



Open Briefing with Mr Ian Tchacos Longtom sale and revised strategy

Please find attached a transcript of the Open Briefing conducted with Mr Ian Tchacos, Managing Director, Nexus Energy Limited.

Susan Robutti
Company Secretary

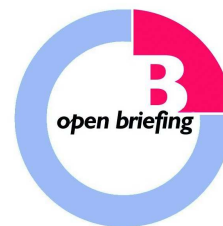
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Nexus Energy Limited recently announced that it reached agreement on the conditional sale of a 50% interest in the Longtom gas project for A\$155 million. Why are you selling the stake and why did you choose Longtom as the asset to sell?

MD Ian Tchacos

Our funding alternatives were pretty obvious. They were either asset sales, equity or, in this environment, high cost financing. We explored the other options, but we determined that an asset sale was the logical step forward, providing we could get a fair price. When you compare Longtom and Crux, Longtom is coming into production and its value is fairly well defined. The range of reserves basically determines the value of Longtom, particularly when its production has been sold forward at a predetermined gas price. It's a straight forward asset to value.

We felt that for a project in pre-production, we had achieved a sensible market value. When you compare it to Crux, we believe there's a lot more value upside that can be added to Crux in the longer term.

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Why did the asset/funding process take so long? What other options for funding were considered? Does this mean Nexus will not do an equity raising?

MD Ian Tchacos

The process started with us negotiating for the sale of an interest in Crux following the last minute withdrawal of a purchaser for an interest at the time that the global financial crisis became evident. However, we realised that in the current financial conditions, it's not the ideal time to be selling a share of a substantial project in the early stage of development.

We started looking at other ways of funding our obligations. An equity raising was one consideration, however our preference has been to avoid raising equity while trading at such low share prices. What ended up happening is that, as we progressed the development of Longtom, a range of parties came to us wanting to purchase Longtom and we decided it was the better option to negotiate its part sale. Several parties actually wanted to purchase 100% of Longtom, but by selling 50% we get the funding we require and also retain a 50% ownership of the asset.

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What are the conditions attached to the sale? When do you expect the sale to be finalised?

MD Ian Tchacos

The terms of the sale include a A\$35 million deposit, utilisable by Nexus immediately, with an additional A\$120 million payment upon completion in September. The sale is conditional on necessary regulatory approvals being obtained, the approval of our financiers, the consent of Santos, completion of the Longtom project construction by Nexus and subject to AED also obtaining finance. These conditions are expected to be met by mid-September.

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How much of the upside value in Longtom have you been forced to give away? Did you get a full price? Where does Longtom sit on the valuation table relative to Nexus' interest in the Crux liquids project (Nexus: 85%)?

MD Ian Tchacos

The value of an asset like Longtom at its stage of development is determined by the range of its 1P (proven) and 2P (proven plus probable) reserves. We received a price roughly in the middle of that range.

In relation to the valuations that we consider appropriate for Longtom versus our interest in Crux, in our view the value potential of Crux is approximately three to four times the value potential of Longtom. The difference is that Longtom's value has been crystallised by taking the asset through development and is realisable now. The Crux value is going to be realised over time. This is consistent with our strategy of picking up assets and taking them through the development cycle with as much equity as we can, until optimal value can be realised.

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Can you give an operating update on Longtom?

MD Ian Tchacos

We expect to complete the Longtom gas project and deliver first gas in the short term. The offshore pipeline has been laid and we've also laid an umbilical which enables the Longtom wells to be controlled from the onshore Orbost plant. We're currently connecting up all the infrastructure facilities and expect that we'll be able to deliver gas into the Santos system at Patricia Baleen in July.

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Clearly, part of the strategy has been to protect the value of Crux by not selling that asset. Why is Crux so important for Nexus? What is the strategy to add value?

MD Ian Tchacos

Crux is a major Australian hydrocarbon asset with a 2P reserve now of 75 million barrels and, since our participation in the successful Libra exploration well in the adjoining permit, an appraisal trend extending in to the AC/L9 licence that contains Crux has been established. This structural trend is supported by very strong seismic evidence that the gas bearing reservoirs at Libra extend into our permit. This is likely to yield substantial additional resources and with further drilling could potentially double the size of Crux.

There are not many hundred million barrel light oil deposits offshore Australia with premium quality reservoirs and we are excited to hold an 85% interest in AC/L9.

If we were to go out and sell a large proportion of Crux below its value, then we would have done a particularly poor job for our shareholders. If we can create a stable financial foundation for the Company from which we can give ourselves time to sell part of Crux to the right buyer at the right price, I expect that we'll deliver a lot of the Crux asset's value potential and then we'll deliver the remainder of the value when Crux comes into production.

