) and to the Nexus Group's auditors and accountants for the sole purpose of preparation of the financial statements for inclusion in the Scheme Booklet.

6.2 Integration Committee

- (a) Each party will, as soon as practicable after the date of this agreement, notify the other party of its appointees to the Integration Committee.
- (b) Without limiting clause 6.1, between (and including) the date of this agreement and the Implementation Date, Integration Committee will:
 - (1) oversee implementation of the Scheme;
 - (2) assist SGH in obtaining an understanding of the operations and conduct of the Nexus Group's business; and
 - (3) seek to determine how to best integrate the Nexus Group's business into the operations of SGH,but, for the avoidance of doubt, the Integration Committee is a consultative body only that will make recommendations to the parties.

- (c) The parties must use all reasonable endeavours to procure that the Integration Committee meets no less than once a month, commencing on the one month anniversary of the date of this agreement.

7 Representations and warranties

7.1 SGH's representations and warranties

SGH (and, if SGH makes the nomination under clause 4.3 the SGH Sub) represents and warrants to Nexus (in its own right and separately as trustee or nominee for each of the other Nexus Indemnified Parties) each of the SGH Representations and Warranties.

7.2 SGH's indemnity

SGH agrees with Nexus (in its own right and separately as trustee or nominee for each of the other Nexus Indemnified Parties) to indemnify Nexus and each of the Nexus Indemnified Parties against any claim, action, damage, loss, liability, cost, expense or payment of whatever nature and however arising that Nexus or any of the other Nexus Indemnified Parties suffers, incurs or is liable for arising out of any breach of any of the SGH Representations and Warranties.

7.3 Nexus' representations and warranties

Nexus represents and warrants to SGH (in its own right and separately as trustee or nominee for each of the other SGH Indemnified Parties) each of the Nexus Representations and Warranties.

7.4 Nexus' indemnity

Nexus agrees with SGH (in its own right and separately as trustee or nominee for each SGH Indemnified Party) to indemnify SGH and each of the SGH Indemnified Parties from any claim, action, damage, loss, liability, cost, expense or payment of whatever nature and however arising that SGH or any of the other SGH Indemnified Parties suffers, incurs or is liable for arising out of any breach of any of the Nexus Representations and Warranties.

7.5 Survival of representations and warranties

Each representation and warranty in clauses 7.1 and 7.3:

- (a) is severable;
- (b) survives the termination of this agreement; and
- (c) is given with the intention that liability under it is not confined to breaches that are discovered before the date of termination of this agreement.

7.6 Survival of indemnities

Each indemnity in this agreement (including those in clauses 7.2 and 7.4):

- (a) is severable;
- (b) is a continuing obligation;

- (c) constitutes a separate and independent obligation of the party giving the indemnity from any other obligations of that party under this agreement; and
- (d) survives the termination of this agreement.

7.7 Timing of representations and warranties

Each representation and warranty made or given under clauses 7.1 or 7.3 is given at the date of this agreement and repeated at 8.00am on the Second Court Date unless that representation or warranty is expressed to be given at a particular time, in which case it is given at that time.

7.8 No representation or reliance

- (a) Each party acknowledges that no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this agreement, except for representations or inducements expressly set out in this agreement and (to the maximum extent permitted by law) all other representations, warranties and conditions implied by statute or otherwise in relation to any matter relating to this agreement, the circumstances surrounding the parties' entry into it and the transactions contemplated by it are expressly excluded.
- (b) Each party acknowledges and confirms that it does not enter into this agreement in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out in this agreement.
- (c) Each party acknowledges and confirms that clauses 7.8(a) and 7.8(b) do not prejudice any rights SGH may have in relation to information which has been filed by Nexus with ASIC or ASX (as the case may be) or that is contained in the Disclosure Materials.

8 Releases

8.1 Release of SGH Indemnified Parties

- (a) Nexus releases its rights, and agrees with SGH that it will not make a claim, against any SGH Indemnified Party as at the date of this agreement and from time to time in connection with:
- (1) any breach of any representations and warranties of SGH or any other member of the SGH Group in this agreement; or
- (2) any disclosure containing any statement which is false or misleading whether in content or by omission,
- whether current or future, known or unknown, arising at common law, in equity, under statute or otherwise, except where the SGH Indemnified Party has engaged in wilful misconduct or fraud. For the avoidance of doubt, nothing in this clause 8.1(a) limits Nexus' rights to terminate this agreement under clause 13.2(b).
- (b) This clause is subject to any Corporations Act restriction and will be read down accordingly.
- (c) SGH receives and holds the benefit of this clause to the extent it relates to each SGH Indemnified Party as trustee for each of them.

8.2 Release of Nexus Indemnified Parties

- (a) SGH releases its rights, and agrees with Nexus that it will not make a claim, against any Nexus Indemnified Party as at the date of this agreement and from time to time in connection with:
- (1) any breach of any representations and warranties of Nexus or any other member of the Nexus Group in this agreement; or
- (2) any disclosure containing any statement which is false or misleading whether in content or by omission,
- whether current or future, known or unknown, arising at common law, in equity, under statute or otherwise, except where the Nexus Indemnified Party has engaged in wilful misconduct or fraud.
- (b) This clause is subject to any Corporations Act restriction and will be read down accordingly.
- (c) Nexus receives and holds the benefit of this clause to the extent it relates to each Nexus Indemnified Party as trustee for each of them.

9 Public announcement

9.1 Announcement of the Transaction

- (a) After the execution of this agreement, Nexus and SGH must issue public announcements in a form and at a time agreed to between them (subject to clause 9.3).
- (b) The Nexus announcement must include:
- (1) a unanimous recommendation by the Nexus Board to Nexus Shareholders that Nexus Shareholders vote in favour of the Scheme; and
- (2) a statement that all the members of the Nexus Board will vote (or will procure the voting of) all Director Nexus Shares at the time of the Scheme Meeting in favour of the Scheme at the Scheme Meeting,
- in each case, expressed to be in the absence of a Superior Proposal and subject to the Independent Expert concluding that the Scheme is in the best interests of Nexus Shareholders.

9.2 Public announcements

- (a) Subject to clause 9.3, no public announcement or public disclosure of the Transaction or any other transaction the subject of this agreement or the Scheme may be made other than in a form approved by each party in writing (acting reasonably), but each party must use all reasonable endeavours to provide such approval as soon as practicable.
- (b) Nexus must provide drafts of any announcement referred to in clause 9.2(a) to SGH and take into consideration any comments that SGH has on those drafts.

9.3 Required disclosure

Where a party is required by applicable law or the Listing Rules to make any announcement or to make any disclosure in connection with the Transaction or any other transaction the subject of this agreement or the Scheme, it must give the other party prior notice and use all reasonable endeavours, to the extent practicable and lawful, to consult with the other party prior to making the relevant disclosure and take account of any reasonable comments received from the other party in relation to the form and content of the announcement or disclosure.

10 Confidentiality

Notwithstanding any term of the Confidentiality Agreement, Nexus and SGH acknowledge and agree that they continue to be bound by the Confidentiality Agreement after the date of this agreement. The rights and obligations of the parties under the Confidentiality Agreement survive termination of this agreement.

11 Exclusivity

11.1 Background to exclusivity

- (a) SGH and Nexus acknowledge that:
- (1) by virtue of and as a consequence of entering into this agreement, SGH has incurred and will continue to incur significant costs and will be required to commit significant resources to complete the Transaction; and
- (2) the terms of Nexus' financing required it to enter into a transaction satisfactory to Nexus' senior lenders which would facilitate the refinancing of its debt, failing which a review event would have been triggered which may have led to an event of default.
- (b) In these circumstances, SGH and Nexus have agreed to the exclusivity provisions in this clause 11, without which SGH would not have entered into this agreement or otherwise agreed to implement the Transaction.

11.2 No shop and no talk

During the Exclusivity Period, Nexus must not, and must ensure that each of its Related Persons does not, directly or indirectly:

- (a) **(no shop)** solicit, invite, encourage or initiate (including by the provision of non-public information to any Third Party) any inquiry, expression of interest, offer, proposal or discussion by any person in relation to, or which would reasonably be expected to encourage or lead to the making of, an actual, proposed or potential Competing Proposal or communicate to any person an intention to do anything referred to in this clause 11.2(a); or
- (b) **(no talk)** subject to clause 11.3:
- (1) participate in or continue any negotiations or discussions with respect to any inquiry, expression of interest, offer, proposal or discussion by any person to make, or which would reasonably be expected to

encourage or lead to the making of, an actual, proposed or potential Competing Proposal or participate in or continue any negotiations or discussions with respect to any actual, proposed or potential Competing Proposal;

- (2) negotiate, accept or enter into, or offer or agree to negotiate, accept or enter into, any agreement, arrangement or understanding regarding an actual, proposed or potential Competing Proposal;
- (3) disclose or otherwise provide any non-public information about the business or affairs of the Nexus Group to a Third Party (other than a Government Agency) with a view to obtaining, or which would reasonably be expected to encourage or lead to receipt of, an actual, proposed or potential Competing Proposal (including, without limitation, providing such information for the purposes of the conduct of due diligence investigations in respect of the Nexus Group); or
- (4) communicate to any person an intention to do anything referred to in the preceding paragraphs of this clause 11.2(b).

11.3 Fiduciary and Statutory exception

Clause 11.2(b) does not prohibit any action or inaction by Nexus or any of its Related Persons in relation to an actual, proposed or potential Competing Proposal if compliance with that clause would, in the opinion of the Nexus Board, formed in good faith after receiving written advice from its external legal advisers, constitute, or would be likely to constitute, a breach of any of the fiduciary or statutory duties of the directors of Nexus, provided that the actual, proposed or potential Competing Proposal was not directly or indirectly brought about by, or facilitated by, a breach of clause 11.2(a).

11.4 Notification of approaches

- (a) During the Exclusivity Period, Nexus must as soon as possible notify SGH in writing if it, or any of its Related Persons, becomes aware of any:
 - (1) negotiations or discussions, approach or attempt to initiate any negotiations or discussions, or intention to make such an approach or attempt to initiate any negotiations or discussions in respect of any inquiry, expression of interest, offer, proposal or discussion in relation to an actual, proposed or potential Competing Proposal;
 - (2) proposal made to Nexus or any of its Related Persons, in connection with, or in respect of any exploration or completion of, an actual, proposed or potential Competing Proposal; or
 - (3) information concerning the business or operations of Nexus or the Nexus Group to any to a Third Party (other than a Government Agency) in connection with an actual, proposed or potential Competing Proposal,whether direct or indirect, solicited or unsolicited, and in writing or otherwise. For the avoidance of doubt, any of the acts described in paragraphs (1) to (3) may only be taken by Nexus if not proscribed by clause 11.2 or if permitted by clause 11.3.
- (b) A notification given under clause 11.4(a) must include a summary of the material terms and conditions of the actual, proposed or potential Competing Proposal.

11.5 Matching right

- (a) Without limiting clause 11.2, during the Exclusivity Period, Nexus:
 - (1) must not enter into any legally binding agreement, arrangement or understanding (whether or not in writing) pursuant to which a Third Party, Nexus or both proposes or propose to undertake or give effect to an actual, proposed or potential Competing Proposal; and
 - (2) must use its reasonable endeavours to procure that none of the members of the Nexus Board change their recommendation in favour of the Scheme to publicly recommend an actual, proposed or potential Competing Proposal (or recommend against the Scheme), unless:
 - (3) the Nexus Board acting in good faith and in order to satisfy what the members of the Nexus Board consider to be their statutory or fiduciary duties (having received written advice from its legal advisers) determines that the Competing Proposal would be or would be likely to be an actual, proposed or potential Superior Proposal;
 - (4) Nexus has provided SGH with the material terms and conditions of the actual, proposed or potential Competing Proposal;
 - (5) Nexus has given SGH at least 3 Business Days after the date of the provision of the information referred to in clause 11.5(a)(4) to provide a matching or superior proposal to the terms of the actual, proposed or potential Competing Proposal; and
 - (6) SGH has not announced a matching or superior proposal to the terms of the actual, proposed or potential Competing Proposal by the expiry of the 3 Business Day period in clause 11.5(a)(6) above.
- (b) If SGH proposes to Nexus, or announces, amendments to the Scheme that constitute a matching or superior proposal to the terms of the actual, proposed or potential Competing Proposal (**Bidder Counterproposal**) by the expiry of the 3 Business Day period in clause 11.5(a)(6) above, Nexus must procure that the Nexus Board considers the Bidder Counterproposal and if the Nexus Board, acting reasonably and in good faith, determines that the Bidder Counterproposal would provide an equivalent or superior outcome for Nexus Shareholders as a whole compared with the Competing Proposal, taking into account all of the terms and conditions of the Bidder Counterproposal, then Nexus and SGH must use their reasonable endeavours to agree the amendments to this agreement that are reasonably necessary to reflect the Bidder Counterproposal and to implement the Bidder Counterproposal, in each case as soon as reasonably practicable, and Nexus must use its reasonable endeavours to procure that each of the members of the Nexus Board continues to recommend the Scheme (as modified by the Bidder Counterproposal) to Nexus Shareholders.

11.6 Cease discussions

Nexus must cease any discussions or negotiations existing as at the date of this agreement relating to:

- (a) any actual, proposed or potential Competing Proposal; or
- (b) any transaction that would, or would reasonably be expected to, reduce the likelihood of success of the Transaction.

11.7

Provision of information

During the Exclusivity Period, Nexus must as soon as possible provide SGH with:

- (a) in the case of written materials, a copy of; and
- (b) in any other case, a written statement of, any material non-public information about the business or affairs of Nexus or the Nexus Group disclosed or otherwise provided to any Third Party in connection with an actual, proposed or potential Competing Proposal that has not previously been provided to SGH. For the avoidance of doubt, any such provision of information to a Third Party may only be undertaken if permitted by clause 11.3.

11.8

Compliance with law

- (a) If it is finally determined by a court, or the Takeovers Panel, that the agreement by the parties under this clause 11 or any part of it:
 - (1) constituted, or constitutes, or would constitute, a breach of the fiduciary or statutory duties of the Nexus Board;
 - (2) constituted, or constitutes, or would constitute, 'unacceptable circumstances' within the meaning of the Corporations Act; or
 - (3) was, or is, or would be, unlawful for any other reason,then, to that extent (and only to that extent) Nexus will not be obliged to comply with that provision of clause 11.
- (b) The parties must not make or cause to be made any application to a court or the Takeovers Panel for or in relation to a determination referred to in this clause 11.8.

12

Reimbursement Fee

12.1

Background to Reimbursement Fee

- (a) SGH and Nexus acknowledge that, in anticipation of entering into this agreement SGH has incurred significant costs and capital commitments, and if the Scheme is subsequently not implemented, SGH will incur significant costs, including those set out in clause 12.4.
- (b) In these circumstances, SGH has requested that provision be made for the payments outlined in clause 12.2, without which SGH would not have entered into this agreement or otherwise agreed to implement the Transaction.
- (c) The Nexus Board believes, having taken advice from its legal advisors, that the implementation of the Scheme will provide benefits to Nexus and that it is appropriate for Nexus to agree to the payments referred to in clause 12.2 in order to secure SGH's participation in the Transaction.

12.2

Reimbursement Fee triggers

Nexus must pay the Reimbursement Fee to SGH, without set-off or withholding, if:

- (a) during the Exclusivity Period, any one or more members of the Nexus Board withdraws, adversely revises or adversely qualifies his or her support of the

Scheme or his or her recommendation that Nexus Shareholders vote in favour of the Scheme for any reason, or, having made such a recommendation, withdraws, adversely revises or adversely qualifies that recommendation for any reason unless:

- (1) the Independent Expert concludes in the Independent's Expert Report that the Scheme is not in the best interests of Nexus Shareholders; or
 - (2) the Independent Expert withdraws a prior report that concluded that the Scheme is in the best interests of Nexus Shareholders,
- and in either case otherwise than in circumstances where the Independent Expert reaches that conclusion or withdraws its report due wholly or partly to the existence, announcement or publication of a Competing Proposal;
- (b) during the Exclusivity Period, any one or more members of the Nexus Board recommends that Nexus Shareholders accept or vote in favour of, or otherwise supports or endorses (including support by way of accepting or voting, or by way of stating an intention to accept or vote, in respect of any Director Nexus Shares) a Competing Proposal of any kind that is announced (whether or not such proposal is stated to be subject to any pre-conditions) during the Exclusivity Period;
 - (c) a Competing Proposal of any kind is announced during the Exclusivity Period (whether or not such proposal is stated to be subject to any pre-conditions) and, within 12 months of the date of such announcement, the Third Party or any Associate of that Third Party:

- (1) completes a Competing Proposal;
- (2) enters into an agreement, arrangement or understanding with Nexus or the Nexus Board for a Competing Proposal; or
- (3) without limiting clause 12.2(c)(1) or 12.2(c)(2), acquires (either alone or in aggregate) a Relevant Interest in more than 50% of the Nexus Shares or acquires (either alone or in aggregate) Control of Nexus;
- (d) SGH has terminated this agreement pursuant to clause 13.1(a), 13.1(b) or 13.2(a) and the Transaction does not complete where the circumstances giving rise to the right of termination arose as a direct result of any act or omission by Nexus that could reasonably have been prevented by Nexus;
- (e) a Nexus Material Adverse Change, a Nexus Regulated Event or a Nexus Prescribed Occurrence occurs after the date of this agreement (in each case only if such a Nexus Material Adverse Change, Nexus Regulated Event or Nexus Prescribed Occurrence arises as a direct result of any act or omission by Nexus that could reasonably have been prevented by Nexus); or
- (f) the Court fails to approve the terms of the Scheme for which the approval of the requisite Nexus Shareholders has been obtained as a result of a material non-compliance by Nexus with any of its obligations under this agreement.

12.3 Timing of payment of Reimbursement Fee

- (a) A demand by SGH for payment of the Reimbursement Fee under clause 12.2 must:
 - (1) be in writing;
 - (2) be made after the occurrence of the event in that clause giving rise to the right to payment;
 - (3) state the circumstances which give rise to the demand; and

- (4) nominate an account in the name of SGH into which Nexus is to pay the Reimbursement Fee.
- (b) Nexus must pay the Reimbursement Fee into the account nominated by SGH, without set-off or withholding, within 10 Business Days after receiving a demand for payment where SGH is entitled under clause 12.2 to the Reimbursement Fee.
- 12.4 Basis of Reimbursement Fee**
- The Reimbursement Fee has been calculated to reimburse SGH for costs including the following:
- (a) fees for legal, financial and other professional advice in planning and implementing the Transaction (excluding success fees);
 - (b) the cost and risk SGH has incurred in buying debt owed by Nexus;
 - (c) reasonable opportunity costs incurred in engaging in the Transaction or in not engaging in other alternative acquisitions or strategic initiatives;
 - (d) costs of management and directors' time in planning and implementing the Transaction; and
 - (e) out of pocket expenses incurred by SGH and SGH's employees, advisers and agents in planning and implementing the Transaction,
 - and the parties agree that:
 - (f) the costs actually incurred by SGH will be of such a nature that they cannot all be accurately ascertained; and
 - (g) the Reimbursement Fee is a genuine and reasonable pre-estimate of those costs.

12.5**Compliance with law**

- (a) This clause 12 does not impose an obligation on Nexus to pay the Reimbursement Fee to the extent (and only to the extent) that the obligation to pay the Reimbursement Fee:
- (1) is declared by the Takeovers Panel to constitute 'unacceptable circumstances';
 - (2) is determined to be unenforceable or unlawful by a court, provided that all proper avenues of appeal and review, judicial and otherwise, have been exhausted.
- (b) The parties must not make or cause to be made any application to the Takeovers Panel or a court for or in relation to a declaration or determination referred to in clause 12.5(a).

12.6**Reimbursement Fee payable only once**

Where the Reimbursement Fee becomes payable to SGH under clause 12.2 and is actually paid to SGH, SGH cannot make any claim against Nexus for payment of any subsequent Reimbursement Fee or in respect of the matters comprising the Reimbursement Fee (as provided for in clause 12.4) in relation to any other Claim brought by SGH pursuant to clause 12.7.

12.7 Other Claims

This clause 12 does not limit the rights of SGH in respect of any other Claims that may arise under this agreement which relate to the event that gave rise to the right to make a demand under clause 12.3.

12.8 No Reimbursement Fee if Scheme Effective

Despite anything to the contrary in this agreement, the Reimbursement Fee will not be payable to SGH if the Scheme becomes Effective, notwithstanding the occurrence of any event in clause 12.2 and, if the Reimbursement Fee has already been paid it must be refunded by SGH.

13 Termination**13.1 Termination for material breach**

- (a) Either party may terminate this agreement by written notice to the other party:
- (1) other than in respect of a breach of either a SGH Representation and Warranty or a Nexus Representation and Warranty (which are dealt with in clause 13.2), at any time before 8.00am on the Second Court Date if the other party has materially breached this agreement, the party entitled to terminate has given written notice in a timely manner to the party in breach of this agreement setting out the relevant circumstances and stating an intention to terminate this agreement, and the other party has failed to remedy the breach within 10 Business Days (or any shorter period ending at 5.00pm on the Business Day before the Second Court Date) after the date on which the notice is given;
 - (2) at any time before 8.00am on the Second Court Date if the Court or another Government Agency (including any other court) has taken any action permanently restraining or otherwise prohibiting or preventing the Transaction, or has refused to do any thing necessary to permit the Transaction, and the action or refusal has become final and cannot be appealed or reviewed;
 - (3) in the circumstances set out in, and in accordance with, clause 3.4; or
 - (4) if the Effective Date has not occurred, or will not occur, on or before the End Date.
- (b) SGH may terminate this agreement by written notice to Nexus until 8.00am on the Second Court Date if:
- (1) a Nexus Material Adverse Change, Nexus Prescribed Occurrence or Nexus Regulated Event occurs; or
 - (2) any member of the Nexus Board fails to recommend the Scheme or any member of the Nexus Board withdraws, adversely revises or adversely modifies his recommendation that Nexus Shareholders vote in favour of the Scheme for any reason or any member of the Nexus Board makes a public statement indicating that they no longer recommend the Scheme for any reason or recommending, supporting or endorsing another transaction (including any Competing Proposal).

- (c) Nexus may terminate this agreement by written notice to SGH at any time before 8.00am on the Second Court Date if the Nexus Board or a majority of the Nexus Board has changed, withdrawn or modified its recommendation as permitted under clause 5.5 and Nexus has paid the Reimbursement Fee to SGH (to the extent required under this agreement)

13.2 Termination for breach of representations and warranties

- (a) SGH may, at any time prior to 8.00am on the Second Court Date, terminate this agreement for a material breach of a Nexus Representation and Warranty only if:
- (1) SGH has given written notice to Nexus setting out the relevant circumstances and stating an intention to terminate or to allow the Scheme to lapse;
 - (2) the relevant breach continues to exist 10 Business Days (or any shorter period ending at 5.00pm on the Business Day before the Second Court Date) after the date on which the notice is given under clause 13.2(a)(1); and
 - (3) the loss that would reasonably be expected to follow from such a breach would exceed A\$1,000,000 in aggregate.
- (b) Nexus may, at any time before 8.00am on the Second Court Date, terminate this agreement for a material breach of a SGH Representation and Warranty only if:
- (1) Nexus has given written notice to SGH setting out the relevant circumstances and stating an intention to terminate or to allow the Scheme to lapse;
 - (2) the relevant breach continues to exist 10 Business Days (or any shorter period ending at 5.00pm on the Business Day before the Second Court Date) after the date on which the notice is given under clause 13.2(b)(1); and
 - (3) the loss that would reasonably be expected to follow from such a breach would exceed A\$1,000,000 in aggregate or the breach would reasonably be expected to lead to SGH not being able to provide the Scheme Consideration.
- (c) This agreement is terminable if agreed to in writing by SGH and Nexus.

13.3 Effect of termination

- If this agreement is terminated by either party under clauses 3.4, 13.1 or 13.2:
- (a) each party will be released from its obligations under this agreement, except that this clause 13.3, and clauses 1, 7.5 - 7.7, 10, 12, 14, 15, 16 and 17 (except clause 17.10), will survive termination and remain in force;
 - (b) each party will retain the rights it has or may have against the other party in respect of any past breach of this agreement; and
 - (c) in all other respects, all future obligations of the parties under this agreement will immediately terminate and be of no further force and effect including any further obligations in respect of the Scheme.

13.4 Termination

Where a party has a right to terminate this agreement, that right for all purposes will be validly exercised if the party delivers a notice in writing to the other party stating that it terminates this agreement and the provision under which it is terminating the agreement.

13.5 No other termination

Neither party may terminate or rescind this agreement except as permitted under clauses 3.4, 13.1 or 13.2.

14 Duty, costs and expenses

14.1 Stamp duty

SGH:

- (a) must pay all stamp duties and any fines and penalties with respect to stamp duty in respect of this agreement or the Scheme or the steps to be taken under this agreement or the Scheme; and
- (b) indemnifies Nexus against any liability arising from its failure to comply with clause 14.1(a).

14.2 Costs and expenses

Except as otherwise provided in this agreement, each party must pay its own costs and expenses in connection with the negotiation, preparation, execution, delivery and performance of this agreement and the proposed, attempted or actual implementation of this agreement and the Transaction.

15 GST

- (a) Any consideration or amount payable under this agreement, including any non-monetary consideration (as reduced in accordance with clause 15(e) if required) (**Consideration**) is exclusive of GST.
- (b) If GST is or becomes payable on a Supply made under or in connection with this agreement, an additional amount (**Additional Amount**) is payable by the party providing consideration for the Supply (**Recipient**) equal to the amount of GST payable on that Supply as calculated by the party making the Supply (**Supplier**) in accordance with the GST Law.
- (c) The Additional Amount payable under clause 15(b) is payable at the same time and in the same manner as the Consideration for the Supply, and the Supplier must provide the Recipient with a Tax Invoice. However, the Additional Amount is only payable on receipt of a valid Tax Invoice.
- (d) If for any reason (including the occurrence of an Adjustment Event) the amount of GST payable on a Supply (taking into account any Decreasing or Increasing Adjustments in relation to the Supply) varies from the Additional Amount payable by the Recipient under clause 15(b):

- (1) the Supplier must provide a refund or credit to the Recipient, or the Recipient must pay a further amount to the Supplier, as appropriate;
- (2) the refund, credit or further amount (as the case may be) will be calculated by the Supplier in accordance with the GST Law; and
- (3) the Supplier must notify the Recipient of the refund, credit or further amount within 14 days after becoming aware of the variation to the amount of GST payable. Any refund or credit must accompany such notification or the Recipient must pay any further amount within 7 days after receiving such notification, as appropriate. If there is an Adjustment Event in relation to the Supply, the requirement for the Supplier to notify the Recipient will be satisfied by the Supplier issuing to the Recipient an Adjustment Note within 14 days after becoming aware of the occurrence of the Adjustment Event.
- (e) Despite any other provision in this agreement if an amount payable under or in connection with this agreement (whether by way of reimbursement, indemnity or otherwise) is calculated by reference to an amount incurred by a party, whether by way of cost, expense, outlay, disbursement or otherwise (**Amount Incurred**), the amount payable must be reduced by the amount of any Input Tax Credit to which that party is entitled in respect of that Amount Incurred.
- (f) Any reference in this clause to an Input Tax Credit to which a party is entitled includes an Input Tax Credit arising from a Creditable Acquisition by that party but to which the Representative Member of a GST Group of which the party is a member is entitled.
- (g) Any term starting with a capital letter that is not defined in this agreement has the same meaning as the term has in the *A New Tax System (Goods & Services Tax) Act 1999* (Cth).

16 Notices

16.1 Form of Notice

- A notice or other communication to a party under this agreement (**Notice**) must be:
- (a) in writing and in English; and
 - (b) addressed to that party as nominated in the notice details in Schedule 1 (or any alternative details nominated to the sending party by Notice).

16.2 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.

16.3 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 16.2).

17 General

17.1 Governing law and jurisdiction

- (a) This agreement is governed by the law in force in Victoria.
- (b) Each party irrevocably submits to the exclusive jurisdiction of courts exercising jurisdiction in Victoria and courts of appeal from them in respect of any proceedings arising out of or in connection with this agreement. Each party irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

17.2 Service of process

Without preventing any other mode of service, any document in an action (including any writ of summons or other originating process or any third or other party notice) may be served on any party by being delivered to or left for that party at its address for service of Notices under clause 16.

17.3 No merger

The rights and obligations of the parties do not merge on completion of the Transaction. They survive the execution and delivery of any assignment or other document entered into for the purpose of implementing the Transaction.

17.4 Invalidity and enforceability

- (a) If any provision of this agreement 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 17.4(a) does not apply where enforcement of the provision of this agreement in accordance with clause 17.4(a) would materially affect the nature or effect of the parties' obligations under this agreement.

17.5 Waiver

No party to this agreement 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 17.5 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 agreement 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.

17.6 Variation

A variation of any term of this agreement must be in writing and signed by the parties.

17.7 Assignment of rights

- (a) A party may not assign, novate, declare a trust over or otherwise transfer or deal with any of its rights or obligations under this agreement without the prior written consent of the other party.
- (b) A breach of clause 17.7(a) by a party shall be deemed to be a material breach for the purposes of clause 13.1(a)(1).
- (c) Clause 17.7(b) does not affect the construction of any other part of this agreement.

17.8 Acknowledgement

Each party acknowledges that the remedy of damages may be inadequate to protect the interests of the parties for a breach of clause 11 and that SGH is entitled to seek and obtain without limitation injunctive relief if Nexus breaches clause 11.

17.9 No third party beneficiary

This agreement shall be binding on and inure solely to the benefit of each party to it and each of their respective permitted successors and assigns, and nothing in this agreement is intended to or shall confer on any other person, other than the SGH Indemnified Parties and the Nexus Indemnified Parties, to the extent set forth in clause 7, any third party beneficiary rights.

17.10 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 agreement and the transactions contemplated by it.

17.11 Entire agreement

This agreement 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 (other than the Confidentiality Agreement).

17.12 Counterparts

This agreement may be executed in any number of counterparts.

17.13 Relationship of the parties

- (a) Nothing in this agreement gives a party authority to bind any other party in any way.
- (b) Nothing in this agreement imposes any fiduciary duties on a party in relation to any other party.

17.14 Remedies cumulative

Except as provided in this agreement and permitted by law, the rights, powers and remedies provided in this agreement are cumulative with, and not exclusive of, the rights, powers and remedies provided by law independently of this agreement.

17.15 Exercise of rights

- (a) Unless expressly required by the terms of this agreement, 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 agreement.
- (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 agreement. Any conditions must be complied with by the party relying on the consent, approval or waiver.

Schedules

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Schedule 1

Notice details

Seven Group Holdings Limited

Address
Level 2, 38-42 Pirrama Road, Pymont NSW 2009

Attention
Warren Walter Coatsworth, Company Secretary

Phone
+61 2 8777 7777

Fax
+61 2 8777 7192

Email
WCoatsworth@seven.com.au

Nexus Energy Limited

Address
Level 23, 530 Collins Street, Melbourne, Victoria 3000

Attention
Susan Robutti, Chief Financial Officer & Company Secretary

Phone
+61 3 9660 2500

Fax
+61 3 9660 2574

Email
srobutti@nxs.com.au



Schedule 2

SGH Representations and Warranties

SGH represents and warrants (and if SGH makes the nomination pursuant to clause 4.3, SGH Sub makes the representations and warranties in paragraphs (a)-(j) below as if references to "SGH" in paragraphs (a)-(h) below were references to "SGH Sub") to Nexus (in its own right and separately as trustee or nominee for each of the other Nexus Indemnified Parties) that:

- (a) **SGH Information:** the SGH Information provided for inclusion in the Scheme Booklet, as at the date the Scheme Booklet is despatched to Nexus Shareholders, will not contain any statement which is materially misleading or deceptive (with any statement of belief or opinion having being formed on a reasonable basis), including by way of omission from that statement;
- (b) **basis of SGH Information:** the SGH Information:
 - (1) will be provided to Nexus in good faith and on the understanding that Nexus and each other Nexus Indemnified Party will rely on that information for the purposes of preparing the Scheme Booklet and proposing the Scheme; and
 - (2) will comply in all material respects with the requirements of the Corporations Act, the Corporations Regulations, RG 60 and the Listing Rules;and all information provided by SGH to the Independent Expert will be provided in good faith and on the understanding that the Independent Expert will rely on that information for the purpose of preparing the Independent Expert's Report;
- (c) **new information:** it will, as a continuing obligation, provide to Nexus all further or new information which arises after the Scheme Booklet has been despatched to Nexus Shareholders until the date of the Scheme Meeting which is necessary to ensure that the SGH Information is not misleading or deceptive (including by way of omission);
- (d) **validly existing:** it is a validly existing corporation registered under the laws of its place of incorporation;
- (e) **authority:** the execution and delivery of this agreement has been properly authorised by all necessary corporate action of SGH;
- (f) **power:** it has full capacity, corporate power and lawful authority to execute, deliver and perform this agreement;
- (g) **no default:** this agreement does not conflict with or result in the breach of or a default under:
 - (1) any provision of SGH's constitution; or
 - (2) any writ, order or injunction, judgment, law, rule or regulation to which it is party or subject or by which it or any other SGH Group Member is bound,and it is not otherwise bound by any agreement that would prevent or restrict it from entering into or performing this agreement;

- (h) **agreement binding:** this agreement is a valid and binding obligation of SGH, enforceable in accordance with its terms;
- (i) **SGH Sub:** SGH Sub will be a wholly-owned Subsidiary of SGH; and
- (j) **Insolvency Event or regulatory action:** no Insolvency Event has occurred in relation to it or another SGH Group Member, nor has any regulatory action of any nature of which it is aware been taken that would prevent or restrict its ability to fulfil its obligations under this agreement.

