
Chairman's AGM Address

Ladies and Gentlemen, I am delighted to be here with you today for the 2012 Nexus Energy Annual General Meeting, my first as Chairman.

When I was approached about taking on the role of Chairman of Nexus Energy earlier this year, I was attracted to the potential of your Company.

I was privileged to work with Lucio Della Martina at Woodside where he ably ran the development of our flagship Pluto gas project. Lucio is, in my opinion, one of the top professionals in our sector in Australia. He has an enormous breadth of experience in this industry, a clear vision for unlocking the value in this business, and a real focus and passion, which we share, on delivering value for shareholders.

In my opinion, a lot of progress has been made over the past several months, but there is still much more work to do.

However the Board believes that, despite some setbacks, Nexus ended the 2012 financial year in a much stronger position than it started with respect to governance, management capability, financial stability and a strategy to take the business forward.

Strategic developments

In many ways, 2012 has been a year of transition, marked by three significant events. The first of these was the recalibration of the reserves base at our Longtom asset in Bass Strait in March, which resulted in an impairment charge of \$163 million. While clearly disappointing, the recalibration marked an important line in the sand.

Following this, an independent review of the Longtom reserves was completed. Your company has also made great progress towards addressing operational issues, achieving an increase in production volumes and system availability for the second year in a row.

The second, and arguable the most important, event of the year saw us consolidate our interest in the Crux permit with Shell and Osaka Gas. In this pivotal transaction, we have taken a big step forward into the LNG value chain and transformed our rights to the liquids production into a strategic interest in the whole Crux gas field.

Crux is strategically located in the East Browse basin off Western Australia, a world class petroleum system. It is rich in liquids, has manageable CO₂ content, and benefits from moderate water depths and close proximity to export markets. The area is attracting a high degree of commercial and development interest from high quality oil and gas players.

Our intention is to work with our joint venture partners, and in particular Shell as the operator, to develop Crux as a standalone floating LNG project, using Shell's breakthrough FLNG technology. Furthermore, given Crux's strategic location in the East Browse basin, we are looking to position Crux as a significant floating gas and condensate hub, one that accommodates the various discovered resources in the economic catchment area, as well as third party gas.

With Longtom stabilised, and our position with respect to Crux dramatically improved we turned our attention to the way forward. Lucio will expand on your Company's future strategic direction. But let me say this: the strategy is simple, it is clear, and we are all pulling together to make it happen. At the core of our strategy is a desire and a commitment to deliver shareholder value.

Thirdly, in order to make our strategic vision a reality, your Company initiated a wide-ranging review of our corporate governance, including Board composition and governance processes, as well as organisational structure, capabilities, and culture. Our clear goal is to position Nexus to achieve its strategic goals, and we look forward to the review's findings in first half of financial 2013.

Board structure

Given the opportunities facing our business, and recent changes to the Board, now is the right time to renew and reconfigure our Board to add capability that supports our strategic and commercial imperatives.

As you know, at the end of October we bid farewell to four retiring directors including Michael Fowler. I'd like to recognise Michael for his chairmanship of the Company during a critical period.

I'd also like to recognise Michael Arnett, Ian Boserio and Steve Lowden for their contribution over the years. I know they will continue to follow the fortunes of our Company with interest.

This morning we will be asking shareholders to approve the re-election of Symon Drake-Brockman as a Director. Symon has served on the Board for the past three years and brings to the Board a wealth of finance and capital markets expertise which we believe have and will continue to serve your Company well as we position the business for the future.

We are currently reviewing other candidates with appropriate qualifications for the role of Non-Executive Directors.

Remuneration

As you will already be aware, later this morning we will be running through your Company's remuneration policy and framework. Over the past twelve months, and based on feedback from shareholders and stakeholder advisory groups, we believe we have significantly improved our remuneration practices, as well as lower the costs of running this Company.

The 2012 remuneration report has been developed to clearly and transparently communicate the link between remuneration outcomes and the achievement of our strategic objectives. In particular the Board has sought to align management and shareholder interests through an appropriate balance between fixed reward and short and long term incentive. While it's easy to focus on the potential rewards on offer through these schemes, it is also important to realise that when any long term incentive is maximised, so are shareholder returns. The Board's approach will continue to be one of linking pay with performance, and we will continue to engage with shareholders on our remuneration policies.

Industry fundamentals

In closing, I'd like to comment briefly on the strong fundamentals underpinning our industry.

Demand for energy around the world is rising – the International Energy Agency predicts global energy demand will grow by around 40% by 2035, and 90% of that growth will come from developing economies like China and India. As the world's ninth-largest energy producer, Australia will be a key beneficiary of that demand.

Of particular relevance for Nexus, Australia looks set to rival Qatar as the world's largest exporter of LNG by the end of the decade, and is home to around 70% of the world's capacity currently under construction.

I note the recent Energy White Paper and am encouraged by the Government's indication that it does not support calls for market intervention strategies. This kind of free market thinking is critical if we as an industry are to continue to attract the international investments flows required to commercialise Australia's abundant natural resources.

As a business, we are increasingly well positioned with a strong management team, a good portfolio of both producing and development assets, a strengthened balance sheet and a clear strategy for the future.

Conclusion

Before I hand over to Lucio, I'd like to acknowledge the management team and employees at Nexus. So far I have been very impressed by the positive culture and the enthusiasm for hard work. Thank you for your efforts.

Despite the challenges I remain excited by the opportunities that lay ahead of us.

And thank you to you our shareholders for your commitment and ongoing support. It is genuinely appreciated and we look forward to delivering for you over the coming year.

Don Voelte
Chairman

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