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Can you outline where you will allocate the funds you expect to receive from the 50% sale of Longtom? For how long will that fund the Company? What will be the funding options for Nexus beyond that period?

MD Ian Tchacos

Of the A\$155 million we expect to receive from the sale of 50% of Longtom, A\$80 million will be used to retire half of our Longtom project debt facility. We expect the full A\$160 million facility to be drawn by project start-up, hence this transaction will reduce our project debt facility to A\$80 million. After paying some associated expenses we expect to have surplus funds of approximately A\$65 million from this sale. This A\$65 million includes the A\$35 million deposit received last week.

We stated in our recent ASX release that this sale will fund us well into 2010. Some of the funds will go into remaining payments on long lead items for the Crux project. If we were not to proceed with the Crux liquids project, then we would have the opportunity to sell those long lead items, but I think that's a pretty unlikely event.

My expectation is that additional funding will come from a part sale of Crux at the appropriate time. The important thing is that we're giving ourselves time to negotiate a favourable Crux partial sale from a position of financial stability following this Longtom transaction.

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Can you give more detail on the recent internal restructuring?

MD Ian Tchacos

We have had to reduced our staff numbers. We were planning to have about 140 people onboard to be able to take Crux forward at about this point in time and now we have around 70. Obviously we're still delivering a major project in Longtom which keeps our staff numbers at a fairly high level.

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Can you summarise the revised corporate strategy for Nexus?

MD Ian Tchacos

Our corporate objective has been to get ourselves into a strong stable financial position from which to operate. We want the Company to be underpinned by strong cash flow from Longtom. I think Longtom is really a demonstration of the company strategy, taking an asset from the exploration phase through development and into first production.

When the oil price collapsed, we reduced the pace of expenditure. The sale of Longtom buys us significant optionality - if financial markets don't recover and if we don't see continued strengthening of the oil price we can withstand an extended market downturn without a need to sell assets. We talked earlier about the sale of Crux at the right price. It's all about putting ourselves in a stable financial position to be able to deal with Crux in the right way. We also plan to go back to our farm-out strategy to offset risk and attract capital. For example, when we look at taking forward a project like the appraisal of Echuca Shoals we expect to fund that via a farm-out.

This sort of environment is well suited to the way that we originally built Nexus, by getting in early, taking substantial positions, bringing partners in and having them fund our way forward. I think one issue that has been lost on the market, because we've spent the last year getting the Crux liquids project in a position of development, are our alternative development options. A lot of people have thought if Nexus doesn't develop Crux as a liquids project, they have lost all the value of the liquids - but it can't be further from the truth.

We have contractual agreement with Shell which enables Nexus to take an alternative position where we don't develop the liquids project, in which case Nexus would retain the rights to all liquids that may be recovered in the future by any gas project that's initiated by Shell for the Crux asset. This alternative development option has become more attractive as the gas and liquids resource potential around Crux has increased. We participated in the successful Libra discovery last year and what we see now in the Auriga structure really excites us in terms of the overall reserve potential of the greater Crux area. It builds our confidence in the likelihood that if we didn't develop a liquids project, that a gas resource of that scale in high quality reservoirs with liquids and relatively low CO₂ is likely to be a commercially viable LNG project.

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Can you give us some background on your new Board member, Michael Arnett?

MD Ian Tchacos

Michael became known to us during the proposed merger between Anzon and Nexus.

Michael was the Chairman of Anzon Energy Limited, so obviously we got to know him on the other side of the table. He has some very good qualifications for board membership and he will in particular fulfil an important role for Nexus. Michael was a former partner and is currently a consultant to the law firm Deacons practicing specifically in the oil and gas sector. He brings a wealth of valuable legal and commercial experience and gives us the opportunity to increase our board from four back to five members.

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What are the major priorities for the remainder of the year?

MD Ian Tchacos

The priorities are to commence production from the Longtom field and finalise the sale to AED. We will also continue our discussions with a range of parties interested in Crux who have shown strong appetite for an interest in the project. We also plan to continue to work on Echuca Shoals with a view to farming that out prior to drilling the next appraisal well. Echuca Shoals provides a very attractive opportunity to gain access to a potentially large gas resource which could in turn become the third commercial project for Nexus. Despite the tough time we have had over the last 8 months the deliberate repositioning of the company has presented the opportunity for a significant rebuilding phase with the majority of our asset base in tact - I believe the future for Nexus is very bright indeed!

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Thank you Ian.

For more information about NXS, visit www.nxs.com.au or call Ian Tchacos on (+61 3) 9660 2500

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