Schedule 3

Nexus Representations and Warranties

Nexus represents and warrants to SGH (in its own right and separately as trustee or nominee for each of the other SGH Indemnified Parties) that:

- (a) **Nexus Information:** the Nexus Information contained in the Scheme Booklet, as at the date the Scheme Booklet is despatched to Nexus Shareholders, will not contain any statement which is materially misleading or deceptive (with any statement of belief or opinion having been formed on a reasonable basis), including by way of omission from that statement;
- (b) **basis of Nexus Information:** the Nexus Information:
 - (1) will be prepared and included in the Scheme Booklet in good faith and on the understanding that SGH and each other SGH Indemnified Party will rely on that information for the purpose of determining to proceed with the Transaction; and
 - (2) will comply in all material respects with the requirements of the Corporations Act, the Corporations Regulations, RG 60 and the Listing Rules,and all information provided by Nexus to the Independent Expert will be provided in good faith and on the understanding that the Independent Expert will rely on that information for the purpose of preparing the Independent Expert's Report;
- (c) **new information:** it will, as a continuing obligation (but in respect of the SGH Information, only to the extent that SGH provides Nexus with updates to the SGH Information), ensure that the Scheme Booklet is updated to include all further or new information which arises after the Scheme Booklet has been despatched to Nexus Shareholders until the date of the Scheme Meeting which is necessary to ensure that the Scheme Booklet is not misleading or deceptive (including by way of omission);
- (d) **validly existing:** it is a validly existing corporation registered under the laws of its place of incorporation;
- (e) **authority:** the execution and delivery of this agreement has been properly authorised by all necessary corporate action of Nexus;
- (f) **power:** it has full capacity, corporate power and lawful authority to execute, deliver and perform this agreement;
- (g) **no default (constitution):** this agreement does not conflict with or result in the breach of or a default under any provision of Nexus' constitution;
- (h) **no default (Material Contract):** so far as each Relevant Person is aware, this agreement does not conflict with or result in a material breach of or a default under any material term or provision of any Material Contract or any writ, order or injunction, judgment, law, rule or regulation to which it is party or subject or by which it or any other Nexus Group Member is bound and it is not otherwise bound by any agreement that would prevent or restrict it from entering into or performing this agreement;

- (i) **agreement binding:** this agreement is a valid and binding obligation of Nexus, enforceable in accordance with its terms;
- (j) **continuous disclosure:** Nexus has complied in all material respects with its continuous disclosure obligations under Listing Rule 3.1 and it is not relying on the carve-out in Listing Rule 3.1A to withhold any material information from public disclosure;
- (k) **capital structure:** its capital structure, including all issued securities as at the date of this agreement, is as set out in Schedule 4 and it has not issued or granted (or agreed to issue or grant) any other securities, options, warrants, performance rights or other instruments which are still outstanding and may convert into Nexus Shares other than as set out in Schedule 4 and it is not under any obligation to issue or grant, and no person has any right to call for the issue or grant of, any Nexus Shares, options, warrants, performance rights or other securities or instruments in Nexus;
- (l) **interest:** any company, partnership, trust, joint venture or other enterprise in which Nexus or another Nexus Group Member owns or has a material interest in is as notified in writing by Nexus to SGH prior to entry into this agreement;
- (m) **Insolvency Event or regulatory action:** no Insolvency Event has occurred in relation to it or another Nexus Group Member, so far as each Relevant Person is aware, nor has any regulatory action of any nature been taken that would prevent or restrict its ability to fulfil its obligations under this agreement;
- (n) **compliance:** so far as each Relevant Person is aware, each member of the Nexus Group has complied in all material respects with all Australian and foreign laws and regulations applicable to them and orders of Australian and foreign Government Agencies having jurisdiction over them and have all material licenses, authorisations and permits necessary for them to conduct the business of the Nexus Group as presently being conducted;
- (o) **advisors:** it has provided complete and accurate information regarding fee levels in all retainers and mandates with Financial Advisors and fee estimates for other advisors in relation to the Scheme or any other transaction where such retainer or mandate is current, or under which the Nexus Group still has obligations;
- (p) **Disclosure Materials:** So far as Nexus is aware, the Disclosure Materials are complete and accurate in all material respects. Nexus has not included any such information in the Disclosure Materials that is misleading in any material respect, and no such information has been omitted from the Disclosure Materials that would render the Disclosure Materials misleading in any material respect;
- (q) **information provided:** As at the date of this agreement, Nexus is not aware of any materially adverse information relating to the Nexus Group or its respective businesses or operations that has not been made available to SGH before the date of this agreement; and
- (r) **not misleading:** all information it has provided to the Independent Expert, pursuant to clause 5.1(o) or otherwise, or to SGH is accurate and not misleading and it has not omitted any information required to make the information provided to the Independent Expert or SGH not misleading.



Schedule 4

Nexus details

Nexus Energy Limited	
Security	Total number on issue
Nexus Shares	1,330,219,459
Nexus Options	696,200 Nexus Options expiring 30 June 2013, zero exercise price; 4,500,000 Nexus Options expiring 2 April 2015, zero exercise price 2,522,800 Nexus Options expiring 30 June 2015, zero exercise price 3,971,100 Nexus Options expiring 30 June 2016, zero exercise price 4,255,300 Nexus Options expiring 13 May 2016, zero exercise price, which collectively are capable of being converted into 15,945,400 Nexus Shares.

Signing page

Executed as an agreement

Executed by
Seven Group Holdings Limited
in accordance with section 127 of the
Corporations Act 2001 (Cth)
by

sign here ► _____
Company Secretary / Director

print name _____

sign here ► _____
Director

print name _____

Executed by
Nexus Energy Limited
in accordance with section 127 of the
Corporations Act 2001 (Cth)
by

sign here ► _____
Company Secretary/Director

print name _____

sign here ► _____
Director

print name _____

Annex 2

Scheme



Scheme of arrangement – share scheme

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

Between the parties

Nexus Nexus Energy Limited ACN 058 818 278 of Level 23, 530 Collins Street, Melbourne, Victoria 3000

Scheme Shareholders Nexus Shareholders as at the Scheme Record Date

Scheme of arrangement – share scheme

Nexus Energy Limited
Scheme Shareholders

1 Definitions, interpretation and scheme components

1.1 Definitions

The meanings of the terms used in this Scheme are set out below.

Term	Meaning
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.
Business Day	a day that is not a Saturday, Sunday or public holiday or bank holiday in Sydney or Perth.
CHESS	the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Court	the Federal Court of Australia (Perth registry), or such other court of competent jurisdiction under the Corporations Act agreed to in writing by SGH and Nexus.

Term	Meaning
Deed Poll	the deed poll substantially in the form of Attachment 1 under which SGH covenants in favour of the Scheme Shareholders to perform the obligations attributed to it under this Scheme.
Effective	when used in relation to this Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the Court order made under paragraph 411(4)(b) of the Corporations Act in relation to this Scheme.
Effective Date	the date on which this Scheme becomes Effective.
End Date	31 August 2014, or such other date as agreed in writing by SGH and Nexus.
Government Agency	any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian.
Implementation Date	the third Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as agreed in writing by Nexus and SGH.
Liability	all costs (including any Tax), charges, losses, damages, expenses, liabilities of any kind, legal costs incurred in defending any proceeding or appearing before any court, tribunal, Government Agency of other body.
Merger Implementation Agreement	the merger implementation agreement dated 31 March 2014 between Nexus and SGH relating to the implementation of this Scheme.
Nexus Registry	Computershare Investor Services Pty Limited (ACN 078 279 277) of Yarra Falls, 452 Johnston Street, Abbotsford, VIC, Australia, 3067.
Nexus Share	a fully paid ordinary share in the capital of Nexus.
Nexus Shareholder	a person who is registered as the holder of a Nexus Share in the Share Register.

Term	Meaning
Operating Rules	the official operating rules of ASX.
Registered Address	in relation to a Nexus Shareholder, the address shown in the Share Register as at the Scheme Record Date.
Scheme	this scheme of arrangement under Part 5.1 of the Corporations Act between Nexus and the Scheme Shareholders subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by Nexus and SGH.
Scheme Consideration	for each Nexus Share held by a Scheme Shareholder as at the Scheme Record Date, an amount of A\$0.02, subject to the terms of this Scheme.
Scheme Meeting	the meeting of the Scheme Shareholders ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.
Scheme Record Date	5.00pm on the fifth Business Day after the Effective Date or such other time and date as agreed in writing by Nexus and SGH.
Scheme Shares	all Nexus Shares held by the Scheme Shareholders as at the Scheme Record Date.
Scheme Transfer	a duly completed and executed proper instrument of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, in favour of SGH as transferee, which may be a master transfer of all or part of the Scheme Shares.
Second Court Date	the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving this Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
SGH	Seven Group Holdings Limited ACN 142 003 469 of Level 2, 38-42 Pirrama Road, Pyrmont NSW 2009
SGH Sub	a wholly owned Subsidiary of SGH.

Term	Meaning
Share Register	the register of members of Nexus maintained by Nexus or Nexus Registry in accordance with the Corporations Act.
Subsidiary	has the meaning given in Division 6 of Part 1.2 of the Corporations Act.
Tax	includes any tax, levy, impost, deduction, charge, rate, duty, compulsory loan or withholding which is levied or imposed by a Government Agency, and any related interest, penalty, charge, fee or other amount.

1.2 Interpretation

In this Scheme:

- (a) headings and bold type are for convenience only and do not affect the interpretation of this Scheme;
- (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 Scheme 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 Scheme;
- (g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re enactments of any of them;
- (h) a reference to a document (including this Scheme) 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 Scheme;
- (l) a reference to a party to a document includes that party's successors and permitted assignees;
- (m) no provision of this Scheme will be construed adversely to a party because that party was responsible for the preparation of this Scheme or that provision;

- (n) 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
- (o) a reference to a body, other than a party to this Scheme (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 Interpretation of inclusive expressions

Specifying anything in this Scheme after the words 'include' or 'for example' or similar expressions does not limit what else is included.

1.4 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

1.5 Scheme components

This Scheme includes any schedule to it.

2 Preliminary matters

(a) If this Scheme becomes Effective:

- (1) SGH must provide or procure the provision of the Scheme Consideration to the Scheme Shareholders in accordance with the terms of this Scheme and the Deed Poll; and
 - (2) all the Scheme Shares, and all the rights and entitlements attaching to them as at the Effective Date, must be transferred to SGH and Nexus will enter the name of SGH in the Share Register in respect of the Scheme Shares.
- (b) Nexus and SGH have agreed, by executing the Merger Implementation Agreement, to implement this Scheme.
- (c) This Scheme attributes actions to SGH but does not itself impose an obligation on it to perform those actions. SGH has agreed, by executing the Deed Poll, to perform the actions attributed to it under this Scheme, including the provision or procuring the provision of the Scheme Consideration to the Scheme Shareholders.
- (d) If SGH exercises its rights under the Merger Implementation Agreement to nominate the SGH Sub to perform the obligations under the Merger Implementation Agreement and the Scheme, the SGH Sub shall have all of the rights of SGH under this Scheme and SGH must procure that SGH Sub complies with all of the obligations of SGH under this Scheme, and SGH will procure that SGH Sub will execute the Deed Poll.

3 Conditions

3.1 Conditions precedent

This Scheme is conditional on and will have no force or effect until the satisfaction of each of the following conditions precedent:

- (a) all the conditions in clause 3.1 of the Merger Implementation Agreement (other than the condition in the Merger Implementation Agreement relating to Court approval of this Scheme) having been satisfied or waived in accordance with the terms of the Merger Implementation Agreement by 8.00am on the Second Court Date;
- (b) neither the Merger Implementation Agreement nor the Deed Poll having been terminated in accordance with their terms before 8.00am on the Second Court Date;
- (c) approval of this Scheme by the Court under paragraph 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by SGH and Nexus;
- (d) such other conditions made or required by the Court under subsection 411(6) of the Corporations Act in relation to this Scheme and agreed to by SGH and Nexus having been satisfied or waived; and
- (e) the orders of the Court made under paragraph 411(4)(b) (and, if applicable, subsection 411(6)) of the Corporations Act approving this Scheme coming into effect, pursuant to subsection 411(10) of the Corporations Act on or before the End Date (or any later date Nexus and SGH agree in writing).

3.2 Certificate

- (a) Nexus and SGH will provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent in clauses 3.1(a) and 3.1(b) have been satisfied or waived.
- (b) The certificate referred to in clause 3.2(a) constitutes conclusive evidence that such conditions precedent are satisfied, waived or taken to be waived.

4 Implementation of this Scheme

4.1 Lodgement of Court orders with ASIC

Nexus must lodge with ASIC, in accordance with subsection 411(10) of the Corporations Act, an office copy of the Court order approving this Scheme as soon as possible and in any event by 5.00pm on the first Business Day after the day on which the Court approves this Scheme.

4.2 Transfer of Scheme Shares

On the Implementation Date:

(a)

subject to the provision of the Scheme Consideration in the manner contemplated by clause 5, the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Effective Date, must be transferred to SGH, without the need for any further act by any Scheme Shareholder (other than acts performed by Nexus as attorney and agent for Scheme Shareholders under clause 9.5), by:

- (1) Nexus delivering to SGH a duly completed Scheme Transfer, executed on behalf of the Scheme Shareholders by Nexus, for registration; and
 - (2) SGH duly executing the Scheme Transfer, attending to the stamping of the Scheme Transfer (if required) and delivering it to Nexus for registration; and
- immediately following receipt of the Scheme Transfer in accordance with clause 4.2(a)(2), Nexus must enter, or procure the entry of, the name of SGH in the Share Register in respect of all the Scheme Shares transferred to SGH in accordance with this Scheme.

5 Scheme Consideration

5.1 Provision of Scheme Consideration

- (a) SGH must, and Nexus must use its best endeavours to procure that SGH does, by no later than 11am on the Implementation Date, deposit in cleared funds an amount equal to the aggregate amount of the Scheme Consideration payable to each Scheme Shareholder, in an Australian dollar denominated trust account operated by Nexus as trustee for the Scheme Shareholders, (provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to SGH's account).
- (b) On the Implementation Date, subject to funds having been deposited in accordance with clause 5.1(a), Nexus must pay or procure the payment of the Scheme Consideration to each Scheme Shareholder from the trust account referred to in clause 5.1(a).
- (c) The obligations of Nexus under clause 5.1(b) will be satisfied by Nexus (in its absolute discretion):
 - (1) where a Scheme Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the Nexus Registry to receive dividend payments from Nexus by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or
 - (2) otherwise, whether or not the Scheme Shareholder has made an election referred to in clause 5.1(c)(1), dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Shareholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.2).
- (d) To the extent that, following satisfaction of Nexus's obligations under clause 5.1(b), there is a surplus in the amount held by Nexus as trustee for the

Scheme Shareholders in the trust account referred to in that clause, that surplus may be paid by Nexus to SGH.

5.2 Joint holders

In the case of Scheme Shares held in joint names:

- (a) subject to clause 5.1(c), the Scheme Consideration is payable to the joint holders and any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to either, at the sole discretion of Nexus, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders; and
- (b) any other document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of Nexus, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders.

5.3 Fractional entitlements

Where the calculation of the Scheme Consideration to be paid to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, the fractional entitlement will be rounded down to the nearest whole cent.

5.4 Unclaimed monies

(a) Nexus may cancel a cheque issued under this clause 5 if the cheque:

- (1) is returned to Nexus; or
- (2) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of one year commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Nexus (or the Nexus Registry) (which request may not be made until the date which is Nexus Business Days after the Implementation Date), Nexus must reissue a cheque that was previously cancelled under this clause 5.4.
- (c) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).

5.5 Orders of a court or Government Agency

If written notice is given to Nexus (or the Nexus Registry) of an order or direction made by a court of competent jurisdiction or by another Government Agency that:

- (a) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable or required to be issued to that Scheme Shareholder by Nexus in accordance with this clause 5, then Nexus shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or
- (b) prevents Nexus from providing consideration to any particular Scheme Shareholder in accordance with clause 5, or the payment or issuance of such consideration is otherwise prohibited by applicable law, Nexus shall be entitled to (as applicable) retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme

Consideration until such time as provision of the consideration in accordance with this clause 5 is permitted by that order or direction or otherwise by law.

6 [Not used]

7 Dealings in Nexus Shares

7.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Nexus Shares or other alterations to the Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHES, the transferee is registered in the Share Register as the holder of the relevant Nexus Shares on or before the Scheme Record Date; and
- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received on or before the Scheme Record Date at the place where the Share Register is kept,

and Nexus must not accept for registration, nor recognise for any purpose (except a transfer to SGH pursuant to this Scheme and any subsequent transfer by SGH or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

7.2 Register

- (a) Nexus must register registrable transmission applications or transfers of the Scheme Shares in accordance with clause 7.1(b) on or before the Scheme Record Date provided that, for the avoidance of doubt, nothing in this clause 7.2(a) requires Nexus to register a transfer that would result in a Nexus Shareholder holding a parcel of Nexus Shares that is less than a 'marketable parcel' (for the purposes of this clause 7.2(a) 'marketable parcel' has the meaning given in the Operating Rules).
- (b) If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them after the Scheme Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and Nexus shall be entitled to disregard any such disposal.
- (c) For the purpose of determining entitlements to the Scheme Consideration, Nexus must maintain the Share Register in accordance with the provisions of this clause 7.2 until the Scheme Consideration has been paid to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) All statements of holding for Nexus Shares (other than statements of holding in favour of SGH) will cease to have effect after the Scheme Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Share Register (other than entries on the Share Register in respect of SGH) will cease to have effect except as evidence of

entitlement to the Scheme Consideration in respect of the Nexus Shares relating to that entry.

- (e) As soon as possible on or after the Scheme Record Date, and in any event within one Business Day after the Scheme Record Date, Nexus will ensure that details of the names, Registered Addresses and holdings of Nexus Shares for each Scheme Shareholder as shown in the Share Register are available to SGH in the form SGH reasonably requires.

8 Quotation of Nexus Shares

- (a) Nexus will apply to ASX to suspend trading on the ASX in Nexus Shares with effect from the close of trading on the Effective Date.
- (b) On a date after the Implementation Date to be determined by SGH, Nexus will apply:
- (1) for termination of the official quotation of Nexus Shares on the ASX; and
- (2) to have itself removed from the official list of the ASX.

9 General Scheme provisions

9.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) Nexus may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which SGH has consented; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions which counsel for Nexus has consented to.

9.2 Scheme Shareholders' agreements and warranties

- (a) Each Scheme Shareholder:
- (1) agrees to the transfer of their Nexus Shares together with all rights and entitlements attaching to those Nexus Shares in accordance with this Scheme;
- (2) agrees to the variation, cancellation or modification of the rights attached to their Nexus Shares constituted by or resulting from this Scheme;
- (3) agrees to, on the direction of SGH, destroy any share certificates relating to their Nexus Shares; and
- (4) acknowledges that this Scheme binds Nexus and all Scheme Shareholders (including those who do not attend the Scheme Meeting or those who do not vote, or vote against this Scheme, at the Scheme Meeting).

- (b) Each Scheme Shareholder is taken to have warranted to Nexus and SGH on the Implementation Date, and appointed and authorised Nexus as its attorney and agent to warrant to SGH on the Implementation Date, that:

- (1) all their Nexus Shares (including any rights and entitlements attaching to those shares) which are transferred under this Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their Nexus Shares to SGH together with any rights and entitlements attaching to those shares. Nexus undertakes that it will provide such warranty to SGH as agent and attorney of each Scheme Shareholder; and
- (2) they have no existing right to be issued any Nexus Shares, Nexus options, Nexus performance rights, Nexus convertible notes or any other Nexus securities. Nexus undertakes that it will provide such warranty to SGH as agent and attorney of each Scheme Shareholder.

9.3 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to SGH will, at the time of transfer of them to SGH, vest in SGH free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.
- (b) Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 5, SGH will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by Nexus of SGH in the Share Register as the holder of the Scheme Shares.

9.4 Appointment of sole proxy

- Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 5, and until Nexus registers SGH as the holder of all Scheme Shares in the Share Register, each Scheme Shareholder:
- (a) is deemed to have appointed SGH as attorney and agent (and directed SGH in each such capacity) to appoint any director, officer, secretary or agent nominated by SGH as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution;
- (b) must not attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 9.4(a));
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as SGH reasonably directs; and

- (d) acknowledges and agrees that in exercising the powers referred to in clause 9.4(a), SGH and any director, officer, secretary or agent nominated by SGH under clause 9.4(a) may act in the best interests of SGH as the intended registered holder of the Scheme Shares.

9.5 Authority given to Nexus

Each Scheme Shareholder, without the need for any further act:

- (a) on the Effective Date, irrevocably appoints Nexus and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of enforcing the Deed Poll against SGH, and Nexus undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against SGH on behalf of and as agent and attorney for each Scheme Shareholder; and
- (b) on the Implementation Date, irrevocably appoints Nexus and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of executing any document or doing or taking any other act necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including (without limitation) executing the Scheme Transfer,

and Nexus accepts each such appointment. Nexus as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 9.5 to all or any of its directors, officers, secretaries or employees (jointly, severally or jointly and severally).

9.6 Binding effect of Scheme

This Scheme binds Nexus and all of the Scheme Shareholders (including those who did not attend the Scheme Meeting to vote on this Scheme, did not vote at the Scheme Meeting, or voted against this Scheme at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of Nexus.

10 General

10.1 Stamp duty

SGH will:

- (a) pay all stamp duty and any related fines and penalties in respect of this Scheme and the Deed Poll, the performance of the Deed Poll and each transaction effected by or made under this Scheme and the Deed Poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 10.1(a).

10.2 Consent

Each of the Scheme Shareholders consents to Nexus doing all things necessary or incidental to the implementation of this Scheme.

10.3 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Nexus, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Nexus's registered office or at the office of the Nexus Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Nexus Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

10.4 Governing law

- (a) This Scheme is governed by the laws in force in Victoria, Australia.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in Victoria and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

10.5 Further action

Nexus must do all things and execute all documents necessary to give full effect to this Scheme and the transactions contemplated by it.

10.6 No liability when acting in good faith

Neither Nexus nor SGH nor any director, officer, secretary or employee of Nexus or SGH will be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

Attachment 1

Deed Poll

Annex 3
Deed Poll



Share scheme deed poll

Seven Group Holdings Limited
SGH Energy (No 2) Pty Limited

Share scheme deed poll

Date ▶ 6 May 2014

This deed poll is made

By **Seven Group Holdings Limited**
ACN 142 003 469 of Level 2, 38-42 Pirrama Road, Pyrmont NSW
2009
(SGH)
and
SGH Energy (No 2) Pty Limited
ACN 168 935 644 of Level 2, 38-42 Pirrama Road, Pyrmont NSW
2009
(SGH Energy)

in favour of
each person registered as a holder of fully paid ordinary shares in
Nexus in the Share Register as at the Scheme Record Date.
(Scheme Shareholder)

Recitals

- 1 Nexus and SGH entered into the Merger Implementation Agreement.
- 2 In the Merger Implementation Agreement SGH agreed to make this deed poll, and to procure that SGH Energy made this deed poll.
- 3 SGH and SGH Energy are making this deed poll for the purpose of covenanting in favour of the Scheme Shareholders to perform their respective obligations under the Merger Implementation Agreement and the Scheme.

This deed poll provides as follows:

1 Definitions and interpretation

1.1 Definitions

- (a) The meanings of the terms used in this deed poll are set out below.

Term	Meaning
First Court Date	the first day on which an application made to the Court for an order under subsection 411(1) of the Corporations Act convening the Scheme Meeting to consider the Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
Merger Implementation Agreement	the merger implementation agreement entered into between Nexus and SGH dated 31 March 2014.
Scheme	the scheme of arrangement under Part 5.1 of the Corporations Act between Nexus and the Scheme Shareholders, the form of which is set out in Attachment 1, subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by SGH and Nexus.
(b)	Unless the context otherwise requires, terms defined in the Scheme have the same meaning when used in this deed poll.

1.2 Interpretation

Clauses 1.2, 1.3, 1.4 and 1.5 of the Scheme apply to the interpretation of this deed poll, except that references to 'this Scheme' are to be read as references to 'this deed poll'.

1.3 Nature of deed poll

Each of SGH and SGH Energy acknowledges that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints Nexus and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against each of SGH and SGH Energy.

2 Conditions to obligations

2.1 Conditions

This deed poll and the obligations of SGH and SGH Energy under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of SGH and SGH Energy under this deed poll to the Scheme Shareholders will automatically terminate and the terms of this deed poll will be of no force or effect if:

- (a) the Merger Implementation Agreement is terminated in accordance with its terms; or
- (b) the Scheme is not Effective by the End Date, unless SGH, SGH Energy and Nexus otherwise agree in writing.

2.3 Consequences of termination

If this deed poll terminates under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) SGH and SGH Energy are released from their obligations to further perform this deed poll; and
- (b) each Scheme Shareholder retains the rights they have against SGH or SGH Energy in respect of any breach of this deed poll which occurred before it was terminated.

3 Scheme obligations

- (a) Subject to clause 2, SGH Energy undertakes in favour of each Scheme Shareholder to:

(1) deposit, or procure the deposit of, in cleared funds, by no later than 11am on the Implementation Date, an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders under the Scheme into an Australian dollar denominated trust account operated by Nexus as trustee for the Scheme Shareholders, except that any interest on the amounts deposited (less bank fees and other charges) will be credited to SGH Energy's account; and

(2) undertake all other actions attributed to it under the Scheme, subject to and in accordance with the terms of the Scheme.

- (b) Subject to clause 2, SGH undertakes in favour of each Scheme Shareholder to:

(1) procure that SGH Energy complies with its undertakings in clauses 3(a)(1) and 7.1; and

(2) undertake all other actions attributed to it under the Scheme, subject to and in accordance with the Scheme.

4 Warranties

- (a) Each of SGH and SGH Energy represents and warrants that:
- (1) it is a corporation validly existing under the laws of its place of registration;
 - (2) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
 - (3) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;
 - (4) this deed poll is valid and binding on it and enforceable against it in accordance with its terms; and
 - (5) this deed poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.
- (b) Each of SGH and SGH Energy acknowledges that each representation and warranty in this clause 4 is severable.

5 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) SGH and SGH Energy have fully performed their obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.

6 Notices

6.1 Form of Notice

A notice or other communication in respect of this deed poll (**Notice**) to SGH or SGH Energy (as applicable) must be:

- (a) in writing and in English and signed by or on behalf of the sending party; and
- (b) addressed to SGH or SGH Energy (as applicable) in accordance with the details set out below (or any alternative details nominated by SGH or SGH Energy (as applicable) by Notice).

Attention Warren Walter Coatsworth, Company Secretary

Address Level 2, 38-42 Pirrama Road, Pyrmont NSW 2009

Fax no +61 2 8777 7192

Email address WCoatsworth@seven.com.au

6.2 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.

7 General

7.1 Stamp duty

SGH Energy:

- (a) will pay all stamp duty and any related fines and penalties in respect of the Scheme and this deed poll, the performance of this deed poll and each transaction effected by or made under the Scheme and this deed poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 7.1(a).

7.2 Governing law and jurisdiction

- (a) This deed poll is governed by the law in force in Victoria, Australia.
- (b) SGH and SGH Energy irrevocably:
- (1) submit to the non-exclusive jurisdiction of courts exercising jurisdiction in Victoria and courts of appeal from them in respect of any proceedings arising out of or in connection with this deed poll; and
- (2) waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

7.3 Waiver

- (a) Neither SGH nor SGH Energy may rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver or the waiver is contained in the Scheme.
- (b) No Scheme Shareholder may rely on words or conduct of SGH or SGH Energy (as applicable) as a waiver of any right unless the waiver is in writing and signed by SGH or SGH Energy (as applicable).
- (c) The meanings of the terms used in this clause 7.3 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.

7.4 Variation

- A provision of this deed poll may not be varied unless:
- (a) if before the First Court Date, the variation is agreed to by Nexus; or
- (b) if on or after the First Court Date, the variation is agreed to by Nexus and the Court indicates that the variation would not of itself preclude approval of the Scheme,

in which event SGH and SGH Energy will enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.

7.5 Cumulative rights

The rights, powers and remedies of SGH, SGH Energy and the Scheme Shareholders under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

7.6 Assignment

- (a) The rights created by this deed poll are personal to SGH, SGH Energy and each Scheme Shareholder and must not be dealt with at law or in equity without the prior written consent of SGH and SGH Energy.
- (b) Any purported dealing in contravention of clause 7.6(a) is invalid.

7.7 Further action

Each of SGH and SGH Energy must, at its own expense, do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.



Signing page

Executed as a deed poll

SGH

Executed as a deed by
Seven Group Holdings Limited
in accordance with section 127 of the
Corporations Act 2001 (Cth)
by

sign here ▶

Company Secretary/Director

print name

sign here ▶

Director

print name

SGH Energy

Executed as a deed by
SGH Energy (No 2) Pty Limited
in accordance with section 127 of the
Corporations Act 2001 (Cth)
by

sign here ▶

Company Secretary/Director

print name

sign here ▶

Director

print name

Annex 4

Independent Expert's Report



Nexus Energy Limited

Independent expert's report and Financial Services Guide

5 May 2014



Financial Services Guide

What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds and related regulated emissions units (i.e., carbon) to retail and wholesale clients.

Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we and all employees remunerated?

We will receive a fee of approximately \$195,000 exclusive of GST in relation to the preparation of this report. This fee is not contingent upon the success or otherwise of the proposed scheme between Nexus Energy Limited and Seven Group Holdings Limited (the Proposed Scheme).

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects

their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

We are ultimately controlled by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer
Services
PO Box N250
Grosvenor Place
Sydney NSW 1220
complaints@deloitte.com.au
Fax: +61 2 9255 8434

Financial Ombudsman
GPO Box 3
Melbourne VIC 3001
info@fos.org.au
www.fos.org.au
Tel: 1300 780 808
Fax: +61 3 9613 6399

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

5/05/2014

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL 241457 of 550 Bourke Street, Melbourne VIC 3000

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Member of Deloitte Touche Tohmatsu Limited

Independent Directors
Nexus Energy Limited
Level 23
530 Collins Street
Melbourne VIC 3000

5 May 2014

Dear Directors

Independent expert's report

Introduction

On 31 March 2014, Nexus Energy Limited (Nexus or the Company) announced that it had entered into a conditional merger implementation agreement with Seven Group Holdings Limited (SGH or the Bidder) (Conditional MIA) under which SGH will acquire all the Company's shares via a scheme of arrangement (the Proposed Scheme). If the Proposed Scheme is approved, holders of Nexus shares (Shareholders) will receive consideration of AUD 0.02 cash per Nexus share (the Consideration), upon completion, which is expected to occur in June 2014.

In addition to the Proposed Scheme, the following has occurred:

- Subordinated Notes Sale Deeds: SGH entered into conditional sale agreements to acquire more than 66.67% of the subordinated loan notes issued by Nexus (the Notes). SGH notified Nexus that completion occurred under the sale agreements on 9 April 2014 (noteholders agreed to accept an offer of AUD 0.89 (plus accrued interest) per dollar of face value of the Notes)
- Bridge Facility: Nexus Energy VicP54 Pty Ltd (Nexus VicP54) and SGH through a subsidiary have entered into a bridge facility agreement for a AUD 40 million four month cash advance facility to be provided by SGH to Nexus VicP54
- Senior Facility Sale Deed: SGH has notified Nexus that it entered into agreements to acquire all of the loans outstanding under Nexus' Senior Facility Agreement (Senior Facility). The total value of the Senior Facility is AUD 47.4 million (including fees of AUD 3.0 million capitalised on 2 April 2014). The Senior Facility includes a letter of credit facility for AUD 60.0 million (as at the date of this report, the letter of credit remains undrawn).

SGH notified Nexus that completion occurred under these agreements on 9 April 2014.

Entry into and the provision of funds under the Bridge Facility is not conditional on completion of the Conditional MIA, but default under or termination of the Conditional MIA may result in SGH requiring immediate repayment of the amounts outstanding under the Bridge Facility and the Senior Facility. The provision of funds under the Bridge Facility is conditional on completion under the Subordinated Notes Sale Deeds representing not less than 66.67% of the aggregate face value of all Notes (SGH has notified Nexus that completion of the Subordinated Notes Sale Deeds occurred on 9 April 2014).

Upon completion of the Proposed Scheme, Nexus would become a wholly owned subsidiary of SGH and would subsequently be delisted from the Australian Securities Exchange (ASX).

The full details of the Proposed Scheme are included in the Conditional MIA which was announced by Nexus on 31 March 2014. An overview of the Proposed Scheme is provided in Section 1 of our detailed report. The Board of Nexus has prepared a scheme booklet containing the detailed terms of the Proposed Scheme (the Scheme Booklet).

Purpose of the report

Section 411 of the Corporations Act 2001(Cth) (Section 411) regulates schemes of arrangement between companies and their shareholders. Part 3 of Schedule 8 of the Corporations Regulations 2001 (Cth) (Part 3) prescribes the information to be provided to shareholders in relation to schemes of arrangement.

Whilst an independent expert's report in respect of the Proposed Scheme is not required to meet any statutory obligations, the directors of Nexus (the Directors) have requested that Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance) provide an independent expert's report advising whether, in our opinion, the Proposed Scheme is in the best interests of Shareholders.

This independent expert's report has been prepared in a manner consistent with Part 3 of Schedule 8 to assist Shareholders in their consideration of the Proposed Scheme. We have prepared this report having regard to Part 3 and Australian Securities and Investments Commission (ASIC) Regulatory Guide 111 and ASIC Regulatory Guide 112.

This report is to be included in the Scheme Booklet to be sent to Shareholders and has been prepared for the exclusive purpose of assisting Shareholders in their consideration of the Proposed Scheme. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Shareholders and Nexus, in respect of this report, including any errors or omissions however caused.

Basis of evaluation

Guidance

In undertaking the work associated with this report, we have had regard to ASIC Regulatory Guide 111 in relation to the content of expert's report and ASIC Regulatory Guide 112 in respect of the independence of experts.

Schemes of arrangement can include many different types of transactions, including being used as an alternative to a Chapter 6 takeover bid. The basis of evaluation selected by the expert must be appropriate for the nature of each specific transaction.

Section 640 of the Corporations Act 2001 (Section 640) requires an independent expert's report in connection with a takeover offer to state whether, in the expert's opinion, the takeover offer is fair and reasonable. Where the scheme of arrangement has the same effect as a takeover, the form of analysis used by the expert should be substantially the same as for a takeover bid, however, the opinion reached should be whether the proposed scheme is 'in the best interests of the members of the company'. Accordingly, if an expert were to conclude that a proposal was 'fair and reasonable' or 'not fair but reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the proposed scheme is in the best interests of the members of the company.

ASIC Regulatory Guide 111

This regulatory guide provides guidance in relation to the content of independent expert's reports prepared for a range of transactions.

ASIC Regulatory Guide 111 refers to a 'control transaction' as being the acquisition (or increase) of a controlling stake in a company that could be achieved, for example, by way of a takeover offer, scheme of arrangement, approval of an issue of shares using item 7 of Section 611, a selective capital reduction or selective buy back under Chapter 2J.

In respect of control transactions, under ASIC Regulatory Guide 111 an offer is:

- fair, when the value of the consideration is equal to or greater than the value of the shares subject to the proposed scheme. The comparison must be made assuming 100% ownership of the target company (i.e. including a control premium)
- reasonable, if it is fair, or, despite not being fair, after considering other significant factors, shareholders should accept the offer under the proposed scheme, in the absence of any higher bids before the close of the offer.

To assess whether the Proposed Scheme is in the best interests of Shareholders, we have adopted the tests of whether the Proposed Scheme is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC Regulatory Guide 111.

Fairness

The Nexus shares have been valued at fair market value, which we have defined as the amount at which the shares would be expected to change hands between a knowledgeable and willing but not anxious buyer and a knowledgeable and willing but not anxious seller, neither of whom is under any compulsion to buy or sell. Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation of a Nexus share has not been premised on the existence of a special purchaser.

We have assessed whether the Proposed Scheme is fair by comparing the value of a Nexus share with the value of the consideration to be received from SGH. We have assessed the value of each Nexus share by estimating the current fair market value of Nexus on a control basis and dividing this value by the number of shares on issue.

Reasonableness

ASIC Regulatory Guide 111 considers an offer in respect of a control transaction, to be reasonable if either:

- the offer is fair
- despite not being fair, but considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.

To assess the reasonableness of the Proposed Scheme we considered the following significant factors in addition to determining whether the Proposed Scheme is fair:

- alternatives available to Nexus Shareholders in the absence of the Proposed Scheme
- uncertainty associated with the development of the Crux project
- loss of participation in the future growth of Nexus.

Summary and conclusion

In our opinion the Proposed Scheme is fair and reasonable and therefore in the best interests of Shareholders. In arriving at this opinion, we have had regard to the following factors.

The Proposed Scheme is fair

According to ASIC Regulatory Guide 111, in order to assess whether the Proposed Scheme is fair, the independent expert is required to compare the fair market value of a share in Nexus on a control basis with the fair market value of the consideration under the Proposed Scheme. The Proposed Scheme is fair if the value of the consideration is equal to or greater than the value of the securities subject to the offer.

Set out in the table below is a comparison of our assessment of the fair market value of a Nexus share with the consideration offered by SGH.

Table 1

	Low value (AUD)	Preferred value (AUD)	High value (AUD)
Estimated fair market value of a Nexus share	nil	0.01	0.04
Consideration offered	0.02	0.02	0.02

Source: Deloitte Corporate Finance analysis

Note: All amounts stated in this report are in AUD unless otherwise stated and may be subject to rounding

The consideration offered by SGH is within the range of our estimate of the fair market value of a Nexus share and above our selected preferred value of a Nexus share. Accordingly it is our opinion that the Proposed Scheme is fair.

Valuation of Nexus

We have estimated the fair market value of Nexus using the sum of the parts methodology, which requires an estimate of the following:

- the value of the interest in the Longtom project and the Crux project currently owned by Nexus
- any premium to the discounted cash flow valuation necessary to account for a number of factors which may contribute to the future cash flows of the operating and development assets of Nexus being greater than those included in our valuations of the Crux project and the Longtom project
- value of the exploration assets
- value of corporate costs
- value of any specific liabilities
- current net debt position.

