



Nexus 2011 Chairman's Address Annual General Meeting

I am pleased to report to shareholders that the board and management are making substantial progress in our pursuit of realising considerable shareholder value in the short term.

The commercialisation of the Crux asset remains our prime focus and will be our main value driver in the future. We have witnessed a renewed market interest from global energy companies as proven resources of this size are hard to come by.

In recent months, significant progress has been achieved on the Crux liquids project with most of the technical work now completed and we approach a final investment decision planned in the months ahead. Further, negotiations with a substantial Chinese entity as a Joint Venture partner are at an advanced stage, more from Mike Maloney on this subject in a moment. I would like to publicly thank Mike and his team for all their hard work to progress our project.

While the Crux liquid stripping project remains the base case for the commercialisation of Crux, Nexus has also been working since mid year with the other Crux participants, namely Shell Development Australia and Osaka Gas to consider options for an integrated liquids and gas development on Crux as part of the Shell led Prelude development. The Australian Government through the Department of Resources, Energy and Tourism has been kept informed and is working with the parties in considering these options.

An integrated development may provide advantages including lower capital expenditure, better reservoir management and improved hydrocarbon recovery. At this stage, we are not in a position to describe the likely value attributable to Nexus under this development scenario.

However, before declaring a final investment decision on the Crux liquids project, we will have fully assessed the value of the integrated development scenario. Put simply, the board of Nexus will be guided by the best value proposition for shareholders. You will appreciate that the value attributable to Crux is very substantial when compared to our current market capitalisation, which right now is at circa \$360 million (based on 28c per share).

You will also understand and appreciate the sensitivity around the discussions on the Chinese involvement in the liquids project and also our discussions with all relevant parties on the other development possibilities for Crux. This prevents me going into any more detail, but you can be rest assured the Board and the Management of Nexus is totally focused on maximising shareholder value, whatever is the final outcome on the Crux development.

Our Longtom gas asset continues to provide significant cash flows after we successfully installed the mercury removal facility last year. The previously reported reservoir complexities in our main Longtom field are under review and significant technical work is being done on re-mapping this field right now. The board thought it prudent to write down Longtom's book value by \$81 million in last year's accounts whilst we wait for the results of the technical work and a new resource audit.

On the positive side, our development team is keen to drill the Longtom South prospect next year. Ian Boserio will provide a presentation on Longtom and our Longtom South prospect shortly. We watch with interest the proposed development plans of our neighbours in the Longtom east field, owned and operated by Exxon and BHP Billiton, with a reported future development spend of billions of dollars in the years ahead. Gas markets in this region are expected to grow.

As to my much publicised termination payment, I would like to remind shareholders that the terms of my past executive contract have been fully disclosed in Nexus Annual Reports. The terms of that contract were put in place by the then remuneration committee, independently of me and only after seeking external advice on the matter.

The terms of the contract were established at a time when the board required me to take up an executive role with Nexus post the GFC. As many shareholders would know I was a founding director of Nexus and have been with the company for some 11 years. I only assumed an executive role at the board's request in 2009 and then again at the board's request following Richard Cottee's resignation.

The terms of my present contract are simply based upon a non-executive role as I plan to return to that role by the end of this year. We are pleased with the calibre of the CEO candidates received and expect to make an appointment later this year.

Let me now refer to last week's shareholder update regarding Richard Cottee's sudden departure from Nexus. The board has made its position surrounding this event very clear and we have no more to add on this matter. Clearly the shareholder votes today will reflect the democratic right of shareholders, as they should, and determine whom they support managing this company into the future.

May I remind all in attendance here today that this meeting is about the formal business of the day and reporting to the owners of Nexus. It has not been, and is still not in the interests of shareholders for the board and management of Nexus to be distracted from the focus of creating shareholder value from our assets.

I would like to also take this opportunity of thanking all the staff members of Nexus for the extra efforts made in the past weeks noting an unusually higher work load and I encourage shareholders to make yourself known to staff at the end of the meeting.

Michael Fowler
Chairman