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# **Nexus Energy 2013 Financial Year Full Year Results Presentation**

Presented by

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18 September 2013



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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.

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- Financial review
- Operational review and asset update
- Strategic update

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# Financial and business performance overview

Presented by  
Lucio Della Martina  
Managing Director & Chief Executive Officer

# Financial Headlines

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	<b>FY13</b>	<b>FY12</b>	<b>Change</b>
	<b>\$m</b>	<b>\$m</b>	
<b>Reported</b>			
Revenue	52.0	80.7	(36%)
Net Profit / (Loss) After Tax*	17.5	(342.3)	105%
Operating Profit**	18.6	14.5	28%
Net debt***	134.7	177.2	(24%)

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

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

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

# Progress made on delivering strategic agenda

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## Objectives

## Achievements

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### 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**)

### Organisational review

- Rejuvenated 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**)

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# Financial Review

Presented by  
Susan Robutti  
Chief Financial Officer & Company Secretary

# Longtom – Production and Financial performance

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	FY13	FY12	Change
<b>Gas Production</b>	11.3 PJ	17.4 PJ	(35%)
<b>Condensate Production</b>	88.2 kbbl	153.9 kbbl	(43%)
<b>Revenue</b>	\$52.0m	\$80.7m	(36%)
<b>Operating Profit*</b>	\$18.6m	\$14.5m	28%
<b>Operating Cash Flows**</b>	\$27.4m	\$56.0m	(51%)