The value of Nexus' interest in the Longtom project and the Crux project has been estimated using the discounted cash flow methodology, which estimates the market value of an asset by discounting the future cash flows to their net present value, using an appropriate discount rate.

The discounted cash flow method requires the determination of an appropriate discount rate and the projection of future cash flows. We selected a nominal after tax discount rate in the range of 11.0% to 12.0% to discount the estimated future cash flows of the Longtom project and a nominal after tax discount rate in the range of 12.5% to 13.0% to discount the estimated future cash flows of the Crux project.

Table 2

	Section	Unit	Low value	Preferred value	High value
Value of the Longtom project	5.2.3	AUD million	75.0	77.5	80.0
Value of the Crux project	5.2.3	AUD million	160.0	180.0	200.0
Value of the operating and development assets		AUD million	235.0	257.5	280.0
Premium to cash flows	5.3		-	-	-
Value of the operating and development assets		AUD million	235.0	257.5	280.0
Corporate costs	5.4	AUD million	(40.0)	(40.0)	(40.0)
Appraisal and exploration assets	5.5	AUD million	11.4	23.8	49.6
Surplus liabilities	5.6	AUD million	(77.6)	(77.6)	(77.6)
Net debt	5.7	AUD million	(156.6)	(156.6)	(156.6)
Equity value (on a control basis)		AUD million	(27.8)	7.1	55.4
Number of shares on issue ¹	2.5	million	1,346.2	1,346.2	1,346.2
Value of a share in Nexus (on a control basis)		AUD	(0.02)	0.01	0.04
Selected value of a share in Nexus (on a control basis)		AUD	nil	0.01	0.04

Source: Deloitte Corporate Finance analysis

Notes:

1. Number of shares based on 1,330.2 million shares on issue plus 15.9 million performance rights
2. We are of the understanding SGH has acquired the Senior Facility at a discount to face value, being AUD 44 million (face value of AUD 47.4 million). We note if we were to adopt the discounted face value of the Senior Facility in our calculation of the net debt position of Nexus, it would have an immaterial impact on the calculated value of a share in Nexus, and therefore our selected value range would remain the same.

We have based our selected value above on the discounted cash flow method on a going concern basis.

Given the current financial position of Nexus however, if the Proposed Scheme is not approved the Board may be compelled to place Nexus into voluntary administration, which may further result in the appointment of receivers and managers. We have therefore also had regard to the value of a share in Nexus on an orderly realisation of assets basis. To determine the value of a share in Nexus under the orderly realisation method, we have had applied the following adjustments to our selected value on a going concern basis:

- **Longtom and Crux project:** if the Longtom and Crux projects are to be sold on a standalone basis, a potential purchaser may not be able to utilise the corporate tax losses, and any PRRT credits that have arisen from the Longtom project may not be able to be transferred to the Crux project.

In addition, if the Crux project is sold on a standalone basis, Shell Development (Australia) Pty Limited (Shell) and Osaka Gas Crux Pty Limited's (Osaka Gas) pre-emptive right to acquire the asset will be triggered, adding additional uncertainty to any prospective purchaser of this asset (other than Shell), which may further impact the value that may be achieved
- **corporate costs:** corporate costs associated with the business will no longer be required for the duration of the projected cash flows. We have included six to twelve months of corporate overheads to maintain the assets during the orderly realisation period, in addition to an estimate of costs associated with the appointment of administrators or receivers and managers
- **Sedco liability:** the Sedco litigation (and Nexus' payment obligation) is conditional upon Nexus executing a binding asset or corporate sale transaction by 2 April 2014 and such transaction completing by 31 August 2014. Should the Proposed Scheme not proceed, the settlement agreement with Sedco would be terminated and Sedco may continue its claim against Nexus for approximately USD 67 million plus interest (USD 13 million as at 12 March 2014), unless an alternative proposal meeting the parameters of the Sedco settlement completes before 31 August 2014. Given the uncertainty associated with Nexus' cash flows, we have adopted the currently agreed USD 30 million as an expected payment obligation.

Based on the above considerations and 66.67% of noteholders agreeing to accept an offer of AUD 0.89 per dollar of face value of the Notes, we have calculated the value of a share in Nexus (on a control basis) under the orderly realisation of assets method to be in range of AUD (0.03) to AUD 0.03 with a calculated preferred value of nil.

To provide additional evidence of the fair market value of a share in Nexus, we have considered the following:

- recent share market trading in Nexus
- the reserve and resource multiples implied by our valuation of Nexus compared with the reserve and resource multiples observed for comparable transactions and comparable listed companies.

We have undertaken sufficient work to assess whether the financial projections are suitable for the purposes of assessing the fairness of the Proposed Scheme in accordance with ASIC Regulatory Guide 111 (refer to Section 4 for further details).

The Proposed Scheme is reasonable

In accordance with ASIC Regulatory Guide 111 an offer is reasonable if it is fair. On this basis, in our opinion the Proposed Scheme is reasonable. We have also considered the following factors in assessing the reasonableness of the Proposed Scheme.

Advantages of the Proposed Scheme

The likely advantages to Shareholders if the Proposed Scheme is approved include:

The Proposed Scheme appears to be the best alternative available to the Shareholders

In December 2013, the Company entered into revised terms for its Senior Facility, which provided for a review event requiring either a debt refinance or Nexus executing a transaction satisfactory to Nexus' senior lenders by 2 April 2014 with a third party that will retire the outstanding Senior Facility amounts and fully cashback the undrawn letter of credit, by 1 July 2014. An amount of AUD 47.5 million is due under the Senior Facility.

In addition to the debt refinancing, based on estimates provided by management, Nexus has capital and litigation commitments of approximately AUD 260 million over the next four years, primarily relating development works at Longtom, plug and abandonment costs and exploration drilling at Crux, technical evaluation studies at Echuca

Shoals and a payment relating to the settlement of the litigation with Sedco Forex International Inc (Sedco). These requirements cannot be funded from operating cash flows.

In order to meet its immediate cash commitments, Nexus has entered into a Bridge Facility with SGH for AUD 40 million. In addition, SGH has entered into agreements to acquire all of the amounts outstanding under the Senior Facility, as well as conditional agreements to acquire the subordinated loan notes issued by Nexus.

In the event the Proposed Scheme does not proceed, SGH may require immediate repayment of the amounts outstanding under the Bridge Facility, the Senior Facility (including refinancing or cash backing the AUD 60 million letter of credit) and the subordinated loan notes. In addition, the settlement of the Sedco litigation (and Nexus' payment obligation) is conditional upon Nexus executing a binding asset or corporate sale transaction by 2 April 2014 and such transaction completing by 31 August 2014. Should the Proposed Scheme not proceed, the settlement agreement with Sedco would be terminated and Sedco may continue its claim against Nexus for approximately USD 67 million plus interest (USD 13 million as at 12 March 2014), unless an alternative proposal meeting the parameters of the Sedco settlement completes before 31 August 2014.

Given the current financial position of Nexus, we consider it unlikely the Company would be in a position to repay the outstanding debt and litigation settlement and the Board may therefore need to place Nexus into voluntary administration, which may lead to the appointment of receivers and managers.

If the Company was to go into voluntary administration or receivership, the following options may be available to raise the required funds:

- selling down of an interest in the Crux or Longtom projects
- farming out an interest in exploration permits to meet future exploration commitments
- refinancing the debt
- alternative whole of company sale
- recapitalisation of the Company through the issue of new equity.

The above options have previously been considered by the Board of Nexus. The Company has undertaken a divestment process, working with several investment banks, which did not result in any reasonable offers for Longtom, Crux or the entire company, other than the offer from SGH. It is difficult to attract interest in the most significant asset of Nexus, Crux, as Shell and Osaka Gas has a pre-emptive right to acquire Nexus' 15% interest in the asset, which is a significant deterrent for potential investors, as any offer made for the asset may result in Shell taking up its pre-emptive right to acquire the asset.

The Company has sought revised financing terms with the senior lenders and other lenders, which did not result in any reasonable financing proposal capable of acceptance. The Board also considered that an equity raising was unlikely to be successful, would involve significant costs (such as underwriting fees of 6.0%), nor would be likely to be sufficient to meet the Company's funding needs.

The Board has outlined a detailed summary of the options they have considered in regards to meeting the capital and funding requirements, in an ASX announcement on 31 March 2014 and section 4.2 of the Scheme Booklet.

The Proposed Scheme allows Nexus Shareholders to immediately realise their investment in Nexus for a known cash amount, in comparison to administration or receivership of the business, which would result in an uncertain and potentially lengthy timeframe and an unknown return, if any, to Shareholders.

Uncertainty associated with Crux project

The value of Nexus is heavily dependent on the value of the Crux project. We have undertaken our valuation of Crux on the assumption Crux will proceed as a standalone floating Liquefied Natural Gas (FLNG) facility, with final investment decision (FID) in 2017. Whilst the retention lease sets a base case for the Crux project to backfill Shell's Prelude FLNG, we have considered the development of a standalone FLNG facility, based on production commencing for a standalone FLNG in 2022, as compared to production under a backfill option which depends on availability of capacity at Prelude, which is currently estimated at 2028.

The development of the Crux project will be highly dependent on the position of Shell, both as a majority joint venturer in Crux, as well as a significant holder of other interests in that region. In our valuation of Crux we have considered the cash flows and risks associated with Crux being developed as a standalone project, however it is possible that Shell may consider it is in its best interest to develop the asset as a backfill to its Prelude FLNG operation, which is approximately 160 km from Crux.

The development of the Crux project will require significant capital expenditure over the short to medium term and FLNG remains unproven. In addition, no LNG off-take volumes have been committed or contracted to date in regards to either Crux or Prelude FLNG.

On this basis, we note the timeline and development assumptions considered in our valuation analysis may be optimistic. If there are any delays to the timeframe we have assumed, or increases to the cost associated with the project's development, the value achieved for the project may be materially different.

Disadvantages of the Proposed Scheme

The likely disadvantages to Shareholders if the Proposed Scheme is approved include:

No participation in the future growth of Nexus' business

Whilst the Proposed Scheme allows Nexus Shareholders to realise their investment in Nexus for a known cash amount, they will not be able to participate in the future growth of Nexus to the extent that it generates future value above the offer price. For example, an increase in gas prices substantially above those currently assumed in our valuation may result in additional future value not reflected in our valuation of a Nexus share.

Shareholders could invest in SGH to maintain some exposure to the assets of Nexus.

Other matters

The intentions of the Directors

It is the intention of the Directors to unanimously recommend acceptance of the Proposed Scheme, and those who hold or control Nexus shares intend to vote their shares in favour of the Proposed Scheme, in the absence of a superior proposal.

No alternative offers

As at the date of our independent expert's report, Nexus has not received any alternative offers for its issued capital.

Tax implications

Individual Nexus Shareholders should consult their tax advisor in relation to their personal circumstances, as a result of the Proposed Scheme. Further details in respect of the potential taxation implications are provided in section 9 of the Scheme Booklet.

Conclusion on reasonableness

As the Proposed Scheme is fair, it is also reasonable.


Opinion

In our opinion, the Proposed Scheme is fair and reasonable. It is therefore in the best interests of Shareholders. An individual shareholder's decision in relation to the Proposed Scheme may be influenced by his or her particular circumstances. If in doubt the shareholder should consult an independent adviser, who should have regard to their individual circumstances.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

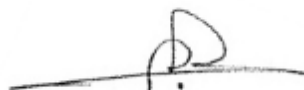
Yours faithfully

DELOITTE CORPORATE FINANCE PTY LIMITED



Stephen Reid

Director



Robin Polson

Director

Glossary

Reference	Definition
2C	Best estimate of contingent resources.
2P	Proved and probable reserves
ABARE	Australian Bureau of Agricultural and Resource Economics
ACT	Australian Capital Territory
AER	Australian Energy Regulator
AFSL	Australian Financial Services Licence
AGSM	Australian Graduate School of Management
AMEX	American Stock Exchange
APESB	Accounting Professional and Ethical Standards Board Limited
APPI	Asia Pacific Petroleum Index
APPI Tapis	Asian Petroleum Price Index Tapis
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange Limited
AUASB	Auditing and Assurance Standards Board
AUD	Australian dollars
AUD/GJ	Australian dollar per Gigajoule
barrel, bbl	The standard unit of measurement for all production and sales
BBSW	Bank Bill Swap rate
BBSY	Bank Bill Swap bid rate
bcf/bscf	Billion standard cubic feet
Bidder, the	Seven Group Holdings Limited
Boe	Barrels of oil equivalent
Bopd	Barrels of oil per day
BOSI	BOS International (Australia) Limited
Bps	Basis points
BREE	Bureau of Resources and Energy Economics
Bridge Facility	Bridge facility agreement for a cash advance facility to be provided by SGH to Nexus VicP54
CAGR	Compound Annual Growth Rate
CAPM	Capital Asset Pricing model
CEO	Chief Executive Officer
CIF	Cost, insurance and freight
Company, the	Nexus Energy Limited
Conditional MIA	The conditional merger implementation agreement with Seven Group Holdings Limited
Consideration, the	Under the Proposed Scheme is approved, Shareholders will receive consideration of AUD 0.02 cash per Nexus share
Crux Model	Model containing the future cash flows to be generated from the Crux project
CSG	Coal Seam Gas
CY	Calendar year
Damodaran	Aswath Damodaran
Deloitte Corporate Finance	Deloitte Corporate Finance Pty Limited
Deloitte Touche Tohmatsu	Deloitte member firm in Australia
Deloitte REA	Deloitte Resource Evaluation and Advisory
Directors	The Directors of Nexus
Domgas	Domestic gas
Draft Scheme Booklet	Draft of the Proposed Scheme between SGH and the holders of Nexus shares
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EIA	Energy Information Administration
EIS	Environmental impact statement

Reference	Definition
EIU	Economist Intelligence Unit
EMRP	Equity Market Risk Premium
EV	Enterprise Value
FID	Final investment decision
FLNG	Floating Liquefied Natural Gas
FOS	Financial Ombudsman Service
FPSO	Floating production storage and offloading
FSG	Financial Services Guide
FY	Financial year
GCA	Gaffney, Cline & Associates
GFC	Global Financial Crisis
GJ	gigajoule
GSA	Gas Sales Agreement
HOA	Heads of agreement
IBISWorld	IBISWorld Pty Limited
IEA	International Energy Agency
Independent Directors	Directors of Nexus who are not also directors of SGH
IRAC	Imported Refiner Acquisition Cost
JV	Joint Venture
JCC	Japanese Crude Cocktail
Kbbl	Thousand barrels
Kboe	Thousand barrels of oil equivalent
K_d	Cost of debt capital
K_e	Cost of equity capital
LNG	Liquefied natural gas.
Longtom Model	future cash flows to be generated from the Longtom project
MBI	Management Buy-In
MBO	Management Buy-Out
Merrill Lynch	Merrill Lynch International
Mmbbl	Million barrels
mmstb	Million stock tank barrels
Morningstar	Morningstar Inc.
MSCI	Morgan Stanley Composite Index
Mtpa	Million tonnes per annum
n/a	not available or not applicable
NASDAQ	National Association of Securities Dealers Automated Quotations
Nexus	Nexus Energy Limited
Nexus VicP54	Nexus Energy VicP54 Pty Limited
Nomura	Nomura Special Investments Singapore
Notes, the	Subordinated loan notes issued by Nexus
NSW	New South Wales
NYMEX	New York Mercantile Exchange
NYSE	New York Stock Exchange
OECD	Organisation of Economic Cooperation and Development
OPEC	Organisation of Petroleum Exporting Countries
OPEC Basket	The Organisation of Petroleum Exporting Countries Basket price index
Osaka Gas	Osaka Gas Crux Pty Limited
P50	Best Estimate
Part 3	Part 3 of Schedule 8 of the Corporations Regulations 2001
PJ	Petajoules
Proposed Scheme	The transaction by which SGH will acquire all the Company's shares via a scheme of arrangement
PRRT	Petroleum Resource Rent Tax

Reference	Definition
QX	The quarterly reporting period
RBA	Reserve Bank of Australia
Reserve Multiple	Enterprise value to 2P reserves
Resource Multiple	Enterprise value to 2C resources
R_f	Risk free rate of return
R_m	Expected return on the market portfolio
Santos	Santos Limited
Scenario 1	The assumption that Longtom-3 is not restarted
Scenario 2	The assumption that Longtom-3 is restarted in the quarter ending September 2014
Scheme Booklet	A disclosure document in respect of the transaction between SGH and the holders of Nexus
Section 411	Section 411 of the Corporations Act 2001(Cth)
Section 640	Section 640 of the Corporations Act 2001(Cth)
Sedco	Sedco Forex International Incorporated
Senior Facility	Nexus' Senior Facility Agreement
Senior Facility Sale Deed	Agreements for SGH to acquire all of the loans outstanding under Nexus' Senior Facility
SGH	Seven Group Holdings Limited
Shareholders	The shareholders of Nexus
Shell	Shell Development (Australia) Pty Limited
Subordinated Notes Sale Deeds	Conditional sale agreements for SGH to acquire the Notes
t_c	Corporate tax rate
Tcf	Trillion cubic feet (measurement of gas volume).
TDJV	T-D Joint Venture Pty Ltd
TJ	Terrajoule
US	United States of America
USD	United States dollars
WA	Western Australia
WACC	Weighted average cost of capital
WTI	West Texas Intermediate
α	Alpha
β	Beta

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1 Overview of the Proposed Scheme

1.1 Summary

On 31 March 2014, Nexus announced that it had entered into a Conditional MIA with SGH under which SGH will acquire all the Company's shares via a scheme of arrangement. If the Proposed Scheme is approved, Shareholders will receive consideration of AUD 0.02 cash per Nexus share, upon completion of the transaction, which is expected to occur in June 2014.

In addition to the Proposed Scheme, the following has occurred:

- Subordinated Notes Sale Deeds: SGH entered into conditional agreements to acquire the Notes representing more than 66.67% of the aggregate face value of all Notes. SGH notified Nexus that completion occurred under the sale agreements on 9 April 2014 (noteholders agreed to accept an offer of AUD 0.89 (plus accrued interest) per dollar of face value of the Notes)
- Bridge Facility: Nexus VicP54 and SGH through a subsidiary have entered into a Bridge Facility for a AUD 40 million four month cash advance facility to be provided by SGH to Nexus VicP54
- Senior Facility Sale Deed: SGH notified Nexus that it has entered into agreements to acquire all of the loans outstanding under the Senior Facility. The total value of the Senior Facility is AUD 47.4 million (including AUD 3 million capitalised on 2 April 2014). The Senior Facility includes a letter of credit facility for AUD 60.0 million (as at the date of this report, the letter of credit remains undrawn).

SGH notified Nexus that completion occurred under these agreements on 9 April 2014.

The provision of funds under the Bridge Facility is not conditional on completion of the Proposed Scheme, but default under or termination of the Proposed Scheme may result in SGH requiring immediate repayment of the amounts outstanding under the Bridge Facility and the Senior Facility. The provision of funds under the Bridge Facility is conditional on completion under the Subordinated Notes Sale Deeds representing not less than 66.67% of the aggregate face value of all Notes (SGH has notified Nexus that completion of the Subordinated Notes Sale Deeds occurred on 9 April 2014).

Upon completion of the Proposed Scheme, Nexus would become a wholly owned subsidiary of SGH and would subsequently be delisted from the ASX.

The full details of the Proposed Scheme are included in the Conditional MIA which was announced by Nexus on 31 March 2014.

The Board of Nexus have prepared a Scheme Booklet containing the detailed terms of the Proposed Scheme.

1.2 Key conditions of the Conditional MIA

The Conditional MIA is subject to various conditions, the most significant being:

- Shareholder approval: approval of at least 75% of the votes cast and a majority in number of those voting must be obtained for the Proposed Scheme to be implemented
- Subordinated Notes Sale Deeds: The Conditional MIA is subject to a condition that, by the second court date under the Proposed Scheme, settlement has occurred under all of the Subordinated Notes Sale Deeds. SGH has notified Nexus that this condition has been satisfied
- additional agreed conditions: the Conditional MIA is subject to various additional conditions precedent, including regulatory approvals, approval of the Proposed Scheme by the Federal Court of Australia and other conditions as detailed in the Conditional MIA. In particular, these conditions include requirements that no defined material adverse change, prescribed occurrence or regulated events occur in relation to Nexus, no decrease in the S&P ASX 200 Index of 15% or more takes place for three consecutive days (or from the level at the date of the Conditional MIA) and no breach or modification of material contracts is triggered by the Conditional MIA
- exclusivity: Nexus has agreed to certain exclusivity restrictions, including "no shop" and "no talk" provisions, and notification and matching rights regarding competing proposals during the period up until the earlier of termination of the agreement, completion of the Proposed Scheme and 31 August 2014

- termination: either party may terminate the Conditional MIA on a failure to satisfy any of the conditions precedent, on a material breach of a term of the Conditional MIA by the other party (subject to specified cure rights) or if the Proposed Scheme has not been implemented by 31 August 2014.

SGH may also terminate the Conditional MIA if:

- a Nexus material adverse change, Nexus prescribed occurrence or Nexus regulated event occurs (as defined in the Conditional MIA)
- any Director withdraws, adversely revises or adversely qualifies his support for the Proposed Scheme for any reason or makes a public statement that he no longer recommends the Proposed Scheme for any reason or recommending, supporting or endorsing another transaction (including any competing proposal)
- Nexus is in material breach of a representation and warranty under the Conditional MIA (subject to specified cure rights).

Nexus may also terminate the Conditional MIA if:

- the Board (or a majority of the Board) has changed, withdrawn or modified its recommendation as permitted and Nexus has paid the reimbursement fee
 - SGH is in material breach of a representation and warranty under the Conditional MIA (subject to specified cure rights).
- reimbursement fee: the Conditional MIA includes provisions requiring the payment of a fee of AUD 3.0 million to SGH for reimbursement of costs incurred by SGH, should the Proposed Scheme not be implemented or if directors recommend a competing proposal
 - independent expert's report: the Company will engage an independent expert to provide a report opining on whether the Proposed Scheme is in the best interest of Shareholders.

2 Profile of Nexus

Nexus is a Melbourne based ASX listed company operating in the oil and gas production, development and exploration industry. Its principal assets are its 100% interest in the operating Longtom project, 15% interest in the Crux project and a 100% interest in the Echuca Shoals exploration assets.

2.1 Company history

An overview of the company history is set out below.

Figure 1

CY	
2000	<ul style="list-style-type: none"> initially listed on the ASX as an information technology services company, eNTITY1 Limited
2001	<ul style="list-style-type: none"> eNTITY1 Limited acquired Nexus Energy Aust. NL and refocused its principal activities into the energy exploration and development sector
2002	<ul style="list-style-type: none"> appointed an executive management team to focus on oil and gas development
2003	<ul style="list-style-type: none"> acquired an interest in the Longtom field (VIC/P54) from Liberty Petroleum Corporation acquired the VIC/P56 and NT/P66 exploration permits
2004	<ul style="list-style-type: none"> entered into a JV agreement with Apache over the VIC/P54 permit acquired VIC/P49 and VIC/P39 permits commenced exploration operations in the NT/P66 permit
2005	<ul style="list-style-type: none"> discovered new gas within the VIC/P54 licence (Longtom and Grayling) acquired additional exploration interests in the Gippsland Basin (VIC/P49) and the Vlaming Sub-Basin offshore from Perth (WA-368-P) undertook a farm out of the VIC/P56 and VIC/P49 permits to Korean National Oil Corporation and Seoul City Gas farmed out of a 25% interest in the VIC/P39 (v) permit to Tap Oil. Tap earns its interest in the permit by funding a share of the drilling costs of the proposed Galloway well the first gas sales agreement for Longtom was signed with Santos
2006	<ul style="list-style-type: none"> acquired the AC/P23 exploration permit, which contains the Crux field, from Mogal Marine Pty Limited awarded WA-377-P exploration permit, which contains the Echuca Shoals field, and reached agreement for Shell to acquire a 34% interest in the permit Anzon Australia made an off-market offer for all of the outstanding shares in Nexus, which lapsed undertook exploration activities in permit area WA-368-P, in waters offshore from Perth a Wilcraft jack-up rig drilled the Sidestep prospect (NT/P66) in the Petrel sub-basin. The primary target of the Intra Mount Goodwyn sands was intersected with no indications of hydrocarbons, and the well was plugged and abandoned executed an agreement with Shell to sell 100% of the rights and interest held by Nexus in relation to the gas in the AC/P23 permit area. The sale excluded the right and interests in condensate and oil and Nexus retained a 100% interest in the former Crux liquids project
2007	<ul style="list-style-type: none"> sold a 15% interest in the former Crux liquids project to Osaka Gas awarded AC/P41 exploration permit jointly with Shell elected not to retain ownership of VIC/P39 permit achieved FID on the Longtom project following completion of commercial arrangements and concluded a gas sales agreement with Santos received production licence VIC/L29 for the Longtom project Longtom project finance secured for approximately AUD 160 million secured AUD 50 million finance for the development of the former Crux liquids project a production licence for Longtom was awarded the Fossetmaker-1 well (WA-377-P) was spudded
2008	<ul style="list-style-type: none"> raised AUD 110 million of capital through the issue of subordinated notes and warrants Nexus, Anzon Australia and Anzon Energy announce a merger by way of two schemes of arrangement raised approximately AUD 140 million through an institutional placement for the development of key projects and working capital purposes the merger with Anzon Australia and Anzon Energy was terminated acquired and disposed its interest in Anzon Australia to Roc Oil Limited entered into negotiations to sell a further 25% interest in the former Crux liquids project, however the proposed transaction was subsequently terminated awarded the WA-424-P permit in the Browse Basin

	<ul style="list-style-type: none"> Longtom was granted approvals for a pipeline licence the Libra-1 well was drilled in late 2008 in AC/P41 to test a structure 5 kilometres to the south of the Crux field
2009	<ul style="list-style-type: none"> a production licence for the former Crux liquids project was awarded Nexus farmed-out a 20% interest in AC/P41 exploration permit to Mitsui E&P Australia Pty Limited and a 15% interest to Shell entered into a voluntary trading halt in order to progress negotiations in relation to proposed asset sales, debt raising and contractual obligations announced that it had entered into an agreement with AED Oil Limited for the sale of a 50% interest in the Longtom project for AUD 155 million sold the remaining 15% interest in AC/P41 exploration permit to Shell for AUD 19 million announced that the proposed sale of a 50% interest in the Longtom project to AED Oil Limited had lapsed undertook a rights issue pursuant to which it issued 198 million ordinary shares at AUD 0.22 per share Nexus commenced gas production from the Longtom project
2010	<ul style="list-style-type: none"> Shell withdrew from the WA-377-P permit increasing the interest of Nexus in the permit to 100% secured a AUD 50 million equity facility with YA Global Master SPV Limited refinanced AUD 117.5 million of its unsecured senior subordinated notes maturing in 2017 and issued 30.2 million shares. The issue of shares formed part of the consideration for the refinanced subordinated notes installation of a mercury removal equipment (at Longtom gas processing facility) was complete transfer of WA-242-P to a third party with Nexus retaining an overriding royalty interest
2011	<ul style="list-style-type: none"> Moore Stephens issued an emphasis of matter' audit opinion expressing significant uncertainty regarding accounting estimates Sedco issued Federal Court proceedings against Nexus based on claims that it relied upon misrepresentations for the contracted charter of the Transocean Legend drilling rig and that in May 2009, Nexus Energy WA Pty Limited wrongfully repudiated that contract Nexus and AWE Limited cancelled Exploration Permit WA-368-P completed an equity offering in the amount of AUD 122.4 million
2012	<ul style="list-style-type: none"> signed a non-binding HOA with Shell and Osaka Gas to pursue an integrated gas and liquids Shell-led commercialisation of Crux. Subsequent to this announcement Nexus exercised a put option to sell 2% of its participating interest in the Crux to Shell for AUD 75 million an electrical fault in the Longtom sub-sea system led to the interruption of production at Longtom in early June 2012. Production was restored after 21 days following an intervention campaign production at Longtom ceased in June 2012. The vessels to inspect and potentially rectify the electrical fault that caused the suspension of Longtom field production arrived on site on 20
2013	<ul style="list-style-type: none"> production interruption at Longtom (14 January to 26 May 2013) with production restored following the repair of an offshore electrical fault Crux Joint Venture awarded five year Retention Lease (AC/RL9) announced amendments to the terms of the Longtom GSA with Santos delivering the remaining contract quantity of 83PJ of gas to 31 December 2018 informed the market that Nexus had received non-binding proposals for Longtom and Crux as stand-alone assets announced it has been actively engaged with a number of third parties in pursuing a range of strategic options, including a partial divestment of a stake in one or more of its assets and debt re-financing of the Longtom Senior Facility to support the ongoing capital expenditure requirements of the business.
2014	<ul style="list-style-type: none"> announced that production at the Longtom gas processing facility had been interrupted on 21 February 2014 as a consequence of an electrical fault report and entered a voluntary trading halt Don Voelte, Chairman and Non-Executive Director of the board of Nexus, tendered his resignation with immediate effect. Mr Voelte advises Nexus that his position as CEO and Managing Director of SGH and Chairman of Nexus gave rise to a conflict of interest announced that production had recommenced at the Longtom-4 well on 11 March 2014. The location of the electrical fault was identified as the Longtom-3 subsea facility announced that the mediation process between Nexus, Sedco and Osaka Gas had been finalised during February 2014, with USD 30 million payable by Nexus to Sedco half yearly financials were released for the period ending 31 December 2013. The financials noted that there is a material uncertainty that the company can continue as a going concern Nexus received a conditional bid from SGH by way of a Conditional MIA, which details SGH's bid to acquire all of the outstanding equity of Nexus announced SGH (through a subsidiary company) had completed the purchase of more than 66.67% of the subordinated notes issued by Nexus and all of the loans outstanding under the Senior Facility. SGH also entered into a Bridge Facility agreement for a AUD 40 million four month cash advance.

Source: Nexus, ASX announcements

2.2 Principal assets

The current portfolio of assets held by Nexus is summarised in the following table.

Table 3

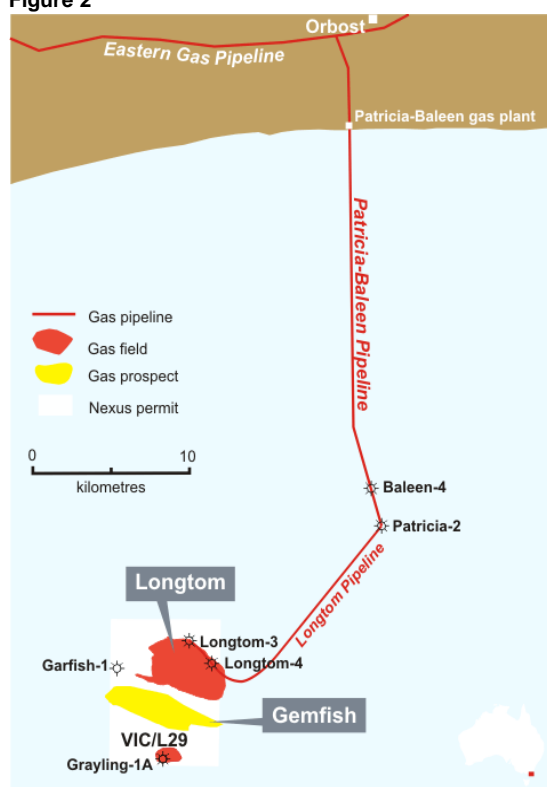
Asset	% ownership	Other owners	Operator	Type of project
Operating assets				
Longtom project (VIC/L29)	100%		Nexus	Gas/condensate
Development assets				
Crux project (AC/RL9, formerly AC/L9)	15%	Shell Osaka Gas	Shell	Gas/Condensate
Exploration assets				
Echuca Shoals field (WA-377-P)	100%		Nexus	Gas/Condensate
Gemfish (VIC/L29)	100%		Nexus	Gas/Condensate
Longtom West (Exploration Permit Vic/P54)	100%		Nexus	Gas/Condensate
Auriga/ Caelum (AC/RL9)	15%	Shell/Osaka Gas	Shell	Gas/Condensate

Source: Nexus

2.2.1 Longtom project

The Longtom project lies within the VIC/L29 permit area and is located in the offshore Gippsland Basin, approximately 31km from Orbost, Victoria. It was discovered in 1995 by BHP Billiton Limited and is in close proximity to a number of other producing gas fields and development projects, including the Snapper field, the Tuna field, the Marlin field and the Patricia Baleen field. The location of the Longtom field within the VIC/L29 permit is set out in the following figure.

Figure 2



Source: Nexus

Nexus produces gas and condensate from the offshore subsea wells, Longtom-3 and Longtom-4, in the VIC/L29 Petroleum Production Licence block. During the 2013 financial year the Longtom-3 and Longtom-4 wells supplied 11.3 PJ of gas and 88.2 kbbl of condensate and peak production was 59 TJ per day of gas and 500 bbls per day of condensate. The Longtom-5 well targets proven undeveloped gas reserves not currently being accessed by the Longtom-3 and Longtom-4 wells.

Gas and condensate produced from the Longtom gas field is transported via a dedicated pipeline to the Santos operated Patricia-Baleen pipeline and then on to the Santos operated processing facility at Orbost. Under the Longtom GSA, Santos processes the gas and liquids produced from the Longtom gas field. Condensate is typically transported by truck from the processing facility at Orbost to the Shell operated refinery in Geelong.

On 14 May 2013, Nexus announced that it had reached a binding agreement with Santos to amend the Longtom GSA. The revised terms of the Longtom GSA (effective from 1 July 2013) also include the framework for Nexus to supply additional gas volumes to Santos before the end of the 2018 calendar year, which would be considered in light of market conditions at the time and agreement between the parties. The revised Longtom GSA also incorporated a defined work program that is less capital intensive work program compared to the preceding Longtom GSA.

Consistent with the revised terms of the Longtom GSA and an amended production profile, Nexus plans to drill the Longtom-5 well, re-enter the Longtom-4 well to access previously unexploited proven sands and, if market conditions prove attractive and the parties agree, add further volumes through the potential development at Longtom-6 or Gemfish.

Following the announcement that production had ceased at the Longtom gas field on 21 February 2014, Nexus commenced an offshore intervention program as a means of identifying and potentially rectifying the electrical fault that had suspended production. The fault was identified as being contained within the Longtom-3 subsea facilities. The Longtom-3 well was isolated with gas production returning at Longtom-4 on 11 March 2014 (Longtom-3 remains suspended from production).

Nexus has been developing alternative options to enable Longtom-3 production to be returned. These options include a standalone offshore campaign (with limited scope), around October 2014 and an offshore campaign (with full rectification scope), integrated with the proposed Longtom-5 subsea work program in mid 2015. Preliminary capex estimates are in the order of AUD 3 million to AUD 6 million depending on the option chosen. The option chosen will be dependent on the final cost estimates, risk profile of the associated work program together with the timing of first production.

2.2.2 Crux project

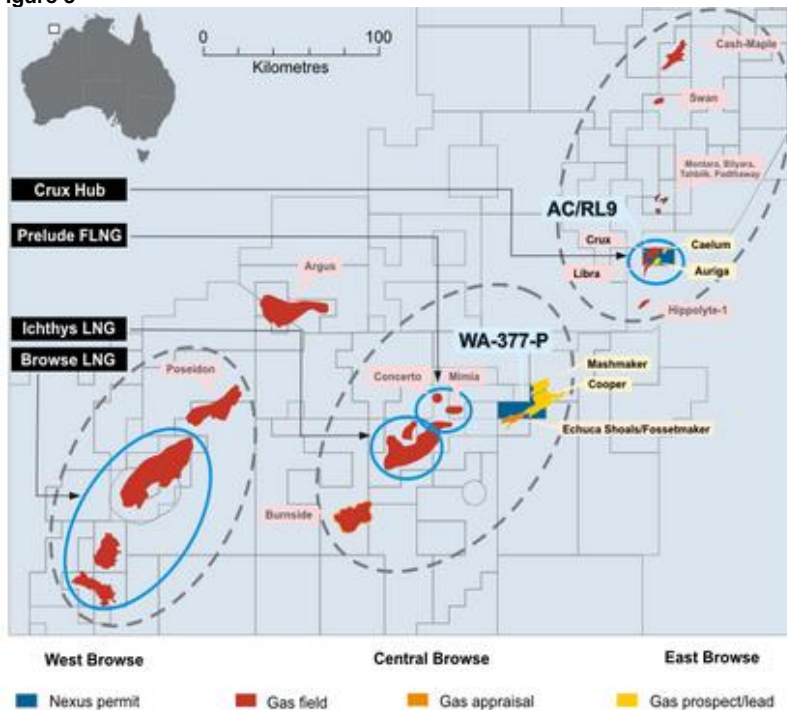
The Crux project lies within the AC/RL9 (formerly AC/P23 and AC/L9) permit areas, in the offshore Browse Basin, Western Australia.

