
Nexus Energy

2013 Annual General Meeting Presentation

21 November 2013

**River Room 1 & 2
Crown Towers
8 Whiteman Street
Southbank Victoria**

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Information in this presentation regarding the hydrocarbon Reserves Estimates and Contingent Resource Estimates for Petroleum Production Licence VIC/L29 is based on information compiled by Ms Margaret Hall. Ms Hall is employed by Nexus as its Development Manager. Ms Hall is a member of good standing of the Society of Petroleum Engineers and the Institute of Engineers Australia. Ms Hall has sufficient experience which is relevant to the style and nature of hydrocarbon reserves under consideration and to the activity which she is undertaking to qualify as a Competent Person for the purposes of the ASX Listing Rules. Ms Hall has consented to the inclusion in this presentation of the matters based on her information in the form and context in which it appears.

Information contained in this presentation relating to all other hydrocarbon reserves, resources, discovered and undiscovered petroleum in-place estimates is based on information compiled by Dr Keith Jackson. Dr Jackson is employed by Nexus as its Exploration Manager. Dr Jackson is a member of good standing with the Society of Petroleum Engineers. Dr Jackson has sufficient experience which is relevant to the style and nature of the hydrocarbon reserves under consideration and the activity which he is undertaking to qualify as a Competent Person for the purposes of the ASX Listing Rules. Dr Jackson has consented to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.

Agenda

FY13 Year in Review

- Performance against strategic agenda
- Financial
- Operational

Looking forward

- Strategic update
- Priorities for FY14
- FY14 update

Summary

Progress made on delivering strategic agenda

Objectives

Achievements

Unlock the value of Crux

- Crux consolidation agreement completed **(Oct 2012)**
- Sale of 2% interest in Crux to Shell for \$75m **(Dec 2012)**
- Retention Lease awarded to Crux JV, providing framework for progression to the earliest commercialisation of Crux and preserving standalone FLNG potential **(Feb 2013)**

Optimise value from Longtom asset

- Outstanding Health, Safety and Environmental performance
- Revised Gas Sales Agreement (GSA) terms with Santos; revised pricing and accelerated production profile **(May 2013)**
- Offshore campaign, planned offshore maintenance completed **(May 2013)**
- Longtom strategic review initiated **(May 2013)**

Strengthen balance sheet and secure funding requirements

- Proceeds of Crux sale applied to retire debt, reduced finance costs and improved gearing **(Jan 2013)**
- Revised Longtom GSA terms with Santos defer funding requirements for drilling of Longtom 5 by 12 months **(May 2013)**

Prepare for growth beyond 2014

- Technical studies completed at Echuca Shoals **(4Q 2013)**, Mashmaker selected as priority drilling candidate for Year 3 commitment well **(2Q 2015)**
- Echuca Shoals FLNG development feasibility study completed **(4Q 2013)**, results being analysed **(1Q 2014)**

Organisational review

- New leadership of Board with Don Voelte appointed as Chairman **(Oct 2012)**
- Corporate governance review completed **(Jan 2013)**
- Delivered 37% reduction in annual administration costs, well ahead of 30% target **(Jun 2013)**

Financial review

	FY13	Change from FY12
Production	11.3 PJ Gas	(35%)
Revenue	\$52.0 million	(36%)
Operating Profit*	\$18.6 million	28%
Reported Net Profit / (Loss) after tax**	\$17.5 million	105%
Operating Cash Flows***	\$27.4 million	(51%)
Net debt****	\$134.7 million	(24%)

* Operating profit after processing charges and other opex, royalty and plant amortisation

** FY12 included \$243.8 million of non-recurring, non-cash items relating to the impairment of the Longtom asset and long lead Items

