Chairman's Address

I would like provide an update to the market in light of market reaction and resulting press speculation following the resignation of Richard Cottee as Managing Director.

Nexus owns a unique portfolio of high quality oil assets. We are fortunate to have a highly talented team driving the asset portfolio and continuing to progress the strategy that the Board has had in place for some time. Nexus is not reliant on any one person.

Furthermore, the Company is in a strong financial position, with cash at bank of $60 million, as a result of the successful completion of significant financial and project milestones over the last financial year by the entire Nexus team.

I advise that management initiated an economic evaluation from RISC Operations Pty Ltd (RISC), a leading global oil and gas consulting firm, of the company's exploration and development assets as a guide of indicative market values to assist management with:

- Commercialisation and farm-down of Crux liquids project (FID targeted for end of this year); as well as
- Review of a gas to electricity strategy based on Longtom and Longtom South prospect.

It is appropriate that I release highlights of the RISC work to indicate the fundamental value in Nexus's portfolio. RISC's review incorporates detailed reviews of Longtom (with an elevated discount rate to account for reservoir complexity whilst technical work is ongoing), Longtom South prospect, and the Crux Field. RISC estimates a net present value of up to $1.2 billion for Nexus' 85% interest in the Crux asset alone. A summary of the report is attached to this announcement. RISC has consented to the release of its report to the market.

The Board and management remain confident of achieving our previously stated objectives, being:

Crux liquids project (85% Interest)

- Commercialisation of Crux via either a gas recycle liquids project starting in 2014 or liquids recovery via an integrated project plan
- Complete farm-out negotiations and finance negotiations in advance of development

Nexus has targeted end of this year to make the decision on the Commercial of Crux option, and is pushing ahead on the gas recycle/liquids scheme, per the current AC/L9 Production Licence. Final Investment Decision (FID) for this option is targeted for end 2011. Discussions on an integrated project are ongoing with stakeholders.

Longtom gas project (100% Interest)

- Provide stable cash flows to underwrite growth during the Crux development phase
- Enhance Longtom value by drilling of exciting Longtom South prospect, targeted for second half of 2012 calendar year
- Complete preventative maintenance program by the end of this calendar year
- Complete technical studies to address subsurface understanding, plan infill drilling and complete a reserves update

Echuca Shoals (100% Interest)

- Progress and complete innovative farm-in to enable the drilling of identified prospect(s), these include Cooper, Mashmaker and Echuca Shoals Extension

The Board remains united, stable and committed to unlocking the value of our assets and the Company remains well positioned to do so.

Nexus will continue to keep shareholders informed in the weeks ahead as key milestones are met.

Michael Fowler
Chairman

RISC

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Nexus Energy Limited
Level 23, 530 Collins Street
Melbourne
VIC 3000

23 September 2011

Attention: The Directors

Dear Sirs,

RE: **Economic Assessment of Nexus Interests in Crux and Longtom**

At your request, RISC has carried out an economic evaluation of Nexus Energy Limited's **(Nexus)** interests in the Crux Liquid Stripping Project located in AC/L9 (Nexus 85%) offshore Northern Australia and the Longtom Gas Project located in VIC/L29 (Nexus 100%), offshore Victoria. Please refer to the location map shown in Figure 1. This letter summarises our findings and main assumptions.

