

## Report for Quarter ending 30 June 2013 & Appendix 5B

### Quarterly results impacted by outage at Longtom, production restored in May 2013

- Production volumes for quarter were 1.56 PJ of gas and 10.67 Kbbls of condensate produced at an average yield of 7.69 bbls per MMscf
- Total revenue for the quarter totalled \$6.96 million
- Santos offshore campaign to fix subsea electrical fault completed during the quarter, with production restored on 26 May 2013
- Maintenance works on Nexus' offshore facilities completed as part of the May offshore campaign fulfill the planned 2013CY maintenance activities
- Following return to production and cash generation in June 2013, system availability of 99.2% achieved

			Quarter Ended		Financial Year	
			30-Jun-2013	30-Jun-2012	2013 FY	2012 FY
<b>Gas</b>	Production	PJ	1.56	2.75	11.30	17.39
	Sales	PJ	1.52	2.67	11.02	16.91
<b>Condensate</b>	Production	Kbbl	10.67	23.2	88.25	153.89
	Sales	Kbbl	8.34	22.9	87.46	153.03
<b>Total</b>	Revenue	A\$ m	6.96	13.37	52.00	80.67

### Continued progress with strategic agenda

#### New Gas Sales Agreement with Santos optimises value of Longtom Asset

- During the quarter binding terms for a revised Gas Sales Agreement (GSA) with Santos were agreed (effective 1 July 2013) with a revised pricing structure and accelerated production profile
- GSA defers funding requirement to drill Longtom-5 by 12 months (to Q4 2014CY)
- The GSA delivery and pricing metrics enhance the total value of the supply chain and support a strong business case for the forward work program and drilling of Longtom-5
- GSA provides framework for Nexus to deliver additional quantities of gas prior to 31 December 2018, increasing value of Longtom asset

#### Positive steps towards crystallising the value of Nexus' assets

- Crux Joint Venture progressing Retention Lease (awarded in February 2013) work program, with focus on the Year 2 work program drilling of the Auriga prospect (targeted for mid 2014CY)
- Revised GSA repositions Longtom as an attractive asset for third-party investors

#### Improved cost disciplines

- Originally stated target of 30% reduction in annual administration expenses has been achieved
- Finance costs for the final quarter down 53% from Q4 2012FY, reflecting lower debt balance

#### Strategic Review

- A strategic review of the assets commenced with divestment processes underway

Mr Della Martina, Nexus' CEO & Managing Director said:

*"The execution of a revised Gas Sales Agreement on enhanced terms was a significant milestone for the company, realigning the production profile to meet future gas supply and demand requirements.*

*As the GSA has repositioned Longtom as an attractive asset for third-party investors, we recently announced a dual-track divestment process at Longtom and Crux which adds optionality to our medium-term funding options as we move into the next phase of growth."*

## **PRODUCTION ACTIVITIES**

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

Longtom is well positioned to benefit from the strong demand dynamics in the East Coast. As announced on 14 May 2013, revised Gas Sales Agreement (GSA) terms were agreed with Santos including a revised pricing structure and an accelerated production profile for a remaining aggregate contract quantity of 83 PJ of gas to be supplied for the period to 31 December 2018. The revised GSA terms came into effect on 1 July 2013.

Gas supplied under the revised GSA terms will be met by Longtom-3, Longtom-4 with program to access additional gas producing sands and Longtom-5 infill well. As a result of the revised GSA, the requirement to drill Longtom-5 has been deferred by 12 months. The contractual framework now in place also provides for additional gas to be processed if supplied before 31 December 2018.

Development opportunities are currently being assessed against the Company's overall corporate strategy. Preliminary planning for the Longtom development opportunities, including the Longtom-5 well, are progressing, with engineering activities expected to increase in the Q1 2014FY. Rig availability and long-lead equipment requirements are also being evaluated.

Production at the Santos Patricia-Baleen gas processing facility was restored on 26 May 2013 following the completion of a Santos led offshore intervention program. As a result of the production outage, revenues are down for the quarter. During the June 2013 quarter, Nexus sold 1.52 PJ of gas and 8.34 Kbbbl of condensate, booking total revenues of \$6.96 million. Since the return of production, Nexus have maintained 99.2% production uptime to 30 June 2013.