*** Cash flow from Longtom operations (revenue less operating costs) and excludes capital expenditure on plant

**** Net debt is calculated as Current and Non-Current Borrowings minus Cash and Cash Equivalents

Health, Safety and Environment

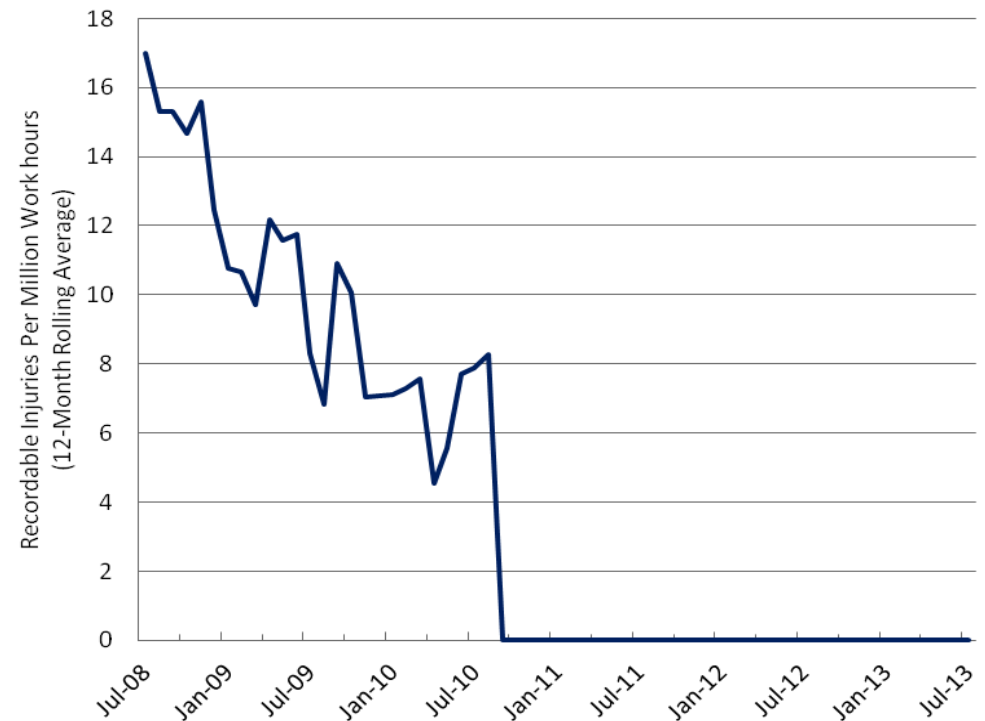
Outstanding Health, Safety and Environmental performance

Health and Safety

- No reported safety incidents
- Offshore maintenance and testing comprising 6,800 work-hours completed with no reportable incidents
- TRIFR (total recordable injury frequency rate) remaining at zero for the year
- Focused on maintaining this record and ensuring strong safety culture is reinforced

Environmental

- No environmental incidents during the year
- Longtom Operations Environment Plan update, including revision of oil spill modelling and response protocol to ensure in line with best practice, with plan for submission to NOPSEMA later this year



