

Nexus Grasps For Liquidity. ‘May Consider Full Sale Of Company’

Nexus Energy may consider a full sale of the company after parties interested in buying a stake in its key Crux project proposed other forms of transactions. The oil explorer said it was working to strengthen its balance sheet and was considering a number of debt funding proposals, including the issue of shares to a new cornerstone investor.

In October Nexus initiated a sale process for at least 30% of its Crux oil and gas liquids project off Western Australia after Japanese group Mitsui withdrew from a planned purchase due to the global financial crisis.

Nexus Chairman Michael Fowler told shareholders at its annual general meeting that a number of companies, including energy majors and national oil companies, have had access to Nexus's data room and expressed interest in 'other forms of transactions, at a corporate level, as well as strategic alliances'.

"It may be that the best outcome, in terms of shareholder value, proves to be a sale of the company or other corporate-level transaction", Fowler said.

He said that for Nexus to maximise the value from its assets, the company would need to have a secure financial base. "If that means placing shares to a new cornerstone investor, then subject to achieving an appropriate price we will also consider that option, either in conjunction with an asset sale or independently", he said.

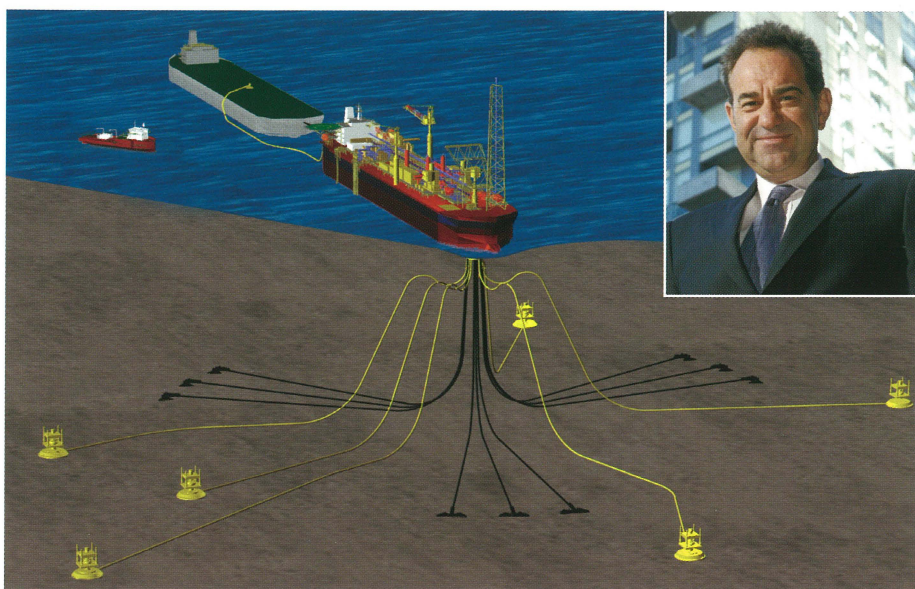
Analysts said Mitsui's decision to cancel the Crux sales agreement last month had cast doubt over the project's development timeline. Crux is an undeveloped oilfield which is estimated to contain about 75.2 MMbbl of condensate. Nexus, which owns an 85% stake in the project, is targeting to produce more than 34,000 bbl of condensate per day from 2011.

Nexus recently said it was expecting to secure more liquidity during the current quarter via further farm-outs as well more short term funding from financial institutions to fund the company's development activities. In its quarterly report the company said its cash balance at the end of September stood at \$53 MM and added that \$25 MM was drawn this month under the Longtom senior facility to fund development costs. Of this facility, \$115 MM, including a cost overrun tranche of \$15 MM, remains untouched.

Meanwhile, Nexus and its various joint venture partners, have plans to drill three exploration wells over the next 12 to 18 months, one in the Gippsland Basin permit VIC/P49, next to the producing Basker oilfield, and two in permit AC/P41 in the Browse Basin next to the Crux field.

The company said other highlights of the quarter included the Longtom-4 development being successfully drilled and flow tested and the Crux field development plan being submitted to designated authorities for approval.

Japan's Osaka Gas holds the remaining 15% stake in Crux. ■



Nexus' Managing Director Ian Tchacos said the company estimated there is the potential for more than 6 Tcf of gas resource with the potential for in excess of 200 MMbbl of associated condensate across AC/P23 and AC/P41 in the greater Crux area.