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

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

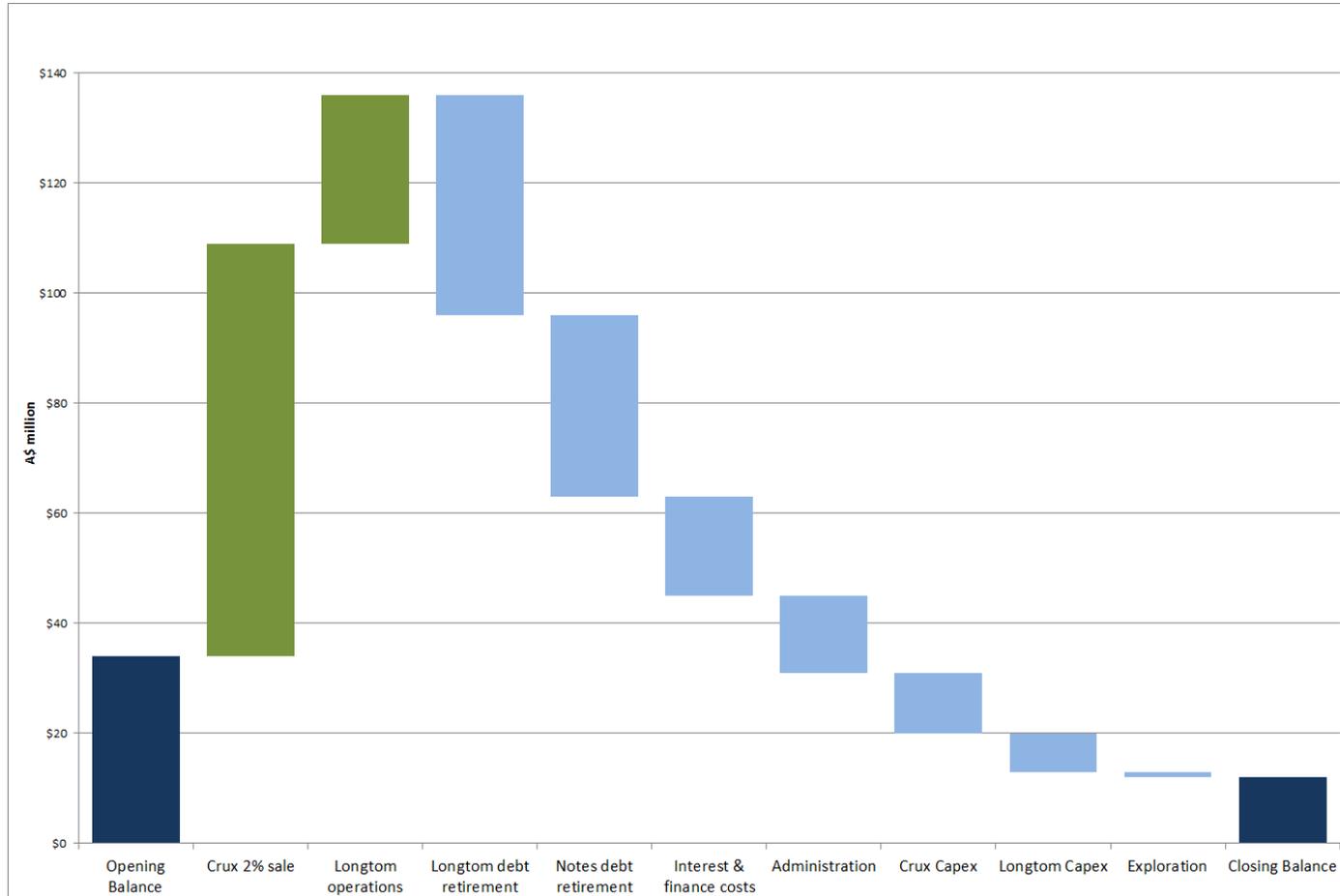
# Profit & Loss

## One-off items influenced full year results

	Reported		Underlying	
	FY13 \$m	FY12 \$m	FY13 \$m	FY12 \$m
Revenue	52.0	80.7	52.0	80.7
<b>Earnings Before Interest, Tax and Amortisation (EBITDA)</b>	<b>69.1</b>	<b>(218.7)</b>	<b>69.1</b>	<b>(218.7)</b>
<i>Adjust for Non-recurring Items</i>				
<i>Gain on Disposal of Crux</i>	-	-	(45.8)	-
<i>Gain on settlement of obligations of Long Lead Items</i>	-	-	(9.3)	-
<i>Impairment of Longtom Asset</i>	-	-	-	162.8
<i>Impairment of Long Lead Items</i>	-	-	-	81.0
<b>Underlying Earnings Before Interest, Tax and Amortisation (EBITA)</b>	<b>-</b>	<b>-</b>	<b>14.0</b>	<b>25.1</b>
Amortisation Expense	(12.8)	(32.0)	(12.8)	(32.0)
Finance Costs	(27.5)	(32.7)	(27.5)	(32.7)
<b>Net Profit / (Loss) Before Tax</b>	<b>28.8</b>	<b>(283.4)</b>	<b>(26.3)</b>	<b>(39.6)</b>
Tax Expense	(11.3)	(58.9)		
<b>Net Profit / (Loss) After Tax</b>	<b>17.5</b>	<b>(342.3)</b>		