East Browse, which contains the Crux AC/RL9 field, is strategically positioned with other discoveries nearby and is a world class petroleum system with at least four discoveries suited to FLNG technology.

The Crux project has discovered petroleum initially in place volumes of 2.5 Tcf (gas) and 88 MMbbls (condensate) (each on a best estimate (P50) basis). To date, five intersections of the Crux field have been drilled and around 280km² of 3D seismic data has been collected to delineate the structure. Drilling of the Auriga exploration prospect is planned for Q4 2014 and, if successful, may provide significant volume upside (refer to the Resources and Reserves table at Section 2.3).

The location of the Crux gas/condensate project is set out in the following figure.

Figure 3



Source: Nexus

Nexus announced the executed binding agreements with Shell and Osaka Gas for the consolidation of gas and liquids interests in relation to the Crux project on 3 August 2012. In December 2012, Nexus exercised a put option and sold 2% (of its 17% participating interest) in the Joint Venture to Shell for AUD 75 million¹. Following completion, the participating interests in the Joint Venture are Nexus 15%, Shell 82% (Operator) and Osaka Gas 3%.

The Joint Venture completed the process to convert the existing Production Licence (AC/L9) to a Retention Lease in February 2013 for a period of five years (AC/RL9). This required a detailed work program, which included technical studies of a range of development options, including a standalone development concept, and exploration drilling of the Auriga prospect in 2014.

Crux may have sufficient reserves to be a standalone FLNG operation. Alternatively, the JV has commercialisation options that include backfill to the Prelude FLNG operation, which is approximately 160km from Crux. The Prelude FLNG (67.5% Shell) is the world's first FLNG development with capacity of 3.6 mtpa of LNG along with 1.7 mtpa of liquids and other hydrocarbons. Prelude received FID in May 2011 with first production scheduled for 2016/ 2017. Our current fair market valuation in this report is based on the assumption of Crux operating as a standalone FLNG operation (refer to Section 3.1).

No LNG off-take volume has been committed or contracted to date in regards to Crux, and Prelude FLNG has a surplus of capacity which is not contracted.

¹ Prior to August 2012, Crux was a liquids project which Nexus operated and held an 85% interest in the liquids project. The sale of the 2% share in the Crux project reflects a change in liquids/gas participation between Nexus and Shell and an agreement to undertake remediation work on Crux with Osaka Gas.

2.2.3 Echuca Shoals field

Nexus was awarded the WA-377-P petroleum exploration permit, which includes the Echuca Shoals field in March 2006. The permit is located in the offshore Browse Basin. In October 2006, Nexus entered into a farm-in agreement with Shell under which Shell acquired a 34% interest in the permit. In 2010, Shell relinquished its interest in the permit.

Two exploration wells have been drilled within the permit. The Echuca Shoals-1 well is located in close proximity to the Ichthys and Prelude gas fields (which are both approved LNG developments). Fossetmaker-1 was drilled in August 2007, to evaluate the possible eastern extension of the Echuca Shoals gas.

Geological and geophysical studies are continuing to further mature growth opportunities within the permit which include appraisal of the Echuca Shoals/Fossetmaker discoveries and exploration prospects Mashmaker and Cooper. The timing of the next well will be subject to further planning, but is due to be drilled by September 2015.

2.3 Reserves and resources

This summary of estimates of reserves, contingent resources and prospective resources is based on and fairly represents information and supporting documentation prepared by, or under the supervision of, qualified petroleum reserves and resources evaluators. This summary as a whole has been approved by both Ms Hall and Mr Emmett. Ms Hall holds a B. Eng (Met) and is employed by Nexus as Development Manager. Ms Hall has over 20 year's engineering experience in the oil and gas industry, including thirteen years' experience in the evaluation and estimation of petroleum reserves and resources, and is a member of the Society of Petroleum Engineers and the Institute of Engineers Australia. Mr Emmett holds a M. Sc (Geo) and is employed by Nexus as Senior Geologist. Mr Emmett has 35 years' experience in the oil and gas industry, including 10 years' experience in the evaluation and estimation of petroleum reserves and resources, and is a member of the American Association of Petroleum Geologists. Ms Hall and Mr Emmett meet the requirements of qualified petroleum reserves and resources evaluator and have each consented to the inclusion of this summary in the form and context in which it appears.

Reserve Estimates

The reserves reported in this summary have been estimated using probabilistic methods, and are also supported by deterministic modelling of the field geology and reservoir performance.

Table 4

Gas/Condensate Field	License	Nexus %	Sales gas PJ ¹ 2P	Condensate MMStb 2P
Longtom, as at 30 June 2013	Vic/L29	100%	121	1.40

Source: Nexus

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 at the connection of the Patricia-Baleen gas plant to the export gas pipeline

Contingent Resource Estimates

The resources reported in this summary have been estimated using probabilistic methods, and in the case of the Longtom and Crux Fields, these estimates are also supported by deterministic modelling of the field geology and reservoir performance. The volumes previously reported for Grayling-1A, Crux and Echuca Shoals-1 were 'Discovered Petroleum Initially In-Place', prior to the updated reporting requirements under ASX Listing Rules Chapter 5, effective 1-December 2013. Recoverable volumes, which differ numerically to the volumes previously reported, are now reported however the technical basis of the volumes has not changed since last reported.

Table 5

Gas/Condensate Field	License	Nexus %	Gas Bcf (Nexus interest only) 2C	Condensate MMStb (Nexus interest only) 2C
Longtom, as at 30 June 2013 ²	Vic/L29	100%	90	1.14
Grayling-1A, as at 22 April 2014 ³	Vic/L29	100%	25	0.65
Crux, as at 22 April 2014 ^{4,5}	AC/RL9	15%	270	8.63
Echuca Shoals-1, as at 22 April 2014	WA-377-P	100%	25	1.00

Source: Nexus

Notes:

2. Gas volumes are Sales Gas in Bscf Conversion of Sales gas in Bscf to PJ is based on a gross heating value of 1.135 PJ/Bscf
3. Resources reported are inclusive of CO₂ of approximately 21%
4. Resources reported are inclusive of CO₂ of approximately 10.6 - 11.3%
5. All resources within the AC/RL9 permit are based on Nexus in-house assessments

Prospective Resource Estimates

The resources reported in the summary were previously reported as 'Undiscovered Petroleum Initially In-Place', prior to the updated reporting requirements under ASX Listing Rules Chapter 5, effective 1-December 2013. Recoverable volumes are now reported, and in the case of Gemfish, Longtom West and Cooper, some re-assessment of the in-place and recoverable volumes was undertaken. Probabilistic methods have been used to estimate the resources for all of the Prospects. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Table 6

Prospect ^{6,7}	License	Nexus %	Gas Bcf (Nexus interest only) Best (P50)	Condensate MMbbls (Nexus interest only) Best (P50)	Chance of Discovery ⁸	Chance of Development ⁹
Grayling appraisal ¹⁰	Vic/L29	100%	83	1.72	25%	30 - 70%
Gemfish ^{10,11}	Vic/L29	100%	121	5.22	35%	35 - 80%
Longtom West ¹¹	Vic/P54	100%	47	0.44	40%	5 - 10%
Auriga ^{5,12}	AC/RL9	15%	117	3.56	45%	45 - 90%
Caelum ^{5,12}	AC/RL9	15%	112	3.93	50%	35 - 85%
Shiraz ^{5,12}	AC/RL9	15%	21	0.64	45%	35 - 85%
Sextans ^{5,12}	AC/RL9	15%	13	0.47	57%	35 - 80%
Echuca Shoals - Fossetmaker	WA-377-P	100%	535	16.22	30%	35 - 80%
Mashmaker	WA-377-P	100%	818	24.78	26%	35 - 75%
Cooper ¹¹	WA-377-P	100%	237	7.19	18%	30 - 75%

Source: Nexus

Notes:

5. All resources within the AC/RL9 permit are based on Nexus in-house assessments
6. Prospective Resource estimates are for the total mapped structural area, based on Nexus in house studies.
7. Evaluation as of 22 April 2014.
8. Chance of Discovery is the geological chance of success derived from the estimation of factors such as source, migration, structure, reservoir pressure and seal.
9. Chance of Development is derived from the estimation of factors such as economic threshold volume, field development concept maturity, proximity and access to existing or planned infrastructure, market factors, JV and government approval considerations. It should be noted that the estimates are based on information assessed at this point in time, but that these estimates may change with time e.g. market factors. Any significant changes would be reflected in subsequent reporting. The resulting Chance of Development is included as a range so as to represent the uncertainty of the factors considered for the undiscovered volumes.
10. Resources reported are inclusive of assumed CO₂ of approximately 21%, analogous to that measured in Grayling-1A.
11. The Prospect, which is not currently considered a material oil and gas project under the ASX Listing Rules, has been re-evaluated since last reported, resulting in a reduction in the estimated recoverable volumes.
12. Resources reported are inclusive of assumed CO₂ of approximately 10%, based on that measured in nearby fields.

2.4 Funding review

2.4.1 Overview

Nexus has capital and litigation commitments of approximately AUD 260 million over the next four years, to support ongoing capital requirement and future growth of the business, as outlined below:

- **Longtom project:** Nexus suffered operational difficulties resulting in suspension of production at its producing Longtom project on 21 February 2014. As at the date of this report, production has been returned from the Longtom-4 well, however Longtom-3 remains out of production and remedial works will be required to be undertaken (approximately AUD 3 to AUD 6 million)

In addition, Nexus plans to drill Longtom-5 well in late 2014, expand works at Longtom-4 and potentially build upon the development at Longtom-6 or Gemfish (capital requirements estimated to be approximately AUD 110 million)
- **Crux Project:** plug and abandonment costs are required in relation to previous wells drilled at the Crux Project (approximately AUD 45 million) and exploration drilling of the Auriga commitment well required to be completed by February 2015 (approximately AUD 10 million)
- **Echuca Shoals field:** technical evaluation studies are required and timing of the next well will be subject to further planning, however is due to be drilled by September 2015 (approximately AUD 60 million)
- **Sedco settlement:** as announced on 12 March 2014, the terms of the settlement agreement entered into between Nexus, Osaka Gas and Sedco require Nexus to pay Sedco USD 30.0 million. The Sedco settlement is conditional upon Nexus executing a binding asset or corporate sale transaction by 2 April 2014 and such a transaction completing by 31 August 2014.

Nexus had been actively engaged with a number of third parties in relation to various strategic options in order to raise funds to support the ongoing cash requirements of the business, including:

- selling down of an interest in the Crux or Longtom projects
- farming out an interest in exploration permits to meet future exploration commitments
- refinancing the existing Senior Facility with the existing and/or new lenders
- recapitalisation of the Company through the issue of new equity.

The Board had outlined a detailed summary of the options it had considered in regards to meeting the capital and funding requirements, in an ASX announcement on 31 March 2014 and in Section 4.2 of the Scheme Booklet.

2.4.2 Current debt position

The Longtom Senior Facility was previously held by BOSI and then Nomura and Merrill Lynch. Following discussions with Nomura and Merrill Lynch, the Nexus Board of Directors in December 2013 agreed to amend the existing review event provisions to provide the time necessary for the continuance of the Company's various strategic discussions with third parties.

The revised terms provided for a review event that included Nexus executing a binding agreement by 2 April 2014 with a third party that will retire the outstanding Longtom Senior Facility amount of AUD 44.4 million (which includes AUD 2.0 million capitalised on 10 January 2014) and fully cash back the undrawn AUD 60 million letter of credit by 1 July 2014. The letter of credit is required as security under the Longtom GSA with Santos. Should Nexus not meet its obligations to Santos, Santos can draw on the letter of credit (as at the date of this report, the letter of credit remains undrawn). In addition to the review event, if no binding agreement was executed by 2 April 2014, a further AUD 3.0 million would be capitalised to the Longtom Senior Facility, resulting in a balance of AUD 47.4 million.

SGH has acquired from Nomura and Merrill Lynch all of the loans outstanding under Nexus' Senior Facility agreement (including the letter of credit), as well as acquiring more than 66.67% of the subordinated loan notes issued by Nexus.

Nexus has also entered into a Bridge Facility agreement with SGH for a AUD 40 million four month cash advance facility, in order to meet its immediate debt and cash commitments. Any drawdowns on the Bridge Facility require approval by SGH. As the date of this report, the Bridge Facility is yet to be drawn upon.

2.5 Capital structure and shareholders

As at the date of this report Nexus had the following securities on issue:

- 1,330.2 million ordinary listed shares
- 15.9 million unlisted share options

The following table lists the top ten shareholders of Nexus as at 1 April 2014.

Table 7

Shareholder	Number of shares held	% of issued shares
Citicorp Nominees Pty Limited	277,552,711	20.87
Bond Street Custodians Limited	85,230,137	6.41
HSBC Custody Nominees (Australia) Limited	58,474,279	4.40
J P Morgan Nominees Australia Limited	39,506,061	2.97
J P Morgan Nominees Australia Limited	22,594,653	1.70
National Nominees Limited	22,189,784	1.67
Keong Lim Pty Limited	21,571,153	1.62
Hotlake Pty Ltd	16,400,000	1.23
Bond Street Custodians Limited	15,849,660	1.19
Bond Street Custodians Limited	13,989,971	1.05
Subtotal	573,358,409	43.11
Other	756,861,050	56.89
Total	1,330,219,459	100.00

Source: Nexus

The following table summarises the unlisted share options on issue as at 1 April 2014.

Table 8

Issue date	Number of securities outstanding	Vesting date	Exercise price (AUD)	Expiry date
19-Aug-11	696,200	30-Jun-14	Zero	30-Jun-14
3-Apr-12	4,500,000	2-Apr-15	Zero	2-Apr-15
26-Nov-12	2,522,800	30-Jun-15	Zero	30-Jun-15
1-Jul-13	3,971,100	30-Jun-16	Zero	30-Jun-16
27-Nov-13	4,255,300	13-May-16	Zero	13-May-16
Total	15,945,400			

Source: Nexus

2.6 Share price performance

A summary of the share price performance of Nexus is provided in the table below.

Table 9

Quarter end date	High (AUD)	Low (AUD)	Last Trade (AUD)	Volume (million)
30-Sep-10	0.420	0.240	0.415	428
31-Dec-10	0.525	0.400	0.435	563
31-Mar-11	0.490	0.410	0.485	333
30-Jun-11	0.490	0.275	0.310	532
30-Sep-11	0.345	0.120	0.150	534
31-Dec-11	0.345	0.135	0.200	878
31-Mar-12	0.260	0.170	0.210	539
30-Jun-12	0.225	0.110	0.115	587
30-Sep-12	0.160	0.098	0.140	1,214
31-Dec-12	0.155	0.110	0.155	294
31-Mar-13	0.195	0.150	0.165	262
30-Jun-13	0.155	0.082	0.082	264
30-Sep-13	0.088	0.070	0.076	225
31-Dec-13	0.083	0.055	0.068	180
31-Mar-14 ¹	0.077	0.059	0.059	78

Source: CapitalIQ

Note:

1. Share trading has been suspended from 21 February 2014

These share price movements and trading volumes are presented graphically in the figure below.

Figure 4



Source: Nexus, CapitalIQ

Table 10

Notes	Date	Comments
1	1 September 11	Nexus announced an AUD 81.8 million impairment charge relating to Longtom for FY 2011
2	14 March 12	Nexus released a market update on the commercialisation of Crux
	15 March 12	Nexus announced an AUD 162.8 million impairment expense relating to Longtom for the 2012 half year and a write-down of 2P reserves
3	3 April 12	Nexus appointed Lucio Della Martina as the CEO.
4	6 June 12	Production at the Longtom gas processing facility suspended due to an electrical fault
5	3 August 12	Nexus executed a binding agreement with Shell and Osaka Gas for the consolidation of Crux gas and liquids interests. This transaction was completed and approved by the Foreign Investment Review Board in the subsequent months
6	26 September 12	Nexus announced that Don Voelte had agreed to be appointed as the Non-Executive Chairman with effect from 11 October 2012
7	19 December 12	Nexus advised that it had provided Shell with an option notice that would result in the disposal of 2% of Nexus' 17% participating interest in the Crux AC/L9 development project. The put option was agreed at the time of the consolidation of interest transaction with Shell and Osaka Gas (see Note 5 above). The put option provided that Shell would acquire 2% of Nexus' interest for fixed consideration of AUD 75 million. Nexus noted that it intended to utilise a component of the proceeds to pay down the Longtom debt facility and for the notes repayment due on January 2013
8	1 July 13	Nexus announced that the agreement with Santos to amend the Longtom GSA had become unconditional and a new GSA with Santos had come into effect. The new GSA provided for a revised production profile and pricing structure for the delivery of the remaining aggregate contract quantity of 83PJ of gas for the period to 31 December 2018
9	27 December 13	Nexus announced it has been actively engaged with a number of parties in pursuing a range of strategic options, including a partial divestment of a stake in one or more of its assets and refinancing of the Longtom Senior Facility
10	18 February 14	The Company requested a trading halt on 18 February 2014, pending the release of an announcement in relation to updating the market on the Company's strategic review process
	21 February 14	A trading halt was requested on 21 February 2014 in relation to allowing the Company time to consider the implications of the production suspension and operational difficulties at Longtom.

Source: ASX announcements

2.7 Financial performance

Historical income statements of Nexus are summarised in the table below.

Table 11

(AUD million)	Audited FY2012	Audited FY2013	Reviewed Half year ended 31 Dec 2013
Revenue	80.7	52.0	28.6
Operating costs	(66.2)	(33.4)	(23.3)
Gross profit	14.5	18.6	5.3
EBITDA	(218.7)	69.1	(15.0)
EBIT	(250.7)	56.3	(25.5)
Finance Costs	(32.8)	(27.5)	(12.5)
Profit/(loss) before tax	(283.4)	28.8	(38.0)
Non-recurring items:			
Gain on part sale	-	45.8	-
Gain on settlement of obligations of long lead Items	-	9.3	3.8
Impairment of production asset (Longtom project)	(162.8)	-	(22.2)
Impairment of development asset	(81.0)	-	-
Provision for doubtful recovery of prepayments	-	-	(4.1)
Profit/(loss) before tax (excluding non-recurring items)	(39.6)	(26.3)	(15.5)

Source: Nexus

We note the following in relation to the financial performance of Nexus presented above:

- for the six months ended 31 December 2013, Nexus reported revenues from Longtom of AUD 28.6 million, down 35% compared with the half year ended 31 December 2012 (AUD 43.7 million). Nexus reported revenues from Longtom of AUD 52.0 million in FY2013 which were down approximately 36% from AUD 80.7 million reported in the prior year
- gas production for FY2013 declined to 11.3PJ, a 35% decrease from FY2012 when production totalled 17.4PJ. The decline in revenue and production in FY2013 reflects four months of lost gas production at Longtom due to an electrical fault. Gas production resumed on 26 May 2013
- operating costs reduced from AUD 66.2 million to AUD 33.4 million from FY2012 to FY2013, a decline of 49.5%. This reduction is a reflection of the reduced production in FY2013
- impairment costs for the six months ended 31 December 2013 totalled AUD 22.2 million dollars relating to the Longtom project, which has been reflected in profit before tax and non-recurring items
- interest expense decreased 16% from AUD 32.8 million in FY2012 to AUD 27.5 million in FY2013, due to long term borrowings declining from AUD 210.9 million to AUD 146.5 million
- other non-recurring items relate to the following:
 - FY2012 includes an AUD 162.8 million impairment of Longtom and AUD 81.0 million impairment of the former Crux liquids project long lead items
 - FY2013 includes the gain on the sale of the 2% interest in Crux (AUD 45.8 million) and the gain of the settlement of obligations relating to the former Crux Liquids project Long Lead Items (AUD 9.2 million).

2.8 Financial position

The balance sheets of Nexus are summarised in the table below.

Table 12

(AUD million)	Audited 30 June 2013	Reviewed 31 December 2013
Cash and cash equivalents	11.8	10.0
Trade and other receivables	21.8	6.0
Other current assets	2.4	2.2
Total current assets	36.0	18.2
Oil and gas assets	370.4	370.8
Deferred tax assets	112.1	-
Other	23.2	19.2
Total non-current assets	505.7	390.1
Total assets	541.7	408.3
Trade and other payables	14.0	11.0
Borrowings	-	54.2
Total current liabilities	14.0	65.2
Trade and other payables	12.0	-
Derivative financial liabilities	0.3	0.1
Borrowings	146.5	97.2
Long-term provisions	59.9	86.7
Total non-current liabilities	218.7	184.1
Total liabilities	232.7	249.2
Net assets	309.0	159.0

Source: Nexus

We note the following in relation to the balance sheets of Nexus presented above:

- the decline in trade and other receivables primarily relates to the inclusion of a provision for doubtful debts relating to the June 2013 Longtom take or pay receivable, which remains unpaid by Santos
- current and non-current other assets relate to prepaid gas processing fees
- oil and gas assets relate to the exploration development and production assets held by the company. Key movements in the balance of the oil and gas assets are as follows:
 - development assets increased by approximately AUD 28.6 million as a result of expenditure and restoration additions
 - producing assets declined by approximately AUD 28.8 million as a result of impairment and amortisation charges. For the purpose of assessing impairment, the recoverable amount of the Longtom gas field was estimated as its value-in-use. The circumstances that led to the recognition of the impairment loss is primarily the impact of the deferral of the Longtom-5 well
- the deferred tax asset has not been recognised on the balance sheet as at 31 December 2013 as the Company has considered the probability of fully utilising the deferred tax asset and accordingly it has been de-recognised
- current and non-current borrowings are comprised of the following:
 - Senior Facility: as at 31 December 2013, Nexus had an AUD 42.4 million senior secured loan with Nomura and Merrill Lynch. The facility matures on 31 December 2014, unless repaid

earlier. The Company also has a senior secured letter of credit facility, pursuant to which an undrawn AUD 60 million letter of credit has been issued, which is required to be provided in accordance with the terms of the Longtom GSA with Santos.

The interest on the senior secured facility is charged at the Reuters BBSY on the first date of the funding period plus a margin of 350 basis points. Interest is payable on the last day of each funding period. As at 31 December 2013, the interest rate was 6.15% compared with 6.65% as at 30 June 2013.

During the period ended 31 December 2013, the Company agreed to amend the existing review event provision. Refer to Section 2.4 for further details on the latest debt position

- Senior subordinated notes: Nexus has in place AUD 117.6 million (face value) of subordinated notes with bi-annual principal repayments commencing in July 2014 of AUD 11.8 million and a bullet repayment in January 2017 of AUD 58.8 million. The notes carry a semi-annual coupon fixed at 8.5% payable in arrears, with an interest rate step up to 13% from July 2014 until maturity
- long term provisions relate to the rehabilitation of assets of AUD 86.6 million and employee benefits of AUD 0.1 million. The rehabilitation of assets relate to the provision for “plug and abandonment” of Longtom and Crux wells. The provision relating to Crux (AC/RL9) increased by AUD 25.9 million over the six months ended 31 December 2013 as a result of a reassessment of the restoration provision provided by the Joint Venture Operator.

3 Valuation methodology

3.1 Selection of valuation methodologies

To estimate the fair market value of the shares in Nexus we have considered common market practice and the valuation methodologies recommended by ASIC Regulatory Guide 111, which deals with the content of independent expert's reports. These are discussed in Appendix B.

We have applied a sum of the parts methodology to value Nexus as follows:

- interest in the Longtom project and the Crux project held by Nexus - we have selected the discounted cash flow methodology to value the projects due to the following factors:
 - management has provided cash flow projections over the life of the projects
 - these assets have a finite life and thus it is not appropriate to use a capitalisation of maintainable earnings approach
 - significant capital expenditure will be required for these assets.

The key assumptions underpinning the projected cash flows of the projects include production volumes, operating costs and capital costs.

We have undertaken our valuation of the Crux Project on the assumption the project will proceed as a standalone FLNG facility, with FID in 2017 and ready for start-up (RFSU) in 2022. The retention lease sets out three scenarios for the commercialisation of the Crux Project:

- integrated depletion of the asset with backfill of gas to Prelude with RFSU in 2024
- recycle the liquids at Crux with RFSU in 2024 followed by gas depletion to Prelude with RFSU 2028 (with options for either shared or common assets)
- A standalone FLNG solution with RFSU in 2022.

Whilst the retention lease sets a base case for the Crux project to backfill Shell's Prelude FLNG, we have considered the development of a standalone FLNG facility, based on production commencing for a standalone FLNG in 2022, as compared to production under a backfill option, which depends on availability of capacity at Prelude, which is currently estimated at 2028. We consider the development of the Crux Project as a standalone FLNG facility is likely as this stage to result in the highest economic value to Nexus

- premium to the discounted cash flow valuation - we have considered a premium to our discounted cash flow valuation to account for a number of factors which may contribute to the future cash flows of the projects, to a greater extent than included in the discounted cash flow analysis
- corporate costs – we have selected the discounted cash flow methodology to value the corporate costs
- exploration assets – Deloitte Resource Evaluation and Advisory (Deloitte REA) was engaged to provide an assessment of the value of the exploration assets currently owned by Nexus (refer to Section 3.2 for an overview of the role of Deloitte REA). These assets have been valued on a AUD/GJ basis
- specific liabilities
- net debt position as at 1 April 2014.

Our selected methodology, assumes Nexus will continue on a going concern basis. However given the current financial position of Nexus, if the Proposed Scheme is not approved the Board may be compelled to place Nexus into voluntary administration, which may further result in the appointment of receivers and managers. We have therefore also had regard to the value of a share in Nexus on an orderly realisation of assets basis.

To provide additional evidence, we have undertaken the following:

- had regard to the reported book value of the Crux Project as at 31 December 2013, when cross-checking our selected value range

- compared the ratio of enterprise value to 2P reserves (Reserve multiple) and 2C resources (Resource multiple) implied by our valuation of Nexus with the reserve and resource multiples observed for comparable transactions and comparable listed companies
- considered recent share market trading in Nexus.

3.2 Role of the technical expert

Deloitte REA has prepared a report providing a technical assessment of certain key assumptions underpinning the financial models for the Longtom project and the Crux project.

The management of Nexus prepared financial models to estimate the future cash flows for the Longtom project and the Crux project. In relation to each of these models and in respect of each asset/project, Deloitte REA reviewed and/or provided input into the formulation of the following assumptions:

- reserves and resources estimates
- production profiles
- operating expenditure
- capital expenditure
- other relevant assumptions.

Deloitte REA was also engaged to provide an assessment of the value of the evaluation and exploration assets of Nexus.

Deloitte REA prepared its technical report having regard to the code for Technical Assessment and Valuation of Minerals and Petroleum Assets and Securities for Independent Expert Reports. The scope of Deloitte REA's work was controlled by Deloitte. A copy of Deloitte REA's report is provided in Appendix G.

4 Projected cash flows

4.1 Introduction

The Longtom project and the Crux project have been valued using the discounted cash flow method. This method estimates fair market value by discounting an asset's future cash flows to their present value. This section sets out the assumptions used to estimate the future cash flows of the Longtom project and the Crux project.

4.2 The Models

Nexus management has provided Deloitte with financial models, which estimate the future cash flows to be generated from the Longtom project (the Longtom Model) and the Crux project (the Crux Model). The Longtom Model and the Crux Model are referred to collectively as the Models.

As at the date of this report, Longtom-3 remains out of production due to an electrical fault. Management advised that remedial works will be required to be undertaken, however a decision has not yet been made on an appropriate course of action to restore production. Accordingly, Nexus management prepared projections of nominal, after-tax cash flows in AUD assuming Longtom-3 is not restarted (Scenario 1) and Longtom-3 is restarted in the quarter ending September 2014 (Scenario 2).

The Crux Model contains projections of nominal, after-tax cash flows in AUD, and has been prepared based on the JV pursuing the project as a stand-alone FLNG facility.

The Models were prepared based on:

- the latest reserve and resource statements, which have been independently verified by GCA
- the asset development plans for the Longtom project and the Crux project
- contractual arrangements in place relating to the Longtom project
- the assumptions used to estimate the future cash flows of the Longtom project and the Crux project have been determined on a 100% basis (unless otherwise stated).

We have made some adjustments to the cash flow projections in the Models where it was considered appropriate. These adjustments included, but were not limited to pricing, production volumes, foreign exchange rates and inflation.

The analysis we have undertaken in respect of the Models included:

- working with Deloitte REA, to review and/or provide the technical assumptions underlying the Models (refer to Appendix G)
- limited analytical procedures regarding the mathematical accuracy of the Models (our work did not constitute an audit or review of the projections in accordance with the AUASB Standards)
- high level examination of the integrity of the Models, both from the perspective of the accuracy of information modelled and any omissions
- holding discussions with the management of Nexus concerning the preparation of the projections in the Models and their views regarding the assumptions on which the projections are based.

As mentioned in Section 3.2, we have worked with Deloitte REA, who have prepared a report providing a technical review of certain assumptions (reserves, resources, production volumes, and operating and capital costs) underpinning the future cash flows of the Longtom project and the Crux project. Deloitte REA has held discussions with the management of Nexus and reviewed data, reports and other information that is either publicly available or made available to them by Nexus.

Our work did not constitute an audit or review of the projections in accordance with the AUASB Standards and accordingly we do not express any opinion as to the reliability of the projections or the reasonableness of the underlying assumptions. However, nothing has come to our attention as a result of our limited work that suggests that the assumptions on which the projections are based have not been prepared on a reasonable basis unless specified otherwise.

Since projections relate to the future, they may be affected by unforeseen events and they depend, in part, on the effectiveness of management's actions in implementing the plans on which the projections are based. Accordingly, actual results are likely to be different from those projected because events and circumstances frequently do not occur as expected, and those differences may be material.

The key assumptions underpinning our analysis are described in the following sections. All figures are quoted on a total project basis (unless otherwise stated).

4.3 Gas Production

4.3.1 Revenue assumptions

Revenue is a function of sales volumes and prices, which are discussed in the following sections.

Production volumes

The table below outlines the projected gas and condensate production volumes from the Longtom project on a 100% basis under Scenarios 1 and 2 for the period 1 April 2014 to 31 December 2018.

Table 13

	Unit	Scenario 1	Scenario 2
Total gas production	PJ	67.8	73.3
Peak gas production	PJ/CY	24.3	24.3
Year of peak gas production	CY	2016	2016
Total condensate production	Kboe	588	636
Peak condensate production	Kboe/year	212	212
Year of peak condensate production		2016	2016
Last year of production	CY	2018	2018

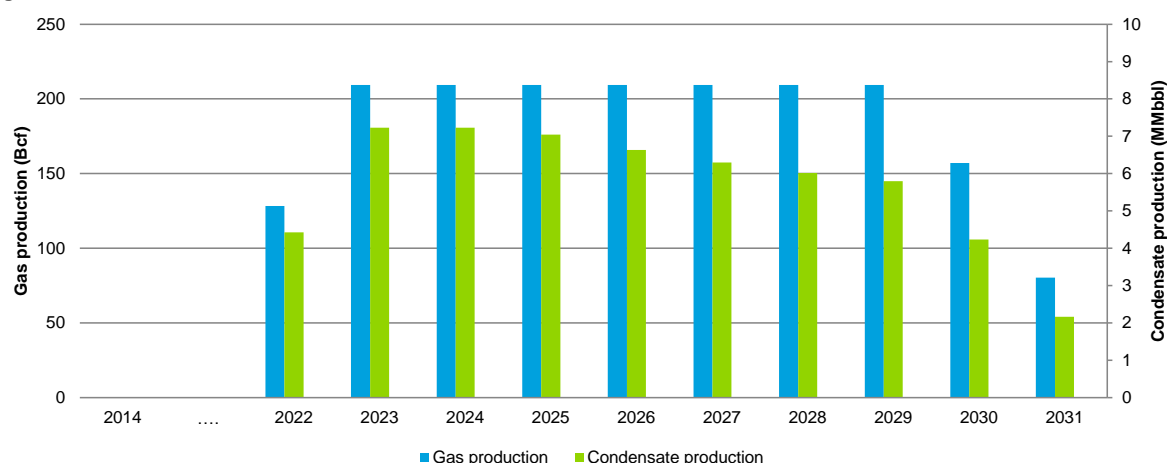
Source: *The Models, Deloitte Corporate Finance analysis*

We note the following in relation to the above:

- gas and condensate production at the Longtom project under the two scenarios assumes the development of Longtom-5 and completion of the Longtom-4 workover. All of this is projected to be sold to Santos at a contracted price over a period of five years ending CY2018. Condensate production is sold on the spot market
- management advised that whilst there may be a risk of shortfall in gas in the near term, as a result of shut down of Longtom 3, the Longtom 4 well is currently meeting nominations
- we consider this production assumption to be reasonable based on the following:
 - under the GSA with Santos, Nexus may supply supplemental quantities of gas up to 25 PJ to Santos over the contract period. Supplemental quantities of gas in excess of this are subject to agreement between both parties and availability of gas processing capacity. Condensate is sold onto the spot market
 - the appropriateness of existing infrastructure to deliver gas flows beyond the existing GSA production requirements
 - total projected production included under Scenario 1 is 67.8PJ and 73.3PJ under Scenario 2. We consider the Longtom reserves to be sufficient to underpin the production forecasts
 - our understanding of potential future demand for Domgas on the East Coast of Australia.

The figure below outlines the projected gas and condensate production volumes from the Crux project on a 100% basis.

Figure 5



Source: Crux Model

We make the following comments in relation to the figure above:

- raw gas production is assumed to commence in CY2022 at 125 Bcf p.a, with production reaching full capacity of 210 Bcf , for the period CY 2023 to CY 2029, and declining progressively thereafter over a period of two years. The gas is projected to be supplied to a FLNG facility over a period of 10 years producing approximately 3.6 mtpa of LNG
- condensate production is assumed to commence in CY2022, peaking at 7.2 MMbbls per year in CY 2024
- the above production scenario assumes total raw gas production of 1,831 Bcf and total condensate production of 57 MMbbls over the life of the project. This results in projected production of approximately 73% of the projected 2,493 Bcf of gas in place and 65% of the projected 88 MMboe of condensate in place, on a 100% basis. We consider Crux's resources are sufficient to underpin the production forecasts.

The assumptions underpinning the production assumptions for the Longtom project and the Crux project have been reviewed by Deloitte REA, and are considered reasonable.

Commodity pricing assumptions

Domgas pricing

Where Nexus has existing Domgas contracts in relation to Longtom, revenues have been modelled according to the contract terms. Due to the commercial sensitivity of pricing agreements, pricing information is generally not publicly available.

Condensate pricing

The condensate expected to be produced by the Longtom project and the Crux project is priced with reference to crude oil prices. In considering an appropriate price to apply to the future sales of oil, we have had regard to the following:

- WTI crude oil price
- IRAC reported by the EIA
- NYMEX futures prices for WTI
- APPI Tapis crude oil prices
- other publicly available industry estimates and commentary, including but not limited to industry research and brokers estimates.

Based on our analysis, we have adopted crude oil pricing, as set out below:

- the NYMEX futures prices in the short to medium term, declining to a longer term oil price assumption
- a long term real oil price in the range of USD 90 per barrel to USD 95 per barrel in real 2014 terms. We have assumed a long term inflation rate of 2.5% in our pricing.