Gippsland asset overview

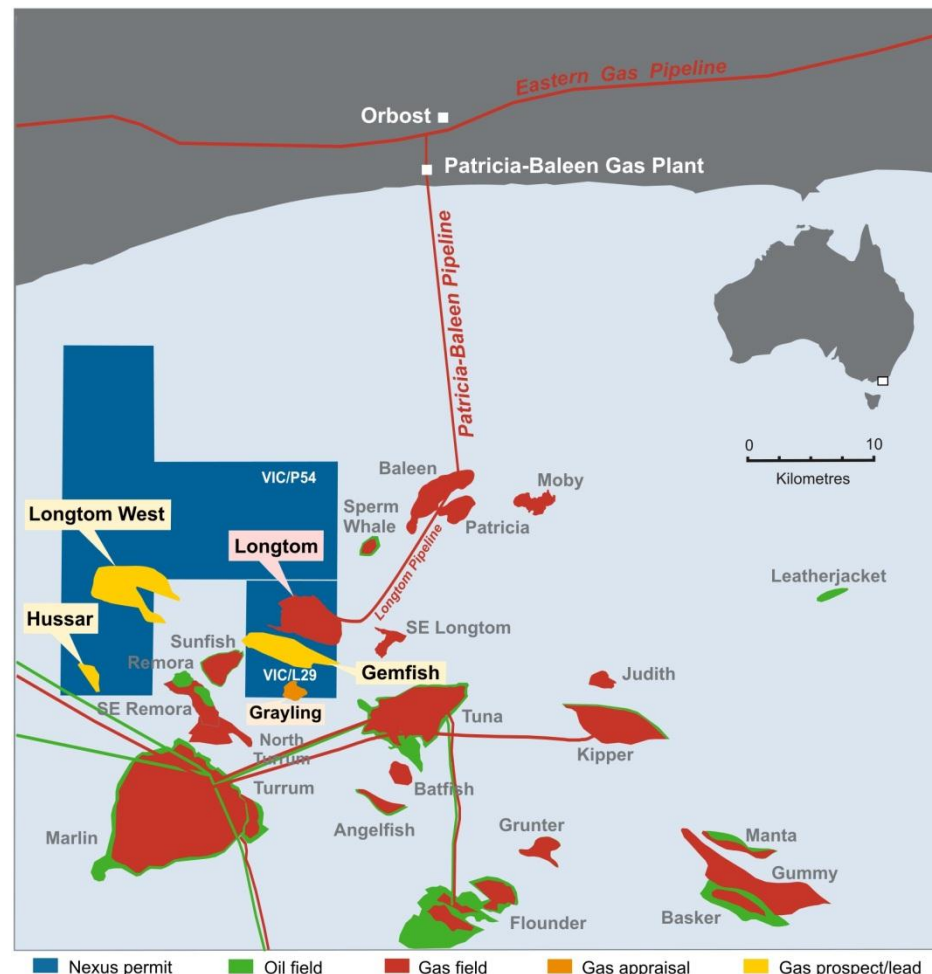
Gippsland assets provides leverage in a tightening East Coast Australian gas market

Longtom gas project (100% interest)

- Gas and condensate field located approximately 30km offshore
- Underpinned by Gas Sales Agreement (GSA) with Santos
 - Initial GSA signed in December 2005
 - Longtom 3 well drilled 2006 confirming commercial potential of the field, final commitment to development of project in April 2007
 - First production commenced in October 2009
- Revised Longtom GSA terms agreed in May 2013, increase value of system to Nexus

Exploration opportunities (100% interest)

- Gemfish prospect located 4km south of the existing Longtom field, has standalone development potential with pre-drilling technical planning well advanced
- Gemfish success will have positive effect on appraisal of Grayling-1A discovery
- Longtom West and Hussar offer further potential subject to further subsurface studies



Operational review of Longtom

Performance impacted by lost production in second half

- Production suspended 14 January 2013 due to electrical fault
- Santos led remediation campaign completed May 2013, production returned 26 May 2013
- Discussions with Santos in relation to available remedies under Longtom GSA progressed

Maintenance and technical works undertaken to increase reliability

- Nexus' planned maintenance activities completed on time and under budget
 - Corrosion testing results showed facilities and pipeline are within allowances
- Enhanced subsurface understanding of the Longtom asset
 - Further technical studies including seismic reprocessing and rebuild of subsurface model

Value of total supply chain enhanced via new Gas Sales Agreement terms with Santos