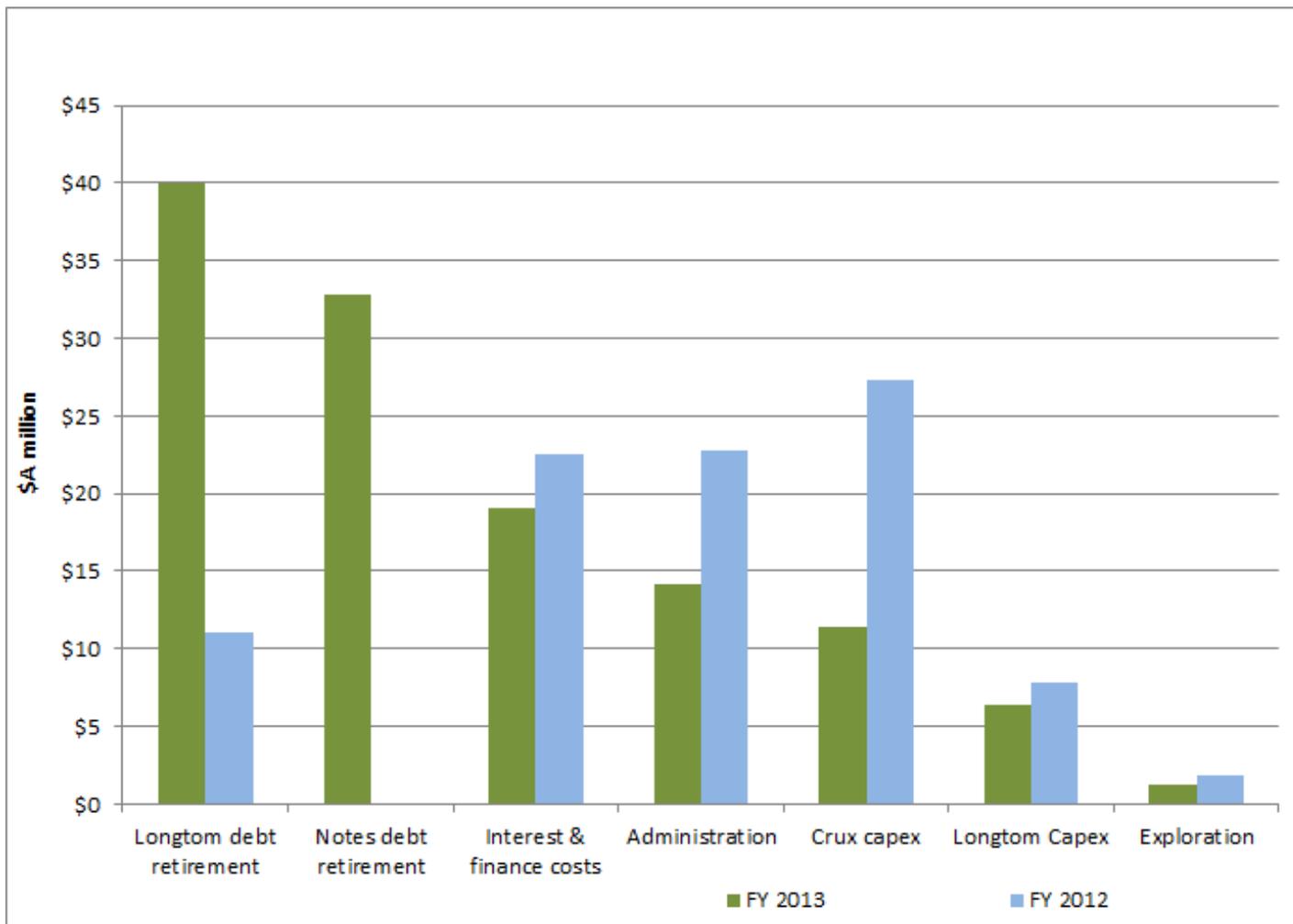
# Cash flow

## \$73 million of debt retired in FY13



- Cash flow from Longtom operations generated \$27 million
  - Process initiated post year-end to address remedies relating to production outage
- \$75 million proceeds from sale of 2% interest in Crux
- Cash flows applied to:
  - Longtom debt facility retirement of \$40 million
  - Notes principal retirement of \$33 million
  - Interest and finance costs (net) of \$18 million
  - Administration costs of \$14 million
  - Longtom capex of \$6 million mainly for offshore programs
  - Investment in Crux and close out of long lead items of \$11 million

# Cash flow – Comparison of uses of cash FY13 vs FY12



- Significant debt retired:
  - FY13 \$73 million
  - FY12 \$11 million
- Interest and finance costs reduced, full year benefit to be realised in FY14
- Delivered strong reduction in administration costs
  - FY13 \$14 million
  - FY12 \$23 million
- Crux capex of \$11 million, mainly for close out of long lead items in FY13
- Longtom capex of \$6 million, mainly for costs associated with offshore programs