Our selected crude oil pricing assumptions are as follows:

Table 14

USD per barrel	2014	2015	2016	2017	Long term (real)
Deloitte selected assumption	96	89	89	90	90-95

Source: Deloitte Corporate Finance analysis

LNG pricing

In determining an appropriate price to apply to Nexus' LNG sales from the Crux project, we have had regard to the following:

- our understanding of gas prices that are currently being achieved
- the typical LNG pricing formula, as set out below:

$$\text{LNG price} = (A \times \text{JCC}) + B$$

where:

- JCC is the average CIF price of a basket of crude oils sold to Japan in USD/per bbl
- A is typically between 0.12 to 0.165
- B is typical between 0.5 to 1.0

Based on this typical LNG price equation, we have had regard to the following:

- LNG is generally priced based on energy content relative to the price of crude oil, per the equation above, which incorporates the price of the JCC. We have considered long term crude oil prices in the range of USD 90/bbl to USD 95/bbl in real 2014 terms (refer to commentary in Appendix C). We have assumed a long term inflation rate of 2.5% in our pricing
- we have considered a range of long-term AUD/USD foreign exchange rates based on current consensus analyst forecasts (refer to Section 4.6)
- the wellhead price of gas determined for PRRT purposes.

The pricing Nexus ultimately may receive for LNG is uncertain as, at the date of this report, no agreements had been entered into.

Given the potential range of LNG prices ultimately driven by the future supply and demand for LNG, we have adopted a real (in 2014 terms) long term LNG price in the range of USD 14.0 to USD 15.0 per GJ to apply to the potential LNG sales.

4.4 Operating and capital cost assumptions

The key operating and capital cost projections included in each of the Nexus Models are summarised as follows:

- the Longtom Model
 - capital costs (in nominal terms) between CY 2014 and CY 2018 of approximately AUD 115 million for Scenario 1 and AUD 121 million for Scenario 2. These capital costs primarily relate to development of Longtom-5. Management advised that restarting Longtom-3 will cost approximately AUD 3.0 million to AUD 6.0 million and primarily comprises the cost of hiring a vessel with remote operated vehicle capabilities
 - abandonment costs of approximately AUD 71 million (in nominal terms) in CY 2028

- operating costs, which include:
 - fixed well downhole costs including subsea chemical, labour and other materials
 - variable costs including condensate transport costs
 - project related overhead and administration costs including finance, commercial and technical support costs
 - processing costs for gas and condensate produced from the Longtom project based on a fixed tolling fee, escalated annually at inflation, under the Santos GSA
- the Crux Model
 - capital costs are projected to be approximately AUD 11.6 billion (100% interest) in nominal terms, which comprises the costs of the development wells, the floating production, storage and offloading unit and other upstream development costs for the Crux project
 - abandonment costs of approximately AUD 243 million in nominal terms (100% interest) in CY 2032. In addition to these abandonment costs, Nexus is responsible for abandonment costs relating to the Crux-2/ST-1, Crux-3 and Crux-4 wells, incurred prior to the formation of the Crux JV and are expected to be incurred in 2015. As these costs were incurred prior to the formation of the Crux JV, we have treated these costs separately as a surplus liability in our valuation. Refer to Section 5.6
 - operating costs include fixed and variable upstream and FPSO operating costs
- the assumptions underpinning the operating and capital expenditure assumptions for the Longtom project and the Crux project have been reviewed by Deloitte REA, and are considered reasonable.

4.5 Corporate assumptions

The key corporate assumptions in the Models are summarised as follows:

- a corporate tax rate of 30% over the life of the project and that all taxes are paid as and when incurred. Nexus has unused tax losses not brought to account of approximately AUD 155.6 million. We have incorporated these tax losses in the Models
- tax depreciation is based on a useful life of between six to ten years for all capital expenditure and depreciation is commenced at the same time that production commences
- a private royalty payable to a third party
- corporate overheads of approximately AUD 7.0 million in 2014 real terms have been assumed. In determining an appropriate level of corporate overheads, we have adjusted management's budgeted corporate overheads for, amongst others, abnormal and synergy costs including litigation costs, costs associated with a corporate listing and an allowance for staff reduction due to duplication of functions by a potential purchaser. For the purpose of our analysis, we have escalated these overheads at 2.5% per annum to CY 2031. We note we have valued the corporate costs as a separate liability
- no PRRT liability is anticipated to be payable over the life of the Longtom project, at the contracted gas price. This is due to the immediate deduction, roll forward and augmentation of the starting base amount attributed to the Longtom project which is allowable under the PRRT legislation. However, a PRRT liability is anticipated to be payable over the life of the Crux Model
- PRRT credits arising from one project are assumed to be available for deduction against other projects. Accordingly, carry forward PRRT credits are assumed to be transferred from the Longtom project to the Crux project at the end of the Longtom useful life
- we considered the impact of the carbon tax in our valuation analysis however, due to the significant uncertainty around the implementation of the carbon tax, we do not consider the impact of a carbon tax to be material
- there are no material working capital movements.

4.6 Economic assumptions

To convert the USD denominated revenue, operating costs and capital expenditure in the Models to AUD, we have had regard to the following:

- historical and current AUD to USD exchange rates
- the AUD to USD exchange rate forward curve
- forecasts prepared by economic analysts and other publicly available information, including broker consensus.

We have adopted the following foreign exchange rate assumptions (on a calendar year basis):

Table 15

	2014	2015	2016	2017	Long term
Deloitte selected assumption	0.89	0.91	0.87	0.84	0.80

Source: Deloitte Corporate Finance analysis

The future cash flows in the Models are presented in nominal terms using Nexus' selected inflation rate assumptions. In selecting our inflation rate assumptions, we have considered the following:

- the monetary policy adopted by the Reserve Bank of Australia, which is to maintain inflation within a target range of 2.0% to 3.0%
- forecasts prepared by economic analysts and other publicly available information, including broker consensus.

Based on our analysis, we have selected the following inflation rate assumptions (on a calendar year basis).

Table 16

	2014	2015	2016	2017	Long term
Deloitte selected assumption	2.5%	2.7%	2.6%	2.7%	2.5%

Source: RBA and Deloitte Corporate Finance analysis

4.7 Future cash flows attributable to Nexus

With respect to the Longtom project, future cash flows attributable to Nexus are 100% of the projected operating cash flows after on-going maintenance capital costs and Australian corporate tax payments.

With respect to the development scenarios for the Crux field, future cash flows attributable to Nexus are 15% of the projected net operating cash flows after on-going maintenance and construction capital costs, PRRT and Australian corporate tax payments.

5 Valuation of Nexus

5.1 Sum of the parts methodology

For the purpose of our opinion current fair market value is defined as the amount at which the shares would be expected to change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither being under a compulsion to buy or sell. We have not considered special value in this assessment.

To value Nexus using the sum of the parts method requires an estimate of the following:

- the value of the interest in the Longtom project and the Crux project currently owned by Nexus
- any premium to the discounted cash flow
- value of the corporate costs
- value of the exploration assets
- value of specific liabilities of Nexus
- current net debt position.

To provide additional evidence of the fair market value of a share in Nexus, we have considered the following:

- recent share market trading in Nexus
- the reserve multiple implied by our valuation of Nexus compared with the reserve multiples observed for comparable transactions and comparable listed companies.

Our valuation and analysis are set out below.

5.2 Valuation of the Longtom project and the Crux project

The value of the Longtom project and the Crux project has been estimated using the discounted cash flow methodology, which estimates the market value of an asset by discounting the future cash flows to their net present value, using an appropriate discount rate.

Our consideration of each of these factors is set out below.

5.2.1 Future cash flows

The future cash flows relied on for the purpose of the valuation have been described in Section 4. The future cash flows in the Model have been prepared on a nominal, ungeared (i.e. before interest), after tax basis.

5.2.2 Discount rate

The discount rate used to equate the future cash flows to a present value reflects the risk adjusted rate of return demanded by a hypothetical investor. We have selected a nominal after tax discount rate in the range of 11.0% to 12.0% for the Longtom project and 12.5% to 13.0% for the Crux project to discount the future cash flows to their present value.

We have incorporated a risk premium in the discount rate in relation to the Crux project to take account of the following additional risks:

- uncertainty surrounding the timing and nature of any future development concept and environmental concerns
- the project is pre development and long term sales contracts have not yet been secured
- the development timeframe of competing projects particularly those in which Shell has an interest
- the commercial strategies of the respective joint venture parties.

Refer to Appendix D for our detailed overview of the discount rates.

5.2.3 Discounted cash flow valuation

The following operating assumptions have a significant impact on the discounted cash flow analysis:

Table 17

(AUD million)	Discount rate				
	10.5%	11.0%	11.5%	12.0%	12.5%
Longtom project					
Scenario 1	59.5	58.8	58.2	57.5	56.7
Scenario 2	77.6	76.8	75.9	74.9	74.0
		12.0%	12.5%	13.0%	13.5%
Crux project		230.5	193.9	159.9	128.4
Capital costs					
Base costs - 10%		298.6	260.9	225.9	193.4
Base costs		230.5	193.9	159.9	128.4
Base costs + 10%		162.3	126.7	93.7	63.2
FLNG plant start date					
Base year		230.5	193.9	159.9	128.4
Base year + 2 years		140.6	111.1	84.1	59.6
Base year + 5 years		81.5	59.1	39.2	21.4

Source: Deloitte Corporate Finance analysis

The table above indicates a wide range of potential values arising from sensitivities to key assumptions. As the majority of the projected gas is contracted for the Longtom project, we have not presented a sensitivity analysis for changes in gas prices.

Based on our consideration of the above, we have adopted a value range for the Longtom project of AUD 75 million to AUD 80 million. In selecting our value range for the Longtom project, we considered it likely that a potential purchaser would undertake the necessary remedial work to restore production at Longtom 3.

We have adopted a value range for the Crux project of AUD 160 million to AUD 200 million.

Our selected value range is exclusive of additional resources associated with the Crux Project (AC/RL9), which have not been captured within our modelling (refer to Section 5.5). Deloitte REA has estimated this to be in the range of AUD 1.10 million to AUD 9.90 million.

In determining the reasonableness of our selected value range for the Crux Project, we have had regard to the book value of the Crux project (reported as the development asset (AC/RL9) on the balance sheet).

As at 31 December 2013, the development asset was recorded at AUD 247 million. This balance is inclusive of plug and abandonment costs of approximately AUD 45 million, resulting in a net balance of AUD 202 million, which is within the range of our selected value (including value associated with additional resources). We have treated the plug and abandonment costs as a surplus liability (refer to Section 5.6).

5.3 Premium to discounted cash flow value

In preparing the net cash flows attributable to the Longtom project over the projection period, we have considered a number of other items not captured by the discounted cash flow valuation, such as:

- the Longtom project is projected to produce between 67.8 PJ and 73.3 PJ of gas which is approximately 60% to 65% of its 2P reserves. Accessing the additional 2P reserves would require significant capital expenditure to construct and commission the Longtom 6 gas well. Based on our analysis and discussions with Nexus management and the Deloitte REA, the construction of Longtom 6 is not likely to be value accretive to Nexus
- in addition to the reserves utilised for production assumed in the Longtom Model, there remains a significant amount of contingent resources within the Longtom exploration area, which may be converted for production in the future. The value of the additional contingent resources has been separately captured in the valuation of the exploration assets
- a potential purchaser of the Longtom project may be willing to pay a premium in excess of the discounted cash flow value for the strategic value offered by the Longtom project. This strategic value may relate to the potential of the assets held by the Longtom project to significantly increase a potential acquirer's resource base, product diversification and demonstrated production capacity. Given a significant portion of the Longtom project's reserves are already contracted under the Santos GSA and accessing the additional gas reserves would require significant capital expenditure, we consider any strategic value associated with the Longtom project lies in the contingent resources, which have been separately valued.

Based on the above, we have not applied a premium to the discounted cash flow valuation of the Longtom project.

As the Crux project is still at an exploration stage without any 2P reserves, we do not consider a premium to the discounted cash flow to be appropriate.

5.4 Corporate costs

We have estimated corporate overheads of approximately AUD 7.0 million in 2014 real terms and have escalated these overheads at 2.5% per annum to CY 2031 (refer to Section 4.5). We have estimated the value of corporate costs to be AUD 40 million, based on a discount rate of 11.0% and a corporate tax rate of 30%.

5.5 Value of the exploration assets

Deloitte REA provided an independent technical assessment of the exploration assets and estimates of their fair market value. Deloitte REA has had regard to the contingent resource multiple method (i.e. AUD/GJ), with reference to AUD/GJ multiples achieved in comparable transactions.

Based on our analysis and discussions with Deloitte REA, we consider Deloitte REA's valuations to be appropriate for the purpose of our valuation of Nexus. Refer to Appendix G for Deloitte REA's technical expert's report.

The following table summarises Deloitte REA's assessment of the value of Nexus' exploration assets.

Table 18

Permit	Low value (AUD million)	High value (AUD million)
Longtom - 2C resource	0.25	0.36
Gemfish	2.51	8.01
Grayling 1-A	1.02	5.03
Grayling	0.90	2.88
Hussar	0.00	0.00
Longtom West	0.05	0.23
Sub-total (VIC/L29 and VIC/P54)	4.74	16.51
Auriga	0.53	4.78
Caelum	0.52	4.68
Libra	0.00	0.00
Shiraz	0.03	0.27
Sextans	0.02	0.17
Sub-total (AC/RL9)	1.10	9.90
Echuca Shoals-1	1.22	3.89
Echuca Shoals	1.46	6.50
Copper	0.65	2.88
Mashmaker	2.26	9.94
Sub-total (WA-377-P)	5.59	23.21
Total	11.43	49.62

Source: Deloitte REA's technical expert's report

Deloitte REA has assessed the value of Nexus' exploration assets in the range from AUD 11.4 million to AUD 49.6 million, with the preferred value of AUD 23.8 million.

The range in the value of Nexus' exploration assets is driven by the range of confidence levels placed on early exploration assets. The assets are still at the early exploration target stage and therefore there are limitations on the potential attributes of the assets. Recognising this wide range, a preferred value has been selected based on Deloitte REA's consideration of the nature of the exploration assets, location and size.

5.6 Value of surplus assets and liabilities

Surplus assets/liabilities are those assets/liabilities owned or owed by a company that are surplus to its main operating activities, such as unused property, existing obligations, loans or investments. Such assets/liabilities should be valued separately from the main operating activities of the company, after adjusting operating results to remove the net income or expense provided by the surplus assets/liabilities.

We note the following in respect of Nexus' surplus assets and liabilities:

- Nexus has entered into a settlement deed to fully release the Company from a dispute with Sedco. The dispute was in relation to the termination of the Transocean Legend drilling rig contract between Nexus and Sedco. The parties have agreed on a payment of USD 30 million (AUD 32.6 million). The settlement and payment obligation is conditional upon Nexus executing a binding asset or corporate sale transaction by 2 April 2014, with such a transaction completing by 31 August 2014. Should the Proposed Scheme not proceed, the settlement agreement with Sedco would be terminated and Sedco may continue its claim against Nexus for approximately USD 67 million plus interest (USD 13 million as at 12 March 2014), unless an alternative proposal meeting the parameters of the Sedco settlement completes before 31 August 2014. For the purpose of our analysis, we have assumed USD 30 million for the liability to Sedco

- Nexus entered into an offshore installation contract with TDJV in relation to the Longtom project in 2007. TDJV was placed into liquidation in December 2009. TDJV's administrators have asserted that Nexus owes TDJV amounts for work performed under the offshore installation contract (approximately AUD 20 million). Nexus has asserted it has a larger claim against TDJV for its abandonment of the contract. Nexus and TDJV's liquidators continue their good faith discussions in relation to this matter. Due to the uncertain quantum of the contingent liability associated with TDJV, we have not ascribed any value to it
- Nexus is responsible for 85% of abandonment costs relating to the Crux-2/ST-1, Crux-3 and Crux-4 wells, incurred prior to the formation of the Crux JV, which is estimated at AUD 45 million². The plugging and abandonment obligation is based on estimates provided by Shell as operator of the joint venture

For the purpose of our analysis, we have assumed AUD 77.6 million for the liability to Sedco and the Crux abandonment costs.

5.7 Net debt

Nexus' pro-forma net debt position as at 1 April 2014 is set out in the following table.

Table 19

	(AUD million)
Interest bearing liabilities – Senior Facility	47.4
Interest bearing liabilities – Senior subordinated notes plus accrued interest ^{1,2}	114.0
Interest bearing liabilities – Bridge Facility	-
Cash ¹	(4.8)
Net debt	156.6

Source: Deloitte Corporate Finance analysis

Notes:

1. Reflects balances as at 1 April 2014

2. 66.7% of the senior subordinated notes of have been adjusted to 89% of face value of the notes to reflect the notes acquired by SGH plus accrued interest of AUD 4.96 million payable on 15 July 2015

² 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

5.8 Valuation: sum of the parts

The value of Nexus derived from the sum of the parts method is summarised below.

Table 20

	Section	Unit	Low value	Preferred value	High value
Value of the Longtom project	5.2.3	AUD million	75.0	77.5	80.0
Value of the Crux project	5.2.3	AUD million	160.0	180.0	200.0
Value of the operating and development assets		AUD million	235.0	257.7	280.0
Premium to cash flows	5.3		-	-	-
Value of the operating and development assets		AUD million	235.0	257.5	280.0
Corporate costs	5.4	AUD million	(40.0)	(40.0)	(40.0)
Appraisal and exploration assets	5.5	AUD million	11.4	23.8	49.6
Surplus liabilities	5.6	AUD million	(77.6)	(77.6)	(77.6)
Net debt	5.7	AUD million	(156.6)	(156.6)	(156.6)
Equity value (on a control basis)		AUD million	(27.8)	7.1	55.4
Number of shares on issue ¹	2.5	million	1,346.2	1,346.2	1,346.2
Value of a share in Nexus (on a control basis)		AUD	(0.02)	0.01	0.04
Selected value of a share in Nexus (on a control basis)		AUD	nil	0.01	0.04

Source: Deloitte Corporate Finance analysis

Notes:

1. Number of shares based on 1,330.2 million shares on issue plus 15.9 million unlisted share options
2. We are of the understanding SGH has acquired the Senior Facility at a discount to face value, being AUD 44 million (face value of AUD47.4 million). We note if we were to adopt the discounted face value of the Senior Facility in our calculation of the net debt position of Nexus, it would have an immaterial impact on the calculated value of a share in Nexus, and therefore our selected value range would remain the same.

We have based our selected value on the discounted cash flow method on a going concern basis.

Given the current financial position of Nexus however, if the Proposed Scheme is not approved the Board may be compelled to place Nexus into voluntary administration, which may further result in the appointment of receivers and managers. We have therefore also had regard to the value of a share in Nexus, on an orderly realisation of assets basis. To determine the value of a share in Nexus under the orderly realisation method, we have had applied the following adjustments to our selected value on a going concern basis:

- **Longtom and Crux project:** if Longtom and Crux are to be sold on a standalone basis, a potential purchaser may not be able to utilise the corporate tax losses, and any PRRT credits that have arisen from the Longtom project may not be able to be transferred to the Crux project.

In addition, if the Crux project is sold on a standalone basis, Shell and Osaka Gas' pre-emptive right to acquire the asset will be triggered, adding additional uncertainty to any prospective purchaser of this asset (other than Shell) which may further impact the value that may be achieved
- **Corporate costs:** corporate costs associated with the business will no longer be required for the duration of the projected cash flows. We have included one year of corporate overheads to maintain the assets during the orderly realisation period, in addition to costs associated with the appointment of administrators or receivers and managers
- **Sedco liability:** the Sedco litigation (and Nexus' payment obligation) is conditional upon Nexus executing a binding asset or corporate sale transaction by 2 April 2014 and such transaction completing

by 31 August 2014. Should the Proposed Scheme not proceed, the settlement agreement with Sedco would be terminated and Sedco may continue its claim against Nexus for approximately USD 67 million plus interest (USD 13 million as at 12 March 2014), unless an alternative proposal meeting the parameters of the Sedco settlement completes before 31 August 2014. Given the uncertainty associated with Nexus' cash flows, we have adopted the currently agreed USD 30 million as an expected payment obligation.

Based on the above considerations and 66.67% of noteholders agreeing to accept an offer of AUD 0.89 per dollar of face value of the Notes, we have calculated the value of a share in Nexus (on a control basis) under the orderly realisation of assets method to be in range of (0.03) to 0.03, with a preferred calculate value of nil.

5.9 Industry rules of thumb

In addition to our valuation based on the sum of the parts methodology, we have also considered an industry rule of thumb, by estimating the value implied by our valuation of Nexus on an AUD/GJ basis and comparing this to the ratio implied by recent comparable transactions.

This rule of thumb has emerged from market transactions as it can be calculated by analysts based on limited publicly available information. We consider the AUD/GJ rule of thumb provides weak evidence of the value of an oil and gas company for the reasons set out below:

- recent changes in disclosure standards for Australian companies with contingent resources, which has resulted in resource statements dated prior to 31 December 2013, being prepared on a different basis to those reported post 31 December 2013
- the capital expenditure for the subject company is likely to be different to those of the comparable transactions
- the calculation is typically based on 2P reserves and 2P reserves plus 2C resources and therefore does not make allowance for the relative proportion of contingent resources and/or gas in place estimates which may be held, nor does it allow for different cost structures of the deposits held by the subject company and the comparable companies. We have calculated an implied AUD/GJ multiple for Nexus on a 2P reserve and 2P reserve and 2C resource basis
- the rule of thumb assumes the tenements held by the subject company and those subject to the comparable transactions are at the same stage of development
- the rule of thumb assumes that the tenements held by the subject company have the same potential flow rates and gas quality as those subject to the comparable transactions being analysed, which is difficult to establish given the comparable transactions include conventional and non-conventional gas producers
- the rule of thumb ignores the size and commercial/technical capability of the company which owns or operates the tenements and its ability to develop the tenements.

We have presented the value of Nexus, derived from the sum of the parts valuation, on a AUD/GJ basis as follows.

Table 21

	Units	Low value	High value
Enterprise value of Nexus (on a control basis)¹	AUD million	206.4	289.6
Nexus 2P reserves ²	PJ	113.0	113.0
Nexus 2P reserves + 2C resources ³	PJ	554.4	554.4
Reserve multiple (on a control basis)	AUD per GJ	1.8	2.6
Resource multiple (on a control basis)	AUD per GJ	0.4	0.5

Source: Deloitte Corporate Finance analysis

Notes:

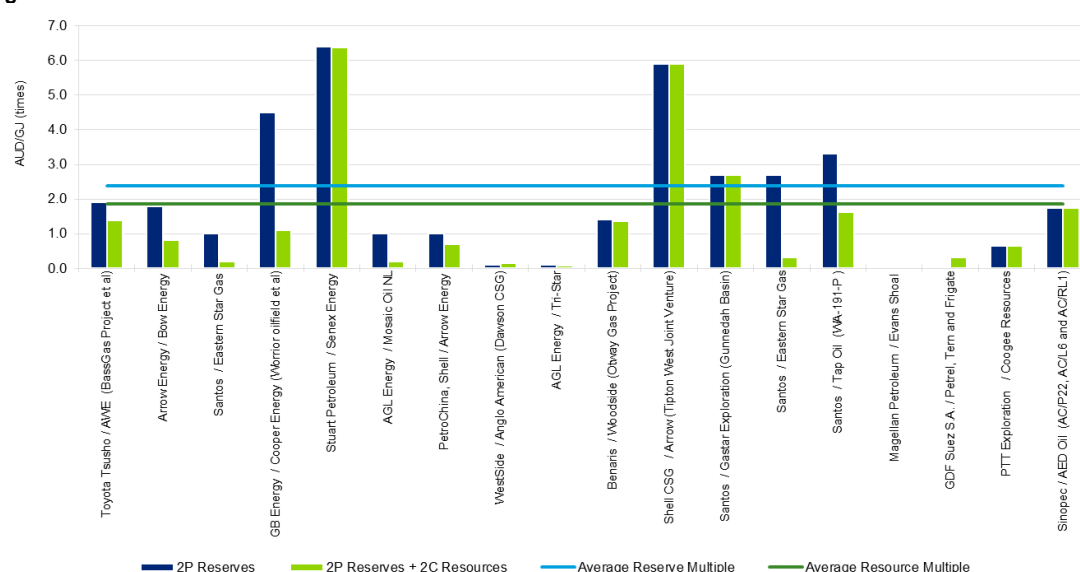
1. The enterprise value excludes the surplus liabilities (additional plug and abandonment costs relating to Crux and the amount payable under the Sedco litigation)
2. 113 PJ calculated using Longtom's 2P gas reserves of 121 PJ as at 30 June 2013 less production of 8 PJ to 31 March 2014
3. Nexus 2P + 2C resources calculated using adjusted 2P reserves of 113 PJ plus 554.4 PJ of 2C resources. 2C resources for Longtom were calculated on the conversion of sales gas in Bscf to PJ by applying a gross heating value of 1.135 PJ/Bscf. All other 2C resources were calculated on the standard conversion of sales gas in Bscf to PJ by being a gross heating value of 1.06 PJ/Bscf resources.

Our selected range for a Nexus share implies the value of Nexus on a AUD/GJ basis in the range of AUD 1.8/GJ to AUD 2.6/GJ, based on Nexus' 2P reserves of 113.0 GJ and a AUD 0.4/GJ to AUD 0.5/GJ based on Nexus' 2P reserves plus 2C resources of 554.4 GJ.

The following chart sets out the reserve multiple implied by comparable transactions in Eastern Australia and the Cooper Basin and Western Australia which have occurred since 2009 (refer to Appendix F for further details on the comparable transactions). We have not presented the general transactions noted in Appendix F as they are significantly larger in size relative to Nexus and principally relate to North American shale oil and gas deposits. We note that the reserve multiples of the comparable transactions which involve the acquisition of a controlling interest could include premiums for control. The reserve multiple implied by our valuation of Nexus includes a premium for control.

The proved and probable reserves multiples are illustrated below.

Figure 6



Source: Deloitte Corporate Finance analysis

In respect of these transactions, we note the following:

- many of the observed transactions are either smaller or significantly larger in size compared to Nexus
- the majority of the larger comparable transactions involve coal seam gas assets, with significant reserves and resources, primarily located within Queensland's Surat Basin. In comparison, Nexus is a conventional offshore gas explorer and producer and therefore has different operating and capital costs relative to coal seam gas companies
- a significant number of the selected comparable transactions relate to the purchase of an equity interest in a single or group of tenements which may not attract the same multiple as a transaction which relates to the purchase of an operating entity. Furthermore, a number of acquisitions include minority interests in the target company or asset which typically excludes a premium for control
- the enterprise value of the comparable transactions may also include other assets in addition to gas reserves, such as pipelines and other infrastructure for which the values have not been separately adjusted. In the case of Nexus, significant value has been ascribed to the Crux project and exploration assets which do not have any reserves or resources, therefore resulting in a higher multiple
- certain transactions were undertaken in conjunction with contracted offtake agreements, such as Shell CSG (Australia) Pty Limited's acquisition of a 12% interest Arrow Energy Limited's Tipton West JV, which may impact the observed multiple
- we have not included the recent transaction between Shell and Nexus concerning the acquisition of a 2% interest in Crux for AUD 75 million, as this was part of a put option granted to Nexus on formation of the Crux JV and therefore is not reflective of the current fair value of a 2% interest in Crux³.

We note that the overall average and median 2P reserve multiples implied by the comparable transactions in Eastern Australia and the Cooper Basin is AUD 2.4/GJ and AUD 1.9/GJ, respectively, which is broadly consistent with the 2P reserve multiples implied by our valuation of Nexus. The overall average and median 2P reserve plus 2C resource multiples implied by the comparable transactions in Eastern Australia and the Cooper Basin is AUD 1.4/GJ and AUD 1.0/GJ, respectively, which is slightly higher than the 2P reserve plus 2C resource multiples implied by our valuation of Nexus.

In addition, we have considered the 2P reserve and 2P plus 2C resource multiples based on share trading of the comparable companies. We note that the overall average 2P reserve and 2P reserve plus 2C resource multiples implied by the comparable trading companies is AUD 3.5/GJ and AUD 1.0/GJ, respectively (refer Appendix E). The AUD/GJ implied by share trading of the selected comparable companies is based on market trading share prices of the companies operating in the conventional gas sector, which do not typically incorporate a premium for control. The comparable trading multiples for 2P reserves are above the implied multiple for Nexus, while comparable trading multiples for 2P reserve plus 2C resources are broadly consistent with the implied multiple for Nexus. We do not consider this provides a meaningful comparison due to various factors including, but not limited to, company profitability, differences in levels of reported reserves and resource and the size of the comparable companies relative to Nexus.

In our view, the 2P and 2C multiples implied by our sum of the parts valuation of Nexus are broadly reasonable compared to the 2P and 2C multiples of recent comparable transactions and the comparable companies, after considering the factors noted above.

³ Prior to August 2012, Crux was a liquids project which Nexus operated and held an 85% interest in the liquids project. The sale of the 2% share in the Crux project reflects a change in liquids/gas participation between Nexus and Shell and an agreement to undertake remediation work on Crux with Osaka Gas.

5.10 Analysis of recent share trading

The market can be expected to provide an objective assessment of the fair market value of a listed entity, where the market is well informed and liquid. Market prices incorporate the influence of all publicly known information relevant to the value of an entity's securities.

The following sets out various announcements by the Company prior to the announcement of the Proposed Scheme:

- the Company requested a trading halt on 18 February 2014, pending the release of an announcement in relation to updating the market on the Company's strategic review process. Post the release of the update on the strategic review, the share price fell from AUD 0.077 to AUD 0.059 per Nexus share on 20 February 2014
- a trading halt was then requested on 21 February 2014 in relation to allowing the Company time to consider the implications of the operational update at Longtom. The Company subsequently, on 25 February 2014, requested voluntary suspension from the ASX for a period of up to three weeks, which was then extended for a period of up to two weeks on 19 March 2014
- several announcements were made to the market during the period between 21 February 2014 and the announcement of the Proposed Scheme on 31 March 2014, including:
 - operational difficulties associated with Longtom and various updates on 21 February 2014, 4 March 2014 and 12 March 2014
 - results of the settlement of the Sedco claim on 12 March 2014
 - release of the 31 December 2013 half year financials, noting a loss (attributable to equity holders) of AUD 150.1 million and that there is a material uncertainty about the Company's ability to continue as a going concern on 14 March 2014
 - a response to media speculation surrounding a potential acquisition of the Company by SGH on 28 March 2014
- no share trading occurred in Nexus shares, between 21 February 2014 and the announcement of the Proposed Scheme on 31 March 2014.

Due to the impact of the trading halt since mid February 2014 and the various announcements made by the Company, we do not consider the closing share price of AUD 0.059 per Nexus Share on 21 February 2014, to reflect the fair market value of Nexus.

Appendix A: Context to the Report

Individual circumstances

We have evaluated the Proposed Scheme for Shareholders as a whole and have not considered the effect of the Proposed Scheme on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Proposed Scheme from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Proposed Scheme is fair and reasonable and therefore in the best interests of shareholders. If in doubt investors should consult an independent adviser, who should have regard to their individual circumstances.

Limitations, qualifications, declarations and consents

The report has been prepared at the request of the Directors of Nexus and is to be included in the Scheme Booklet to be given to Shareholders for approval of the Proposed Scheme in accordance with Section 640. Accordingly, it has been prepared only for the benefit of the Directors and those persons entitled to receive the Scheme Booklet in their assessment of the Proposed Scheme outlined in the report and should not be used for any other purpose. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Shareholders and Nexus, in respect of this report, including any errors or omissions however caused. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Proposed Scheme. This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited.

The report represents solely the expression by Deloitte Corporate Finance of its opinion as to whether the Proposed Scheme is in the best interest of shareholders in relation to Section 640. Deloitte Corporate Finance consents to this report being included in the Scheme Booklet.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte Corporate Finance has relied upon the completeness of the information provided by Nexus and its officers, employees, agents or advisors which Deloitte Corporate Finance believes, on reasonable grounds, to be reliable, complete and not misleading. Deloitte Corporate Finance does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to Nexus management for confirmation of factual accuracy.

Subsequent to the issue of a full draft report to Nexus (including valuation outcome and opinion), Nexus provided us with an updated reserve and resource statement. We updated our valuation analysis to reflect this additional information, which resulted in a minor change to the selected value range of the exploration assets. This change did not change our conclusion.

In recognition that Deloitte Corporate Finance may rely on information provided by Nexus and its officers, employees, agents or advisors, Nexus has agreed that it will not make any claim against Deloitte Corporate Finance to recover any loss or damage which Nexus may suffer as a result of that reliance and that it will indemnify Deloitte Corporate Finance against any liability that arises out of either Deloitte Corporate Finance's reliance on the information provided by Nexus and its officers, employees, agents or advisors or the failure by Nexus and its officers, employees, agents or advisors to provide Deloitte Corporate Finance with any material information relating to the Proposed Scheme.

Deloitte Corporate Finance also relies on the valuation reports prepared by Deloitte REA. Deloitte Corporate Finance has received consent from each expert for reliance in the preparation of this report.

To the extent that this report refers to prospective financial information we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Deloitte Corporate Finance's consideration of this information consisted of enquiries of Nexus personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the AUASB or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

Based on these procedures and enquiries, Deloitte Corporate Finance considers that there are reasonable grounds to believe that the prospective financial information for Nexus included in this report has been prepared on a reasonable basis in accordance with ASIC Regulatory Guide 111. In relation to the prospective financial information, actual results may be different from the prospective financial information of Nexus referred to in this report since anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

Deloitte Corporate Finance holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employees of Deloitte Corporate Finance principally involved in the preparation of this report were Stephen Reid, Director, M.App.Fin.Inv., B.Ec, F Fin, CA; Robin Polson, B.Com, Grad.Dip.App.Fin.Inv.; Odette Linnett, Associate Director, M.App.Fin, B.Com and David Wessels, Client Manager, B.Compt, B.Com (Hons), CA. Stephen and Robin each have many years' experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of 550 Bourke Street, Melbourne, VIC, 3000 acknowledges that:

- Nexus proposes to issue a scheme booklet in respect of the Proposed Scheme between SGH and the holders of Nexus shares (the Scheme Booklet)
- the Scheme Booklet will be issued in hard copy and be available in electronic format
- it has previously received a copy of the draft Scheme Booklet (draft Scheme Booklet) for review
- it is named in the Scheme Booklet as the 'independent expert' and the Scheme Booklet includes its independent expert's report in Annexure 4 of the Scheme Booklet.

On the basis that the Scheme Booklet is consistent in all material respects with the draft Scheme Booklet received, Deloitte Corporate Finance Pty Limited consents to it being named in the Scheme Booklet in the form and context in which it is so named, to the inclusion of its independent expert's report in Annexure 4 of the Scheme Booklet and to all references to its independent expert's report in the form and context in which they are included, whether the Scheme Booklet is issued in hard copy or electronic format or both.

Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of the Scheme Booklet and takes no responsibility for any part of the Scheme Booklet, other than any references to its name and the independent expert's report as included in Annexure 4.

Sources of information

In preparing this report we have had access to the following principal sources of information:

- draft Scheme Booklet, the Proposed Scheme announcement, the Conditional MIA and other transaction documents
- the Longtom and Crux Model
- annual reports for Nexus Energy for FY2012 to FY2013
- unaudited results for the six months ending 31 December 2013
- annual reports for comparable companies
- company websites for Nexus and comparable companies
- other publicly available information, media releases and brokers reports on Nexus, comparable companies and the relevant industry/sectors
- publicly available information on comparable companies and market transactions published by ASIC, Thomson research, Capital IQ, and Mergermarket
- websites and reports of Australian government departments and bureaus including BREE, AER, ABARES and ABS

- IBIS company and industry reports
- other publicly available information, media releases and market analysts' reports on the oil and gas industry

In addition, we have had discussions and correspondence with certain directors and executives, including Susan Robutti, Company Secretary; Joe Torcasio, Financial Controller; Rod Hyslop, Corporate Finance Manager; Lucio Della Martina, Chief Executive Officer and Managing Director; Symon Drake-Brockman, Non-Executive Director; and John Hartwell, Non-Executive Director, in relation to the above information and to current operations and prospects.

