
Nexus Energy Limited

ABN 64 058 818 278

Financial report for the half year ended
31 December 2013

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The Directors present their report of Nexus Energy Limited and Subsidiaries ("Group") for the half-year ended 31 December 2013.

Board of Directors

The name of directors who held office during or since the end of the half-year:

Lucio Della Martina	Managing Director and Chief Executive Officer
Symon Drake-Brockman	Non-Executive Director
John Hartwell	Non-Executive Director
Don Voelte AO	Non-Executive Chairman (Resigned 18 February 2014)

Going Concern and Liquidity

Nexus (the company or Group) has been advancing its strategic review process with the objective of unlocking value to achieve the optimum outcome for shareholders. Following the consolidation of interests in the Crux asset in October 2012, a process to divest a tranche of Nexus' interest in the Crux asset was initiated with the objective of providing funding to support the next stage of Nexus growth and development. This process was extended to include a divestment of Longtom following the amendment of the Longtom Gas Sales Agreement in May 2013. In late 2013, given interest received under the asset divestment process, Nexus informed selected parties that it would be willing to consider appropriate proposals with respect to a corporate acquisition of the Company.

As announced on 27 December 2013, Nexus also entered into revised terms for its Longtom Senior Debt Facility (Longtom SDF) which included a review event requiring either a debt refinance or Nexus executing a binding sale agreement by 2 April 2014 with a third party that will retire the outstanding Longtom SDF amount of \$44.4 million (includes the \$2 million capitalised on 10 January 2014 Refer to Note 18: Subsequent Events) and fully cash back the undrawn letter of credit of \$60 million by 1 July 2014. In addition to the review event, if no binding sale agreement is executed by 2 April 2014, a further \$3 million will be capitalised to the Longtom SDF. The facility is due to mature on 31 December 2014.

In addition to the review events, Nexus has significant upcoming capital commitments in relation to the petroleum exploration permits under the Crux and Longtom development programs which will require additional capital expenditure.

As at the date of this report, no sale of either any of Nexus' assets or the corporate entity has been achieved. Accordingly, given the time constraints for securing new funding, the material capital commitments which include the drilling of Longtom-5, the Echuca Shoals exploration well and the Crux retention lease work program obligations, and the repayment obligation under the senior subordinated notes and the Longtom Senior Debt Facility, there is significant risk and material uncertainty over the future operating results and cash flows of the Company.

The continuing viability of the Group and its ability to continue as a going concern and meet its debt and commitments as they fall due, are dependent upon the Group being successful in generating sufficient future cash flows to meet its debt repayments and other obligations. Notwithstanding the matters noted above, the Board still expects to achieve these obligations through one or more of the following events occurring:

- Sell down an interest in the Crux or Longtom asset;
- Farm out an interest in exploration permits to meet future exploration commitments;
- Recapitalise the company through the issue of new equity;
- Refinance the existing debt facility with existing lender or new lenders; and/or
- Continue to work with lenders to ensure ongoing compliance with the lending facility and review events.

Notwithstanding this belief, as there is a risk that the Group may not be successful in implementing some or all of these initiatives, there is a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore, whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. No adjustments have been made relating to the recoverability or classification of recorded assets and liabilities that might be necessary should the Group not continue as a going concern.

Review of Operations

Longtom Gas Project VIC/L29 Licence (Nexus 100%) Gippsland Basin, Victoria

On 1 July 2013, the revised Gas Sales Agreement (GSA) came into effect. The revised GSA realigns the production profile with the period when demand is expected to peak and supply is forecast to be constrained in the Australian East Coast gas market.

During the period to 31 December 2013, Nexus sold 5.94 PJ of gas and 46.66 Kbbbl of condensate, booking total revenues of \$28.62 million. Gas and condensate production for the period met nominations, with Longtom system availability of 100% achieved.

Activities for the Longtom-4 workover and Longtom-5 development well have progressed during the period, with the appointment of a Project Manager in December 2013. Current delivery timing guidance on long-lead items and the availability of drilling rigs in the south east Australian region indicate that the drilling of Longtom-5 is likely to be in mid-2015 calendar year, with schedules to be confirmed during front end engineering and design. The option to accelerate the re-entry of the Longtom-4 well to open a sliding sleeve to allow production from a previously perforated reservoir is being investigated as an activity that may be executed via rigless intervention as a separate, and earlier, activity to the drilling of the Longtom-5 well.

As a requirement of the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA), Nexus revised its currently approved Longtom Operations Environmental Plan in accordance with recent legislative changes, including the development of an Oil Spill Contingency Plan. The documentation has been submitted to NOPSEMA for review and approval, and this is currently an ongoing process.

On 21 February 2014, production at Longtom was suspended due to a fault in the offshore facilities. An offshore intervention program in March 2014 determined the location of the electrical fault as being within the Longtom-3 subsea facilities. As part of the offshore intervention program the Longtom-3 well was isolated, enabling production to recommence from Longtom-4 on 11 March 2014. Nexus has now 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.

Review of Operations (Continued)

Crux
AC/RL9 Licence (Nexus 15%)
Browse Basin, Western Australia

The AC/RL9 five year Retention Lease was formally awarded in February 2013 and provides a clear framework for the Crux Joint Venture to meet the Federal Government's expectation of the earliest possible commercialisation of the Crux asset.

During the period, Shell, as Crux Joint Venture Operator, notified the members of the Joint Venture that the timing of drilling of the Auriga well had been deferred to Q2 FY15 (previously targeted for Q4 FY14) subject to rig availability.

