



ABN 64 058 818 278

THIRD SUPPLEMENTARY PROSPECTUS

This Third Supplementary Prospectus is dated 10 July 2006 and was lodged with the Australian Securities & Investments Commission ("ASIC") on 10 July 2006. Neither ASIC nor the Australian Stock Exchange Limited take any responsibility as to the contents of this Third Supplementary Prospectus. This Third Supplementary Prospectus supplements, and should be read with, the Prospectus dated 9 June 2006 issued by the Company for the offer to each Eligible Shareholder of up to 8,000 Shares at an issue price of \$0.62 cents per Share to raise up to approximately \$16.4 million, before costs, the Supplementary Prospectus dated 14 June 2006 and the Second Supplementary Prospectus dated 3 July 2006 (together the "Prospectus").

This Third Supplementary Prospectus must be read together with the Prospectus. Unless otherwise indicated, defined terms used in this Third Supplementary Prospectus have the same meaning as given to those terms in the Prospectus. To the extent of any inconsistency between this Third Supplementary Prospectus and the Prospectus, the provisions of this Third Supplementary Prospectus prevail.

1. FARMIN FOR CRUX LIQUIDS PROJECT

The Company has signed a Heads of Agreement ("HOA") with a multibillion US\$ international oil and gas company with substantial construction capability and operations experience (the "farminee"), pursuant to which the farminee will pay the next A\$53 million (US\$ 40 million) expended on appraisal, feasibility and development on the Crux Liquids Project to earn a 34% interest in the Crux Liquids Project.

Under the terms of the HOA, the farminee will have the option to increase its interest in the Crux Liquids Project to 50% upon the further payment to the Company of A\$42 million (US\$ 32 million) no later than 4 months after the completion of drilling of the Crux 2 well.

It is anticipated that the farminee will fund front end engineering, the drilling of the Crux 2 appraisal/development well and other project activities which are required to progress the Crux Liquids Project to an investment decision in early 2007.

The HOA acknowledges the rights which the Company has already agreed to assign to Shell in respect of the gas in the AC/P23 permit.

The HOA is subject to a number of conditions precedent being met by 7 October 2006, including:

- board approval by both the farminee and Nexus and completion of due diligence by the farminee by the end of August 2006;
- government and regulatory approvals;
- execution by Shell of the definitive agreements in respect of the sale of the gas in the AC/P23 permit on the terms of the letter of intent with Shell;
- the consent of Shell to the arrangements envisaged by the HOA; and
- the execution of formal documentation.

The HOA provides that farminee will assume the role of project manager and the Company will retain the role of permit operator. A joint team will be created by the Company and the farminee where the farminee

will provide its extensive facilities construction expertise to the Crux Liquids Project and the Company will provide the necessary geological and reservoir engineering skills to the project.

The next step in the forward plan for the Crux Liquids Project will be the completion of the front end engineering and design which will incorporate the results from both the new 3D seismic data and the Crux #2 appraisal well.

The disclosure in this Third Supplementary Prospectus supplements Section 3.3(b) of the Prospectus.

2. CLOSING DATE

The Prospectus is varied by extending the **Closing Date** to 5.00pm AEST on 19 July 2006, as follows:

The indicative timetable in the Prospectus is replaced with the following:

INDICATIVE TIMETABLE

Record date for participating in Shareholder Placement	30 May 2006
Lodgement of this Prospectus with the ASIC and ASX	9 June 2006
Opening Date	16 June 2006
Closing Date	19 July 2006
Anticipated date for allotment and issue of New Shares	24 July 2006
Anticipated date for quotation of New Shares on ASX	25 July 2006

These dates are indicative only and may be subject to change. Subject to the Corporations Act, the ASX Listing Rules and other applicable laws, the Directors reserve the right to vary the dates, including to extend the Offer, close the Offer early or accept late Acceptances (either generally or in particular cases) without prior notice. Any change to the above indicative timetable will be announced to ASX. Eligible Shareholders are encouraged to submit their Acceptances as early as possible.

The references to "5.00pm AEST on 30 June 2006" on the cover page, in Section 1.4, in Section 2 and in the definition of Closing Date in Section 8 are replaced with "5.00pm AEST on 19 July 2006".

3. DIRECTORS AUTHORISATION AND RESPONSIBILITY STATEMENT

Each Director has given and has not, at the date of this Third Supplementary Prospectus, withdrawn his consent to the lodgement with ASIC of this Third Supplementary Prospectus.

This Third Supplementary Prospectus has been signed for and on behalf of the Company by a Director of the Company on 10 July 2006.



Ian Tchacos
Managing Director
Nexus Energy Limited