As part of the offshore program carried out in May 2013, Nexus completed maintenance and inspection works on Nexus' offshore facilities. These works were successfully completed safely, on time and under budget and fulfill the planned 2013CY maintenance activities. The outcomes of these works are being incorporated into the Asset Integrity Management Plans, and planning for future maintenance activities.

## **DEVELOPMENT ACTIVITIES**

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

With the formal grant of the AC/RL9 Retention Lease completed in February 2013, the Crux Joint Venture (Shell as operator) has been addressing the critical components of the Retention Lease work program, in particular planning for the 2014 drilling campaign.

The focus of the 2014 drilling campaign will be the drilling of the Auriga prospect. The final plug and abandonment of the Crux-2/ST1, Crux-3 and Crux-4 wells will also be undertaken as part of this drilling campaign. Current planning should see the drilling unit on location mid 2014CY.

The Retention Lease 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. The resource development concept and costings are required to be completed in Year 3 in accordance with the Retention Lease work program via the submission of commercial viability re-evaluation report.

## **APPRAISAL AND EXPLORATION ACTIVITIES**

### **Echuca Shoals**

#### **WA-377-P Gas Discovery (Nexus 100%)**

##### **Browse Basin, Western Australia**

Nexus technical studies have focused on the three identified drilling candidates within the permit, being the Mashmaker exploration prospect, the Cooper exploration prospect and appraisal of the Echuca Shoals-1 and Fossetmaker-1 log interpreted gas discovery wells. The objective has been to identify the most appropriate risk/reward drilling opportunity for the next well to be drilled in the permit, noting that the Year 3 commitment well is to be drilled by March 2015.

The technical studies have been broad in their scope, addressing seismic mapping and geological aspects of the proposed trapping mechanisms. Based on the results of this analysis, the Mashmaker prospect has been rated the high priority candidate for drilling and offers significant volume potential (upside c. 2 Tcf gas in place un-risked). The Cooper prospect is viewed as offering the highest volume reward but at higher relative geological risk. Further appraisal of the Echuca Shoals/Fossetmaker structure carries lower risk with lower volume expectations. Importantly, the additional subsurface knowledge gained from drilling Mashmaker will enhance our understanding of both Cooper and Echuca Shoals/Fossetmaker. Work is progressing on preparing a geological basis of well design for Mashmaker.

Monitoring of regional activity relevant to the Nexus acreage noted that a “Referral of Proposed Action”, submitted by Inpex Browse Ltd on behalf of its Joint Venture partners for an upcoming drilling campaign in three permits including WA-341-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. Exploration permit WA-341-P adjoins the northern and eastern boundaries of WA-377-P. Within the referral document, co-ordinates are provided for drilling zones and a provisional well location. Using this publicly available information, the provisional well location within WA-341-P is located just to the north of the WA-377-P boundary. Based on Nexus mapping, the Inpex operated well will test the northern extent of the Mashmaker prospect. Timing of the Inpex drilling campaign indicated as 3Q 2013CY in the “Referral of Proposed Action”<sup>1</sup>.

### **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 is the priority. The Gemfish prospect, also in VIC/L29, remains an attractive opportunity. Gemfish is considered “drill ready” from a geological perspective. Evaluation studies are progressing, focussing on commercial development scenarios in the success case.

Within Petroleum Exploration Permit VIC/P54, the Hussar and Longtom West exploration prospects are recognised as future drilling candidates that could underpin an expanded Longtom project. Seismic reprocessing of VIC/P54 data was completed in March 2013. The seismic interpretation and mapping of the Hussar prospect using the reprocessed 3D data volume has now been completed confirming the Hussar structural play. The seismic interpretation effort will now focus on Longtom West.

The Hussar prospect evaluation continues but is now addressing geological uncertainties, in particular, reservoir quality and trap integrity. Incorporation of the open file data from the nearby Esso/BHP discoveries Remora-1 and SE Remora-1 will be an integral component of this work. To further address trap integrity, a trial Pre-Stack depth migration study was initiated. Depending on the results of this work, further seismic reprocessing could be considered over both Hussar and Longtom West.

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.