Planning activities associated with the Retention Lease Year 2 work program were undertaken during the period. The Year 2 work program includes the drilling of the Auriga exploration well, plug and abandonment activities of the Crux-2 (ST 1), Crux-3 and Crux-4 wells and follow-on appraisal studies.

The Crux Joint Venture submitted the AC/RL9 Oil Spill Contingency Plan and the Environment Plan to NOPSEMA during the first half. These submissions are in preparation for the drilling of the Auriga-1 exploration well and the abandonment activities.

Echuca Shoals
WA-377-P Gas Discovery (Nexus 100%)
Browse Basin, Western Australia

Nexus technical studies have assessed the three identified drilling candidates within the permit and concluded that the Mashmaker exploration prospect is the best candidate for the next well to be drilled on the permit. As previously reported, the northern extent of the Mashmaker prospect is planned to be tested within adjoining permit WA-341-P in a well operated by Inpex during 2014. Activity in WA-341-P will be monitored given its impact on WA-377-P.

During the period to 31 December 2013, a new seismic project was initiated working with UK based Geo Teric. Further reprocessing of the seismic data using Geo Teric software and work flow was well advanced by the end of the period. This is a different approach to earlier seismic based projects as it focuses on various seismic attributes within the basic data. Working with the attribute data, the project targets subsurface uncertainties associated with the Tithonian sands – both in terms of continuity and variable reservoir quality. The Tithonian is proven gas bearing in Echuca Shoals-1 and Fossetmaker-1. While Mashmaker remains the currently preferred drilling candidate, the interpretation of this new data will continue into the next quarter and will be incorporated into the assessment of all prospects in the permit.

VIC/P54 Permit (Nexus 100%)
Gippsland Basin, Victoria

The increasing demand for gas along the Australian East Coast, together with Longtom's existing infrastructure, has improved the commercial attractiveness of Nexus' acreage. In Petroleum Production Licence VIC/L29, Longtom infill drilling remains the priority with the Gemfish prospect, also in VIC/L29, viewed as an attractive exploration opportunity. Gemfish is considered "drill ready" from a geological perspective.

During the period to 31 December 2013, an application for a work program variation was submitted to NOPTA (as the relevant government regulator) to defer the Year 4 well into Year 5 (14 October 2014 – 13 October 2015) with the Year 5 geological and geophysical studies brought forward into Year 4. The variation was approved on 30 August 2013. Data processing for the VIC/P54 pre-stack depth migration (PSDM) commenced during the period using Oil Hunters in Perth and is expected to be completed during the third quarter. The PSDM project aims primarily to improve the seismic imaging quality over the Hussar structure and upgrade this lead to drillable prospect status.

Events Subsequent to Balance Date

Since the end of the half year, the significant events referred to in Note 18 to the Financial Report have occurred. Except for the matters referred to in Note 18, there has not been any matter or circumstance that has arisen since the end of the half year, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group, in financial periods subsequent to the half year ended 31 December 2013.

Rounding off of amounts

The company is of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors report and the half year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Auditor's Independence Declaration

A copy of the auditor's independence declaration for the half year ended 31 December 2013 has been received as required under Section 307C of the Corporations Act 2001 and is included on page 4.

This Directors' Report is made in accordance with a resolution of the Board of Directors.

On behalf of the Directors:



Lucio Della Martina
Managing Director and Chief Executive Officer
Dated at Melbourne this 14th day of March 2014



Auditor's Independence Declaration

As lead auditor for the review of Nexus Energy Limited for the half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Nexus Energy Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Charles Christie'.

Charles Christie
Partner
PricewaterhouseCoopers

Melbourne
14 March 2014

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Note	31 December 2013 \$ 000	31 December 2012 \$ 000
Sales revenue	3	28,624	43,690
Operating costs	4	(23,308)	(27,841)
Operating profit		5,316	15,849
Other revenue	3	4,560	56,334
Exploration expenditure expensed		(21)	(244)
Employee benefits expense		(2,394)	(2,750)
Depreciation and amortisation		(76)	(78)
Finance costs		(12,481)	(16,690)
Mark-to-market gain on derivative financial instruments		183	430
Net foreign currency (losses) / gains		(42)	(133)
Restoration provision expense		(923)	(2,543)
Impairment of production asset		(22,174)	-
Provision for doubtful recoverability of prepayment		(4,066)	-
Other expenses		(5,909)	(4,895)
Profit/(loss) before income tax		(38,027)	45,280
Income tax (expense) / benefit	5	(112,090)	(13,565)
Profit/(loss) attributable to the owners of Nexus Energy Limited		(150,117)	31,715
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive profit/(loss) attributable to the owners of Nexus Energy Limited		(150,117)	31,715
Basic earnings per share (cents)		(11.29)	2.4
Diluted earnings per share (cents)		(11.29)	2.4