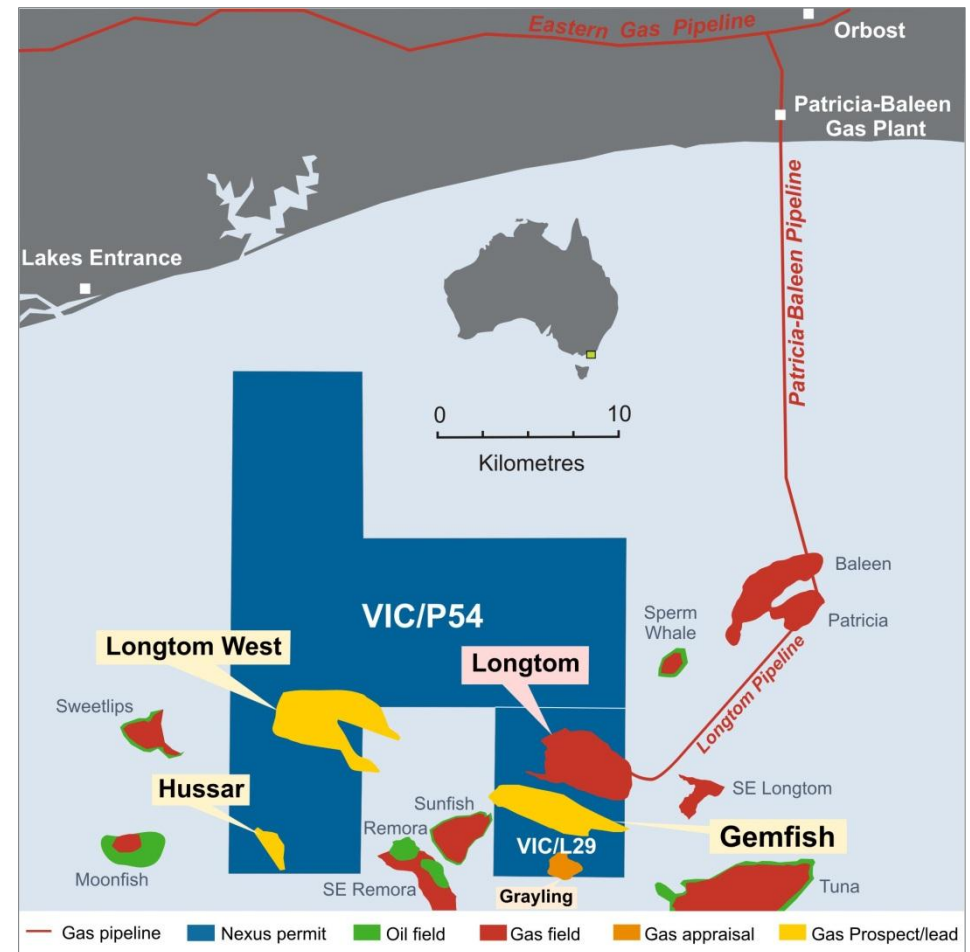
- Delivery and pricing metrics improved with revised Gas Sales Agreement terms effective 1 July 2013
- Increased capital efficiency with revised work program
- Commercial framework in place for parties to agree the supply of additional quantities

Gippsland exploration opportunities

Domestic gas price rises for Eastern Australia forecast to have positive effect on commercial viability of exploration opportunities

Technical studies on identified prospects continue

- Commercial evaluation, including potential development options, of the Gemfish Prospect (274 Bcf estimated undiscovered gas initially-in-place, (best estimate (P50) unrisked))
- Impact of future drilling success for the Gemfish Golden Beach primary reservoir target on the nearby Grayling-1A Golden Beach gas discovery (86 Bcf estimated undiscovered gas initially-in-place, (best estimate (P50) unrisked))
- Seismic reprocessing and velocity modelling focused on Longtom West and Hussar with the objectives of an enhanced subsurface definition and a revised geological risk assessment