## **FINANCIAL REVIEW**

At the end of June 2013, the Company's cash balance was \$11.8 million, a decrease of \$12.0 million for the quarter. The reduction is mainly attributable to the impact of the suspension of gas production at Longtom for the period from 9 January 2013 through to 26 May 2013.

Gas production at Longtom was restored following the completion of Santos' offshore campaign during May 2013. Cash receipts received in the quarter of \$0.7 million related to the five days of production in the month of May 2013.

The Longtom Agreement provides remedies in respect of production system outages. Following the end of the 2013FY, processes in respect of available remedies are being initiated.

Other cash outflows for the quarter included Longtom facility principle and interest payments totaling \$6.5 million, taking total debt retired in 2013FY to \$72.9 million. As a result of efforts undertaken to strengthen the balance sheet, Nexus' finance costs during the quarter totaled \$1.5 million, representing a 53% decline from the June 2012 quarter.

Administration costs totaled \$3.8 million for the quarter and \$14.2 million for 2013FY, a 37% reduction (relative to the targeted 30%) has been achieved for the 2013FY.

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

**For further information please contact:**  
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# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10

Name of entity

Nexus Energy Ltd

ABN

64 058 818 278

Quarter ended ("current quarter")

30 June 2013

### Consolidated statement of cash flows

		Current quarter AS'000	Year to date (12 months) AS'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	734	46,770
1.2	Payments for		
	(a) exploration and evaluation	(266)	(1,197)
	(b) development	(896)	(11,406)
	(c) production	(1,748)	(25,679)
	(d) administration	(3,846)	(14,200)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	86	682
1.5	Interest and other costs of finance paid	(1,491)	(19,049)
1.6	Income taxes paid		
1.7	Other – GST, FX gains/losses	95	(55)
<b>Net Operating Cash Flows</b>		<b>(7,332)</b>	<b>(24,134)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets	(9)	(103)
1.9	Proceeds from sale of:		
	(a) prospects		75,000
	(b) equity investments		
	(c) other fixed assets	339	339
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other		
<b>Net investing cash flows</b>		<b>330</b>	<b>75,236</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(7,002)</b>	<b>51,102</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(7,002)	51,102
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	(5,000)	(72,879)
1.18	Dividends paid		
1.19	Other		
	<b>Net financing cash flows</b>	(5,000)	(72,879)
	<b>Net increase (decrease) in cash held</b>	(12,002)	(21,777)
1.20	Cash at beginning of quarter/year to date	23,802	33,653
1.21	Exchange rate adjustments to item 1.20	6	(70)
1.22	<b>Cash at end of quarter</b>	11,806	11,806

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	558
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Fees paid to Board of Directors and includes STI payment for the Managing Director & Chief Executive Officer of \$293,750 in accordance with the terms of his employment.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	159,999	159,999
3.2 Credit standby arrangements Undrawn \$60m letter of credit provided as security for completion of certain capital works on the Longtom project and for obligations in respect to gas deliveries	60,000	60,000

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	60
4.2 Development	1,535
4.3 Production	8,830
4.4 Administration	3,920
<b>Total</b>	<b>14,345</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	6,063	4,696
5.2 Deposits at call	3,155	2,601
5.3 Bank overdraft		
5.4 Other	2,588	16,505
<b>Total: cash at end of quarter</b> (item 1.22)	<b>11,806</b>	<b>23,802</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed				
6.2 Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1 <b>Preference securities</b> (description)				
7.2 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	1,329,821,159	1,329,821,159		
7.4 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> (description)				
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 <b>Options</b> (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
	398,300		Zero	30 June 2013
	1,102,100		Zero	30 June 2014
	4,500,000		Zero	2 April 2015
	3,643,300		Zero	30 June 2015
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	210,000		<i>Exercise price</i> Zero	<i>Expiry date</i> 30 June 2013
7.11 <b>Debentures</b> (totals only)				
7.12 <b>Unsecured notes</b> (totals only)				

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: ..... Date: 31 July 2013  
Company Secretary

Print name: Susan Robutti

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Cash Flows Statement* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

### **Schedule of Exploration Permits Held by Consolidated Entity At 30 June 2013**

Permit	Basin	Interest %
VIC/P54	Gippsland	100
VIC/L29	Gippsland	100
AC/RL9	Browse	15
WA-377-P	Browse	100

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+ See chapter 19 for defined terms.