The accompanying notes form an integral part of these financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	31 December 2013 \$ 000	30 June 2013 \$ 000
Current Assets			
Cash and cash equivalents	6	10,049	11,806
Trade and other receivables	7	5,972	21,754
Inventories		16	1
Other current assets	8	2,165	2,415
Total Current Assets		18,202	35,976
Non-Current Assets			
Property, plant and equipment		137	199
Deferred tax asset	5	-	112,090
Intangible assets		3	12
Exploration and evaluation assets	9	12,889	12,542
Development assets	10	247,414	218,659
Production assets	11	110,453	139,194
Other non-current assets	8	19,156	22,972
Total Non-Current Assets		390,052	505,668
Total Assets		408,254	541,644
Current Liabilities			
Trade and other payables	12	11,003	14,018
Borrowings	13	54,182	-
Total Current Liabilities		65,185	14,018
Non-Current Liabilities			
Trade and other payables	12	-	11,960
Derivative financial liabilities		132	315
Borrowings	13	97,241	146,513
Long-term provisions	14	86,682	59,864
Total Non-Current Liabilities		184,055	218,652
Total Liabilities		249,240	232,670
Net Assets		159,014	308,974
Equity			
Issued capital	15	689,594	689,594
Reserves		8,028	7,871
Retained profits/(accumulated losses)		(538,608)	(388,491)
Total Equity		159,014	308,974

The accompanying notes form an integral part of these financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Issued capital \$ 000	Retained profits/ (accumulated losses) \$ 000	Share based payments reserve \$ 000	Total equity \$ 000
Balance as at 1 July 2012	689,594	(406,039)	7,556	291,111
Comprehensive Income				
Loss for the period	-	31,715	-	31,715
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	31,715	-	31,715
Transactions with owners in their capacity as owners, and other transfers				
Shares issued less transaction costs	-	-	-	-
Share based payments expense	-	-	145	145
Total transactions with owners in their capacity as owners, and other transfers	-	-	145	145
Balance as at 31 December 2012	689,594	(374,324)	7,701	322,971
Balance at 1 July 2013	689,594	(388,491)	7,871	308,974
Comprehensive Income				
Profit for the period	-	(150,117)	-	(150,117)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	(150,117)	-	(150,117)
Transactions with owners in their capacity as owners, and other transfers				
Share based payments expense	-	-	157	157
Total transactions with owners in their capacity as owners, and other transfers	-	-	157	157
Balance as at 31 December 2013	689,594	(538,608)	8,028	159,014

The accompanying notes form an integral part of these financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Note	31 December 2013 \$ 000	31 December 2012 \$ 000
Cash Flows from Operating Activities			
Receipts from customers		33,800	41,120
Payments to suppliers and employees		(24,582)	(27,290)
Interest received		82	428
Finance costs		(7,571)	(10,255)
Net Cash provided by Operating Activities		1,729	4,003
Cash Flows from Investing Activities			
Payments for plant and equipment and intangible assets		(3)	(92)
Payments for exploration, development and production expenditure		(7,200)	(12,614)
Proceeds from part sale of interest in Crux asset		-	75,000
Proceeds from sale of casing and former Crux Long Lead Items		3,774	162
Net Cash Flows provided by / (used in) Investing Activities		(3,429)	62,456
Cash Flows from Financing Activities			
Payments for transaction costs arising on share issues		-	-
Repayment of borrowings		-	(5,000)
Net Cash Flows used in Financing Activities		-	(5,000)
Net increase / (decrease) in cash and cash equivalents held		(1,700)	61,459
Cash and cash equivalents at beginning of financial year		11,806	33,653
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		(57)	(72)
Cash and cash equivalents at end of half year	6	10,049	95,040

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This condensed consolidated interim financial report for the half year reporting period ended 31 December 2013 has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2012. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134 Interim Financial Reporting.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Nexus Energy Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

This condensed consolidated interim financial report has been prepared using the same accounting policies and methods of computation as used in the corresponding previous financial half year and annual report for the financial year ended 30 June 2013. These accounting policies are consistent with Australian Accounting standard and with International Financial Reporting Standards.

2. GOING CONCERN AND LIQUIDITY

Nexus (the company or Group) has been advancing its strategic review process with the objective of unlocking value to achieve the optimum outcome for shareholders. Following the consolidation of interests in the Crux asset in October 2012, a process to divest a tranche of Nexus' interest in the Crux asset was initiated with the objective of providing funding to support the next stage of Nexus growth and development. This process was extended to include a divestment of Longtom following the amendment of the Longtom Gas Sales Agreement in May 2013. In late 2013, given interest received under the asset divestment process, Nexus informed selected parties that it would be willing to consider appropriate proposals with respect to a corporate acquisition of the Company.

As announced on 27 December 2013, Nexus also entered into revised terms for its Longtom Senior Debt Facility (Longtom SDF) which included a review event requiring either a debt refinance or Nexus executing a binding sale agreement by 2 April 2014 with a third party that will retire the outstanding Longtom SDF amount of \$44.4 million (includes the \$2 million capitalised on 10 January 2014 Refer to Note 18: Subsequent Events) and fully cash back the undrawn letter of credit of \$60 million by 1 July 2014. In addition to the review event, if no binding sale agreement is executed by 2 April 2014, a further \$3 million will be capitalised to the Longtom SDF. The facility is due to mature on 31 December 2014.

In addition to the review events, Nexus has significant upcoming capital commitments in relation to the petroleum exploration permits under the Crux and Longtom development programs which will require additional capital expenditure.

As at the date of this report, no sale of either any of Nexus' assets or the corporate entity has been achieved. Accordingly, given the time constraints for securing new funding, the material capital commitments which include the drilling of Longtom-5, the Echuca Shoals exploration well and the Crux retention lease work program obligations, and the repayment obligation under the senior subordinated notes and the Longtom Senior Debt Facility, there is significant risk and material uncertainty over the future operating results and cash flows of the Company.

