

---

## Crux Asset (AC/RL9) Drilling Cost and Timing Update

---

Nexus Energy Limited (ASX:NXS) (**Nexus**) provides the following update to shareholders.

### 1. Notice received from Crux Operator - Shell Development (Australia) Pty Ltd

On Friday, 30 May 2014, Nexus received notification from the operator of the Crux Joint Venture, Shell Development (Australia) Pty Limited (**SDA**), of proposed changes to the forward activity plan with respect to potential timing of the drilling activities and material cost increases for the Crux project (the **SDA Crux Notice**). In particular, the SDA Crux Notice indicated:

- **Timing for drilling activities:** SDA have advised rig availability for the Auriga exploration well has not been confirmed. The drilling program could commence in mid-October 2014, however this timing would necessitate the commencement of activities in the cyclone season, and SDA has various safety concerns with this approach. SDA are therefore recommending that the titleholders apply to the regulator to delay the program to commence in May 2015. As previously advised, plugging and abandonment activities on the former Crux wells (Crux -2/ST1, -3 and -4) will follow the drilling of the Auriga exploration well and, pursuant to the terms of the Crux AC/RL9 Retention Lease, these activities are required to be completed by 20 February 2015. Accordingly, any delay post this date would require the consent of the National Offshore Petroleum Titles Administrator.
- **Cost increase for drilling activities:** On either timing scenario set out above, SDA have advised of an increase in their overall cost estimate of the plugging and abandonment activities on the former Crux wells (Crux -2/ST1, -3 and -4) and the drilling of the Auriga exploration well:
  - *October 2014 drilling activities:* SDA's revised forecast provided for in the SDA Crux Notice has increased to US\$200 million. As a result Nexus' proportionate share will increase by at least US\$10 million to at least US\$65 million.
  - *May 2015 drilling activities:* SDA's revised forecast provided for in the SDA Crux Notice has increased to US\$170 million. As a result Nexus' proportionate share will increase by at least US\$5 million to at least US\$60 million.

Previous guidance from SDA was for a Nexus contribution of US\$45 million in respect of plugging and abandonment activities and US\$10 million for Auriga exploration well costs.

The information provided for in the SDA Crux Notice (including the proposal to apply to the regulator for an extension to the Crux Retention Lease conditions and cost estimates referred to above) has not yet been finalised or approved by the joint venture. The formal approval process will commence shortly and Nexus will continue to keep the market informed in compliance with its continuous disclosure obligations.

### 2. Impact on Scheme of Arrangement & Financing Arrangements with Seven Group Holdings Limited (and subsidiaries)

Nexus refers to the proposed scheme of arrangement announced on 31 March 2014 under which Seven Group Holdings Limited (**SGH**) will acquire, through its wholly owned subsidiary, SGH Energy (No 2) Pty Limited, all of the issued shares in Nexus (**Scheme**).

Nexus also refers to the Bridge Facility Agreement provided by SGH through its subsidiary Network Investment Holdings Pty Ltd (**NIH**) and the Senior Facility Agreement acquired by NIH, both referred to in the announcement of 31 March 2014.

Nexus has provided SGH and NIH with the appropriate notifications arising as a result of the SDA Crux Notice. As the estimated cost increases referred to in the SDA Crux Notice have not been approved by the joint venture, Nexus does not concede that a Nexus Material Adverse Change or Nexus Regulated Event has at this stage arisen under the MIA or that an Event of Default has occurred under the Bridge Facility Agreement or Senior Facility Agreement. However, if the increased cost estimates the subject of the SDA Crux Notice are approved by the joint venture, this may give SGH the right to terminate the MIA and in turn may result in an Event of Default under the Bridge Facility Agreement and Senior Facility Agreement. In the circumstances Nexus has sought waivers from SGH and NIH of any termination rights and Events of Default that may arise in the future as a consequence of the increased cost estimates the subject of the SDA Crux Notice being formally approved by the joint venture. SGH and NIH have advised Nexus that they are considering their position. Nexus will update the market once it has a response from SGH.

Nexus has advised the independent expert (Deloitte Corporate Finance Pty Ltd (Deloitte)) of the SDA Crux Notice and Deloitte have confirmed that they remain of the view that the Scheme is fair and reasonable and in the best interests of Nexus shareholders.

Nexus will continue to keep the market informed in compliance with its continuous disclosure obligations and will advise Shareholders with respect to any material updates with respect to the Crux SDA Notice and the Scheme.

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

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