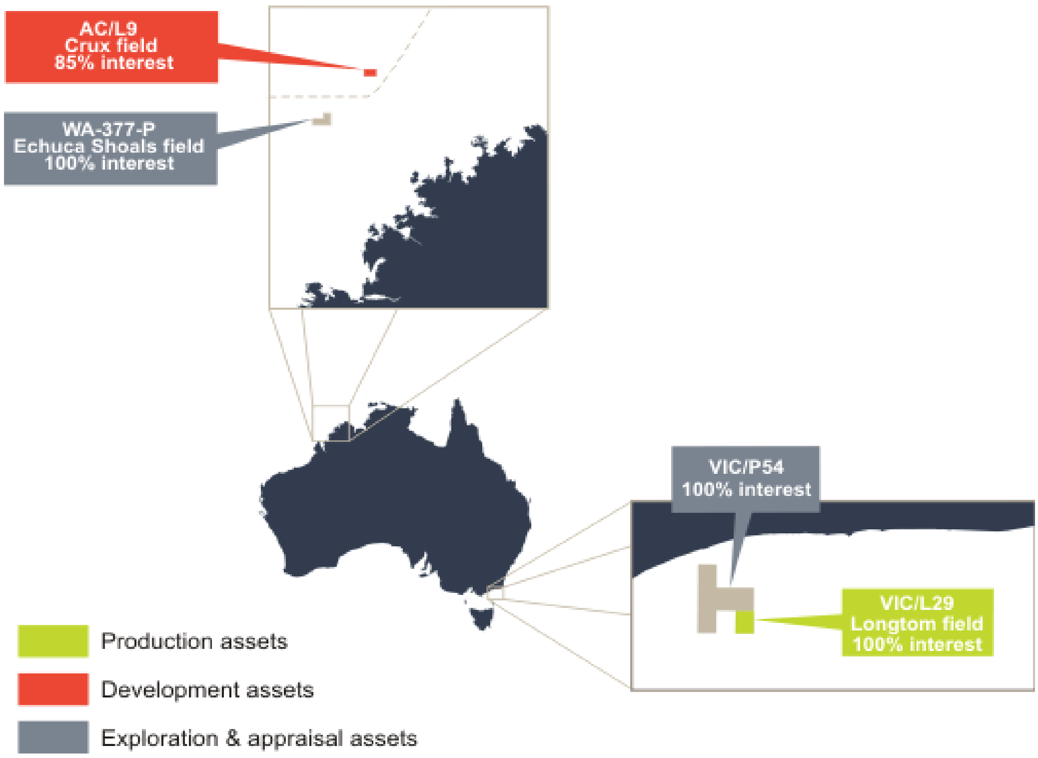

Figure 1 Crux and Longtom Location Map

The economics assessed by us are shown in Table 1.

Asset	Permit	Nexus Equity %	NPV Nexus Share A$ million		
			Low	High	Preferred
Crux Liquids Stripping Project	AC/L9	85%	625	1201	913
Longtom Gas Project	VIC/L29	100%	304	493	441
Longtom South Exploration Prospect[1]	VIC/L29	100%	30	60	45
		Total	959	1754	1399
Note 1: The Longtom South Exploration Prospect is based in a notional farmin indicative value					

Table 1 Crux and Longtom Economics

A list of our main economic assumptions is shown in Table 2. The elevated discount rate used in the Longtom economics is to account for reservoir complexity whilst technical work is ongoing as advised by Nexus.

Economic Parameter	Assumption
Reference Date	1 July 2011
Oil Price	US$100/bbl flat in real terms (based on approximate average of current spot and futures prices)
Condensate price discount	Crux: parity with Brent Longtom: US$5/bbl discount to Brent
Gas Price	Assumes the contract price for contracted quantities. Assumes a 20% real terms increase over contract price every 4 years for uncontracted gas
Undeducted PRRT and income tax balances	As advised by Nexus
Discount rate	Crux: 10% nominal Longtom: 14% nominal
Exchange rate	US$/A$ = 1.0
Inflation rate	2.5%
Carbon price	A$23/t from 2012 increasing in real terms by 1.25%pa for 3 years then flat in real terms
Free carbon credits	Nil

Table 2 Economic Assumptions

Crux Liquids Stripping Project (Nexus 85%)

The Crux Liquids Stripping Project is well advanced, with Nexus planning to make the final investment decision by end 2011. RISC has reviewed the resources and development plan proposed by Nexus. The condensate recovery range from the project is estimated to be between 57 MMbbl and 85 MMbbl gross. We have also reviewed the costs and schedule for the project. The total gross capital cost is estimated to be US$1775 million with an annual operating cost of approximately US$70 million gross. Condensate production is estimated to peak at between 30,000 and 35,000 bbl/d gross. Production is assumed to commence in mid 2014 from four subsea production wells and four subsea gas injection wells. Gas and condensate will be produced to a floating production and storage offshore vessel (FPSO), where condensate will be stripped out and sold and gas will be reinjected back into the reservoir. Production is assumed to continue until 2023 assuming agreement with Shell to extend the period from 2021 when the rights to the gas and condensate revert to Shell.