The continuing viability of the Group and its ability to continue as a going concern and meet its debt and commitments as they fall due, are dependent upon the Group being successful in generating sufficient future cash flows to meet its debt repayments and other obligations. Notwithstanding the matters noted above, the Board still expects to achieve these obligations through one or more of the following events occurring:

- Sell down an interest in the Crux or Longtom asset;
- Farm out an interest in exploration permits to meet future exploration commitments;
- Recapitalise the company through the issue of new equity;
- Refinance the existing debt facility with existing lender or new lenders; and/or
- Continue to work with lenders to ensure ongoing compliance with the lending facility and review events.

Notwithstanding this belief, as there is a risk that the Group may not be successful in implementing some or all of these initiatives, there is a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore, whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. No adjustments have been made relating to the recoverability or classification of recorded assets and liabilities that might be necessary should the Group not continue as a going concern.

	31 December 2013 \$ 000	31 December 2012 \$ 000
3. REVENUE		
Sale of gas and condensate	28,624	43,690
	28,624	43,690
Other Revenue		
Interest income on cash and cash equivalents	82	428
Services revenue from joint venture operations	3	23
Rental income on sub-lease	701	671
Gain on disposal of former Crux Liquids project Long Lead Items (LLI)	3,774	-
Gain on disposal of casing	-	162
Gain on part sale of Crux interest	-	45,799
Gain on settlement of obligation of Long Lead Items (LLI)	-	9,251
	4,560	56,334

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	31 December 2013 \$ 000	31 December 2012 \$ 000
4. OPERATING COSTS		
Production costs	11,960	16,027
Royalty expense	832	1,268
Amortisation of production asset	10,516	10,546
Total operating costs	23,308	27,841

5. INCOME TAX

Income tax expense	112,090	13,565
	112,090	13,565

Unrecognised deferred tax assets

A deferred tax asset has not been recognised in the Statement of Financial Position as the benefits of which will only be realised if the conditions for deductibility set out in Note 1 occur:

	31 December 2013 \$ 000	30 June 2013 \$ 000
Tax losses	162,955	-
Potential net tax benefit at Australian tax rate of 30%	48,887	-
Capital Tax losses	90,401	90,401
Potential net tax benefit at Australian tax rate of 30%	27,120	27,120
Petroleum Resource Rent Tax Credits	516,260	424,130
Potential net tax benefit at effective tax rate of 28%	144,553	118,756

The income tax expense figure of \$112.1 million represents the derecognition of deferred tax assets relating to carried forward tax losses and asset tax base. It is appropriate for the Company to take a prudent approach to determine the probability of fully utilising the deferred tax asset of the Group and accordingly it has been determined to de-recognise these assets at this time. This approach is in compliance with AASB112. The Directors continue to believe in the significant underlying value of the Group's assets and in particular the Crux asset.

	31 December 2013 \$ 000	30 June 2013 \$ 000
6. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	3,239	6,063
Bank deposits at call	1,516	2,588
Restricted bank deposits	5,294	3,155
Total cash and cash equivalents	10,049	11,806

7. TRADE AND OTHER RECEIVABLES

<i>Current</i>		
Trade and other receivables	20,029	21,754
Provision for doubtful debts	(14,057)	-
Total current trade and other receivables	5,972	21,754

The provision for doubtful debts relates to the June 2013 Longtom take or pay receivable which remains unpaid by Santos. Given the time that has passed, the Directors have taken a conservative approach and provided for this balance for the half year ended 31 December 2013. The corresponding entry for this is the reduction in the Unearned Revenue liability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	31 December 2013 \$ 000	30 June 2013 \$ 000
8. OTHER ASSETS		
<i>Current</i>		
Prepayments – prepaid toll fees	2,165	2,415
Total current other assets	2,165	2,415
<i>Non-current</i>		
Prepayments – prepaid toll fees	23,222	22,972
Provision for doubtful recoverability of prepayment	(4,066)	-
Total non-current other assets	19,156	22,972

A provision for the recoverability of the prepayment has been made for the half year ended 31 December 2013. The circumstance that led to the recognition of this provision is the deferral of the Longtom-5 well which results in the Group being unable to utilise the full amount of the prepayment in accordance with the Longtom agreement.

9. EXPLORATION AND EVALUATION ASSETS

At cost	12,889	12,542
Balance at end of period	12,889	12,542
Reconciliation		
Balance at beginning of financial year	12,542	11,655
Additions - expenditure incurred	368	1,197
Expenditure incurred expensed to the statement of comprehensive income	(21)	(310)
Balance at end of period	12,889	12,542

Exploration and evaluation expenditure carried forward relates to the areas of interest in the exploration phase for petroleum exploration permits VIC/P54 and WA-377-P (2013: VIC/P54 and WA-377-P). The expenditure is carried forward on the basis that exploration and evaluation expenditure activities in the areas have not reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves and significant activity in, or in relation to, the areas is continuing. The ultimate recovery of capitalised exploration and evaluation expenditure is dependent on the successful development and commercial exploitation or the commercial sale of the relevant areas of interest.