Browse asset overview

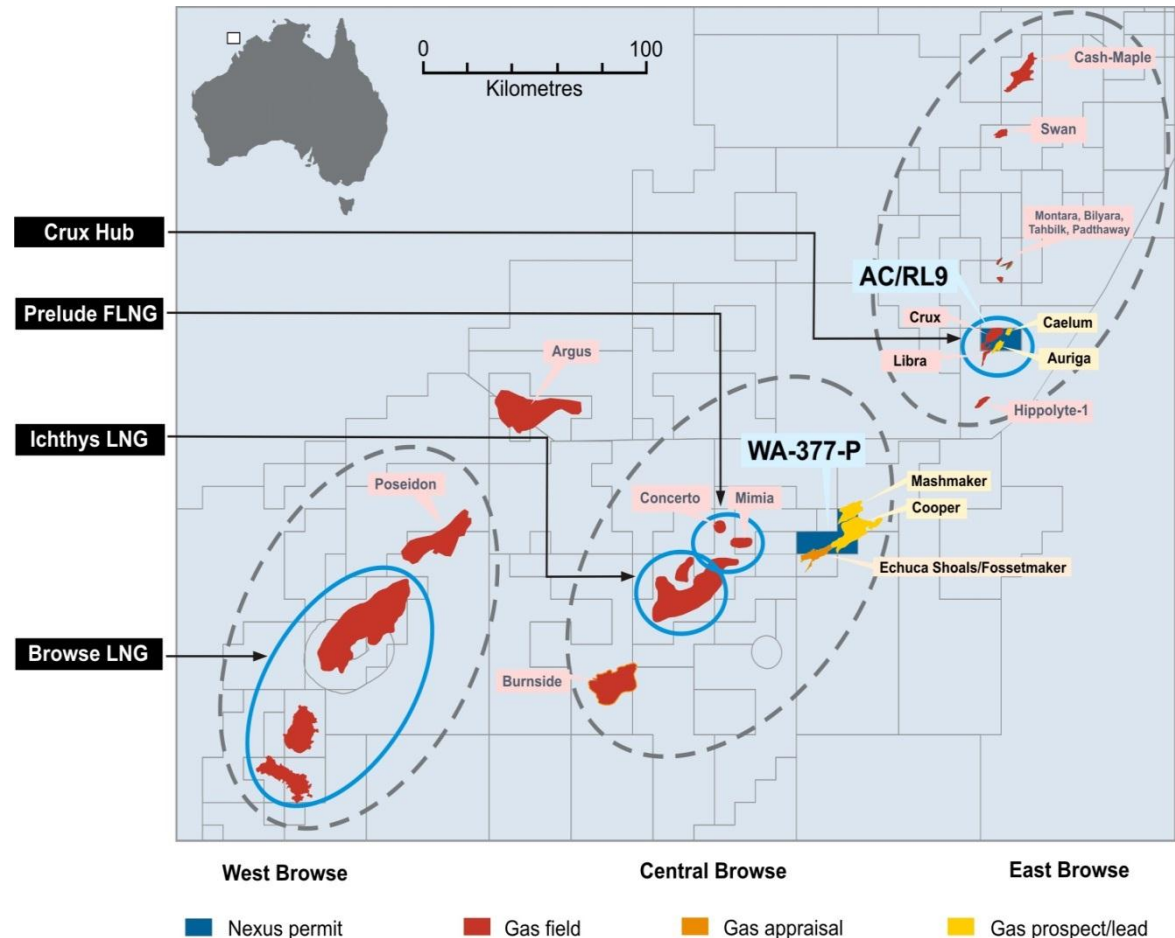
Two assets in dynamic Browse basin well placed to benefit from developments in FLNG technology

Crux AC/RL9 (15% interest)

- Large and high-quality discovered and undiscovered petroleum in-place
- Proximate to existing and proposed LNG developments
- Retention Lease work program targeting earliest possible commercialisation
- Undrilled Auriga and Caelum prospects potentially high-impact

Echuca Shoals WA-377-P (100% interest)

- Large and high-quality discovered and undiscovered petroleum in-place
- Located in proven world-class gas and condensate system with significant potential upside
- Contains the Echuca Shoals discovery as well as two prospective resources, Cooper and Mashmaker



Update on Crux

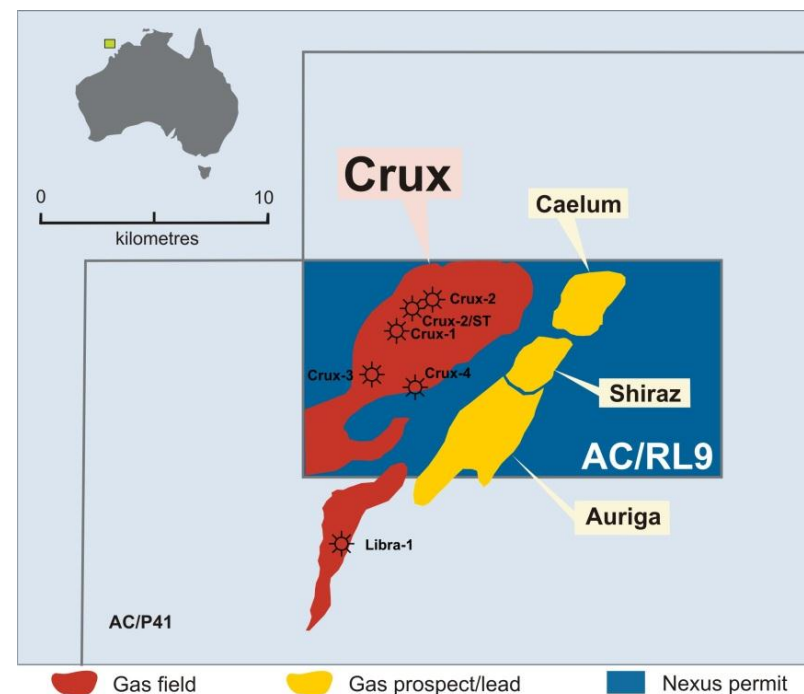
Repositioning Crux into LNG value chain play