Longtom Gas Project (Nexus 100%)

The Longtom Gas Project commenced in October 2009. Gas is produced from two horizontal subsea wells tied-back to an upgraded Santos operated Orbost onshore gas plant. Gas is delivered into the eastern gas pipeline connecting the Melbourne and Sydney gas markets and condensate is trucked and sold to the Shell refinery in Geelong. Production performance has improved significantly in recent months since the field was shutdown for installation of mercury removal facilities. The project achieved an 85 TJ/d average in May 2011. Production to 30 June 2011 is 21 PJ sales gas and 0.2 MMstb condensate. Nexus has entered into a gas contract with Santos for 193 PJ with sales gas rates up to 25 PJ/a.

RISC has not assessed the resources, but instead has relied upon an independent consultants report dated November 2009 commissioned by Nexus which estimated reserves and contingent resources. The contingent resources in excess of the contract maximum have been included by RISC in our economic assessment. The recoverable gas as at 1 July 2011 used in our economic assessment is low case resources 261 PJ, mid case 399 PJ, high case 432 PJ as at 1 July 2011. The low case corresponds with 1P and 1C resources, the mid case 2P and 2C and the high case 3P and 3C resources. Condensate recovery ranges from 2.6 to 5.4 MMbbl.

RISC has assumed that to recover the resources, one additional development well will be required in the low case and two additional wells in the medium and high cases. The capital costs are estimated by RISC to be A$91 million and $171 million respectively. Annual operating costs are approximately $4 million.

Longtom South Exploration Prospect (Nexus 100%)

The Longtom South Prospect is a low risk exploration prospect that has been assessed by Nexus to have a P90 to P10 recoverable resource of 115 to 326 bcf with a mean of 200 bcf. RISC has not reviewed the resource estimates.

We estimate an indicative value for the prospect based on a notional farmin for one well at a cost of A$30 million assuming a 2:1 to 3:1 promote. This gives an indicative value of A$30 million to A$60 million. The high promote reflects the low risk, near field nature of the prospect. In the event of a gas discovery, the mean success case value is approximately A$200 million based on a NPV of A$1/Mscf.

Declaration

The assessment of petroleum assets is subject to uncertainty because it involves judgments on many variables that cannot be precisely assessed, including reserves and resources, future oil and gas production rates, the costs associated with producing these volumes, access to product markets, product prices and the potential impact of fiscal/regulatory changes. Our estimates may increase or decrease as market conditions change or as more information becomes available.

The statements and opinions attributable to RISC are given in good faith and in the belief that such statements are neither false nor misleading. In carrying out its tasks, RISC has considered and relied upon information obtained from Nexus as well as information in the public domain. The information provided to RISC has included both hard copy and electronic information supplemented with discussions between RISC and key Nexus staff.

Whilst every effort has been made to verify data and resolve apparent inconsistencies, we believe our review and conclusions are sound, but neither RISC nor its servants accept any liability, except any liability which cannot be excluded by law, for its accuracy, nor do we warrant that our enquiries have revealed all of the matters, which an extensive examination may disclose. In particular, we have not independently verified property title, encumbrances, regulations that apply to these assets. RISC has also not audited the opening balances at the evaluation date of past recovered and unrecovered development and exploration costs, undepreciated past development costs and tax losses.

Our review was carried out only for the purpose referred to above and may not have relevance in other contexts.

RISC consents to the release of this letter by Nexus to the Australian Stock Exchange

Yours faithfully

Geoffrey J Barker
Partner
RISC