10. DEVELOPMENT ASSETS

At cost	328,452	299,697
Impairment of Long Lead Items	(81,038)	(81,038)
Balance at end of period	247,414	218,659
Reconciliation		
Balance at beginning of financial year	218,659	233,631
Additions - expenditure incurred	2,850	5,909
Additions - restoration asset	25,905	8,320
Disposals	-	(29,201)
Balance at end of period	247,414	218,659

The development asset relates to the Crux project (AC/RL9).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	31 December 2013 \$ 000	30 June 2013 \$ 000
11. PRODUCTION ASSETS		
At cost	487,747	483,798
Accumulated amortisation	(110,570)	(100,054)
Impairment	(266,724)	(244,550)
Balance at end of period	110,453	139,194
Reconciliation		
Balance at beginning of financial year	139,194	145,384
Additions - expenditure incurred	3,949	6,356
Impairment	(22,174)	-
Amortisation charge for the period	(10,516)	(12,546)
Balance at end of period	110,453	139,194

The production asset relates to the Longtom gas project (VIC/L29).

The asset valuations are based on a proved and probable (2P) reserve production profile and various estimates and assumptions. The key assumptions used in the value in use model include the following:

- 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%.

An impairment has been recognised on the above production assets during the period. For this purpose, the Longtom gas field and its supporting infrastructure assets as a whole is considered as the cash-generating unit which represents the smallest identifiable group of assets that work together and generate cash inflows that are largely independent of the cash inflows from other groups of assets.

For the purpose of assessing impairment, the recoverable amount of the cash-generating unit was estimated as its value-in-use. The circumstance that led to the recognition of this impairment loss is primarily the impact of the deferral of the Longtom-5 well.

Asset valuations based on cash flow projections use a range of assumptions that are subject to change. Accordingly, the recoverable amount of the production asset is sensitive to reasonable possible changes in key assumptions. Sensitivity analysis has been performed applying the following possible changes in key assumptions:

- Oil price – 10 percent decrease in oil price; and
- Post tax discount rate – 1 per cent increase in post-tax discount rate.

The impact of the changes in key assumptions i.e. a 10 percent decrease in oil price and a 1 per cent increase in post-tax discount rate would result in an additional impairment of \$8.2 million.

12. TRADE AND OTHER PAYABLES

Current (unsecured)

Trade payables	853	613
Sundry payables and accrued expenditure	5,900	7,058
Deferred revenue	4,250	6,347
Total current trade and other payables	11,003	14,018

Non-current (unsecured)

Deferred revenue	-	11,960
Total non-current trade and other payables	-	11,960

Refer to Note 7: Trade and Other Receivables for details of the adjustment to deferred revenue for the half year ended 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

		31 December 2013 \$ 000	30 June 2013 \$ 000
13. BORROWINGS			
<i>Current</i>			
Bank loan (secured)	(a)	42,424	-
Senior subordinated notes (unsecured)	(b)	11,758	-
Total current borrowings		54,182	-
<i>Non-current</i>			
Bank loan (secured)	(a)	-	42,416
Senior subordinated notes (unsecured)	(b)	97,241	104,097
Total non-current borrowings		97,241	146,513

(a) Bank Loan

The facility relates to the Longtom gas project which matures on 31 December 2014 unless repaid earlier. The Company also has an undrawn, \$60 million senior secured letter of credit facility required to be provided as security in accordance with the terms of the Longtom Gas Sales Agreement with Santos.

In November 2013, the facility was transferred from BOS International (Australia) Limited (BOSI) to Nomura Special Investments Singapore Pte Ltd (Nomura) and Merrill Lynch International (Merrill Lynch) under the same terms as the existing BOSI facility.

Interest on the project financing facility continues to be charged at the Reuters BBSY bid rate on the first date of the funding period (three months) plus a margin of 3.5%. Interest is payable on the last day of each funding period. As at 31 December 2013 the interest rate was 6.15% (30 June 2013: 6.65%).

As is typical of project financing facilities, the loan is subject to standard financial covenants, review events and events of default. As part of the requirements of the facility the Company is required to maintain an interest reserve account equal to the amount of cash interest to be payable by the Company during the succeeding six months from the commencement of each funding period.

During the period, the Company was compliant with obligations to and as at 31 December 2013. The Group has provided the following as security to Nomura Special Investments Singapore Pte Ltd (Nomura) and Merrill Lynch International (Merrill Lynch);

- (i) Fixed and floating charge over the assets of Nexus Energy Aust. NL, Nexus Energy VIC/P54 Pty Ltd and Nexus Energy Corporate Pty Ltd. The carrying amount of assets given as security as at 31 December 2013 was \$109.7 million (30 June 2013: \$138 million). The assets provided as security mainly relate to the Longtom production asset, prepayments and cash;
- (ii) Mortgage over the issued capital in Nexus Energy Aust. NL, Nexus Energy VIC/P54 Pty Ltd and Nexus Energy Corporate Pty Ltd; and
- (iii) Parent guarantee from Nexus Energy Limited.

During the period ended 31 December 2013, the Company 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 were completed subsequent the half year end on 10 January 2014. The revised terms provide for:

- A review event that includes either a debt refinance or the Company executing a binding agreement by 2 April 2014 with a third party that will retire the outstanding Longtom senior facility amount and fully cash back the undrawn \$60 million letter of credit, 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
 - \$42.4 million plus \$5 million to be capitalised if the Company fails to execute a binding agreement described above by 2 April 2014.

Refer to Note 18 Subsequent Events.