Consolidation agreement completed in October 2012, aligning Joint Venture

- Sale of 2% stake to Shell for \$75 million in December 2012
- Joint Venture ownership: Nexus 15%, Shell 82% (operator), Osaka Gas 3%

Retention Lease granted by the Joint Authority in February 2013

- Work program targets earliest commercialisation in line with Government's stated expectation of the Joint Venture to work towards a final investment decision during the current Retention Lease
- Five year detailed work program underway including:
 - Year 2: Auriga drilling (targeted for Q4 FY14), followed by plug and abandonment activities. Shell (operator) engaged in contract negotiations to secure drilling rig.
 - Year 3: Test of commercial viability post Auriga drilling in Q3 FY15
 - Year 4: Concept development and refinement
 - Year 5: Joint Venture required to submit report outlining final development concept to Government in Q3 FY17



Echuca Shoals Permit WA-377-P

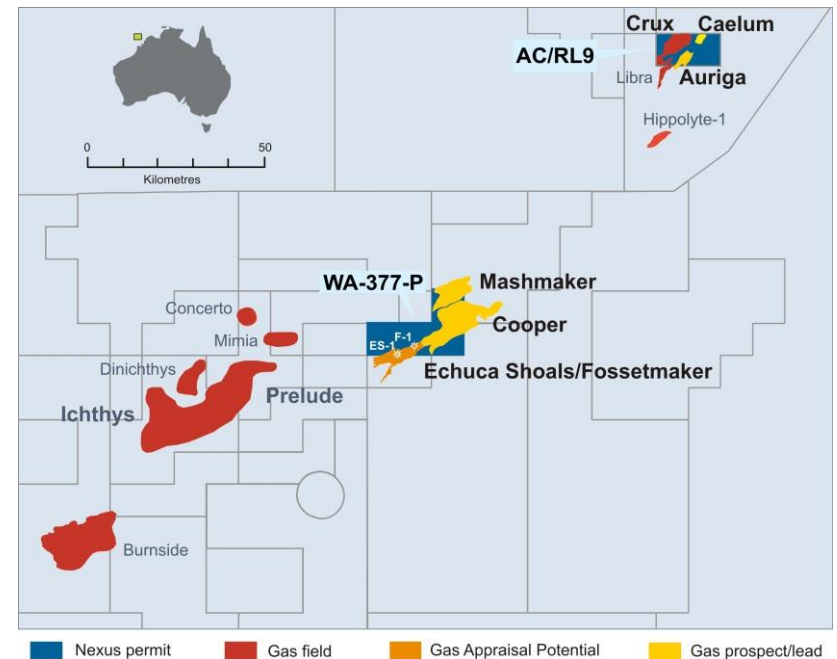
Technical repositioning to support growth beyond 2014

High quality resource with exploration upside and FLNG development potential

- In excess of 3 Tcf estimated undiscovered petroleum initially in-place (best estimate (P50), unrisked)
- FLNG feasibility study initiated, completed in Q1 FY14

Technical studies have identified Mashmaker as priority candidate

- Commitment well to be drilled by Q3 FY15
- Technical studies have focused on trap and reservoir definition using reprocessed seismic data to identify most appropriate drilling opportunity
- Mashmaker drilling candidate
 - 1.5 Tcf estimated undiscovered petroleum initially in-place (best estimate (P50), unrisked)
 - INPEX planned drilling in WA-341-P (adjacent block to WA-377-P) likely in 2H CY14 may underscore the resources in Mashmaker prospect¹



1) A "Referral of Proposed Action" for all offshore EP related activities, such as seismic acquisition and drilling, is required by the Environmental Protection and Biodiversity Conservation Act 1999. A referral document, submitted by Inpex Browse Ltd (Inpex) on behalf of its Joint Venture partners for an upcoming drilling campaign in WA-341-P, AC/P36 and WA-343-P, was received by the Australian Government Department of Sustainability, Environment, Water, Population and Communities on 12 June 2013. The document has since been released for public comment via the department's website.

