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## **Chairman's address Annual General Meeting**

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Ladies and gentlemen,

I would like to welcome you to the 2009 Nexus Annual General Meeting.

I also welcome our new directors, Mr Michael Arnett, Mr Ian Boserio, Mr Steve Lowden and Mr Symon Drake-Brockman to their first Nexus Annual General Meeting.

As the company transitions from explorer to producer we recognised the need to enhance the skill set of the board. As such we have made four director appointments over the past six months covering legal, financial and technical disciplines. One of our founding directors, Mr Alastair Haydock has announced his intention to retire in December this year.

Mr Michael Arnett was appointed on 28 May 2009 and has over 20 years of legal experience practicing predominantly in the oil and gas sector. Michael has extensive experience in capital raisings, corporate, commercial, bank and finance experience and has been a very active member of our board since his appointment.

Mr Ian Boserio, appointed yesterday, has over 25 years of international experience in the oil and gas industry predominantly in exploration. Ian has spent the majority of his career with Shell and led the Shell Australia and NZ exploration team in growing its gas portfolio for LNG development. Mr Steve Lowden joined our board yesterday. He also has over 25 years industry experience with Premier Oil and Marathon, and more recently with private energy businesses.

Mr Symon Drake-Brockman, was also appointed yesterday. He has over 20 years of international financial experience in the debt and equity markets. Symon participated in the recent equity raising by acquiring securities in the placement and also sub-underwriting the rights issue.

Another change to the Board since our last AGM, as announced in May this year, was that of my role to Executive Chairman. It was a decision that we as a board felt was necessary to provide additional support with the direct management of the Company. This is not a long term role and at the right time I will again assume a non-executive position.

It has been a challenging year for Nexus, as can be observed from our share price performance. We felt the full impact of the global financial crisis in October last year with the unexpected late withdrawal of the purchaser of a 25% interest in the Crux liquids project. Trying to execute an alternative sale over the past twelve months has proven difficult given the general market conditions; however, the board believe that the outlook has started to improve.

We know we are not alone in struggling through the impacts of the GFC, and for a company of our size we are proud of our actions to maintain Nexus' survival without resorting to a fire sale of our asset base. Our asset base of a 100% interest in Longtom, and 85% interest in Crux, representing reserves of 120 million barrels of oil equivalent, is the same today as back in mid 2008 when the company's shares were valued at over \$1 per share.

In March this year, the board made the necessary decision to place the company into voluntary suspension while we worked to restore our financial position. Throughout this period we renegotiated our contract commitments, sold our equity in exploration permit AC/P41 (which was considered non-core) and implemented cost cutting at all levels. The company emerged from this period in late May and has since been solidly focused on delivering the Longtom gas project, which we have now done.

We, being the board, the executive and all staff accepted the harsh challenges presented to us during the financial year and have got on with the job of restructuring to both get through this period in one piece and to focus on stabilising and rebuilding Nexus with our strong asset base intact.

Whilst FY09 was full of challenges, there were also highlights. The Longtom-4 development well was drilled with the West Triton jack-up rig and successfully flow tested. Following this the offshore installation program commenced with the laying of the 17 kilometre pipeline connecting the Longtom field to the existing Patricia-Baleen subsea pipeline. The most significant highlight for Nexus has been the commencement of production from Longtom in late October 2009, completing our transition from explorer to producer.

As we have reported over the past few years, substantial engineering work has been conducted on the proposed Crux liquids project. On the back of a Field Development Plan issued to the government, during the financial year Nexus was awarded a Production Licence over the Crux asset. Given we already have all the necessary environmental approvals for a field development, the award of the Production Licence is the final regulatory approval milestone to permit project sanction.

On the exploration front, we continued with our strategy of farming-out to fund drilling activities with Mitsui covering the majority of our drilling costs for the Libra prospect in AC/P41. Libra proved to be a successful gas and condensate discovery, supporting our technical work, and increasing the likelihood of encountering hydrocarbons in the Auriga structure in our AC/L9 Crux permit.

After the drilling of Libra was completed we sold our remaining interest in AC/P41 to Shell and Mitsui to finance other activities. During the financial year we raised A\$98 million from the sale of equity in AC/P41 and booked a profit of A\$80 million.

We had another very good year with respect to health, safety, environment and the community. I am pleased to report that during the year we had no lost time cases and no significant safety incidents.

The activities of the Company for the 2009 financial year were essentially funded by debt as well as the sale of the Company's non-core assets and investments. The sale of the ROC Oil Company Limited shares and interest in exploration permit AC/P41 raised gross proceeds in the order of \$128 million. These proceeds were applied to extinguish the debt for Crux and Anzon loans.

The company's reported pre-tax loss for the 2009 financial year amounted \$87 million that included the pre-tax gain on exploration permit AC/P41, loss on ROC shares, finance costs, foreign exchange losses and other write-downs.

Over recent months we have been focused on strengthening the financial position of the company to provide a solid foundation from which to grow. The placement and rights issue that was completed over the months of September and October 2009 were well received and raised combined gross proceeds of \$74 million. A portion of these funds were used to repay the AED deposit on the conditional sale of a 50% interest in Longtom that did not proceed.

In relation to Longtom, we are all excited and pleased with the commencement of Longtom gas production last month. The Longtom asset provides the company with steady cash flow and will produce in the order of around 4 million barrels of oil equivalent per annum for the next ten years on the back of the gas sale agreement with Santos.

Nexus now has stable long term production with a large liquids reserve base at Crux as well as a large gas appraisal / exploration potential in Echuca Shoals.

Whilst we are a small company in terms of our industry, we aim to compare ourselves with the largest industry players when it comes to health, safety, environment and community. I am pleased to report that last month we passed over 1400 days without a Lost Time Case injury, including throughout the Longtom installation program. This performance ranks us equal first by APPEA across our industry.

In summary, yes it has been a very tough year, but we are now in a solid position with production from Longtom and sufficient funding. We have globally attractive assets with substantial reserves and a highly capable and dedicated team of individuals all focused on delivering value.

I would like to take this opportunity to thank our shareholders for their support, and also our staff for all of their hard work.

**Michael Fowler**  
**Chairman**