# Balance sheet

## Balance sheet strengthened

	FY13 \$m	FY12 \$m	Change %
Cash and cash equivalents	11.8	33.7	(65%)
Deferred tax asset	112.1	123.3	(9%)
Exploration, development and production assets	370.4	390.7	(5%)
Borrowings	(146.5)	(210.9)	(31%)
Net other assets/(Liabilities)	(38.8)	(45.7)	(15%)
Total equity	309.0	291.1	6%

- Gearing ratio\* at year-end of 30% (30 June 2012: 38%), following \$73 million retirement of debt
  - Longtom facility \$40 million
  - Notes principal \$33 million
- Cash balance at 30 June of \$11.8 million (30 June 2012: \$33.6 million)
- Borrowings reduced as a consequence of debt retirement in January 2013
- Process underway to consider range of options to fund next stage of growth
  - Divestment of an interest in one or more of three high-quality assets
  - Refinancing of existing debt facilities
  - Longtom cash generation will continue to contribute to funding mix

\* Gearing = net debt / (net debt + equity)

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## Operational review and asset update

Presented by  
Lucio Della Martina  
Managing Director & Chief Executive Officer

# Health, safety and environment

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## Outstanding health, safety and environmental performance

### Health and safety

- No reported safety incidents
  - Offshore maintenance and testing 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 underway, including revision of oil spill modelling and response protocol to ensure in line with best practice

## **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

## **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
  - Further electrical testing undertaken and other maintenance activities completed on subsea equipment
- Enhanced subsurface understanding of the Longtom asset
  - Further technical studies including seismic reprocessing and rebuild of subsurface model

# Longtom – Revised Gas Sales Agreement Terms

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## Value of total supply chain enhanced

### Delivery and pricing metrics improved with revised GSA terms effective 1 July 2013

- Enhanced production profile with accelerated production and revised pricing structure over 2015 to 2018 when demand is forecast to be high and supply constrained
- Economics of future developments enhanced

### Increased capital efficiency with revised work program

- Deferral of near term capex by 12 months, drilling of Longtom 5 targeted for Q2 FY15
- Revised work program includes accessing additional sands at Longtom 4 and drilling of Longtom 5 to meet gas supply requirements

### Scope for Nexus to deliver additional quantities of gas

- Commercial framework in place for parties to agree the supply of additional quantities prior to end of Q2 FY19; adds additional value to the Longtom asset
- Additional quantities of gas would be supplied from Longtom 6 and/or development of the Gemfish prospect

## Progress made to unlock value

### Repositioning Crux into LNG value chain play

- Consolidation agreement completed with Shell and Osaka Gas in October 2012
- 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

- Five year work program commenced in Q3 FY13
- Retention Lease targeting 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
- Joint Venture required to submit a report outlining final development concept to Government during Retention Lease term

# Crux – Retention Lease work program

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## Retention Lease work program targeting earliest commercialisation

- Target for drilling of Auriga exploration in Q4 FY14
- Test of commercial viability required post Auriga drilling in Year 3 (CY15)

## Retention Lease work program

### **2013** Seismic evaluation & well design

- High-end seismic re-processing of the merged Crucis & Octanis 3D surveys, and seismic inversion & interpretation
- Procurement of long-lead items associated with Auriga well
- Well proposal, well design and drilling approvals

### **2014** Drilling of Auriga exploration well

- Drilling of Auriga exploration well
- Plug and abandonment activities related to Crux wells 2 ST-1, 3, 4
- Follow-on appraisal studies

### **2015** Commercial viability

- Subsurface studies evaluating further appraisal requirements
- Commercial negotiations with third party gas titleholders
- Commercial viability re-evaluation report

### **2016** Concept development & refinement

- Conceptual development and planning studies
- Metocean data acquisition
- Environmental impact scoping assessment

### **2017** Final Development Concept submission

- Latest submission of the final development concept for the Crux Field within 30 days of the commencement of Year 5