(b) Senior subordinated notes

The Company has in place \$117.6 million (face value) of Notes with bi-annual principal repayments commencing in July 2014 of \$11.8 million and a bullet repayment in January 2017 of \$58.8 million. The Notes carry a semi-annual coupon fixed at 8.5% payable in arrears. The interest rate steps up to 13% from July 2014 until the maturity date. The accounting interest charge for the year is calculated by applying an effective interest rate of 19.31% on the liability component. The Notes are subordinated to the Company's obligation in respect of the Group's existing senior project financing facility. The Notes agreement includes covenants typical for a facility of this nature; the Group was compliant with its covenants throughout the financial half-year and as at 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	31 December 2013 \$ '000	30 June 2013 \$ '000
14. PROVISIONS		
<i>Long-term</i>		
Employee benefits	140	150
Restoration provision	86,542	59,714
Total long-term provisions	86,682	59,864
		Restoration provision \$'000
Balance at beginning of period		59,714
Increase in the discounted amount arising because of time and the effect of any change in discount rate		923
Additions		25,905
Balance at end of period		86,542

Restoration provision

The restoration provision represents the Group's estimated present value of costs relating to future site restoration, removal and rehabilitation activities. The measurement and recognition criteria relating to the restoration provision has been included in Note 1(m) of the 30 June 2013 Annual Report. The significant movement in the restoration provision is the result of a reassessment of the restoration provision provided by the AC/RL9 Joint venture Operator increasing the provision for the half year ended 31 December 2013. Also included in the increase is the present value adjustment for the half year ended 31 December 2013.

	31 December 2013 Number '000	30 June 2013 Number '000	31 December 2013 \$'000	30 June 2013 \$'000
15. ISSUED CAPITAL				
Share capital				
Ordinary shares, fully paid	1,330,219	1,329,821	670,833	670,833

Other equity securities

Value of warrants – senior subordinated notes (expired)	18,761	18,761
	689,594	689,594

Movements in ordinary share capital 30 June 2013 to 31 December 2013

Details	Number of Shares '000	Issue Price	\$'000
30 June 2013 Closing balance	1,329,821	-	670,833
1 July 2013 Employee Options Vested	398	\$0.00	-
31 December 2013 Closing balance	1,330,219	-	670,833

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	31 December 2013 \$ 000	30 June 2013 \$ 000
16. COMMITMENTS		
(a) Operating lease rental commitments		
Non-cancellable operating lease rentals not provided for in the financial statements and payable:		
Not later than 1 year	1,634	1,619
Later than 1 year but not later than 5 years	6,990	6,943
Later than 5 years	760	1,139
Total operating lease rental commitments	9,384	9,701

The Company has a photocopier lease with a primary 3-year term that expires in February 2015.

The Company has an office lease for Level 8 Freshwater Place Southbank with a 10-year term that expires in January 2019.

The Company has an office lease for Level 23 530 Collins Street Melbourne with an 8-year term that expires in February 2019.

Non-cancellable operating lease rentals not provided for in the financial statements and receivable:

Not later than 1 year	1,101	1,109
Later than 1 year but not later than 5 years	4,863	4,502
Later than 5 years	108	714
Total operating lease rental commitments	6,072	6,325

The company has sub-let level 8 Freshwater Place Southbank to a third party expiring in January 2019.

(b) Exploration expenditure commitments

Exploration expenditure commitments are estimates for work commitments pursuant to the award of petroleum exploration permits VIC/P54, WA-377-P and AC/RL9. (2013: VIC/P54, WA-377-P and AC/RL9)

Not later than 1 year	9,789	9,685
Later than 1 year but not later than 5 years	80,000	65,400
Later than 5 years	-	-
Total exploration expenditure commitments	89,789	75,085

The above commitments include exploration expenditure commitments relating to joint venture operations in relation to AC/RL9:

Not later than 1 year	9,089	9,385
Later than 1 year but not later than 5 years	-	25,000
Later than 5 years	-	-
Total joint venture operation exploration expenditure commitments	9,089	34,385

Estimates for future exploration expenditure commitments are based on estimated well and seismic costs which will change as actual drilling location and seismic surveys are organised and are determined in current dollars on an undiscounted basis. The exploration and evaluation obligations may vary significantly as a result of renegotiations with relevant parties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

17. SEGMENT REPORTING

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The operating segments identified by management are based on assets in production, development and exploration.

Types of products and services by segment

(a) Production

The production segment relates to the sale of gas and condensate. As at 31 December 2013, the Longtom asset is reported in this segment which has a sale agreement with Santos for the sale of gas and condensate.

(b) Development

The development segment holds assets which have confirmed resources and are currently in development phase. As at 31 December 2013, the Crux asset is reported in this segment.

(c) Exploration

The exploration segment holds assets which are currently in exploration and evaluation phase. All remaining assets and permits are reported in this segment.

(d) Other

Relates to corporate and other based expenses.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions

An internally determined transfer price is set for all inter-entity sales. This price is re-set quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation for the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' activity within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Balances included within the segment note represent consolidated amounts excluding inter-company transactions which have been eliminated on consolidation.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings (with the exception of asset specific project financing) and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Other items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- net gains / (losses) on disposal of available-for-sale investments;
- income tax expense;
- deferred tax assets and liabilities;
- current tax liabilities;
- other financial liabilities;
- intangible assets;
- general and administration expenditure;
- net foreign currency gains / (losses);
- share issues and related expenses; and
- retirement benefit obligations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