Appendix B: Valuation methodologies

To estimate the fair market value of the shares Nexus we have considered common market practice and the valuation methodologies recommended by ASIC Regulatory Guide 111, which provides guidance in respect of the content of independent expert's reports. These are discussed below.

Market based methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its shares or the market value of comparable companies. Market based methods include:

- capitalisation of maintainable earnings
- analysis of a company's recent share trading history
- industry specific methods.

The capitalisation of maintainable earnings method estimates fair market value based on the company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the company's earnings are relatively stable.

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using rules of thumb for a particular industry. Generally rules of thumb provide less persuasive evidence of the market value of a company than other valuation methods because they may not account for company specific factors.

Discounted cash flow methods

Discounted cash flow methods estimate market value by discounting a company's future cash flows to a net present value. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

Asset based methods

Asset based methods estimate the market value of a company's shares based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

These asset based methods ignore the possibility that the company's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements and goodwill. Asset based methods are appropriate when companies are not profitable, a significant proportion of a company's assets are liquid, or for asset holding companies

Appendix C: Oil and gas industry

Introduction

The oil and gas industry consists of two principal segments. The upstream segment explores for, produces and processes crude oil, natural gas liquids and natural gas. The downstream segment refines these outputs into fuels, lubricants and petrochemical products. Upstream oil and gas companies are often referred to as exploration and production companies.

The principal activities of Nexus consist of exploration, development and production of gas and condensate. These activities fall within the upstream segment of the oil and gas industry. The key assets of Nexus, being the Longtom project, the Crux project and the Echuca Shoals field are located in offshore Victoria and offshore WA, respectively. Accordingly, in this section we have presented an analysis of the following:

- oil markets – the global crude oil market and crude oil pricing. Natural gas condensate is typically priced with reference to crude oil prices. As crude oil is a global commodity, we concentrate our analysis on the global market for crude oil
- natural gas markets – notwithstanding trends towards an integration of Australian natural gas markets with markets in south east Asia, as natural gas is currently traded in regional markets and natural gas prices differ by region we concentrate our analysis on the Australian natural gas market.

Oil

Crude oil market

The quality of crude oil produced from a reservoir is primarily determined by its hydrocarbon content, density and sulphur content. While this quality varies from field to field, the refining industry has adapted its input capability sufficiently to deal with a range of qualities. The diversity of this input capability combined with the comparatively low transportation cost for crude oil has resulted in the development of substantial inter-continental trade in crude oil. Consequently the price for crude oil is a function of worldwide demand and supply.

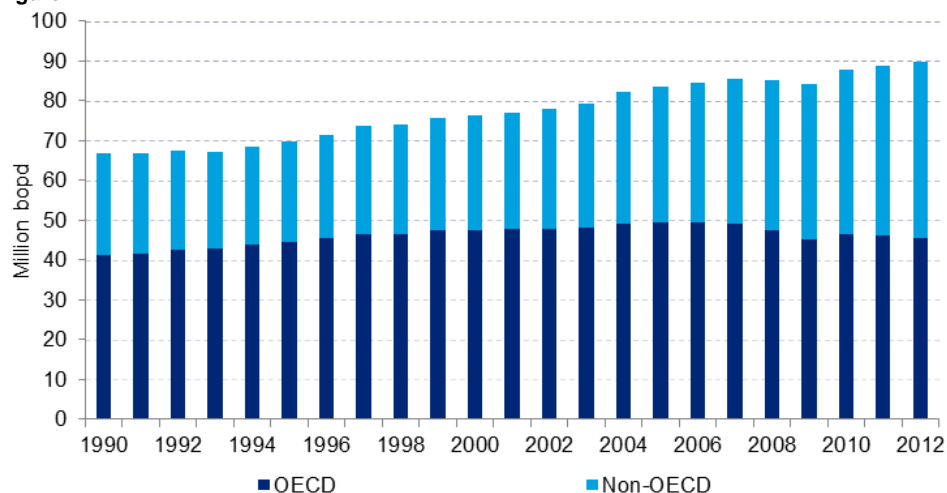
Global crude oil demand

The demand for crude oil is dependent on the demand for goods and services that require oil-related products as inputs. Transportation, in particular road and air transportation, is the principal source of demand for oil constituting over 90%⁴ of petroleum demand. Accordingly, the most important products made from crude oil are petrol and diesel. Other applications of oil derived products include the operation of stationary industrial equipment, including electricity generators, heating and road building.

⁴ IBISWorld

Annual global demand for crude oil from 1990 to 2012 (in million bopd) split between supply from OECD countries and non-OECD countries is summarised in the following figure.

Figure 7



Source: BP Statistical Review of World Energy June 2013

The demand for petroleum products and therefore crude oil is linked to overall levels of global economic activity. IBISWorld cites regression analysis studies undertaken which indicate that the level of real gross domestic product explains just under 90% of the demand for petrol and approximately 98% of the demand for automotive distillate.

The weak economy of the early 1990s resulted in stagnant growth in demand for oil. The revival of economic growth in the member countries of the OECD and the rapid industrialisation of Asia since the mid-1990s has led to an increase in global demand for crude oil. However, demand for global crude oil recently decreased, primarily due to effects of the global financial crisis. In 2012, global oil demand increased by 1.0%, reversing the drop in demand over 2008 and 2009 which followed the GFC.

Analysis prepared by the EIU indicates that oil consumption growth is expected to increase to 1.5% for 2014-15 based on forecasts that the downward-trending Japanese and Eurozone consumption in the prior years will be reversed. However, consumption growth is not expected to reach the highs of the last decade as a result of increasing efforts to reduce energy consumptions (both in the OECD and in some parts of the non-OECD), as well as some substitution with other, cheaper alternative fuel sources.

Australian crude oil demand

The demand for crude oil in Australia is no longer matched by crude oil produced in Australia, with approximately 40% to 50% of crude oil being imported. The bulk of Australia's crude oil production is light grade, typically used in the manufacture of automotive fuel and other light petroleum products. Heavier grade crude oils are used in the manufacture of petroleum products such as fuel oil, diesel oil and lubricating oils. Australia exports light grade crudes that are surplus to domestic requirements and supplements the production of heavier grade crudes with imports.

Crude oil supply

The world's crude oil supply system can be viewed as having two suppliers: the primarily state-owned producers located in countries which are members of the OPEC and the mainly privately-owned producers located in non-OPEC countries. OPEC is an inter-governmental association established to represent the interests of the crude oil exporting countries.

In 2012, OPEC held approximately 1,212 billion barrels of proven oil reserves, representing 73%⁵ of world crude oil reserves. However, OPEC production accounted for only 41% of crude oil production in 2012.

⁵ BP Statistical Review of World Energy, June 2013

The reason for the disparity between OPEC's percentage of reserves and production is its role in managing crude oil production. As part of its mandate, OPEC sets a production quota for each of the member countries⁶. History has shown that certain members of OPEC comply with the quota system and others do not, although in recent years there has been a high level of quota compliance among member countries.

The role of OPEC influences the crude oil market in a number of ways. Firstly, OPEC's supply management supports crude oil prices in the medium term. Secondly, in the short term, crude oil prices can be volatile as OPEC's supply remains relatively constant despite short term changes in demand. Thirdly, the major oil companies, which own most of the world's transportation, refining and marketing systems, do not have an equity interest in OPEC originated crude oil. Accordingly, integrated companies seek to add value to their own oil in the downstream segment before calling on OPEC production. History has shown that as the demand on OPEC crude increases to near OPEC's capacity to supply, prices tend to rise.

Crude oil pricing

There are over 150 different types of internationally traded crude oil (known as markers), which vary in terms of characteristics, quality and market penetration. Crude oil is generally priced relative to a number of key benchmarks or markers. The main criteria for marker crude oil is for it to be sold in sufficient volumes to provide liquidity (i.e. many buyers and sellers) in the physical market as well as having similar physical qualities to alternative crudes.

WTI and APPI Tapis are most relevant crude oil price markers to the Australian crude oil market and are therefore discussed below.

In addition, we have considered IRAC and NYMEX futures price. Whilst these are not markers, they are representative of oil prices and commonly referred to by market participants.

WTI

WTI crude oil is of very high quality, is excellent for refining and is generally described as a light, sweet crude oil. This combination of characteristics, together with its location, makes it an ideal crude oil to be refined in the US, the largest gasoline-consuming country in the world. Although the production of WTI crude oil is on the decline, it is still the major benchmark for crude oil in the US.

WTI is deeply traded on NYMEX and is generally priced at a premium of approximately USD 2 per barrel to the OPEC Basket price and approximately USD 1 per barrel to the Brent price, although on a daily basis the pricing relationships between these indices can vary greatly.

APPI Tapis

In Asia, the pricing mechanism is based on an independent panel approach where producers, refiners and traders are asked for information on actual trades and where there have been none, their best estimate. Any estimates that are significantly high or low are discarded and the quoted price is then an average of views on the market price. The trade in APPI Tapis is limited to approximately six months in the future, which allows for a meaningful comparison to be made when making decisions to buy a APPI Tapis, Brent or Oman/Dubai linked crude, but prevents its use as a long term risk management tool.

IRAC

IRAC is the volume weighted average price of all crude oils imported into the US over a specified period. The US imports more types of crude oil than any other country and consequently, it may represent the average world oil price among all published crude oil prices. The IRAC is generally similar to the OPEC Basket Price and is typically traded at a discount of approximately USD 2 per barrel to the WTI spot price and approximately USD 1 per barrel to the Brent price.

The IRAC is used by the EIA as the world oil price in all of its projection publications, including the Short-Term Energy Outlook, released monthly, as well as the Annual Energy Outlook and International Energy Outlook, both of which are released annually and provide an annual projection looking out approximately 20 years into the future.

⁶ The 12 member countries in OPEC are Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela.

NYMEX futures

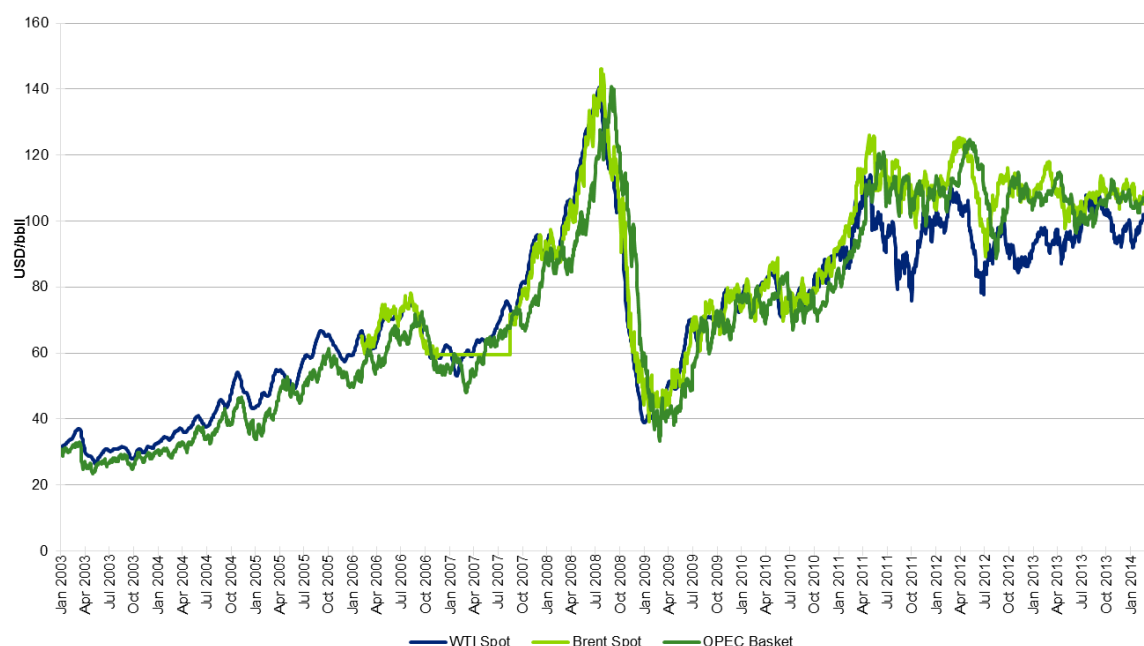
The NYMEX futures price for crude oil represents (on a per barrel basis) the market determined value of a futures contract to either buy or sell 1,000 barrels of WTI at a specified time. The NYMEX market provides important price information to global buyers and sellers of crude oil, making WTI the benchmark for many different crude oils, especially in the US.

Generally, these benchmarks move together though, on occasion, demand differentials for various types of crude create a pricing disparity.

Historical crude oil price analysis

The following figure shows the historical actual WTI, Brent and the OPEC Basket crude oil prices over the last decade.

Figure 8



Source: CapitalIQ

Note: Brent data prior to February 2006 is not available

From January 2004, the WTI crude oil price increased dramatically reaching USD 145.3 per barrel in July 2008. The increase in oil prices during this period can be attributed to a number of factors including:

- unprecedented demand growth from emerging nations such as China and India to support their domestic economic growth
- exploration and production companies not pursuing new projects during periods of relatively low oil prices up to around 2004, thereby limiting the supply of additional oil
- declining production from existing fields
- the role of OPEC in restricting oil production with production quotas for each member state
- global political factors surrounding supply and demand of oil
- growth in the economies of countries such as Japan and Taiwan which do not have their own energy supplies and are therefore dependent on the rest of the world for the supply of energy
- speculative activities by traders in global oil markets.

The WTI crude oil prices experienced a rapid and significant decrease when the GFC commenced in September 2008, reaching a five year low of USD 31.41 per barrel in December 2008. WTI prices have recovered to current prices of approximately USD 80 to USD 100 per barrel.

In our view, oil prices are likely to remain high relative to long term historical averages (our long term oil price assumption is USD 90 per barrel to USD 95 per barrel) due to the following:

- fiscal breakeven oil prices as measured by the International Monetary Fund have increased markedly for most oil exporters in the Middle East since 2009
- alternative carbon based fuel sources such as coal have experienced strong growth in both supply and demand over recent years
- the long term WTI crude oil price forecast in February 2014 by analysts in the range of USD 84 per barrel and USD 105 per barrel with an average of US 95 per barrel
- China, Saudi Arabia and India together had the largest growth in crude consumption among non-OECD countries for the last decade, with economists believing that the weakness in commodity prices since early 2013 can be attributed to concerns about the economic slowdown of China
- hydroelectric and renewable energy have competed strongly against carbon based fuel sources with renewables in power generation growing by 15% in FY2012⁷.

Production and exploration companies will benefit from high oil prices, particularly those with existing infrastructure. High oil prices also provide owners of technically challenging, high cost and unconventional resources with an opportunity to extract oil at a profit.

Gas

Natural gas is a colourless and odourless fossil fuel found in reservoirs within the earth's crust. Natural gas is predominantly composed of methane (referred to as 'dry' gas if almost pure methane), however, other gases, including ethane, propane and butane may also be found (referred to as 'wet' gas when these hydrocarbons are present).

Natural gas is a much cleaner fossil fuel than oil and coal and produces less greenhouse gas per unit of energy released. For an equivalent amount of heat, natural gas produces about 45% less carbon dioxide than burning black coal.

Natural gas is an important energy source due to its abundance and the fact that it offers a number of environmental benefits over other energy sources. In Australia, natural gas is used in the transport, industrial and mining (smelters and refineries) sectors and for the generation of electricity. Alternative uses, which represent potential opportunities for Australian domestic gas to be converted into other products (including energy products), include:

- conversion of gas to liquids
- compressed natural gas
- LNG
- ammonia production
- urea production.

Natural gas

International natural gas market

The natural gas industry is increasingly becoming a global industry with international trade of natural gas and LNG increasing to meet rising global demand. Analysis by the IEA indicated that while demand is increasing, albeit at a slower rate than coal, countries are increasing their dependence on inter-regional trade. Traditionally, North America focused on pipeline gas while the Pacific region focused on LNG. However, North America is now importing LNG from Pacific and Atlantic producers while Pacific consumers have increased their LNG imports from Atlantic producers. Unsurprisingly, this is occurring to cater for the growing demand for energy out of China and India as non-OECD countries continue to be the driving force behind gas demand.

Australian natural gas market

There are two main sources of natural gas in Australia, conventional natural gas and CSG. Conventional natural gas is found in underground onshore and offshore reservoirs trapped in rock, often in association with oil. CSG

⁷ BP Energy Statistics 2013

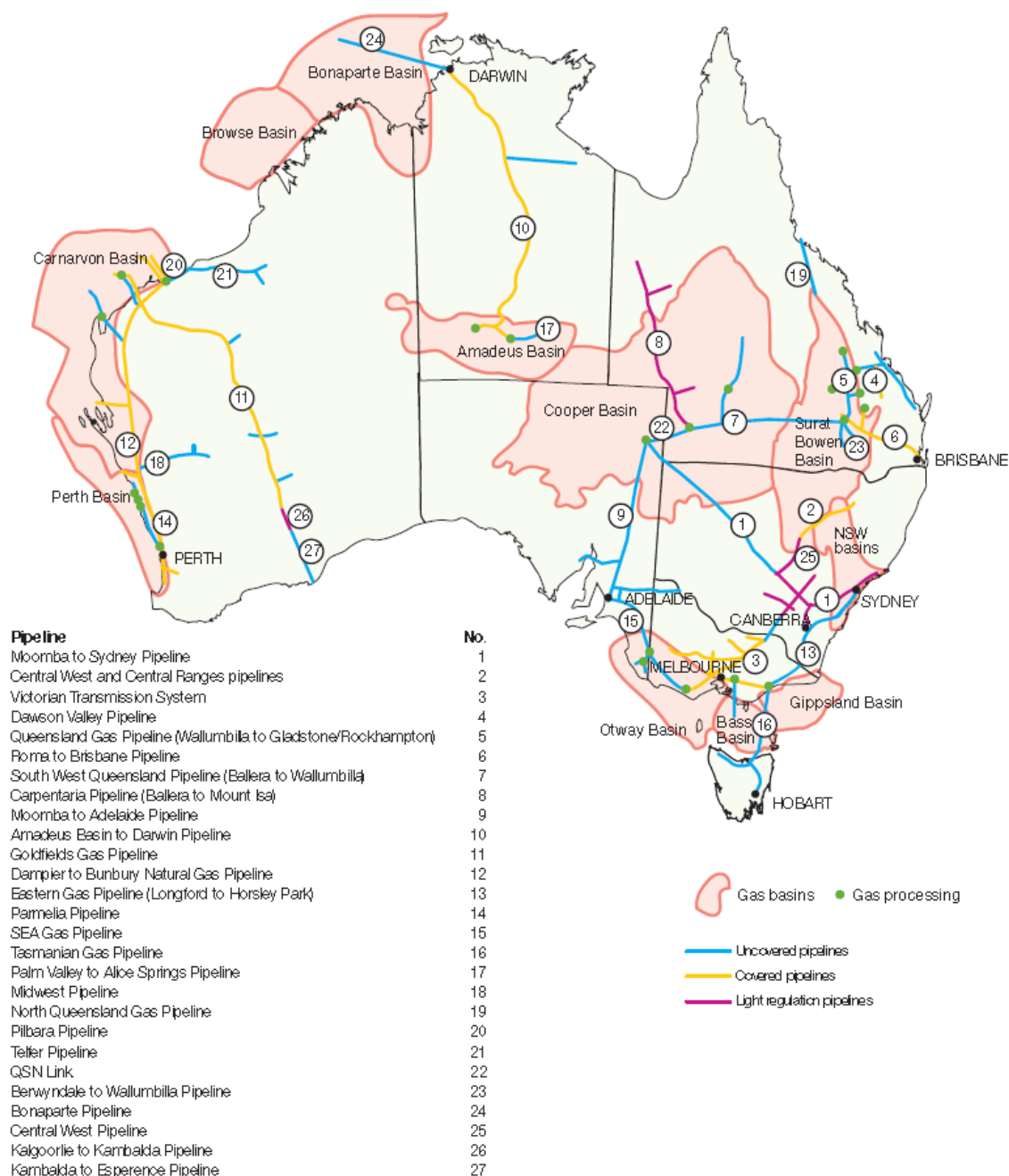
is produced during the creation of coal from peat. The methane is absorbed onto the surface of micropores in the coals.

Australia's natural gas reserves and resources

Australia has abundant natural gas resources estimated at approximately 141,000PJ based on the 2013 State of the Energy Market report. These natural gas resources, however, are not typically located close to the majority of users. Accordingly, Australia's natural gas supplies are linked to major markets by more than 74,000 km of transmission pipelines⁸.

The following figure highlights Australia's natural gas reserves and resources and pipelines

Figure 9



Source: AER

⁸ AER

Australia's major conventional natural gas reserves and resources and production sites are as follows:

- the West/North region – Carnarvon, Browse and Bonaparte Basins⁹
- the East/South region – Gippsland and Cooper-Eromanga Basins.

The following table outlines the natural gas reserves and production in Australia.

Table 22

Gas basin	Production in FY2013		2P Reserves	
	PJ	%	PJ	%
Amadeus	0	0.0	138	0.1
Bonaparte	24	2.2	1,054	0.7
Browse	0	0.0	17,384	12.3
Carnarvon	337	30.6	71,855	50.8
Perth	7	0.6	41	0.0
Total West/North	368	33.4	90,472	63.9
Cooper-Eromanga	86	7.8	1,992	1.4
Gippsland	274	24.8	3,684	2.6
Otway	109	9.9	821	0.6
Bass	11	1.0	250	0.2
Bowen-Surat	1	0.1	135	0.1
Total East/South	481	43.6	6,882	4.9
Conventional supplies	849	77.0	97,354	68.8
Bowen-Surat	248	22.5	41,146	29.1
NSW CSG	5	0.5	2,085	2.0
Coal seam methane	253	23.0	43,231	31.1
Domestic production	1,102	100.0	140,585	100.0
LNG Exports				
Carnarvon	1,089			
Bonaparte	15			
Total LNG exports	1,104			
Total production exports	2,206			

Source: AER

The Carnarvon Basin is the largest known conventional gas bearing basin in Australia and is the greatest source of WA's domestic gas requirements.

The Gippsland Basin is the largest conventional gas supply source in Eastern Australia. Current production is predominantly controlled by a joint venture between ExxonMobil Australia Pty Limited and BHP Billiton Petroleum Pty Limited, with the majority of this gas being sold to Victorian retailers under long term contracts. Delivery of gas to the NSW market is facilitated via the Eastern Gas Pipeline¹⁰, the capacity of which is anticipated to increase to approximately 106 PJ per annum (approximately 268 TJ per day) with a planned expansion which could be commissioned by Q4 2015.

The Cooper-Eromanga Basin is Australia's largest onshore oil and gas project comprising approximately 160 gas fields and 75 oil fields currently in production. Assuming a production rate of greater than 100 PJ p.a. this basin would be capable of supplying gas based on existing 2P reserves, for over fifteen years. This gas is supplied

⁹ The Bonaparte Basin borders WA and the Northern Territory

¹⁰ AER

predominantly through the Moomba processing facility in SA and the Ballera plant in Queensland, which currently provide most of the NSW and ACT, Queensland and South Australia gas supplies.

Natural gas demand

Australia's natural gas markets have historically operated in discrete regions due to the absence of pipelines, coupled with the high cost of gas transportation by other means. The Eastern Australia domestic gas market comprises Queensland, NSW, Victoria, South Australia and Tasmania. WA represents a discrete gas market.

The Australian gas market is dominated by electricity generators and industrial consumers that require gas for large, capital intensive processing plants. These customers tend to place a premium on certainty of supply. The primary consumers of domestic gas produced in Australia are the mining sector (20%), commercial and services (20%) iron and steel (16%) and the chemical sector (15%). BREE projects gas consumption in Australia will reach 2,056 PJ in FY2035, which represents a 2.6% CAGR from FY2012.

Natural gas is currently under-represented as a fuel source in Australia as it is still considered more expensive than coal. However, demand for natural gas is expected to grow relatively strongly, as it is a more environmentally friendly fuel relative to other fossil fuel sources. BREE estimates that the share of electricity produced by gas (including CSG) will increase from 26% in FY2008 to 34% in FY2049.

Growth in LNG exports will be supported by the development of a number of greenfield projects, including the Gorgon LNG project, Prelude FLNG, Wheatstone, the Browse FLNG projects and the North West Shelf LNG project in WA.

There are also a number of proposals to develop CSG to LNG projects in Queensland, all involving production of CSG from the Surat and Bowen Basins for transportation to LNG production facilities in Gladstone and export to Asian LNG markets. These proposals involve a number of large exploration and production companies such as BG Group, ConocoPhillips, Origin, Petronas, QGC, LNG Limited, Shell, PetroChina, China Petrochemical and Santos, with announced first production dates for each project ranging between 2015 and 2018.

Asia is projected to be a key target market for LNG with significant demand projected from China and India. Few countries are able to supply this increase in demand, including Australia, Papua New Guinea, Russia and a few countries from the Middle East. Australia, given its significant gas resources, stable economic and political environment and proximity to Asia is expected to supply a significant proportion of this increased demand for LNG.

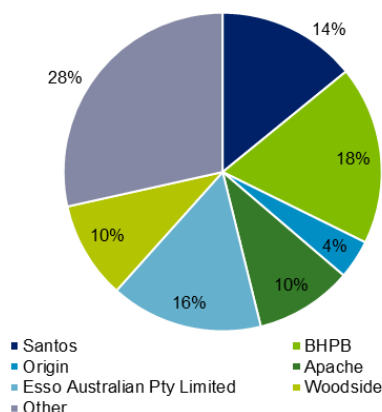
Future demand for natural gas in Australia is expected to increase significantly, primarily due to increased demand for alternative low-carbon fuel sources, principally for power generation, providing feedstock to the LNG sector.

Natural gas supply

Natural gas supply will be affected by the decline in production from the Gippsland and Cooper-Eromanga Basins. In FY2013, these two basins produced a total of 360 PJ of gas, approximately 74% of Eastern Australia's gas supply. Whilst ABARE projects that production from the Gippsland Basin will increase to 381 PJ by FY2030 (based on current 2P reserves), conventional gas production from the Cooper-Eromanga Basin is projected to decline to approximately 10 PJ by FY2030 (in the absence of any technologies being developed to extend the life of these assets).

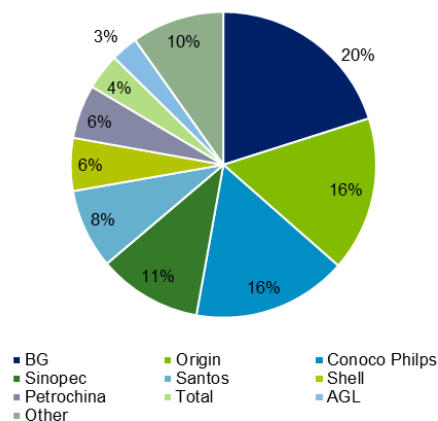
The following figures show the major natural gas producers supplying the Australian domestic market and the major CSG producers.

Figure 10: Natural gas producers supplying the Australian domestic market in 2013



Source: AER

Figure 11: CSG producers in Australia in 2013



The development of LNG facilities in Australia and the export of LNG to Asia provides gas producers with additional sales opportunities, which are expected to put upward pressure on natural gas prices in the region.

Infrastructure

Most of Australia's conventional gas resources are located far from the domestic gas market, which requires additional costs to bring the resources to market. Accordingly, Australia's natural gas supplies are linked to major markets by more than 74,000 km¹¹ of gas transmission pipelines, and additional transmission capacity is under construction in WA, Queensland, NSW, South Australia and Victoria. New gas pipelines will be required in Eastern Australia to supply new gas-fired electricity generators in the future.

Gas transmission pipelines are the link between production facilities and major markets and are critical within the wholesale natural gas market. The majority of the pipelines in Australia are owned by the private sector.

The Eastern Australian pipeline system (connecting the Moomba gas processing facilities in South Australia to markets in Sydney, Canberra and country NSW) was for some time the only interstate gas transmission pipeline. However, in recent years, interstate connectivity is emerging through the construction of new pipelines, such as the Eastern Gas Pipeline.

The following table sets out the major new gas infrastructure projects in Australia.

¹¹ AER

Table 23

Project	Operator	Status	New Capacity (PJ p.a.)	Capital costs (AUD million)	Estimated start up
Expansion projects					
Goldfields pipeline expansion	APA Group	Committed	16	150	2014
Moomba to Sydney	APA Group	Committed	n/a	100	2015
New projects					
Gloucester CSG pipeline	AGL	EIS under way	15-22	50-80	n/a
Great Northern Pipeline	Buru Energy Limited	Government approval underway	up to 90	n/a	n/a
Newstead to Bulla Park pipeline	APA Group	Feasibility study under way	n/a	500	n/a
Wellington Power Station Pipeline	ERM Power Pty Limited	Government approval received	n/a	200	n/a
Arrow Bowen Pipeline	Arrow Energy	Feasibility study under way	50	1000	2018+
Arrow Surat Pipeline	Arrow Energy	Feasibility study under way	360	600	2018

Source: BREE, AER

Natural gas pricing

The demand for natural gas in Australia is influenced by the price of competing fuels. Wholesale Australian domestic gas is priced locally and is generally governed by local long term contracts. Pricing information is generally commercially sensitive and is not typically published.

The main determinants of contract price are volume and flexibility. Generally, the higher the level of volume flexibility, the higher the contract price, while the greater the volume, the lower the price. Contracted customers expect to pay a lower price as they effectively underpin a development.

Recently, there has been increasing upward pressure on the uncontracted domestic gas price in Australia. We consider the following factors have an impact on the future gas price:

- level of activity in the mining and refinery industries
- gas being a relatively low carbon emission fuel
- the Australian government's energy policy, particularly in relation to emissions reduction strategies
- construction of new pipelines
- Australia's proximity to Asia and the disparity between gas prices in the South East Asian region relative to Australia's domestic gas price
- the ability of natural gas producers in Australia to access the Asian LNG export market
- the potential extent of uncontracted gas reserves and resources converting to LNG for export
- international pricing of oil and LNG.

The export of LNG would most likely attract prices in line with current Asian LNG pricing and would therefore place upward pressure on uncontracted domestic gas prices in Australia.

BREE reports that in FY2013, the average price for natural gas and LNG was AUD 3.4 per GJ and AUD 11.4 per GJ, respectively. LNG contract prices are generally linked to oil prices, particularly in the Asia Pacific region where long-term contract prices for LNG are generally linked to Japanese crude oil prices.

The following table sets out identified natural gas contracts signed in 2013 in Australia.

Table 24

Contract signed date	Volume (PJ)	Seller	Buyer	Start	End	Price
1 April 2013	139	Beach Energy	Origin Energy	2014	2021	oil-linked
4 July 2013	25	Drillsearch Energy	Santos	2015	2025	oil-linked
19 September 2013	432	Bass Strait	Origin Energy	2014	2023	oil-linked
20 November 2013	42	Bass Strait	Orica	2016	2019	~\$6,oil-linked
28 November 2013	30	Origin Energy	QCLNG	2014	2015	oil-linked
19 December 2013	20	AGL	Incitec Pivot	2015	2016	~\$9
19 December 2013	100	Origin Energy	Gladstone LNG	2016	2021	oil-linked

Source: Various broker reports

Appendix D: Discount rate

The discount rate used to equate the future cash flows to their present value reflects the risk adjusted rate of return demanded by a hypothetical investor for the asset or business being valued.

Selecting an appropriate discount rate is a matter of judgement having regard to relevant available market pricing data and the risks and circumstances specific to the asset or business being valued.

Whilst the discount rate is in practice normally estimated based on a fundamental ground up analysis using one of the available models for estimating the cost of capital (such as the Capital Asset Pricing Model), market participants often use less precise methods for determining the cost of capital such as hurdle rates or target internal rates of return and often do not distinguish between investment type or region or vary over economic cycles.

Since our definition of fair market value is premised on the estimated value that a knowledgeable willing buyer would attribute to the asset or business, our selection of an appropriate discount rate needs to consider that buyers incorporate other alternatives to the typical CAPM approach in estimating the cost of capital.

For ungeared cash flows, discount rates are determined based on the cost of an entity's debt and equity weighted by the proportion of debt and equity used. This is commonly referred to as the weighted average cost of capital.

The WACC can be derived using the following formula:

The components of the formula are:

$$WACC = \left(\frac{E}{V} * K_e \right) + \left(\frac{D}{V} * K_d (1 - t_c) \right)$$

K_e = cost of equity capital

K_d = cost of debt

t_c = corporate tax rate

E/V = proportion of enterprise funded by equity

D/V = proportion of enterprise funded by debt

The adjustment of K_d by $(1 - t_c)$ reflects the tax deductibility of interest payments on debt funding. The corporate tax rate has been assumed to be 30%, in line with the Australian corporate tax rate.

Cost of equity capital (K_e)

The cost of equity, K_e , is the rate of return that investors require to make an equity investment in a firm.

We have used the CAPM to estimate the K_e for Nexus. CAPM calculates the minimum rate of return that the company must earn on the equity-financed portion of its capital to leave the market price of its shares unchanged. The CAPM is the most widely accepted and used methodology for determining the cost of equity capital.

The cost of equity capital under CAPM is determined using the following formula:

$$K_e = R_f + \beta(R_m - R_f) + \alpha$$

The components of the formula are:

K_e = required return on equity

R_f = the risk free rate of return

R_m = the expected return on the market portfolio

β = beta, the systematic risk of a stock

α = specific company risk premium

Each of the components in the above equation is discussed below.

Risk free rate (R_f)

The risk free rate compensates the investor for the time value of money and the expected inflation rate over the investment period. The frequently adopted proxy for the risk free rate is the long-term government bond rate.

Since there is no zero-coupon government bond issued by the Australian Government, we have utilised the zero coupon bond yield calculated by the Reserve Bank of Australia, which excludes the coupon payments from the 10-year Australian Government Bond. In determining R_f we have taken the 5-day average of the zero coupon 10-year Australian Government Bond yield as at 31 March 2014 and adjusted this rate for the movement from 31 March 2014 to 1 April 2014 resulting in a yield of 4.19%. The 10-year bond rate is a widely used and accepted benchmark for the risk free rate in Australia. This rate represents a nominal rate and thus includes inflation.

Equity market risk premium (EMRP)

The EMRP ($R_m - R_f$) represents the risk associated with holding a market portfolio of investments, that is, the excess return a shareholder can expect to receive for the uncertainty of investing in equities as opposed to investing in a risk free alternative. The size of the EMRP is dictated by the risk aversion of investors – the lower (higher) an investor's risk aversion, the smaller (larger) the equity risk premium.

The EMRP is not readily observable in the market and therefore represents an estimate based on available data. There are generally two main approaches used to estimate the EMRP, the historical approach and the prospective approach, neither of which is theoretically more correct or without limitations. The former approach relies on historical share market returns relative to the returns on a risk free security; the latter is a forward looking approach which derives an estimated EMRP based on current share market values and assumptions regarding future dividends and growth.

In evaluating the EMRP, we have considered both the historically observed and prospective estimates of EMRP.

Historical approach

The historical approach is applied by comparing the historical returns on equities against the returns on risk free assets such as Government bonds, or in some cases, Treasury bills. The historical EMRP has the benefit of being capable of estimation from reliable data; however, it is possible that historical returns achieved on stocks were different from those that were expected by investors when making investment decisions in the past and thus the use of historical market returns to estimate the EMRP would be inappropriate.

It is also likely that the EMRP is not constant over time as investors' perceptions of the relative riskiness of investing in equities change. Investor perceptions will be influenced by several factors such as current economic conditions, inflation, interest rates and market trends. The historical risk premium assumes the EMRP is unaffected by any variation in these factors in the short to medium term.

Historical estimates are sensitive to the following:

- the time period chosen for measuring the average
- the use of arithmetic or geometric averaging for historical data
- selection of an appropriate benchmark risk free rate
- the impact of franking tax credits
- exclusion or inclusion of extreme observations.