# Echuca Shoals Permit WA-377-P

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## 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 (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) late CY13 may underscore the resources in Mashmaker prospect<sup>1</sup>

# Organisational review

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## **Strong delivery against strategic objectives**

- Board rejuvenated with appointment of Don Voelte as Chairman in October 2012
- Improved remuneration framework approved at November 2012 AGM
- Corporate governance assessment completed
  - Board and organisational structures aligned to strategic objectives and industry best practice
- Achieved 37% reduction in annual administration costs, well ahead of 30% target

# Corporate matters

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## **Sedco litigation**

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

## **TDJV liquidation**

- TDJV engaged by Nexus in 2007 to provide offshore installation services at Longtom
- TDJV's liquidators have previously foreshadowed a claim against Nexus, no claim received to date

## **Long Lead Items**

- Continuing to pursue options to divest long lead items previously acquired for the Crux liquids project
- Entered into two binding sale agreements, continuing to negotiate with a number of other potential purchasers

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# Strategic update

Presented by  
Lucio Della Martina  
Managing Director & Chief Executive Officer

# 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**

# Three high quality assets with upside potential

## PRODUCTION

### Longtom (100%)

- Revised GSA terms increase value of system to Nexus
- Accelerated production profile and revised pricing structure
- Increased capital efficiency with revised work program
- Gas supply to be met by Longtom 3, Longtom 4 (plus program) and Longtom 5
- Commercial framework provides opportunity for additional gas supply before Q2 FY19
- Standalone development potential from Gemfish

**Longtom provides leverage in a tightening East Coast Australian market**

## DEVELOPMENT

### Crux (15%)

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

**Crux and Echuca Shoals positioned to benefit from Floating LNG technology**

## EXPLORATION

### Echuca Shoals (100%)

- 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

# Nexus is well positioned for growth

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- 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

# Priorities for FY14

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## Unlock the value of Crux

- Complete seismic re-processing, inversion and interpretation activities
- Prepare for drilling of Auriga prospect
- 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 Management Integrity Plans

## Strengthen balance sheet and secure funding requirements

- Progress range of funding options to support next phase of growth including:
  - Divestment of an interest in one or more of three high-quality assets
  - Refinancing of existing debt facilities

## 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

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# Appendices

# Nexus Energy Overview

## Uniquely positioned for FLNG technology and a tightening East Coast Gas Market

- Nexus is an ASX-listed oil and gas company with a market capitalisation of approximately A\$94m<sup>1</sup>
- Nexus has a portfolio of interests consisting of production, development and exploration assets

Production



Development



Exploration

### Longtom VIC/L29 & VIC/P54 (NXS 100%)

- Nexus has a 100% interest in the producing Longtom gas field, located in the Gippsland Basin, offshore Victoria
- Value enhanced through revised Gas Sales Agreement terms with Santos with an accelerated production profile and revised pricing structure