17. SEGMENT REPORTING (Continued)

Segment Performance

31 December 2013	Production \$'000	Development \$'000	Exploration \$'000	Other \$'000	Total \$'000
Revenue					
Sales to external customers	28,624	-	-	-	28,624
	28,624	-	-	-	28,624
Other Income					
Gain on disposal of Crux Long Lead Items	-	3,774	-	-	3,774
Other income	-	-	-	786	786
	-	3,774	-	786	4,560
Total Segment Revenue	28,624	3,774	-	786	33,184
Results for the half year ended 31 December 2013					
Segment result	5,316	3,774	(21)	701	9,770
Finance costs	(2,594)	-	-	(9,887)	(12,481)
Restoration expense	(1,056)	133	-	-	(923)
Mark-to-market adjustment on derivative financial instruments	183	-	-	-	183
Interest and other revenue	37	9	-	38	84
Depreciation and amortisation	-	-	-	(76)	(76)
Employee benefits expense	-	-	-	(2,394)	(2,394)
Foreign exchange movements	-	-	-	(42)	(42)
Impairment of Production asset	(22,174)	-	-	-	(22,174)
Provision for doubtful recoverability of prepayment	(4,066)	-	-	-	(4,066)
Administration and other operating expenses	-	-	-	(5,908)	(5,908)
Net profit / (loss) before tax					(38,027)
Income Tax expense					(112,090)
Net profit / (loss) after tax					(150,117)
31 December 2012	Production \$'000	Development \$'000	Exploration \$'000	Other \$'000	Total \$'000
Revenue					
Sales to external customers	43,690	-	-	-	43,690
	43,690	-	-	-	43,690
Other Income					
Gain on part sale of Crux interest	-	45,799	-	-	45,799
Gain on settlement of obligations of Long Lead Items	-	9,251	-	-	9,251
Other income	-	23	-	1,261	1,284
	-	55,073	-	1,261	56,334
Total Segment Revenue	43,690	55,073	-	1,261	100,024
Results for the half year ended 31 December 2012					
Segment result	15,849	55,073	(244)	833	71,511
Finance costs	(5,476)	-	-	(11,214)	(16,690)
Restoration expense	(1,003)	(1,540)	-	-	(2,543)
Mark-to-market adjustment on derivative financial instruments	430	-	-	-	430
Interest and other revenue	134	19	-	275	428
Depreciation and amortisation	-	-	-	(78)	(78)
Employee benefits expense	-	-	-	(2,750)	(2,750)
Foreign exchange movements	-	-	-	(133)	(133)
Administration and other operating expenses	-	-	-	(4,895)	(4,895)
Net profit / (loss) before tax					45,280
Income Tax expense					(13,565)
Net profit / (loss) after tax					31,715

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

17. SEGMENT REPORTING (Continued)

Segment Assets	Production \$'000	Development \$'000	Exploration \$'000	Other \$'000	Total \$'000
As at 31 December 2013					
Segment asset information					
Cash and cash equivalents	5,334	249	-	4,466	10,049
Trade and other receivables	5,607	7	-	358	5,972
Exploration and evaluation assets	-	-	12,889	-	12,889
Development assets	-	247,414	-	-	247,414
Production assets	110,453	-	-	-	110,453
Prepayments	21,321	-	-	-	21,321
Inventories	16	-	-	-	16
Deferred Tax	-	-	-	-	-
Other assets	-	-	-	140	140
Segment assets	142,731	247,670	12,889	4,964	408,254

Segment Assets	Production \$'000	Development \$'000	Exploration \$'000	Other \$'000	Total \$'000
As at 30 June 2013					
Segment asset information					
Cash and cash equivalents	3,157	1,727	-	6,922	11,806
Trade and other receivables	21,587	50	-	117	21,754
Exploration and evaluation assets	-	-	12,542	-	12,542
Development assets	-	218,659	-	-	218,659
Production assets	139,194	-	-	-	139,194
Prepayments	25,387	-	-	-	25,387
Inventories	1	-	-	-	1
Deferred Tax	-	-	-	112,090	112,090
Other assets	-	-	-	211	211
Segment assets	189,326	220,436	12,542	119,340	541,644

18. SUBSEQUENT EVENTS

Financial Report

The financial report was authorised for issue on 14 March 2014.

Longtom Senior Facility

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

- A review event that includes either a debt refinance or the Company executing a binding agreement by 2 April 2014 with a third party that will retire the outstanding Longtom senior facility amount and fully cash back the undrawn \$60 million letter of credit, 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
 - \$42.4 million plus \$5 million to be capitalised if the Company fails to execute a binding agreement described above by 2 April 2014.

Resignation of Chairman

On 18 February 2014, Don Voelte resigned as Non-Executive Chairman with immediate effect. Mr Voelte, who is also CEO and Managing Director of Seven Group Holdings (SGH), informed the Board that his position on the Board of Nexus was no longer appropriate given SGH's strategic focus on opportunities in the oil and gas sector.

Longtom Outage and Voluntary Suspension

On 21 February 2014 the Longtom Gas Project suspended production as a result of an electrical fault. An offshore intervention campaign was undertaken with the aim to identify the fault and if possible, restore production. On 12 March 2014, production was restored to the Longtom 4 well. The location of the electrical fault has been identified within the Longtom-3 subsea facilities. As a result, the Longtom-3 well has been isolated and is currently not producing. An assessment will now commence to define the scope of work and timing of a future campaign for a return to production, from the Longtom-3 well.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

18. SUBSEQUENT EVENTS (Continued)

Sedco Forex International

On 6 July 2011, Sedco Forex International Inc (Sedco) issued Federal Court proceedings against Nexus Energy Limited (Nexus) and its wholly owned subsidiary, Nexus Energy WA Pty Ltd (NEWA). Sedco seeks damages against NEWA based on an alleged breach and repudiation of a contract relating to the charter of the Transocean Legend drilling rig and initially lodged a claim for the amount of US\$67,173,680. Sedco also claims against Nexus and NEWA based on alleged misleading and deceptive conduct (together the Sedco Claim). Nexus and NEWA are also defending an associated cross-claim by Osaka Gas Crux Pty Ltd (OG) (the OG Claim) (the Sedco Claim and the OG Claim together the Dispute).

