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25 November 2014

ASX ANNOUNCEMENT

Nexus Energy Limited (Subject to Deed of Company Arrangement) (ASX: NXS) (Nexus)

Further to the Deed Administrators' earlier announcement on 14 November 2014, we provide the following update:

ASIC Relief

In response to an application made by the Administrators on 15 August 2014 the Australian Securities and Investments Commission has granted in-principle, conditional relief under s655A(1)(a) of the Corporations Act 2001 ("the Act") from the operation of s606 of the Act. A copy of correspondence from ASIC to the Deed Administrators' solicitors dated 24 November 2014 is attached to this announcement.

The relief is granted subject to the Court granting leave to the Deed Administrators under s444GA(1)(b) of the Act. A hearing in relation to that application is currently set down on Thursday 27 and Friday 28 November 2014 at the Supreme Court of NSW.

Both the ASIC relief (on a final basis) and leave from the Court under s444GA(1)(b) of the Act are pre-conditions to effecting the DOCA applicable to Nexus Energy Limited (subject to a deed of company arrangement).

Further updates

The Deed Administrators will continue to update the market in relation to the Court Application, as updates are available, by way of further ASX announcements.

Media inquiries to Nicholas Owens, Director, Sefiani Communications Group, ph. (02) 8920 0700, mobile 0421 977 062, email nowens@sefiani.com.au.

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ASIC

Australian Securities & Investments Commission

Our Reference: PMR 2014/17078

24 November 2014

Mr Paul James and Ms Alissa Crittenden
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Dear Mr James and Ms Crittenden

**Nexus Energy Limited (subject to a deed of company arrangement) ACN 058 818 278
(Nexus)**

Application for relief from the operation of section 606 of the *Corporations Act 2001* (the Act)

We refer to the application for relief under section 655A(1)(a) of the Act which was lodged with ASIC on 15 August 2014 on behalf of McGrath Nicol, the Deed Administrators of Nexus (**Application**). As foreshadowed in Court last week (in Action 2014/305920) (**Proceedings**) ASIC has today made its decision in principle in relation to the Application.

To the extent it is now able to do so, ASIC considers that it is in the interests of shareholders and the parties to the Proceedings to provide some certainty in relation to the Application.

ASIC's decision in principle

Based on ASIC's consideration of the documents and information currently available to it, ASIC's decision in principle in relation to the Application is that it will grant the relief sought in the Application.

ASIC's decision does not take effect until a formal instrument of relief is executed. We propose to execute the instrument of relief if, and only if, the Court grants leave to the Deed Administrators under section 444GA(1)(b) of the Act to transfer all of the existing shares in Nexus to SGH Energy pursuant to the Nexus DOCA. This ensures that we do not grant relief that is never used.

Our decision is not effective until we execute an instrument of relief. It follows that there is the possibility that some further matter could come to light before or during the Proceedings that would cause us to reconsider our decision. However, we do not presently have any reason to think this likely.

Basis of ASIC's 655A(1)(a) decision in principle

For the purposes of its decision in principle ASIC has considered the documents referred to in our letter to you dated 10 November 2014. ASIC has also considered documents subsequently received, including documents produced under subpoena pursuant to orders of Black J in the Proceedings. ASIC has also taken into account submissions received from various interested parties, including Nexus shareholders, as part of its third party consultation process. ASIC's decision has taken into account:

- The relevant policy considerations and legal authority, in particular the general purposes of the takeover provisions of the Corporations Act 2001; and
- The relevant factual matters, including the opinion of Lonergan Edwards & Associates, the independent expert, on the valuation of the shares.

In our earlier letter, we noted that our decision is a different decision to that which is to be made by the Court in relation to s.444GA. Given the policy reason for the prohibition on a person acquiring shares above the 20% threshold, which is set out in s.606, it follows that whether the shares have a marketable value is a matter which has formed an important part of ASIC's consideration.

In this respect ASIC has had regard to the opinion of the independent expert, which ASIC formally requested from the Deed Administrators on 22 August 2014, in response to the Application. The finalised independent expert report was supplied to ASIC and the market on 31 October 2014. ASIC also had regard to materials and information subsequently provided concerning the formation of the independent expert's opinion. In considering the report of the independent expert ASIC has been focused on determining whether his opinion appears reasonable and so may be relied upon by ASIC, rather than ASIC seeking to form its own view of the valuation of the shares.

The Proceedings

ASIC notes that the Court's decision in relation to the application pursuant to s.444GA is by reference to different, and potentially wider, criteria including whether Nexus shareholders would be unfairly prejudiced by the proposed transfer. The decision by ASIC in relation to the s.606 application does not mean that ASIC intends to make any submissions in the Proceedings that support the s.444GA application.

ASIC intends to remain as amicus in the Proceedings, rather than appear as a party, and to make any submissions it considers necessary in relation to the operation of s.444GA.

Yours sincerely



Jane Eccleston

as a delegate of the Australian Securities and Investments Commission

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