



## Shareholders Update Pre Annual General Meeting

Dear Shareholder,

In response to shareholder queries in light of media speculation we are writing to you in anticipation of the Nexus Annual General Meeting (AGM), which has been convened for 17 November 2011.

The Nexus board and management team are united and collectively focused on executing strategies that have been in place for some two years to deliver material value to shareholders. Nexus is currently well advanced in executing these strategies and accordingly, now is the time when stability of the Company and its leadership are paramount.

In addition to the support of the Company's management and leadership team, we are pleased that several of our top 20 shareholders have expressed in writing their support of the current board and management and our future direction.

We consider that in light of the importance of the AGM to the future of the Company and the current commercialisation status of our strategic assets, it is important to clarify a number of matters that have been the subject of recent media speculation:

- The former managing director, Mr Cottee resigned voluntarily. He was not dismissed. Indeed he had earlier signalled to the board that he would likely be returning to Brisbane, and leaving Nexus before the new year.
- When Mr Cottee resigned he did not own any shares in Nexus. The board notes that at the time of his resignation Nexus' share price was 24¢ and at the time of writing it is 29¢, an approximate 20% increase.
- Prior to his resignation, a proposed transaction was tabled, and recommended by Mr Cottee, in relation to a farm out of Echuca Shoals. This proposal contained some terms commercially unacceptable to all other board members and which, in our view, were simply not in the best interests of all shareholders. This led to your board asking that those terms be re-negotiated or removed. These terms included:
  - a binding grant of options to the farminee of up to 10% of the issued capital of Nexus which options may have been exercised in certain circumstances irrespective of whether the transaction was able to be completed or not; and
  - a key man clause that in certain circumstances may have created a contingent liability for the Company of up to approximately \$99 million in the event that Mr Cottee left the company within 12 months (exceptions included death or mental incapacity).
- The proposed transaction as tabled did not in any way impact on the commercialisation process for the Crux liquids project.
- There is no well commitment required in the Echuca Shoals exploration permit in the next 12 months.

- Michael Fowler and Ian Boserio agreed, at the request of all other members of the Nexus board, following Mr Cottee's sudden resignation, to act as executive directors in the short term, until a replacement Chief Executive Officer is appointed. This action was deemed necessary to ensure ongoing management at such a critical time for the company.
- Mr Cottee has commenced legal proceedings against your company in respect of a "non compete" provision in his employment agreement.
- We expect to be able to announce the appointment of a high calibre chief executive officer with the requisite skills and experience before the end of this calendar year.
- The board is unanimous in its view that a return of Mr Cottee to Nexus is not in shareholders' interests. This is also the view of the management of Nexus.

Despite the unwanted distractions, Nexus is close to finalising commercial negotiations relating to the future development of the Crux asset. Further developments in those negotiations will be reported to the ASX as and when this is possible.

If in fact you have lodged a proxy voting in accordance with the directions of Mr Cottee, and wish to withdraw or vary it, please contact the company secretary, Ms Susan Robutti on (03) 9660 2500.

We look forward to your ongoing support at the Annual General Meeting on 17 November.

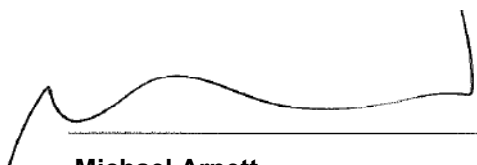
The Board of Nexus Energy Limited



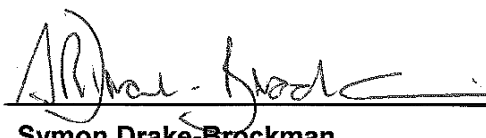
**Michael Fowler**



**Ian Boserio**



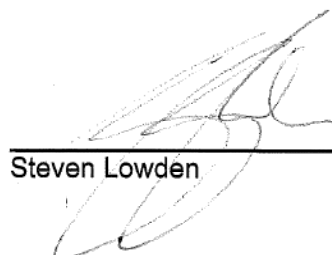
**Michael Arnett**



**Symon Drake-Brockman**



**John Hartwell**



**Steven Lowden**