



NEXUS RETAINS 100% INTEREST IN CRUX LIQUIDS PROJECT

Nexus advises that it has terminated a previously announced Heads of Agreement to farm-out an interest in the Crux Liquids Project as a result of a failure of the parties to the agreement to satisfy certain conditions precedent relating to formalisation of the agreement.

CRUX LIQUIDS PROJECT REMAINS ON TRACK

Nexus is securing a rig slot and plans to drill the Crux-2 appraisal well in December 2006. Nexus also expects to complete front end engineering studies for the project in January 2007. This places the company in a position to make an investment decision on the Crux Liquids project in mid 2007.

Ongoing seismic and reservoir studies continue to confirm the company's previously announced best estimate contingent condensate resources at the Crux field of 71 million barrels of condensate. In addition Nexus' continued engineering work has given the company confidence that production rates at the field may be lifted to rates well above those previously estimated. This production capacity increase reflects the ongoing refinement of the basis of design and equipment optimisation for the project as part of the front end engineering process. Nexus has confidence in the potentially increased liquid volumes, enhanced facilities engineering definition and the corresponding benefits to the potential economic value of the Project.

Nexus' position has recently been strengthened by the successful drilling and flow testing of the Longtom-3 appraisal and development well, the A\$53 million in cash received from the forward sale of Crux gas to Shell Development (Australia) Pty Ltd and the availability of a A\$30 million Longtom bridge finance facility with BOS International (Australia) Limited, part of the Bank of Scotland Group. As a result, Nexus now has the ability to fund the next stage of the Crux liquid project's development internally.

"Going forward, the Company's significantly strengthened financial position will allow us to retain 100% ownership in this important asset through a phase which we believe is likely to deliver a large step up in the value. This may enable the company to introduce a partner at a later stage and may provide the additional flexibility to consider options for the next stage of Crux's development including early commercialisation of gas in conjunction with the liquids," Mr Tchacos added.

For further information please contact:

Ian Tchacos
Managing Director
Phone: 03 9660 2500
Fax: 03 9654 9303
Website: www.nexusenergy.com.au

David Griffiths
Gryphon Management Australia
Phone: 08 9382 8300
Mobile: 0419 912 496
Website: www.gryphon.net.au

Or
Ian Howarth
Farrington National
Phone: 03 9223 2465
Mobile: 0407 822 319

BACKGROUND

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 indicated that the field contains a best estimate contingent condensate resource of 71 million barrels of condensate.

Appraisal

The field is defined by 3D seismic and a well drilled on the field in 2001. A further appraisal well is required to confirm a minimum commercial reserve size prior to making a development decision. Nexus is currently negotiating to contract a drilling rig to drill this well with an expected start date in December 2006.

Engineering

Plateau production is expected to last for four to five years. This should 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 the end of Q2 2007 with first condensate being produced in the middle of 2009.

The field development concept for the Crux field envisages a gas recycling scheme with approximately 960MMscf/d of raw gas being produced through three production wells. At this gas production rate, over 25,000stb/d of condensate is likely to be stripped from the gas before the gas is compressed and re-injected into the reservoir through three injection wells. The wells are 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 (A\$53 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.