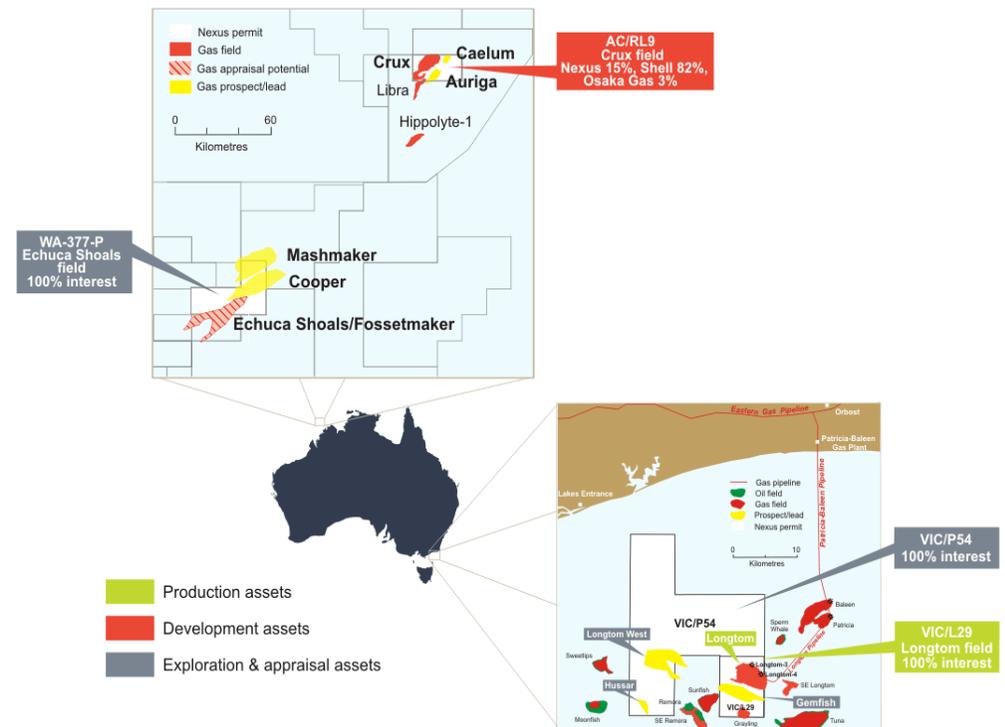
### Crux AC/RL9 (NXS 15%)

- Nexus has a 15% interest in the Crux joint venture in the Browse Basin, Western Australia
- Large volumes in place with attractive exploration upside potential

### Echuca Shoals WA-377-P (NXS 100%)

- Echuca Shoals exploration asset is in a proven gas / condensate system with 2 gas discovery wells (Echuca Shoals-1 and Fossetmaker-1) and 2 undrilled prospects (Mashmaker and Cooper)
- INPEX planned drilling in WA-341-P (adjacent block to WA-377-P) late 2013 may underscore the resources in Mashmaker prospect<sup>2</sup>

### Asset Location Map



1) As at 13 September 2013

2) 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.

# Nexus Energy Overview Continued

## Financials

	FY 2010A	FY 2011A	FY 2012A	FY 2013A
Revenue	29 <sup>1</sup>	67 <sup>1</sup>	81	52
EBITDA	(1)	(69)	(219)	69
EBIT	(19)	(108)	(251)	56
NPAT	1	(39) <sup>2</sup>	(342) <sup>3</sup>	18 <sup>4</sup>
EPS (cents)	0.1	(3.7)	(25.8)	1.3

(1) Gas production at Longtom commenced in October 2009. Production was halted between April and October 2010 due to low levels of mercury detected in the delivered gas.

(2) Includes \$81m impairment of Longtom and a tax benefit of \$104m.

(3) Includes \$163m impairment of Longtom, write-down of \$142m in PRRT credits associated with Crux consolidation of interests transaction (Crux Production License conversion) and \$81m impairment of Crux Long Lead Items.

(4) Includes profit on disposal of Crux 2% interest of \$46m.

## Capital Structure

### Capitalisation (as at 13 September 2013)

Share Price	A\$	0.071
Shares on Issue	m	1,330
<b>Market Capitalisation</b>	<b>A\$m</b>	<b>94</b>
Cash as at 30 June 2013	A\$m	12
Debt as at 30 June 2013	A\$m	160
<b>Enterprise Value</b>	<b>A\$m</b>	<b>242</b>

### Liquidity (to 13 September 2013)

1 Month	A\$m	4
6 Months	A\$m	48
12 Months	A\$m	141

Liquidity: cumulative dollar value of share trades during the period noted

## Share Price Performance



## Ownership

	Shares Held	% of SOI
Credit Suisse Holdings (Australia)	185,621,235	13.96
Andrew Greig	68,025,304	5.12
Dimensional Fund Advisers	66,566,809	5.01
Nexus Board of Directors	53,791,286	4.04

Source: Notice of Substantial Holders lodged with the ASX prior to 13 September 2013



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