



Nexus and Shell execute final agreements for sale of Crux Gas

Nexus Energy Limited (and its subsidiary Nexus Energy WA Proprietary Limited) ("Nexus") is pleased to announce that it has executed agreements with Shell Development (Australia) Proprietary Limited ("Shell") for the purchase of 100% of Nexus' rights and interests in relation to the gas (excluding any rights and interests in the condensate and oil) in the AC/P23 exploration permit ("Permit") (which contains the Crux gas-condensate field).

Nexus announced that it had accepted an offer from Shell on the 6th of June 2006. Since that time the parties have finalised the necessary documentation to conclude the transaction. A cash payment to Nexus of US\$ 40 million (approximately A\$ 53 million) in cash is expected in September/October 2006 upon receipt of regulatory approvals.

The principal terms of the deal are:

- ◆ Shell will obtain all rights and interests in relation to the gas in Crux and any other gas within the Permit area.
- ◆ Nexus will retain a 100% interest in the condensate in Crux, the proposed Crux Liquids Project and any other condensate or oil discovered in and extracted from the Permit area on or prior to 31 December 2020.
- ◆ Nexus will retain Operatorship of the Permit until 31 December 2020.
- ◆ Nexus will be free to carry out operations and deal with its rights and interests in relation to the condensate and oil within the Permit (including the Crux Liquids Project) provided that it does not adversely affect Shell's rights and interest in relation to the gas within the Permit.
- ◆ Nexus will retain title to the Permit until 31 December 2020, after which Shell may elect to have the title to the permit, together with Operatorship of the Permit, transferred to it.
- ◆ Shell will be entitled to take gas from the Permit area prior to 31 December 2020 provided that it doesn't adversely affect the Crux Liquids Project or any other Nexus liquids project.
- ◆ In the event that Nexus does not undertake the Crux Liquids Project or any other liquids project and notifies Shell of the same prior to 31 December 2020, Shell may elect to assume all rights and interests in respect of the Permit. Upon transfer of the Permit to Shell Nexus will retain rights to participate in a gas/liquids project operated by Shell. If Nexus were to participate in such a project the condensate and oil extracted by Shell would be for the benefit of Nexus and the gas would be for the benefit of Shell. Nexus and Shell would be required to contribute to the project based on an equitable cost sharing arrangement.

As indicated in a previous Nexus announcement, a Heads of Agreement has also been signed with an international oil and gas company which has substantial construction capability, operations experience and financial capacity ("farminee"). Under the terms of that agreement the farminee will pay the next A\$ 53 million (US\$ 40 million) of appraisal, feasibility and development expenditure on the Crux Liquids Project in the Permit to earn a 34% interest in the Nexus condensate and oil rights and interests in the Permit.

The Crux Liquids Project farmin, which remains subject to satisfaction of a number of conditions precedent being met by 7 October 2006, acknowledges the rights that Nexus has agreed to assign to Shell with respect to the Permit.

Nexus' Managing Director Ian Tchacos, said, "This is the first of two key agreements finalised in relation to Crux. We are very pleased to have concluded this transaction that was agreed in principle only two months ago. Shell and Nexus have worked together constructively to complete what is a landmark transaction that we consider to be a win – win for both companies."

In addition Tchacos said, "The funds from this transaction will allow Nexus to maintain its aggressive front end engineering and appraisal program on the Crux Liquids Project until the planned farmin deal is concluded. In addition, this has freed up sufficient funding for Nexus to push forward aggressively with feasibility engineering and appraisal drilling on the Echuca Shoals gas condensate resource which the company still holds at 100%".

Background on Crux

Crux is a substantial gas and condensate resource in an emerging LNG province. Nexus acquired the asset for A\$12m in January 2006. Nexus is appraising the asset with the intention of commencing its development phase during the second quarter of 2007. The field lies some 100 km to the north east of the 100% Nexus owned WA-377-P exploration permit. WA-377-P contains the potentially large Echuca Shoals gas discovery and is adjacent to Inpex's Ichthys gas field, which is currently being considered for development as an LNG project.

In January 2006 Nexus commissioned a new 280 km² 3D seismic survey over the Crux field. This survey was completed in March 2006 and new structure maps for the Crux field have been generated using the new velocity data. Nexus believes these maps confirm additional resource potential in the northeastern part of the field. Nexus' best estimates of the Crux field contingent resources are 71 million barrels of condensate and 2 Tcf of gas.

Appraisal

Preparation for the drilling of the appraisal well Crux #2 during Q4 of this year is underway. Nexus is actively seeking a rig slot and has ordered long lead items, which will allow the well to be drilled when a rig slot becomes available.

Engineering

In March 2006 Nexus appointed Mustang Engineering, an internationally respected engineering company to execute front-end engineering and design (FEED) on the liquids project. The FEED is providing detailed design information on key components of the project intended for use by companies that will be invited to tender for the supply of the project's floating production storage and offload facility ("FPSO"). The FEED work is expected to be concluded in December 2006 and will be incorporated with the results from both the new 3D

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seismic data and the planned Crux #2 appraisal well to confirm the potential commerciality of the project.

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