Balance sheet and funding

Progress made to strengthen balance sheet and secure funding requirements

Strengthened balance sheet, funding requirements deferred

- \$75m proceeds from 2% Crux sale applied to retire debt
- Revised GSA terms deferred requirement for Longtom 5 drilling by 12 months and removed obligation to drill Longtom 6

Strategic review of assets and funding options progressing

- Range of options being considered to support outcome of strategic review
 - Divestment of an interest in one or more of the three high quality assets
 - Refinancing existing facilities and new financing options
- Nexus initiated discussions with a number of new potential financiers following decision by BOS International (Australia) Limited to exit non-core Australian operations which includes transfer of Nexus' senior project financing facility to a third party

Other matters – Sedco litigation

- Relates to alleged breach of contract for Transocean's "*Legend*" drilling rig in 2008
- Currently in court process, no trial date set

Macro trends support Nexus' asset strategy

East Australian gas market dynamics

- Current long-term domestic gas supply contracts concluding in the face of unprecedented demand growth from Gladstone CSG-to-LNG projects
 - Reserves are required to increase rapidly in the near-term in support of LNG export developments
 - The development of an LNG export industry in Eastern Australia expected to result in substantial increase in domestic gas prices
- Conventional gas reserves continue to decline with limited new discoveries in recent years



**East Coast Australian
gas market is tightening**

Macro LNG trends

- Increasing cost pressures challenging Australia's LNG competitiveness
- LNG projects facing increasing scrutiny from environmental stakeholders
- Floating LNG development concepts increasingly considered amongst the Majors (e.g. Shell, ExxonMobil and Woodside)
 - Both environmental and labour cost benefits



**Australian gas reserves well suited for
Floating LNG technology**

Priorities for FY14

Unlock the value of Crux

- Complete seismic re-processing, inversion and interpretation activities
- Drill Auriga prospect (to commence between April to July 2014)
- Prepare for Plug and Abandonment of existing wells

Optimise value from Longtom asset

- Prepare for Longtom 4 work program and drilling of Longtom 5 under revised Gas Sales Agreement terms
- Incorporate outcomes from completed maintenance into Asset Integrity Management Plans

Strengthen balance sheet and secure funding requirements

- Finalise funding to support outcome of strategic review of assets and Nexus's next phase of development
 - Divestment of an interest in one or more of three high-quality assets
 - Refinancing existing facilities and new financing options

Prepare for growth beyond 2014

- Complete evaluation studies at Gemfish and prepare well design
- Prepare for drilling of commitment well at Echuca Shoals
- Finalise FLNG development studies for Echuca Shoals

Operational excellence

- Maintain Health, Safety and Environmental excellence
- Ongoing focus on cost discipline
- Build organisational capability to support growth phase

Strong operating performance at Longtom

- Production in accordance with nominations under new GSA terms and system availability of 100% achieved
- Engineering works for Longtom-4 workover and drilling of Longtom-5 are underway

Crux Retention Lease work program underway

- Auriga drilling targeted for Q4 FY14
- Shell (operator) engaged in contract negotiations to secure drilling unit
- Drilling of Auriga prospect will be followed by plug and abandonment activities

Echuca Shoals progressing to plan

- FLNG development feasibility study completed and being assessed
- Mashmaker prospect remains preferred drilling candidate for next well
- Nexus will assess impact of Inpex Ltd drilling results in adjacent permit

Strategic review of assets continues focused on finalising funding options

Nexus is well positioned for growth

- **Macro trends support Nexus' asset strategy**
- **Strong Board in place with direct development and financial expertise**
- **Three high quality assets with upside potential**
 - Longtom: development and exploration opportunities in tightening East Coast market
 - Crux: near-term exploration and Retention Lease targeting earliest commercialisation
 - Echuca Shoals: mid-term exploration and appraisal opportunities



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