



## **Panel confirms Nexus' concerns about Anzon's conduct during takeover bid**

---

Nexus Energy Limited ("Nexus") notes that the Takeovers Panel ("Panel") has confirmed Nexus' concerns in relation to conduct by Anzon Australia Limited ("Anzon") addressed in Nexus' application ("Application") to the Panel. The Application related to the scrip off-market takeover bid by Anzon for Nexus ("Offer"), which closed on 6 June 2006. The Panel issued a media release announcing its decision in relation to the Application on 22 August 2006.

The Panel's announcement vindicates Nexus' position that Anzon and its parent company Anzon Energy Limited ("AEL") engaged in undisclosed acquisitions of Anzon Shares at prices significantly above the prevailing market price which were designed to support Anzon's share price and that Anzon's motives for the announcement of Bonus Options during the offer period were questionable.

In addition, during the Panel proceedings the potential conflicts of interest of the common directors who sit on both the AEL and Anzon boards became of greater concern to Nexus. Four out of the five directors of Anzon are also directors of AEL (including Anzon's Executive Chairman, Mr Koroknay). Nexus queried how the Anzon board can consider any issue involving AEL in light of the fact that Anzon can not form a quorum of independent directors.

### **Undisclosed Acquisitions of Anzon Shares by Anzon's Parent Company during the Offer Period**

In the Application Nexus raised concerns about the undisclosed acquisitions by AEL, Anzon's majority shareholder and parent company, of shares in Anzon during the Offer period ("Acquisitions"). In summary, Nexus' main concerns were that:

- AEL acquired shares in Anzon on 12 separate days during the Offer period, often at prices above the price Anzon shares were then trading, including buying the last parcel of shares traded on 5 June 2006 (the day before the Offer closed) at \$1.39 per Anzon share when the preceding trade was at \$1.335 per Anzon share. Nexus was particularly concerned with trading by AEL on 6 of those 12 days.
- Anzon attempted to support the perceived market value of its shares through the Acquisitions during the Offer period.
- Anzon did not disclose that AEL was actively acquiring shares in Anzon during the Offer period.
- The common directors of AEL and Anzon had knowledge of, and would have been involved in, the Acquisitions.

### **Panel's response to Nexus' concerns**

- The Panel confirmed Nexus' concern that *"the trading on those [6] days had the appearance of being designed to support the share price of Anzon rather than to enable AEL to acquire Anzon shares at the lowest possible prices"*.

- The Panel was concerned that the trading in Anzon shares by AEL on these days "was not adequately explained" by Anzon.
- The Panel rejected Anzon's submission that it had no involvement in the Acquisitions and noted that the majority of Anzon directors were also AEL directors (including Anzon's Executive Chairman, Mr Koroknay) who attended the AEL board meeting and must have actively discussed the AEL acquisition strategy.
- The Panel stated that *"it would have been unacceptable for Anzon's directors to withhold material information that Anzon would be required to disclose, merely because they obtained that information in their capacity as directors of Anzon's holding company"*.
- The Panel confirmed that disclosure by Anzon of the Acquisitions and AEL's intention to make the Acquisitions would have been required.
- The Panel did not accept Anzon's submission that the announcement made by AEL stating it was "keen to maximise its ownership interest in Anzon" was adequate disclosure. In fact, the Panel agreed with Nexus' concern that the announcement was *"seriously inadequate"*.
- The Panel was also concerned that *"AEL instructed its broker expressly not to make acquisitions of Anzon shares which would trigger the substantial holding disclosure requirements"*.

#### **Announcement of Bonus Options during the Offer Period**

In the Application Nexus also raised concerns about the announcement by Anzon during the Offer period of a bonus offer of options ("Bonus Options") at a premium to the market price of Anzon shares. After the Offer closed, Anzon reduced the exercise price of the options. Nexus' main concerns were that:

- This led to the creation of a false impression in the market as to the value of Anzon shares.
- The Bonus Options issue was an attempt by Anzon to increase the perceived value of Anzon shares.

#### **Panel's response to Nexus' concerns**

- The Panel *"found it difficult to accept that the Bonus Option issue could be regarded as a reward to shareholders given the structure of the issue [...] The Panel was concerned that the issue of Bonus Options appeared to have some other motive. The Panel considered that Anzon, as an offeror of scrip during a takeover period, should have been particularly careful not to engage in any capital management which might give the impression that it was seeking to affect the perceived value of the securities it was offering as consideration under its takeover offer."*
- The Panel agreed with Nexus' submission that the terms of the Bonus Options were not consistent with normal market practice.

Although ultimately the Panel decided not to make a declaration of unacceptable circumstances based on the outcome of the Anzon's unsuccessful bid, the Panel agreed with and confirmed many of Nexus' concerns in relation to the conduct of Anzon's and its parent AEL during the Offer period.

NEXUS ENERGY LTD  
Date: 24 August 2006

ASX CODE: NXS

As set out in the Takeovers Panel's Media Release of 27 July 2006, the Australian Securities and Investments Commission has been notified of the concerns set out above.

**For further information please contact:**

**Ian Tchacos**  
**Managing Director**  
**Phone: 03 9660 2500**  
**Fax: 03 9654 9303**  
**Website: [www.nexusenergy.com.au](http://www.nexusenergy.com.au)**

**David Griffiths**  
**Gryphon Management Australia**  
**Phone: 08 9382 8300**  
**Mobile: 0419 912 496**  
**Website: [www.gryphon.net.au](http://www.gryphon.net.au)**