The EMRP is highly sensitive to the different choices associated with the measurement period, risk free rate and averaging approach used and as a result estimates of the EMRP can vary substantially.

We have considered the most recent studies undertaken by the Centre for Research in Finance at the Australian Graduate School of Management, Morningstar Inc, ABN AMRO/London Business School and Aswath Damodaran. These studies generally calculate the EMRP to be in the range of 5% to 8%.

Prospective approach

The prospective approach is a forward looking approach that is current, market driven and does not rely on historical information. It attempts to estimate a forward looking premium based on either surveys or an implied premium approach.

The survey approach is based on investors, managers and academics providing their long term expectations of equity returns. Survey evidence suggests that the EMRP is generally expected to be in the range of 6% to 8%.

The implied approach is based on either expected future cash flows or observed bond default spreads and therefore changes over time as share prices, earnings, inflation and interest rates change. The implied premium may be calculated from the market's total capitalisation and the level of expected future earnings and growth.

Selected EMRP

We have considered both the historically observed EMRP and the prospective approaches as a guideline in determining the appropriate EMRP to use in this report. Australian studies on the historical risk premium approach generally indicate that the EMRP would be in the range of 5% to 8%.

In recent years it has been common market practice in Australia in expert's reports and regulatory decisions to adopt an EMRP of 6% to 7%.

Having considered the various approaches and their limitations, we consider an EMRP of 7.0% to be appropriate.

Beta estimate (β)

Description

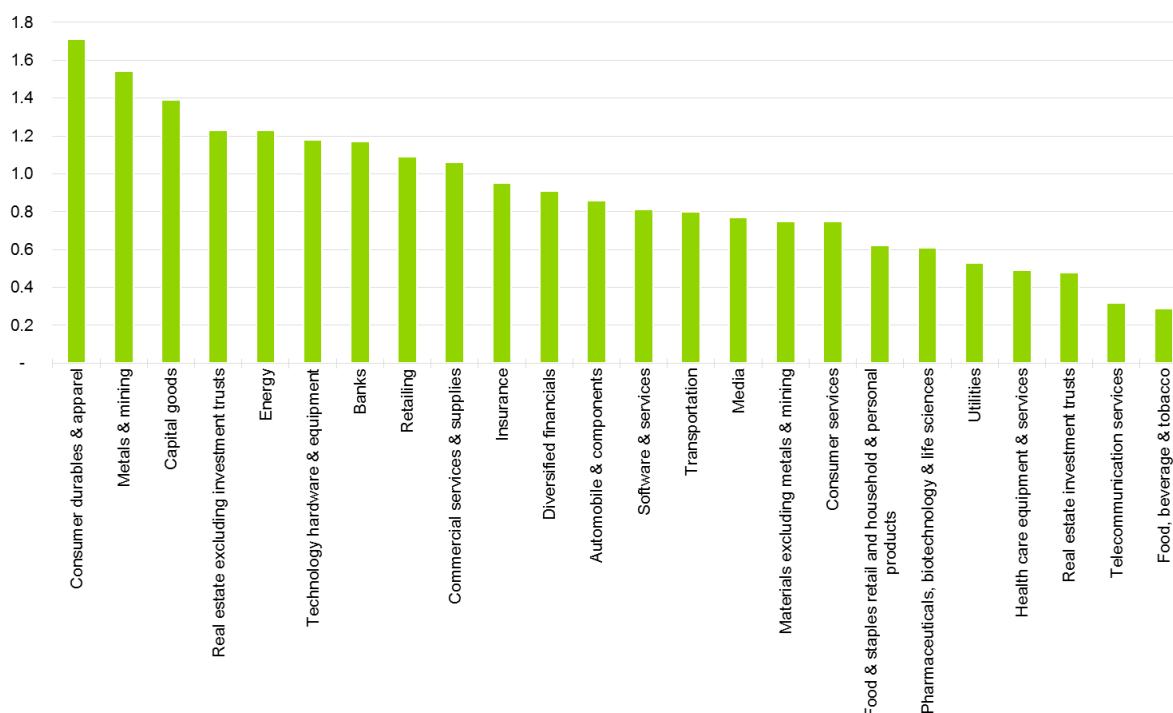
The beta coefficient measures the systematic risk or non-diversifiable risk of a company in comparison to the market as a whole. Systematic risk, as separate from specific risk as discussed below, measures the extent to which the return on the business or investment is correlated to market returns. A beta of 1.0 indicates that an equity investor can expect to earn the market return (i.e. the risk free rate plus the EMRP) from this investment (assuming no specific risks). A beta of greater than one indicates greater market related risk than average (and therefore higher required returns), while a beta of less than one indicates less risk than average (and therefore lower required returns).

Betas will primarily be affected by three factors which include:

- the degree of operating leverage employed by the firm in that companies with a relatively high fixed cost base will be more exposed to economic cycles and therefore have higher systematic risk compared to those with a more variable cost base
- the degree of financial leverage employed by a firm in that as additional debt is employed by a firm, equity investors will demand a higher return to compensate for the increased systematic risk associated with higher levels of debt
- correlation of revenues and cash flows to economic cycles, in that companies that are more exposed to economic cycles (such as retailers), will generally have higher levels of systematic risk (i.e. higher betas) relative to companies that are less exposed to economic cycles (such as regulated utilities).

The betas of various Australian industries listed on the ASX as at 31 December 2013 are reproduced below and provide an example of the relative industry betas for a developed market.

Figure 12



Source: AGSM Risk Management Service

The differences are related to the business risks associated with the industry. For example, the above diagram indicates transportation companies are more correlated to overall market returns with a beta close to 1.0 whereas telecommunications and other infrastructure companies (in particularly those that are regulated) typically have betas lower than 1.0.

The geared or equity beta can be estimated by regressing the returns of the business or investment against the returns of an index representing the market portfolio, over a reasonable time period. However, there are a number of issues that arise in measuring historical betas that can result in differences, sometimes significant, in the betas observed depending on the time period utilised, the benchmark index and the source of the beta estimate. For unlisted companies it is often preferable to have regard to sector averages or a pool of comparable companies rather than any single company's beta estimate due to the above measurement difficulties.

Market evidence

In estimating an appropriate beta for Nexus we have considered the betas of listed companies that are comparable to Nexus. These betas, which are presented below, have been calculated based on weekly returns, over a two year period, compared to the Standard and Poor's ASX 200 index (Domestic Index) and the Morgan Stanley Capital International World Accumulation Index (MSCI Index).

Table 25

Company name	Enterprise value ¹ (AUD million)	% Debt (Debt/EV)	2 year weekly			
			Domestic Index		MSCI Index	
			Levered beta	Unlevered beta	Levered beta	Unlevered beta
Nexus Energy Limited	220	64%	1.33	0.79	0.85	0.51
Australian companies (large market cap)						
Woodside Petroleum Limited	34,419	5%	0.94	0.87	0.60	0.56
Santos Limited	18,206	28%	1.03	0.94	0.78	0.71
Australian companies (mid/small market cap)						
Beach Energy Limited	1,872	0%	1.19	1.19	1.01	1.01
AWE Limited	706	0%	1.43	1.40	1.17	1.14
Drillsearch Energy Limited	787	10%	1.19	1.13	0.89	0.84
Senex Energy Limited	728	0%	1.40	1.40	1.25	1.25
Karoon Gas Limited	441	0%	2.06	2.06	1.71	1.71
Roc Oil Company Limited	257	0%	1.23	1.23	1.28	1.28
Cooper Energy Limited	134	0%	0.53	0.53	0.75	0.75
Carnarvon Petroleum Limited	62	0%	1.08	1.08	0.93	0.93
Cue Energy Resources Limited	37	0%	0.42	0.42	0.29	0.29
Average mid/small market cap			1.17	1.16	1.03	1.02
Low - mid/small market cap			1.19	1.19	1.01	1.01
Median - mid/small market cap			0.42	0.42	0.29	0.29
High - mid/small market cap			2.06	2.06	1.71	1.71

Source: Capital IQ and Deloitte analysis

Note:

1. Enterprise value as at 1 April 2014

The observed beta is a function of the underlying risk of the cash flows of the company, together with the capital structure and tax position of that company. This is described as the levered beta.

The capital structure and tax position of the entities in the table above may not be the same as those of Nexus. The levered beta is often adjusted for the effect of the capital structure and tax position. This adjusted beta is referred to as the unlevered beta. The unlevered beta is a reflection of the underlying risk of the pre-financing cash flows of the entity.

Selected beta (β)

In selecting an appropriate beta for Nexus we have considered the following:

- oil and gas production and exploration assets have varying risk profiles depending on the maturity of the asset and the stage of its development. In considering an appropriate beta for Nexus, we have placed more emphasis on companies that are operating in Australia in the conventional oil and gas sector and have producing assets. The additional risk associated with the Crux project will be reflected in the specific asset risk premium discussed below
- most of the comparable companies have interests in international oil and gas assets, whereas Nexus operates in Australia only. Accordingly, these companies face a number of different opportunities and risks compared to Nexus

- Nexus currently derives 100% of its revenue stream from production at its Longtom project, which is sold to Santos under a GSA until 31 December 2018. Production from the Crux project is assumed to commence in CY 2022 for a period of 10 years (no LNG off-take volumes have been committed or contracted to date)
- we consider Beach Energy Limited, AWE Limited and Roc Oil Company Limited to be most comparable to Nexus in terms of size, however, these companies have broader asset portfolios in comparison to Nexus. The average unlevered beta for these companies is 1.27 and 1.15 based on the Domestic Index and MSCI Index, respectively
- we note the two year beta observed for Cooper Energy is lower than other selected comparable companies, which is a result of movements in the underlying share price of Cooper Energy having a low correlation with the movements observed in the indices. The beta measured over a four year period is 0.53 and 0.75, compared to the Domestic and MSIC Index, respectively
- Woodside and Santos are both engaged in the production of natural gas and are exposed to the LNG market via existing LNG plants in Western Australia (Woodside) and the Northern Territory (Santos), and the development of new LNG plants. Notwithstanding their gas and LNG activities, we consider these companies are only broadly comparable with Nexus as Woodside and Santos are significantly larger and more diversified than Nexus and therefore face a number of different opportunities and risks
- assuming an unlevered beta of 1.10 to 1.20, a corporate tax rate of 30% and the debt to enterprise value ratio of 15% for the Longtom project and 30% for the Crux project, gives a relevered beta of 1.16 to 1.23 for the Longtom project and 1.19 to 1.29 for the Crux project.

On this basis we have selected a levered beta of 1.15 to 1.25 for the Longtom project and 1.30 to 1.40 for the Crux project.

Specific company risk premium (α)

The specific company risk premium adjusts the cost of equity for company specific factors, including unsystematic risk factors such as:

- company size (which we discuss in detail below)
- depth and quality of management
- reliance on one key individual or a few key members of management
- reliance on key customers
- reliance on key suppliers
- product diversity (limits on potential customers)
- geographic diversity
- labour relations, quality of personnel (union/non-union)
- capital structure, amount of leverage
- existence of contingent liabilities.

The CAPM assumes, amongst other things, that rational investors seek to hold efficient portfolios, that is, portfolios that are fully diversified. One of the major conclusions of the CAPM is that investors do not have regard to specific company risks (often referred to as unsystematic risk).

There are several empirical studies that demonstrate that the investment market does not ignore specific company risks. In particular, studies show that:

- on average, smaller companies have higher rates of return than larger companies (often referred to as the size premium)
- on average, early stage assets/companies have higher rates of return than mature companies.

These are discussed separately below.

Size premium

The following table summarises the returns for different size categories from 1926 to 2008 for companies on the NYSE, the AMEX and the NASDAQ.

Table 26

Decile	Market capitalisation of largest company in group ² (USD million)	Summary statistics of annual returns	
		Arithmetic mean return ³ (%)	Size premium (return in excess of CAPM) ¹ (%)
Largest (1st decile)	329,725	10.90	(0.37)
Large (2nd decile)	14,691	12.81	0.74
Mid-cap (3rd – 5th decile)	5,936	13.36	0.85
Low-cap (6th – 8th decile)	1,600	14.81	1.73
Micro-cap (9th – 10th decile)	431	17.01	2.85
Smallest (10th decile) ⁴	214	20.85	6.28

Source: *Market Results for Stocks, Bonds, Bills, and Inflation 2010 Yearbook, Ibbotson SBI*

Notes:

1. Size premium was calculated as the difference between the actual return and the return calculated using the CAPM
2. Market capitalisation was calculated as at 31 December 2009
3. Ibbotson use the 20 year government bond rate in determining the risk free rate
4. Ibbotson provide a further breakdown of the 10th decile, noting that the size premium for the upper half of the 10th decile (decile 10a) was 4.45%, whereas the size premium for the lower half of the 10th decile (decile 10b) was 10.01%. However care must be taken in considering decile 10b due to the volatility of companies in this segment of the market

Early stage assets

Generally, investors in early stage companies/projects often require higher rates of return than investors in mature companies/projects. Venture capitalists are a common source of equity capital for early stage investments. The Australian Venture Capital Guide provides the following indicative guidelines for their required rate of return.

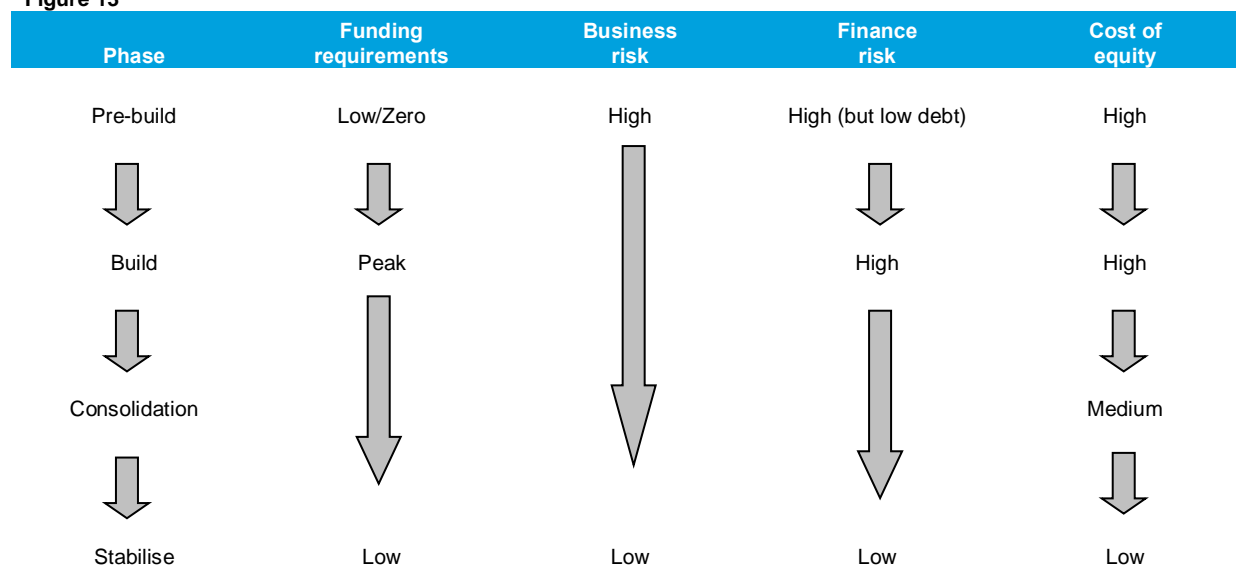
Table 27

Methodology	Required rate of return
Starting a new business	30.0% to 40.0%
Expanding a business, MBOs or MBIs	20.0% to 30.0%

Source: *Australian Venture Capital Guide 2007*

These rates of return are significantly higher than those required for mature listed companies. The reason that the discount rate required for an early stage company is different to that required for a mature company is because the relationship between business risks, finance risks and the cost of equity changes as a company progresses from an early stage company to a mature company. The relationship between business risk, finance risk and cost of equity is illustrated in the following figure.

Figure 13



Source: Adapted from *The Valuation of Businesses, Shares and Other Equity*, 3rd edition, W Lonergan

Selection of specific company risk premium

We have added a specific asset risk premium to the cost of equity for the Crux project, due to the following project specific risks:

- uncertainty surrounding the timing and nature of any future development concept, in particular the risks associated with the development of a FLNG facility
- the ability to secure sufficient long term sales contracts (no LNG off-take volumes have been committed or contracted to date)
- environmental concerns
- future worldwide LNG demand
- the development timeframe of competing projects
- the development of the Crux project will be highly dependent on the position of Shell, both as a majority joint venturer in Crux, as well as a significant holder of other interests in that region. In our valuation of Crux we have considered the cash flows and risks associated with Crux being developed as a standalone project, however it is possible that Shell may consider it is in its best interest to develop the asset as a backfill to its Prelude FLNG operation, which is approximately 160km from Crux.

Based on the above, Nexus is exposed to the uncertainty around the timing and quantum of the project's future positive cash flows. In order to allow for this risk, we have applied a specific company risk of 2.5% to the projected cash flows associated with the Crux project.

Dividend imputation

Dividends paid by Australian corporations may be franked, unfranked, or partly franked. A franked dividend is one that is paid out of company profits which have borne tax at the company rate, currently 30%. Where the shareholder is an Australian resident individual or complying superannuation fund, it will generally be entitled to a tax credit (called an imputation credit) in respect of the tax paid by the company on the profits out of which the dividend was paid. If the recipient of the dividend is another company, the dividend will give rise to a credit in that company's franking account thereby increasing the potential of the company to pay a franked dividend at a later stage.

We have not adjusted the cost of capital or the projected cash flows for the impact of dividend imputation due to the diverse views as to the value of imputation credits and the appropriate method that should be employed to calculate this value. Determining the value of franking credits requires an understanding of shareholders' personal tax profiles to determine the ability of shareholders to use franking credits to offset personal income. Furthermore, the observed EMRP already includes the value that shareholders ascribe to franking credits in the

market as a whole. In our view, the evidence relating to the value that the market ascribes to imputation credits is inconclusive.

Conclusion on cost of equity

Based on the above factors we arrive at a cost of equity, K_e , as follows:

Table 28

	Longtom project		Crux project	
	Low	High	Low	High
Risk free rate (%)	4.2	4.2	4.2	4.2
EMRP (%)	7.0	7.0	7.0	7.0
Levered beta	1.15	1.25	1.30	1.40
Specific company risk premium (%)	0.0	0.0	2.5	2.5
Ke – calculated	12.2	12.9	15.8	16.5

Source: Deloitte analysis

Cost of debt capital (K_d)

We have estimated cost of debt of Nexus to be 300 basis points above the risk free rate. This has been estimated after consideration of the following:

- the interest on the senior secured facility is charged at the Reuters BBSY plus a margin of 350 basis points. As at 30 June 2013 the interest rate was 6.65% compared with 7.54% as at 30 June 2012
- the current subordinated debt facility consists of AUD 104.1 million. The notes carry a semi-annual coupon fixed at 8.5% payable in arrears with interest rate step up to 13% from July 2014 until maturity
- the yield on BBB rated corporate bonds is approximately 290 basis points above the current BBSW. We expect that the pool of potential purchasers for Nexus could have a credit risk profile consistent with a BBB rating
- our selected level of gearing, as discussed below.

Debt and equity mix

We have considered the following factors in estimating the target gearing level for Nexus:

- the existing gearing level of Nexus of 64%. The current high level of gearing is mainly due to debt associated with the development of the Longtom project
- the average market gearing of the comparable companies set out in Table 22
- current gearing levels of oil and gas production and exploration companies have been distorted compared to long term trends due to very strong cash flows generated as a consequence of the recent high commodity prices.

We have adopted a target gearing level of 15% for the Longtom project and 30% for the Crux project.

Calculation of WACC

Based on the above, we have assessed the nominal post-tax WACC for Nexus to be:

Table 29

	Longtom project		Crux project	
	Low	High	Low	High
Cost of equity capital (%)	12.2	12.9	15.8	16.5
Cost of debt capital (%)	7.2	7.2	7.2	7.2
Debt to enterprise value ratio (%)	15.0	15.0	30.0	30.0
Tax rate (%)	30.0	30.0	30.0	30.0
WACC (%)	11.2	11.8	12.6	13.1
Selected WACC (%)	11.0	12.0	12.5	13.0

Source: Deloitte analysis

Appendix E: Comparable entities

Table 30

	EV ¹ (AUD million)	EBITDA multiple Historical	EBITDA multiple Current	EBITDA multiple Forecast	Total 2P certified reserves		Total 2P reserves + 2C certified resources		2P and 2C certification date
					PJ	EV/GJ	PJ	EV/GJ	
Australian companies (large market capitalisation)									
Woodside Petroleum Ltd.	34,419	7.6	6.3	6.4					n/a
Santos Limited	18,206	10.9	8.7	6.3					n/a
Australian companies (mid/small market capitalisation)									
Beach Energy Limited	1,872	5.9	3.4	3.7	540	3.7	3,151	0.6	June 2013
Karoo Gas Australia Limited	441	n.m	n.m	n.m	-	n/a	785	0.6	August 2013
AWE Limited	706	4.8	3.8	3.6	485	1.5	1,004	0.7	June 2013
Drillsearch Energy Limited.	787	16.6	3.2	3.5	169	4.7	286	2.8	December 2013
Senex Energy Limited	728	11.9	7.1	5.8	218	3.3	2,346	0.3	March 2014
Roc Oil Company Limited	257	1.5	1.4	1.7	71	3.6	208	1.2	January 2014
Cooper Energy Limited	134	5.4	3.4	4.0	13	10.7	46	2.9	June 2013
Carnarvon Petroleum Limited	62	14.4	7.0	4.1	28	2.2	28	2.2	December 2012
Cue Energy Resources Limited	37	1.7	n/a	n/a	6	6.3	37	1.0	December 2012
Low	37	1.5	1.4	1.7	-	1.5	28	0.3	
Average	558	7.8	4.2	3.8	170	4.5	877	1.4	
Median	441	5.6	3.4	3.7	71	3.6	286	1.0	
High	1,872	16.6	7.1	5.8	540	10.7	3,151	2.9	

Source: Capital IQ, Deloitte Corporate Finance analysis

Notes:

1. Enterprise value as at 1 April 2014
2. The reserves and resource of large market capitalisation companies range across a number of commodities and assets. They have been excluded from the overall average

Appendix F: Comparable transactions

Table 31

Announcement date	Acquirer	Target	Type	Percent	EV (AUD'm)	Total 2P certified reserves		Total 2C certified resources	
						PJ	EV/GJ	PJ	EV/GJ
General transactions									
13-Nov-12	Sundance Energy Australia Limited	Texon Petroleum	Equity	100.0%	74.7	30.2	2.5	30.2	2.50
30-Apr-12	Eureka Energy Limited	Aurora Oil & Gas Limited	Equity	97.2%	103.7	41.5	2.5	305.8	0.34
24-Feb-12	Consortium led by Apollo Global Management LLC	EP Energy Corporation and El Paso Corporation	Equity	100.0%	7,612.1	4,231.1	1.8	4,231.1	1.8
2-Feb-12	SandRidge Energy Inc.	Dynamic Offshore Resources LLC and associated companies	Equity	100.0%	1,171.8	456.6	2.6	456.6	2.6
23-Jan-12	Apache Corporation	Cordillera Energy Partners III, EnCap Investments, Institutional Investors	Equity	100.0%	2,945.6	415.8	7.1	415.8	7.1
16-Jun-11	Laredo Petroleum Inc.	Broad Oak Energy Incorporated	Equity	50.0%	1,054.1	797.1	1.3	797.1	1.3
8-Mar-11	Sasol Limited	Talisman Energy Incorporated (50% interest in Cypress A acreage)	Asset	100.0%	1,339.4	5,938.1	0.2	5,938.1	0.2
21-Feb-11	BHP Billiton Group	Chesapeake Energy Corporation (Fayetteville Shale assets)	Asset	50.0%	4,779.2	2,545.0	1.9	2,545.0	1.9
20-Dec-10	Sasol Limited	Talisman Energy Incorporated (50% interest in Farrell Creek shale gas)	Asset	100.0%	1,246.9	5,090.1	0.2	5,090.1	0.2
9-Nov-10	Chevron Limited	Atlas Energy Limited	Equity	100.0%	4,371.0	901.4	4.8	901.4	4.8
20-Jul-10	Apache Corporation	BP (Western Canadian upstream gas assets)	Asset	100.0%	3,692.0	1,302.8	2.8	1,302.8	2.8
15-Apr-10	Apache Corporation	Mariner Energy	Equity	100.0%	4,076.9	4,231.1	3.6	4,231.1	3.6
15-Mar-10	CONSOL Energy	Dominion Resources	Equity	100.0%	3,812.1	1,060.4	1.8	1,060.4	1.8
Average - General transactions							2.5	2.4	
Median - General transactions							2.5	1.9	
Eastern Australia and Cooper Basin transactions									
8-Dec-11	Toyota Tsusho Corporation	AWE Limited (11.25% stake in BassGas Project & 2.75% interest in T/18P)	Asset	Various	80.0	41.7	1.9	58.1	1.38
26-Sep-11	Arrow Energy	Bow Energy Limited	Equity	100.0%	431.5	238.0	1.8	526.0	0.82

Announcement date	Acquirer	Target	Type	Percent	EV (AUD'm)	Total 2P certified reserves		Total 2C certified resources	
						PJ	EV/GJ	PJ	EV/GJ
18-Jul-11	Santos Limited	Eastern Star Gas Limited	Equity	77.9%	699.4	684.0	1.0	3,565.0	0.20
8-Mar-11	GB Energy Limited	Cooper Energy Limited (30% in Worrior oilfield, 25% in PEL90 and a 30% interest in PEL93)	Asset	n/a	55.0	12.2	4.5	49.8	1.10
21-Feb-11	Senex Energy Limited	Stuart Petroleum Limited	Equity	100.0%	80.8	12.7	6.4	12.7	6.36
14-Jul-10	AGL Energy Limited	Mosaic Oil NL	Equity	100.0%	93.0	96.5	1.0	495.7	0.19
22-Mar-10	PetroChina, Royal Dutch Shell	Arrow Energy Limited	Equity	100.0%	3,681.4	3,690.0	1.0	5,364.9	0.69
4-Mar-10	WestSide Corporation Limited	Anglo American (51% in Dawson CSG assets)	Asset	51.0%	31.0	212.0	0.1	212.0	0.15
5-Nov-09	AGL Energy Limited	Tri-Star Petroleum Company (0.75% stake in ATP 592, PL 195, PL 203 and 0.0375% stake in PL 204) ¹	Asset	Various	31.5	406.0	0.1	406.0	0.08
2-Nov-09	Benaris International NV and Origin Energy Resources Limited	Woodside Petroleum Limited (51.55% interest acquired in the Otway Gas Project)	Asset	51.6%	1,399.6	1,035.3	1.4	1035.3	1.35
20-Jul-09	Shell CSG (Australia) Pty Limited	Arrow Energy Limited (12% of the Tipton West Joint Venture)	Asset	12.0%	825.0	140.1	5.9	140.1	5.89
2-Jul-09	Santos Limited	Gastar Exploration Limited (35% interest in various Gunnedah Basin exploration permits)	Asset	35.0%	900.0	334.5	2.7	334.5	2.69
2-Jul-09	Santos Limited	Eastern Star Gas Company	Equity	20.0%	954.6	71.5	2.7	2,952.5	0.32
Average - Eastern Australia gas and Cooper Basin							2.3	1.6	
Median - Eastern Australia gas and Cooper Basin							1.8	0.8	
WA Oil and gas transactions									
13-Jan-12	Santos Limited	Tap Oil Limited (8.2% stake in WA-191-P exploration permit)	Asset	8.2%	22.3	6.7	3.3	13.7	1.63
26-Mar-10	Magellan Petroleum Australia Limited	100% interest in Evans Shoal offshore gas field	Asset	100.0%	91.0	n/a	n/a	1,718.6	0.1
18-Aug-09	GDF Suez S.A.	60% interest in the Petrel, Tern and Frigate offshore gas fields	Asset	60.0%	404.2	n/a	n/a	1,279.5	0.3
24-Dec-08	PTT Exploration and Production Public Company Limited	Coogee Resources Limited (owned by Babcock & Brown Ltd)	Equity	100.0%	170	261.7	0.6	261.7	0.6

Announcement date	Acquirer	Target	Type	Percent	EV (AUD'm)	Total 2P certified reserves		Total 2C certified resources	
						PJ	EV/GJ	PJ	EV/GJ
7-Mar-08	Sinopec International Petroleum Exploration and Production Corporation	AED Oil Limited (60% interest in AC/P22, AC/L6 and AC/RL1)	Asset	60.0%	1000	575.8	1.7	605.5	1.7
Average - Eastern Australia gas and Cooper Basin							1.9		0.9
Median - Eastern Australia gas and Cooper Basin							1.7		0.6
Low							0.1		0.1
Average							2.4		1.8
Median							1.9		1.4
High							7.1		7.1

Source: Mergermarket, CapitalIQ, ASX announcements, Deloitte Corporate Finance analysis

Note:

1. AGL also acquired the right to take 400 terajoules of Tri-Star's banked gas from the Spring Gully Project

Appendix G: Deloitte REA report



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5 May 2014

Attention: Mr. Stephen Reid

**RE: Nexus Energy Limited
Technical Expert Review**

Deloitte LLP – Resource Evaluation & Advisory team (“Deloitte-REA”) was retained by Deloitte Corporate Finance Pty Limited (“Deloitte”) to assist in the analysis of technical geophysical, geological, and engineering data related to the preparation of the Deloitte Independent Expert’s Report (“IER”) for Nexus Energy Limited (“Nexus”). The purpose of this letter is to summarize the results of the review conducted by Deloitte-REA.

Scope of Work

The scope of Deloitte-REA’s work and report was limited to a review of Nexus’s assumptions, technical calculations, and financial models related to the Longtom gas project, Crux project, Echuca Shoals asset, and the Longtom West, Gemfish, and Hussar prospects. Specifically:

- in relation to the Longtom gas project and the Crux project, provide input and advice on the appropriateness of the assumptions used in the financial models. Where an assumption is considered unreasonable, provide assistance in making necessary changes to the assumption in the financial model. Specifically, advise on the assumptions with respect to:
 - approvals and licenses to explore/develop and produce from the assets
 - levels of reserves and contingent resources
 - production profile, including production volume and economic cut off
 - operating expenditure
 - capital expenditure
 - any other assumptions considered relevant
- provide an opinion on the value of the exploration assets held by Nexus, namely the Echuca Shoals asset, and the Longtom West, Gemfish and Hussar prospects. Include a description of the valuation

methodologies adopted, the key assumptions used, and calculations performed as part of the valuation of these exploration assets

- as appropriate, review any materials previously prepared by technical experts engaged by Nexus.

Technical Discussion

Reservoir Characteristics (all projects and prospects)

The reservoirs are reported to be comprised of interbedded sandstone, siltstone, mudstone and minor coal within the Plover and Nome Formations. Plover Formation sands are not present in the Crux 1 well. The Nome Formation has been subdivided into upper (A Sand) and lower (B Sand) sandstone intervals. Sand A was cored in the Crux-1 well and has been interpreted in the reports as being deposited in a relatively high energy fluvial environment. The sands are crossbedded and quartz rich, being medium to very coarse grained. Quartz overgrowths are the dominant cement. Logs indicate occasional cemented intervals of high resistivity and low gamma. These are probably carbonate cemented zones, possibly with calcite or siderite. Other zones which display suppressed resistivity with very slight gamma ray increase are probably pyrite cemented. Cemented zones such as these are usually thinly layered with zero porosity; only occasionally do they occur in disseminated, porosity reducing amounts. The most conspicuous authigenic clay type throughout the target horizons is kaolinite. Total clay volume in Sand A is extremely low. Over the cleanest parts of the core, petrographic point counting indicates < 2% total clay. Grain density ranges between 2.63g/cc and 2.68g/cc with average 2.65g/cc confirming the quartz rich nature of the reservoir sands.

Petrophysical Review

Nexus supplied Deloitte-REA with petrophysical field studies of the Crux and Longtom Fields. Included in the reports were petrophysical evaluations of the reservoir sandstones using wireline log data supported by sample cuttings, conventional core and percussion sidewall cores, pressure and drillstem tests ("DSTs"), fluid samples and mud gas information. The results are summarized in the reports as tables of reservoir parameters. These values were used in estimates of recoverable volumes.

The petrophysical methodology utilized by Nexus, to accumulate net pay, and to compute average reservoir parameters (effective porosity and water saturation) for all the various formations and wells in the project areas are reasonable in the opinion of Deloitte-REA. Deloitte-REA performed independent analyses of the Crux Field wells and found that the results obtained for reservoir parameters did not vary materially from those provided to Deloitte-REA by Nexus.

Nexus used similar petrophysical methodology and similar petrophysical parameters for the Longtom Field and outlying wells as was used for the Crux field. Differences in analysis including varying the R_w values as well as the exponents used in the Archie equations by zone and depth based on observed data within the other areas.

Set out in Appendix 1 is a detailed summary of Nexus' reported reserves, contingent and prospective resources.

Geophysical Review

There has been extensive geophysical support for all the exploration prospects, specifically:

- Longtom: the Gemfish, Grayling, Hussar and Longtom West interpretations did not provide means of estimating prospect areas. Based on materials provided however, the technical evaluations have been quite impressive in terms of quality of data used for the evaluation, structural and quantitative seismic interpretation, column height, sand thickness, net-to-gross ratio, conformance to structure, amplitude and fluid discrimination, and depth conversion methodology to improve on depth uncertainty.
- Crux: the Auriga, Caelum, and Shiraz provided area polygons for each of the respective prospects. Porosity, net-to-gross ratio, and other pertinent reservoir parameters were included within the data provided and have been reviewed.
- Echuca Shoals, Cooper and Mashmaker prospects: Tithonian & Plover Formation prospects provided porosity, net-to-gross ratio, saturation, recovery factors, column heights, compartmentalization, enhanced 3D seismic data used for the geology and geophysics evaluation and depth conversion methodology.

Overall, Deloitte-REA finds the geophysical work completed to be extensive and provides excellent support to both the reserve and resource estimates.

Reserves Evaluation

Nexus holds a 100 percent interest in the production licence Vic/L29, including the producing Longtom asset. Nexus supplied Deloitte-REA with their most recent independent reserves evaluation for Longtom prepared in accordance with SPE-PRMS by Gaffney Cline & Associates (“GCA”) effective 31 December 2011 and dated April 2012 (“GCA Report”) as well as their most current financial models for the asset as of April. The financial models incorporate the most up-to-date production forecasts for Longtom based on Nexus internal reservoir simulation, rate-transient analysis, and three different scenarios for the reactivation of Longtom-3. The internal Nexus reservoir simulation on which the financial model is based underwent a full update in 2011 and 2012 and was finalized in March, 2012. The results of this simulation work were provided to GCA and incorporated in their April, 2012 report. Nexus has continued to update the reservoir simulation as additional production history becomes available and the adjusted results are updated regularly within the financial model. Deloitte-REA has reviewed the production forecasts within both the GCA Report and the Nexus financial model and finds them to be reasonable with respect to reserves, production forecasts, operating costs, and capital expenditures.

Longtom Remaining Sales Gas Reserves Summary – PJ

	1P	2P	3P
GCA Report December 31, 2011	91.7	137.4	181.3
GSA data adjusted for production to June 30, 2013 ⁽¹⁾	75.6	121.3	165.2
Financial Model April 2014 – LT-3 not restarted	75.8	n/a	n/a
Financial Model April 2014 – LT-3 restarted	81.3	n/a	n/a

Note (1): Adjusted by Deloitte-REA by subtracting 2012 and 2013 production

As the most recent GCA Report is effective 31 December 2011, Deloitte-REA has deducted production volumes between 31 December 2011 and 30 June 2013 in order to reflect an approximate current GCA

estimate. The 30 June 2013 volume HAS NOT been evaluated or reported by GCA, it is included only for comparison purposes to the current Nexus financial models. As shown above, the current financial models include somewhat less 1P and 2P reserves than the GCA estimate. Based on conversations with Nexus staff, the volumes within the financial model are based on forecasts derived from reservoir simulation and rate transient analysis. This is an acceptable forecasting methodology and Deloitte-REA is satisfied that the results are reasonable. The financial model, as reviewed by Deloitte-REA, does not include a case to model the 3P reserves.

