



NEXUS ENERGY BANKS \$53 MILLION FOR CRUX GAS SALE

\$30 MILLION BRIDGE FUNDING FACILITY ALSO SECURED

Nexus Energy Ltd has received full payment of approximately \$A53 million (at Fridays A\$:US\$ exchange rate) from Shell Development Australia Pty Ltd for the sale of the natural gas resources contained in the Crux field in the Browse Basin off the north-west coast of Western Australia.

Nexus sold 100% of its rights to the natural gas in the Crux field but has retained the rights to the valuable condensate (light oil) content of the field.

In addition the Company has also secured a bridge funding facility of \$30 million to be drawn down and applied towards the Company's Longtom Asset from BOS International (Australia) Limited, part of the Bank of Scotland group.

These additional funds provide Nexus with increased flexibility in financing the next stages of the Crux liquids project which includes the drilling of the Crux-2 appraisal well (scheduled for December 06).

The Crux field lies in permit area AC/P23 in the Browse Basin and is 100 km north-east of the 100% Nexus-owned permit, WA-377-P, which contains the significant Echuca Shoals gas discovery.

Nexus plans to commit to developing the field at the end of the second quarter of 2007 via a gas recycling project in which the valuable condensate is stripped from the gas which will be re-injected into the reservoir for potential later production (by Shell).

Nexus Managing Director, Ian Tchacos, said, "Receipt of Shell's cash payment for the Crux gas and the establishment of the Longtom bridge funding facility has added to Nexus' sound financial position."

"The company now has the cash resources to fulfil its immediate appraisal objectives at the Crux field as well as progressing the appraisal of Echuca Shoals.

"Nexus' aggressive project definition program is expected to place the company in a position to sanction the Crux liquids project in June 2007 bringing the Company a step closer to another significant source of future cash flow alongside the planned development at Longtom," Mr Tchacos said.

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BACKGROUND

Crux (Nexus 100%)

In January 2006 Nexus completed the purchase of the Australian offshore exploration permit AC/P23 for A\$12 million. The permit contains the Crux gas condensate field. Sale of condensate from the field has the potential to provide significant value to Nexus' shareholders and this opportunity has been vigorously pursued since the field was acquired. Crux is a substantial gas and condensate resource in an emerging LNG province.

The field lies some 100 km to the north east of the 100% Nexus owned WA-377-P permit which contains the significant Echuca Shoals gas discovery, adjacent to Inpex's Ichthys gas field currently being considered for development as an LNG project.

Acquisition of a new 3D seismic survey over the Crux field commenced immediately once Nexus took control of the permit. Initial processing and interpretation of data from the survey by the Company indicates that the field contains a best estimate contingent recoverable condensate resource of 71MMstb.

Appraisal

The field is defined by 3D seismic and a well that was drilled on the field in 2001. A further well is required to confirm a minimum commercial reserve size prior to taking a development decision. Nexus has contracted the Songa Venus semi-submersible drilling rig to drill this well with an expected start date in December 2006.

Engineering

Plateau production is expected to last for four- five years. This would provide Nexus with strong stable cash flows over an extended period.

Nexus commenced front end engineering and design studies on the gas recycling scheme in February 2006. These studies are continuing and should be completed early in 2007 at which time negotiations with potential facility providers will commence. Nexus expects that it will be in a position to sanction the project by mid - 2007 with first condensate being produced in the middle of 2009.

The contemplated field development plan for the Crux field envisages a gas recycling scheme with approximately 960MMscf/d being produced through three production wells. Over 25,000stb/d of condensate would be stripped from the gas before the gas is compressed and re-injected into the reservoir through three injection wells.

The wells would be tied back to a floating production, storage and offloading facility (FPSO). The processing and compression equipment would be located on the deck of the FPSO.

Commercial

During the year, Nexus sold the rights to the gas (excluding condensate) in the Crux field to Shell for US\$40 million. The agreement provides for Nexus to be able to execute its condensate recycle project until 31 December 2020 at which time Shell will take ownership of the permit and would be able to extract the gas and any remaining condensate.