A mediation process occurred with Sedco and OG during February 2014 by which time Sedco's primary claim with interest was in the total amount of approximately US\$80 million. Following the mediation process, the parties entered into a settlement deed on 12 March 2014 in relation to the Dispute (Settlement Deed).

The Settlement Deed provides for the Dispute to be fully and finally resolved (without admission of liability by any party subject to certain conditions), including a payment by Nexus to Sedco of US\$30 million. The 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.

19. CONTINGENT LIABILITIES

Letter of credit provided by subsidiaries

The subsidiaries Nexus Energy Aust. NL and Nexus Energy VICP54 Pty Ltd have entered into an agreement to supply raw gas to Santos Offshore Pty Ltd (Santos). As security for the supply of raw gas, Santos has access to a letter of credit capped at \$60 million (2013: \$60 million). The letter of credit has been provided on behalf of the Group by BOS International (Australia) Limited. Should the subsidiaries not meet their obligations to Santos, Santos may at this time have access to draw on the letter of credit. The letter of credit amortises on agreed formula once cumulative production from the Longtom facility exceeds 82.5PJ down to a nil balance after 150PJ has been produced.

Joint venture arrangements

In accordance with normal oil and gas industry practice, the Group has entered into joint venture operations with other parties for the purpose of exploring and developing its permit interests. If a participant to a joint venture operation defaults and does not contribute its share of joint venture operation obligations, then the other joint venturers are liable to meet those obligations. In this event, the interest in the permit held by the defaulting participant may be redistributed to the remaining joint venturers. At the date of this report no participant in joint venture operations had defaulted.

Bank Guarantee

Nexus Energy Limited as parent entity has provided a cash backed bank guarantee of \$728,563 to Australand in relation to the leased offices at Level 8 Freshwater Place Southbank. A bank guarantee of \$271,188 is also in place for the leased offices at Level 23 530 Collins Street. These bank guarantees will be in place for the term of the leases.

Sedco Forex International

Refer to Note 18: Subsequent Events for details of the settlement. No provision has been recognised in the financial statements for the half year ended 31 December 2013 given the settlement is subject to Nexus executing a binding asset or corporate sale transaction by 2 April 2014 and such a transaction completing by 31 August 2014.

20. IMPACT OF STANDARDS ISSUED BUT NOT YET APPLIED BY THE ENTITY

AASB 9 'Financial Instruments' addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2017 but is available for early adoption. The Group is yet to assess AASB 9's full impact.

DIRECTORS' DECLARATION

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

In the Directors' opinion:

- (a) The financial statements and notes as set out on pages 5 to 19 are in accordance with the Corporations Act 2001 including:
- i. Complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - ii. Giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half year ended on that date, and
- (b) notwithstanding that there is a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern as disclosed in Note 2, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Lucio Della Martina
Managing Director and Chief Executive Officer

Dated at Melbourne this 14th day of March 2014



Independent auditor's review report to the members of Nexus Energy Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Nexus Energy Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Nexus Energy Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Nexus Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Nexus Energy Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 2 in the half-year financial report, which indicates that the consolidated entity may not be able to meet its debt and capital commitments as they fall due. The consolidated entity's ability to continue as a going concern is dependent on it being successful in re-financing the external debt and funding future capital expenditure requirements in relation to its development and production assets. These conditions, along with other matters set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Charles Christie', written in a cursive style.

Charles Christie
Partner

Melbourne
14 March 2014

GLOSSARY OF TERMS

\$ or cents	units of Australian currency
AIFRS	Australian International Financial Reporting Standards
appraisal well	a well drilled to evaluate the size or quality of a hydrocarbon discovery
ASX	Australian Securities Exchange
bbl	barrel of oil or condensate (equivalent to 159 litres)
capex	capital expenditure
condensate	light hydrocarbon compounds that condense into liquid at surface temperatures and pressures, generally produced with natural gas
exploration	the process of identifying prospective hydrocarbon regions and structures, mainly by reference to regional and specific geochemical, geological and geophysical surveys
FID	final investment decision
FLNG	floating liquefied natural gas
Joint Authority	decision making body responsible for the administration of the Offshore Petroleum Act 2006, comprised of the relevant State/Territory Minister and the Commonwealth Minister
km	kilometre
km ²	square kilometres
LNG	liquefied natural gas
Nexus, Nexus Energy and company operator	Nexus Energy Limited one of the companies in a joint venture which has been appointed to carry out all operations on behalf of the other joint venture participant/s
Osaka Gas	Osaka Gas Pty Ltd
permit	a hydrocarbon tenement, lease, licence or block
PJ	petajoules
risk	an expression of uncertainty relating to the presence of principal geological factors controlling hydrocarbon accumulation
scf	standard cubic feet of gas
seismic survey	a type of geophysical survey where the travel times of artificially created seismic waves are measured as they are reflected in a near-vertical sense back to the surface from subsurface boundaries. This data is typically used to determine the depths to the tops of stratigraphic units and in making subsurface structural contour maps and ultimately in delineating prospective structures.
Santos	Santos Limited
Shell	Shell Development (Australia) Pty Ltd
US\$	United States dollars