Capital costs within the financial model are included for drilling of the Longtom 5 well, workover of Longtom 4 (to activate the 400 zone), and other recurring expenses. There is a case presented that assumes Longtom 3 is not reactivated and two cases (with different timing and capital assumptions) for the reactivation of Longtom 3 in July/August 2014. The most significant capital expenditure (Longtom 5) is supported by an independent cost estimate prepared by AGR. It is noted that this estimate does not include mob/de-mob costs or well logging, however, the cost used in the model has been inflated over the AGR estimate by approximately 75 percent which should be sufficient to cover the additional contemplated expenses. A detailed capital estimate was also presented for the reactivation of Longtom 3.

Operating costs have been based on both historical costs as well as go-forward estimates provided by the operator. Gas gathering and processing charges are governed by a contract with Santos and have been appropriately reflected in the financial model.

Resource Appraisals

All resource volumes presented below have been prepared by Nexus staff (Ms. Hall and Mr. Emmett) in accordance with ASX Listing Rules Chapter 5. Both Ms. Hall and Mr. Emmett have disclosed that they meet the requirements of qualified petroleum reserves and resources evaluators. All of the recoverable volumes presented below are unrisked, best estimate cases per SPE-PRMS definitions (as provided by Nexus). Deloitte-REA has estimated a chance of development (which includes a chance of discovery) of each prospect based on information provided by Nexus and our own professional opinion. All resource estimates have been prepared using probabilistic methods and, for Crux and Longtom, supported by deterministic modelling of the field geology and reservoir performance. Deloitte-REA has adjusted the recoverable volumes disclosed by Nexus to account for CO₂ in the gas composition, where applicable. Since royalty payments for these Permits are not based on production volumes there have been no deductions from the Nexus share volumes reported herein.

Longtom

GCA has reported that there is an additional 102 PJ of best estimate (2C) recoverable contingent resources at Longtom that has been allocated to each of the currently producing zones. These volumes are corroborated by estimates provided by Nexus, prepared according to SPE-PRMS. While it is conceivable that there may be additional volumes to be recovered, there does not appear to be sufficient technical justification for these volumes. There is no discussion included in the GCA report that indicates how these volumes would be recovered, nor is there a production forecast provided by either Nexus or GCA that could be used for valuation purposes within the financial model. Deloitte-REA has included these volumes in our valuation, albeit with low confidence due the low expected chance of development (less than 5 percent).

Gemfish, Grayling, Hussar and Longtom West prospects

Offsetting the producing Longtom asset there are four additional fields identified within exploration permits Vic/L29 and Vic/P54 (100 percent Nexus). These prospects are all undiscovered with the exception of the area immediately surrounding the Grayling 1-A well. The following table sets out the estimated volumes for these fields:

VIC/L29&VIC/P54 Recoverable contingent volumes (2C)	Gas (Bcf)	Condensate (MMbbls)	Deloitte-REA Est. Risk
Grayling 1-A (VIC/L29) ¹	20	0.65	27 – 36%
Total recoverable contingent volumes (2C)	20	0.65	

VIC/L29&VIC/P54 Recoverable prospective volumes (P50)	Gas (Bcf)	Condensate (MMbbls)	Deloitte-REA Est. Risk
Gemfish (VIC/L29) ¹	121	5.22	12 – 21%
Grayling appraisal (VIC/L29) ¹	66	1.72	8 – 18%
Hussar (VIC/P54)	n/a	n/a	n/a
Longtom West (VIC/P54)	47	0.44	2 – 4%
Total recoverable prospective volumes (P50)	234	7.38	

Notes:

1. The resource estimates have been adjusted to exclude CO₂ of approximately 21%
2. For a complete summary of the reported reserves, contingent and prospective resources, refer to Appendix 1. The figures presented above, have been presented and calculated by us as part of our scope of work defined above

Economic analysis has not been provided in relation to the development of these prospects however, because of the relatively close production infrastructure already in-place, economics are expected to be positive with the biggest uncertainty being the chance of success of the individual prospects. Timing of development of these prospects would be expected after the current Longtom production (including Longtom 5 and Longtom 6) falls below the Santos annual contract quantity (ACQ) in approximately 2018. Capital costs for the drilling of each well should be similar to the estimates provided for Longtom 5, while the Grayling-1A well costs would also provide a good comparison for expected costs (total cost of Grayling-1/1A was not disclosed in the provided information). Nexus has disclosed that the Hussar prospect is too early in the exploratory phase to determine a reasonable estimate.

Crux project and offsetting exploration prospects

The Crux project has been penetrated and tested by five wellbores within the AC/RL9 permit. Nexus has completed extensive seismic interpretation, geological mapping, fluid sampling and testing, and dynamic reservoir modelling on the main Crux pool. The most current interpretation of recoverable contingent volumes from work completed by Nexus (October, 2012) and/or GCA (November, 2011) are as follows:

Crux Recoverable Contingent Volumes	Gas (Bscf)			Condensate (MMstb)		
	1C	2C	3C	1C	2C	3C
Nexus Dynamic Model Recoverable	1,679 ⁽¹⁾	1,806	1,936 ⁽¹⁾	53.5 ⁽¹⁾	57.5	61.6 ⁽¹⁾
GCA Contingent Resources				60.5	65.6	71.0
Nexus 15% Share Under JOA ²	252 ⁽¹⁾	271	290 ⁽¹⁾	9.1	8.6	10.7
Nexus internal estimate 22 April 2014 ³		270			8.6	

Notes:

1. Value not provided by Nexus – estimated by Deloitte REA using the same recovery factor as the Best Case.
2. Joint operating agreement (JOA) with Shell and Osaka Gas, estimate based on 15% of Nexus Dynamic Model Recoverable
3. For a complete summary of the reported reserves, contingent and prospective resources, refer to Appendix 1. The figures presented above, have been presented and calculated by us as part of our scope of work defined above

A comparison of the internal Nexus modelling to the GCA report shows that the Nexus model is recovering lower volumes than those represented by the independent engineering evaluation. While both GCA and Nexus have started with the same estimate of initially in-place volumes (as independently determined by GCA), the GCA recoverable estimate assumes that a gas reinjection scheme will be used for development of the field, while the Nexus internal simulation model assumes a simple depletion with no gas reinjection. Directionally, it makes sense that the GCA model should recover more liquids than the Nexus model given the different development concepts being forecast. Based on our review of the data and documentation of both models, the estimates of recoverable volumes appear to be reasonable and free of any material misstatement. Note that the GCA report did not include recoverable resource estimates for gas as Nexus did not own an interest in the gas volumes at the time GCA completed their evaluation.

An independent economic analysis of three different development scenarios for the Crux project area has been completed by Resource Investment Strategy Consultants (“RISC”), including two different on-site FLNG scenarios and a 150 km pipeline connection to the Prelude FLNG facility. Each scenario consisted of a full capital and operating cost estimate and considered the development of Crux as well as the offsetting exploration prospects (discussed below). While the capital costs are significantly higher for the on-site FLNG options, either of these options appear to be more attractive than connecting to the Prelude facility due to high operating costs estimated at Prelude. Capital costs for the Crux FLNG facility (including drilling) would be in the range of \$3.6 to \$7.9 billion depending on the size of the FLNG facility built. Operating costs have been estimated at \$160 million per year for both FLNG cases.

Nexus has also identified five additional prospects offsetting Crux that could potentially be drilled following development of the main Crux field. These prospects are all considered to be undiscovered by Deloitte-REA and would be higher risk to develop than the main Crux field. Nexus disclosed best estimate (P50) recoverable volumes for these prospects are as follows:

AC/RL9 Prospects Recoverable prospective volumes (P50)	Gas (Bcf)	Condensate (MMbbls)	Deloitte-REA Est. Risk
Auriga	105	3.56	9 – 15%
Caelum	101	3.93	9 – 15%
Shiraz	19	0.64	3 – 5%
Sextans	12	0.47	3 – 5%
Total recoverable prospective volumes (P50)	237	8.6	

Notes:

1. All volumes shown are Nexus 15% share per the JOA with Shell and Osaka Gas.
2. The resource estimates have been adjusted to exclude CO₂ of approximately 10%
3. For a complete summary of the reported reserves, contingent and prospective resources, refer to Appendix 1. The figures presented above, have been presented and calculated by us as part of our scope of work defined above

Echuca Shoals, Cooper, and Mashmaker prospects

Nexus holds a 100 percent interest in the Echuca Shoals permit (WA-377-P). Two wells have been drilled on the Echuca Shoals permit to-date (Echuca Shoals-1 and Fossetmaker-1) which have confirmed the presence of gas bearing sands in the Tithonian B sand (ES-1 is porous, T-1 is tight). The Plover Formation is gas bearing offsetting Echuca Shoals but not confirmed within the permit area. Nexus estimated recoverable volumes are as follows:

WA-377-P Recoverable Contingent Volumes (2C)	Gas (Bcf)	Condensate (MMbbls)	Deloitte-REA Est. Risk
Echuca Shoals-1 (contingent)	25	1.00	27 – 54%
Total Recoverable Contingent Volumes (2C)	25	1.00	

WA-377-P Recoverable Prospective Volumes (P50)	Gas (Bcf)	Condensate (MMbbls)	Deloitte-REA Est. Risk
Echuca Shoals prospect (prospective)	535	16.22	5 – 10%
Cooper prospect (prospective)	237	7.19	5 – 10%
Mashmaker prospect (prospective)	818	24.78	5 – 10%
Total Recoverable Prospective Volumes (P50)	1,590	48.19	

Notes:

1. For a complete summary of the reported reserves, contingent and prospective resources, refer to Appendix 1. The figures presented above, have been presented and calculated by us as part of our scope of work defined above

RISC has completed independent economic screening of the Echuca Shoals area utilizing the Cooper prospect and investigating tie-back options to both Prelude and Crux FLNG facilities. The screening shows that it is more attractive to tie-back to Crux as a result of lower expected operating costs even though production would be delayed by five years with this option. There is also a possibility of dedicating a FLNG facility at Echuca Shoals at a similar assumed cost to Crux (smaller FLNG case). The screening economics did not consider any production from either the Echuca Shoals or Mashmaker prospects.

Resource Valuation

In compliance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (“VALMIN”), Deloitte-REA has reviewed historical transactions within the area focusing particularly on those transactions which included only resource volumes. A total of five comparable transactions were identified, which were then analyzed to determine the distribution of transaction values on a AUD per gigajoule (“\$/GJ”) basis:

Date	Acquirer	Target	EV (\$AUD'm)	Total 2C Resources (PJ)	\$ AUD/GJ
10/4/2012	Acer Energy Limited	Drillsearch (Central) Pty Limited	118.38	514.7	0.230
3/26/2010	Magellan Petroleum Australia Limited	Santos	91.02	1718.62	0.053
8/18/2009	GDF Suez S.A.	Santos	404.22	1279.52	0.156
8/2/2007	Osaka Gas Company Limited	Nexus Energy Limited	500	53.30	1.131
1/16/2007	Shell Development (Australia) Pty Ltd	Nexus Energy Limited	218.90	2533.79	0.024

Comparable Transaction Multiples (\$AUD/GJ) based on the above data set are as follows:

Low (P90)	Expected (P50)	Average	High (P10)
0.035	0.156	0.319	0.771

While the data set is limited, there are sufficient transactions to establish a range of expected transaction values that was then applied to each individual Nexus prospect, giving consideration to the amount of technical and related exploration work done to date on each individual prospect which has, in some cases, given an increased level of confidence. Prospects with only prospective resources have been assigned

lower values since the comparable transactions are for contingent resources. Prospects that are a further distance from existing infrastructure are also assigned lower values due to the increased capital commitment to get the resources to market. A summary of the estimated recoverable resources and the \$/GJ multiples applied to each prospect are as follows:

Resources and Value Multiples	Estimated Risked PJ	Multiple (\$/GJ)	
		Low	High
Longtom (2C) ^{1,8}	7.18	0.035	0.050
Gemfish ^{2,9}	25.12	0.100	0.319
Grayling 1-A ^{3,8}	6.52	0.156	0.771
Grayling ^{2,9}	9.03	0.100	0.319
Hussar ^{4,10}	-	-	-
Longtom West ^{5,9}	1.48	0.100	0.156
Auriga ^{6,9}	15.00	0.035	0.319
Caelum ^{6,9}	14.69	0.035	0.319
Libra ^{4,10}	-	-	-
Shiraz ^{6,9}	0.83	0.035	0.319
Sextans ^{6,9}	0.53	0.035	0.319
Echuca Shoals-1 ^{2,8}	12.19	0.100	0.319
Echuca Shoals ^{7,9}	41.68	0.035	0.156
Cooper ^{7,9}	18.47	0.035	0.156
Mashmaker ^{7,9}	63.72	0.035	0.156

Notes:

1. Area not targeted and deemed unlikely for development (per GCA report)
2. Good opportunity, confirmed presence of hydrocarbons from drilling or offsetting production.
3. Confirmed gas discovery, close to infrastructure
4. Smaller opportunity, long distance to infrastructure, no resources identified
5. Good opportunity, long distance to infrastructure
6. Prospect in identification stage, exploration upside contingent on Crux success
7. Exploration upside, long distance to infrastructure
8. Contingent resources
9. Prospective resources
10. Resources not estimated

Due to the exploratory nature of the resource assets, it is expected that there will be a wide range of values, which are summarized in the following table. We have calculated the preferred value with reference to the confidence levels associated with our selected low (P90) and high (P10) values, as set out in the table below. The expected value presented is arrived at by assuming that the low and high estimates represent the P90 and P10 values of a log-normal distribution and then calculating the P50, or best estimate, using the equation $P50 = \text{square root}(P90 \times P10)$. This is an industry accepted statistical method.

Valuation Summary by Prospect	Value (MM AUD)	
	Low	High
Longtom	0.25	0.36
Gemfish	2.51	8.01
Grayling 1-A	1.02	5.03
Grayling	0.90	2.88
Hussar	0.00	0.00
Longtom West	0.05	0.23
<i>Sub-total (VIC/L29 & VIC/P54)</i>	<i>4.74</i>	<i>16.51</i>
Auriga	0.53	4.78
Caelum	0.52	4.68
Libra	0.00	0.00
Shiraz	0.03	0.27
Sextans	0.02	0.17
<i>Sub-total (AC/RL9)</i>	<i>1.10</i>	<i>9.90</i>
Echuca Shoals-1	1.22	3.89
Echuca Shoals	1.46	6.50
Cooper	0.65	2.88
Mashmaker	2.26	9.94
<i>Sub-total (WA-377-P)</i>	<i>5.59</i>	<i>23.21</i>
Total	11.43	49.62
Expected Value, Best Estimate	23.81	

Independence and Qualifications

Deloitte-REA hereby certifies that we are independent of Nexus. Deloitte-REA does not have any relationship with Nexus that may affect or may be viewed as affecting our independence. Our fees for our work are not tied to the results of our report in any way. Our work is based on, and fairly represents, information and supporting documentation supplied by Nexus. The following individuals were employed on this engagement, none of which have any direct or indirect interest in Nexus:

Douglas S. Ashton, P.Eng.

Douglas Ashton is a Professional Engineer and partner of Deloitte LLP. He attended the University of Calgary and graduated with a Bachelor of Science Degree in Chemical Engineering in 1992. He is a Registered Professional Engineer with APEGA in the Province of Alberta, Canada and has in excess of twenty one years of petroleum engineering experience.

Larry Boyd, P.Geol.

Larry Boyd is a Professional Geologist and employee of Deloitte LLP. He attended the University of Calgary and graduated with a Bachelor of Science Degree in Geology in 1976. He is a Registered Professional Geologist with APEGA in the Province of Alberta and has in excess of thirty seven years of geological experience.

Michael Oladosu, P.Geoph.

Michael Oladosu is a Professional Geophysicist and employee of Deloitte LLP. He attended the University of Houston and obtained a Post-graduate degree in Petroleum Engineering in 2005 and Ahmadu Bello University with a Post-graduate degree in Applied Geophysics in 1988. He is a Registered

Professional Geophysicist with APEGA in the Province of Alberta, Canada and has in excess of twenty five years of geophysical experience.

Ken White, P.Geol.

Ken White is a Professional Geologist and contract employee of Deloitte LLP. He attended the University of Manitoba and graduated with a Bachelor of Science Degree in Geology in 1981. He is a Registered Professional Geologist with APEGA in the Province of Alberta, Canada and has in excess of thirty two years of geological and petrophysical experience.

Statement of Risk

This report contains forward looking statements including expectations of future capital expenditures. Information concerning resources may also be deemed to be forward looking as estimates imply that the resources described can be profitably produced in the future. These statements are based on current expectations that involve a number of risks and uncertainties, which could cause the actual results to differ from those anticipated. These risks include, but are not limited to: the underlying risks of the oil and gas industry (i.e. operational risks in development, exploration and production; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of resources estimates; the uncertainty of estimates and projections relating to costs and expenses, political and environmental factors), and commodity price and exchange rate fluctuation.

A Boe conversion ratio of 5.49 Mcf: one (1) barrel has been used within this report. This conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

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Deloitte-REA is independent of Nexus as provided in the standards pertaining to the estimating and auditing of oil and gas resource information included in the Canadian Oil and Gas Evaluation Handbook, set out by the Society of Petroleum Evaluation Engineers ("SPEE") and the Association of Professional Engineers and Geoscientists of Alberta ("APEGA"). Neither Deloitte-REA nor any of our employees have any interest in the subject properties. Compensation for our work is not contingent in any way on the results of this report.

Yours truly,

Original signed by: "Douglas S. Ashton"

Douglas S. Ashton, P. Eng.

Partner

Deloitte LLP

Resource Evaluation & Advisory

/ct

APPENDIX 1 – REPORTED RESERVES, CONTINGENT AND PROSPECTIVE RESOURCES

This summary of estimates of reserves, contingent resources and prospective resources is based on and fairly represents information and supporting documentation prepared by, or under the supervision of, qualified petroleum reserves and resources evaluators. This summary as a whole has been approved by both Ms Hall and Mr Emmett. Ms Hall holds a B. Eng (Met) and is employed by Nexus as Development Manager. Ms Hall has over 20 year's engineering experience in the oil and gas industry, including thirteen years' experience in the evaluation and estimation of petroleum reserves and resources, and is a member of the Society of Petroleum Engineers and the Institute of Engineers Australia. Mr Emmett holds a M. Sc (Geo) and is employed by Nexus as Senior Geologist. Mr Emmett has 35 years' experience in the oil and gas industry, including 10 years' experience in the evaluation and estimation of petroleum reserves and resources, and is a member of the American Association of Petroleum Geologists. Ms Hall and Mr Emmett meet the requirements of qualified petroleum reserves and resources evaluator and have each consented to the inclusion of this summary in the form and context in which it appears.

Reserve Estimates

The reserves reported in this summary have been estimated using probabilistic methods, and are also supported by deterministic modelling of the field geology and reservoir performance.

Gas/Condensate Field	License	Nexus %	Sales gas PJ ¹ 2P	Condensate MMStb 2P
Longtom, as at 30 June 2013	Vic/L29	100%	121	1.40

Contingent Resource Estimates

The resources reported in this summary have been estimated using probabilistic methods, and in the case of the Longtom and Crux Fields, these estimates are also supported by deterministic modelling of the field geology and reservoir performance. The volumes previously reported for Grayling-1A, Crux and Echuca Shoals-1 were 'Discovered Petroleum Initially In-Place', prior to the updated reporting requirements under ASX Listing Rules Chapter 5, effective 1-December 2013. Recoverable volumes, which differ numerically to the volumes previously reported, are now reported however the technical basis of the volumes has not changed since last reported.

Gas/Condensate Field	License	Nexus %	Gas Bcf (Nexus interest only) 2C	Condensate MMStb (Nexus interest only) 2C
Longtom, as at 30 June 2013 ²	Vic/L29	100%	90	1.14
Grayling-1A, as at 22 April 2014 ³	Vic/L29	100%	25	0.65
Crux, as at 22 April 2014 ^{4,5}	AC/RL9	15%	270	8.63
Echuca Shoals-1, as at 22 April 2014	WA-377-P	100%	25	1.00

Prospective Resource Estimates

The resources reported in the summary were previously reported as 'Undiscovered Petroleum Initially In-Place', prior to the updated reporting requirements under ASX Listing Rules Chapter 5, effective 1-

December 2013. Recoverable volumes are now reported, and in the case of Gemfish, Longtom West and Cooper, some re-assessment of the in-place and recoverable volumes was undertaken. Probabilistic methods have been used to estimate the resources for all of the Prospects. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Prospect ^{6,7}	License	Nexus %	Gas Bcf (Nexus interest only) Best (P50)	Condensate MMbbls (Nexus interest only) Best (P50)	Chance of Discovery ⁸	Chance of Development ⁹
Grayling appraisal ¹⁰	Vic/L29	100%	83	1.72	25%	30 - 70%
Gemfish ^{10,11}	Vic/L29	100%	121	5.22	35%	35 - 80%
Longtom West ¹¹	Vic/P54	100%	47	0.44	40%	5 - 10%
Auriga ^{5,12}	AC/RL9	15%	117	3.56	45%	45 - 90%
Caelum ^{5,12}	AC/RL9	15%	112	3.93	50%	35 - 85%
Shiraz ^{5,12}	AC/RL9	15%	21	0.64	45%	35 - 85%
Sextans ^{5,12}	AC/RL9	15%	13	0.47	57%	35 - 80%
Echuca Shoals - Fossetmaker	WA-377-P	100%	535	16.22	30%	35 - 80%
Mashmaker	WA-377-P	100%	818	24.78	26%	35 - 75%
Cooper ¹¹	WA-377-P	100%	237	7.19	18%	30 - 75%

Source: Nexus

Notes:

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 at the connection of the Patricia-Baleen gas plant to the export gas pipeline
2. Gas volumes are Sales Gas in Bscf. Conversion of Sales gas in Bscf to PJ is based on a gross heating value of 1.135 PJ/Bscf
3. Resources reported are inclusive of CO₂ of approximately 21%
4. Resources reported are inclusive of CO₂ of approximately 10.6 - 11.3%
5. All resources within the AC/RL9 permit are based on Nexus in-house assessments
6. Prospective Resource estimates are for the total mapped structural area, based on Nexus in house studies.
7. Evaluation as of 22 April 2014.
8. Chance of Discovery is the geological chance of success derived from the estimation of factors such as source, migration, structure, reservoir pressure and seal.
9. Chance of Development is derived from the estimation of factors such as economic threshold volume, field development concept maturity, proximity and access to existing or planned infrastructure, market factors, JV and government approval considerations. It should be noted that the estimates are based on information assessed at this point in time, but that these estimates may change with time e.g. market factors. Any significant changes would be reflected in subsequent reporting. The resulting Chance of Development is included as a range so as to represent the uncertainty of the factors considered for the undiscovered volumes.
10. Resources reported are inclusive of assumed CO₂ of approximately 21%, analogous to that measured in Grayling-1A.
11. The Prospect, which is not currently considered a material oil and gas project under the ASX Listing Rules, has been re-evaluated since last reported, resulting in a reduction in the estimated recoverable volumes.
12. Resources reported are inclusive of assumed CO₂ of approximately 10%, based on that measured in nearby fields.

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Annex 5

Notice of Scheme Meeting

Nexus Energy Limited ACN 058 818 278

Notice is hereby given that, by an order of the Federal Court of Australia (**Court**) made on 7 May 2014 pursuant to section 411(1) of the Corporations Act 2001 (Cth) (**Corporations Act**), a meeting (**Scheme Meeting**) of the Shareholders in Nexus Energy Limited (ACN 058 818 278) (**Nexus**) will be held at Promenade Rooms 2 & 3, Level 1, Crown Promenade Hotel, 8 Whiteman Street, Southbank Victoria on Thursday, 12 June 2014 at 11.00 am (AEST).

Business of the meeting

The purpose of the Scheme Meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without modification) proposed to be made between Nexus and Shareholders (**Scheme**) pursuant to Part 5.1 of the Corporations Act. All Shareholders who are registered as Shareholders at 7.00pm (AEST) on Tuesday, 10 June 2014 will be entitled to vote at the Scheme Meeting.

Resolution

To consider and, if thought fit, to pass the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act

"That pursuant to and in accordance with section 411 of the Corporations Act, the scheme of arrangement proposed between Nexus and the holders of its fully paid ordinary shares as contained in and more particularly described in the Scheme Booklet which this notice forms part of, is agreed to and, the Board of Nexus is authorised to agree to such alterations or conditions as are thought fit by the Court and, subject to approval of the Scheme by the Court, to implement the Scheme with any such alterations or conditions."

In accordance with section 411(4)(b) of the Corporations Act, in order to become effective the Scheme (with or without modification) must be approved by an order of the Court. If the resolution put to the Scheme Meeting is passed by the requisite majority Nexus intends to apply to the Court for approval of the Scheme.

IMPORTANT NOTICE

To enable you to make an informed voting decision, further information on the Scheme is set out in the Scheme Booklet accompanying this notice. A copy of the Scheme is set out in Annex 2 of the Scheme Booklet.

Terms used in this notice have the same meaning as set out in the Glossary in Section 11 of the Scheme Booklet of which this notice forms part.

Explanatory Notes

General

This notice should be read in conjunction with the entire Scheme Booklet of which this notice forms a part. The Scheme Booklet contains important information to assist you in determining how to vote on the proposed resolutions. The Scheme Booklet includes a copy of the Scheme (Annex 2) and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme (the explanatory statement being all sections of the Scheme Booklet, other than this notice of Scheme Meeting).

Capitalised terms which are defined in the Scheme Booklet have the same meaning when used in this notice (including these notes) unless the context otherwise requires.

Quorum

The quorum for the Scheme Meeting is 2 or more members entitled to vote on a resolution at that meeting (either in person, by direct vote, proxy, attorney or corporate representative).

Chairman

The Court has also directed that John Hartwell act as chairman of the meeting or failing him Lucio Della-Martina, and has directed the chairman to report the result of the meeting to the Court.

Entitlement to vote

Pursuant to section 411 of the Corporations Act and all other enabling powers, the Court has determined that the time for determining eligibility to vote at the Scheme Meeting is 7.00 pm (AEST) on 10 June 2014 (**Voting Entitlement Date**). Only those shareholders entered on the Register at that time will be entitled to attend and vote at the Scheme Meeting either in person, by direct vote, proxy or attorney or, by corporate representative.

If Shares are jointly held and more than one Shareholder votes in respect of that Share, only the vote of the member whose name appears first in the Register in respect of that Share counts.

Majority required

The resolution to approve the Scheme is subject to approval by the majorities required under section 411(4)(a)(ii) of the Corporations Act. The resolution contained in this notice must be approved by:

- unless the Court orders otherwise, a majority in number (more than 50%) of the Shareholders present and voting at the Scheme Meeting (whether in person, by direct vote, proxy, attorney or by corporate representative); and
- Shareholders who together hold 75% of the votes cast on the resolution contained in this notice of Scheme Meeting (whether in person, by direct vote, proxy, attorney or by corporate representative).

The vote will be conducted by a poll.

Court Approval

In accordance with section 411(4)(b) of the Corporations Act, the Scheme (with or without any modification) must also be approved by an order of the Court. If all conditions to the Scheme are satisfied or waived (as applicable), Nexus intends to apply to the Court for orders to give effect to the Scheme.

How to vote

Shareholders entitled to vote at the Scheme Meeting may vote by:

- attending the meeting and voting in person;
- submitting a direct vote, by completing the Vote Directly section of the enclosed Proxy and Voting Form or logging onto www.investorvote.com.au. You can log in on a computer or by using the mobile phone service for smartphones. You will need the Control Number and SRN/HIN set out in the enclosed Proxy and Voting Form;
- appointing a proxy to attend and vote on their behalf by completing the Proxy and Voting Form accompanying the Scheme Booklet of which this notice forms part or logging onto www.investorvote.com.au. You can log in on a computer or by using the mobile phone service for smartphones. You will need the Control Number and SRN/HIN set out in the enclosed Proxy and Voting Form. A proxy must be an individual or a body corporate;

- appointing a duly authorised attorney to attend the meeting and vote on their behalf, or in the case of corporate shareholders or proxies, a corporate representative to attend the meeting and vote on its behalf; or
- for Intermediary Online subscribers only (ie custodians), logging into www.intermediaryonline.com and submitting your voting instructions.

Shareholders or their attorneys or proxies who plan to attend the Scheme Meeting are asked to arrive at the venue 30 minutes prior to the time designated for the Scheme Meeting, if possible, so that the shareholdings may be checked against the Register and attendances noted.

Voting in person

To vote in person at the Scheme Meeting, you must attend the Scheme Meeting to be held at Promenade Rooms 2 & 3, Level 1, Crown Promenade Hotel, 8 Whiteman Street, Southbank Victoria on Thursday, 12 June at 11.00 am (AEST). Please bring your meeting registration forms with you to facilitate admission to the meeting. The meeting registration form for the Scheme Meeting is the Proxy and Voting Form included with the Scheme Booklet of which this notice forms part.

All persons attending the Scheme Meeting must register their attendance by disclosing their name and address at the point of entry to the Scheme Meeting.

Upon registration at the Scheme Meeting you will be given a voting card.

Voting by corporate representative or attorney

If you are a corporation, your authorised corporate representative may attend and vote at the Scheme Meeting on your behalf. A person attending as a representative of a corporate Shareholder must present satisfactory evidence of his or her appointment (which must comply with section 250D of the Corporations Act) as corporate representative, including any authority under which it is signed at the Scheme Meeting unless previously lodged with Nexus or the Nexus Registry. An authorised corporate representative will be admitted to the Scheme Meeting and given a voting card upon providing, at the point of entry to the Scheme Meeting, the evidence and the authority under which it is signed disclosing the identity of the appointer.

Voting by attorney

If you cannot attend the Scheme Meeting, you may have a duly authorised attorney attend and vote on your behalf. An attorney need not be a Shareholder. An attorney will be admitted to the Scheme Meeting and given a voting card upon providing, at the point of entry to the Scheme Meeting, written evidence of their appointment (the original power of attorney or a certified copy, unless you have already provided a certified copy of the power of attorney to Nexus or the Nexus Registry), their name and the identity of their appointer. The appointment and attendance of your attorney at the Scheme Meeting will not preclude you from attending in person and voting at the Scheme Meeting if you are entitled to attend and vote.

Voting by proxy

If you cannot attend the Scheme Meeting or you prefer to vote by proxy, you may appoint a proxy by logging onto www.investorvote.com.au using the Control Number and SRN/HIN set out on the enclosed Proxy and Voting Form or completing and returning the Appoint a Proxy section of the enclosed Proxy and Voting Form. A proxy will be admitted to the Scheme Meeting and given a voting card upon providing at the point of entry to the Scheme Meeting written evidence of their name and address. Appointing a proxy does not stop you from attending the Scheme Meeting in person and voting at the Scheme Meeting instead of your proxy.

Each proxy will have the right to vote on the resolution to be put to the Scheme Meeting and also to speak at the Scheme Meeting. The appointment of a proxy may specify the proportion or the number of votes that the proxy may exercise. You may appoint up to two proxies to attend and act for you at the Scheme Meeting if you hold more than one Share. Where more than one proxy is appointed, and if the appointment does not specify the proportion or number of the shareholder's votes each proxy may exercise, each proxy may exercise half of the votes. A proxy need not be a Shareholder.

If you do not instruct your proxy on how to vote, your proxy may vote or abstain from voting at the Scheme Meeting, as that person thinks fit. If a proxy is instructed to abstain from voting on an item of business, that person is directed not to vote on the shareholder's behalf on the poll, and the Shares the subject of the proxy appointment will not be counted in computing the required majority.

Shareholders who return their Proxy and Voting Form(s) with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the Chairman of the Scheme Meeting as their proxy to vote on their behalf. If a Proxy and Voting Form is returned but the nominated proxy does not attend the meeting, the Chairman of the Scheme

Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chairman of the Scheme Meeting, the Company Secretary of Nexus or any Director which do not contain a direction will be used to support the resolution to approve the Scheme.

Please note that proxy appointments submitted through www.investorvote.com.au and completed Proxy and Voting Forms must be received by Nexus or the Nexus Registry no later than 11.00 am on Tuesday, 10 June 2014. Proxy appointments and Proxy and Voting Form Forms received after this time will be invalid.

The Proxy and Voting Form must be signed by the Shareholder or the Shareholder's attorney. If an attorney signs a Proxy and Voting Form on your behalf, a certified copy of the power of attorney (certified by a statement in writing that it is a true copy of the document), or the power of attorney itself, under which the Proxy Form was signed must be received by the Nexus Registry at the same time as the Proxy and Voting Form, unless you have already provided a certified copy of the power of attorney to Nexus or the Nexus Registry. Proxies given by corporations must be executed in accordance with the Corporations Act or the law of their place of incorporation.

A vote given in accordance with the terms of a proxy is valid despite the revocation of the appointment of the proxy, unless notice in writing of the revocation has been received by the Nexus Registry by 11.00 am (AEST) on Tuesday, 10 June 2014.

Voting by direct vote

If you cannot attend the Scheme Meeting or you prefer to vote by direct vote, you may submit a direct vote by completing the Vote Directly section of the enclosed Proxy and Voting Form or by logging onto www.investorvote.com.au using the Control Number and SRN/HIN set out in the enclosed Proxy and Voting Form.

Please note that direct votes submitted through www.investorvote.com.au and completed Proxy and Voting Forms must be received by Nexus or the Nexus Registry by no later than 11.00 am (AEST) on Tuesday, 10 June 2014. Direct votes and Proxy and Voting Forms received after this time will be invalid.

Lodgement of proxies and queries

Proxies, powers of attorney and authorities should be sent to the Nexus Registry using the enclosed reply paid envelope, or as indicated on the Proxy and Voting Form.

Completed Proxy and Voting Forms must be:

- sent to the Nexus Registry at Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001 (for Australian resident Shareholders, using the reply paid envelope included with this Scheme Booklet, and for non-Australian resident Shareholders using the return address envelope included with this Scheme Booklet);
- faxed to 1800 783 447 from within Australia or +61 3 9473 2555 from overseas; or
- sent to Nexus's registered office at Level 23, 530 Collins Street, Melbourne, Victoria 3000,

in each case so that they are received by no later than 11.00 am (AEST) on Tuesday, 10 June 2014. Proxy appointments and completed Proxy and Voting Forms received after this time will be invalid.

If you have any questions regarding the Scheme you can call the Nexus Information Line on 1300 856 028 from within Australia or +61 2 8022 7909 from outside Australia between 9.00 am and 7.00 pm (AEST), Monday to Friday or visit the Scheme website at www.nexusenergyscheme.com. You can also visit the Nexus website at www.nexusenergy.com.au. Any questions about proxies, powers of attorney, or corporate representatives can be directed to the Nexus Registry call centre on 1300 367 570 (within Australia) or +61 3 9415 4000 (outside Australia) between 9.00 am and 7.00 pm (AEST) Monday to Friday.

Corporate Directory

Nexus Energy Limited	Level 23, 530 Collins Street Melbourne, Victoria 3000 Australia www.nexusenergy.com.au
Auditor	PricewaterhouseCoopers Freshwater Place, 2 Southbank Boulevard Southbank, Victoria 3006/ Australia
Financial adviser	Deutsche Bank AG Sydney Branch Level 16, Deutsche Bank Place Corner of Hunter and Phillip Streets Sydney, New South Wales, 2000 Australia
Legal adviser	Allen & Overy Level 27 Exchange Plaza 2 The Esplanade Perth, Western Australia 6000 Australia
Share registry	Computershare Investor Services Yarra Falls, 452 Johnston Street Abbotsford, Victoria 3067 Australia GPO Box 242 Melbourne, Victoria 3001