



Sale of 50% interest in Longtom and lifting of voluntary suspension

Nexus Energy Limited (“**Nexus**” or “**Company**”) is pleased to announce that it has reached agreement on the conditional sale of a 50% interest in the Longtom gas project (VIC/L29) (“**Longtom**”) and associated exploration permit (VIC/P54) to AED Oil Limited (“**AED**”). This transaction delivers Nexus near term funding and upon completion of the sale will provide new capital to fund activities under the revised strategy well into 2010.

Nexus has achieved a number of important milestones since entering voluntary suspension on 11 March 2009. The following milestones are expected to provide the necessary financial stability from which the Company can deliver significant value from its unique asset base:

- Conditional 50% sale of Longtom at a sensible market price
- Significant progress towards completion of the Longtom gas project, which demonstrates Nexus’ operational capability and will soon provide stable long term cash flow
- Ongoing provision of financing for the Longtom gas project from the financier and confirmation of credit approval regarding revised Longtom milestone dates
- Minimisation and rescheduling of certain capital commitments for the Crux liquids project, providing flexibility to maximise long term value
- Significant reductions in corporate expenditures
- Strengthening of the Nexus Board
- Sale of Nexus’ remaining 15% interest in AC/P41

Accordingly, the voluntary suspension of trading in the Company’s securities will be lifted prior to market open from tomorrow, 29 May 2009.

Nexus managing director, Ian Tchacos, said “We are re-positioning Nexus as a stable, long term producer with the start-up of Longtom and the majority holder of a large liquids reserve base at Crux. Importantly, the sale of 50% of Longtom at a sensible price provides Nexus with the necessary funding to endure an extended market downturn and eliminates any pressure to sell an interest in a world class asset like Crux at below market value. The ability to unlock the potential of Nexus’ unique asset base from a position of financial strength is vital in rebuilding shareholder value”.

Revision of strategic objectives

In the near term Nexus will be re-positioned as a long term stable producer with the start-up of production from Longtom, and the holder of a large reserve base at Crux. It is the Board's view that the Crux liquids project (AC/L9) will benefit from the recovery in oil price and the availability of funding as capital markets improve. However, in the case that market conditions remain depressed, the completion of the Longtom sale will enable the Company to withstand an extended down turn without the forced sale of assets.

The way that Nexus' large strategic interest in Crux is dealt with in the short term will have a significant bearing on the long term value of the Company. The ability to fund the Company's ongoing activities through the part sale of Longtom ensures that any sale of Crux will be made for the right reasons and at an appropriate value.

Nexus continues to see value in the Crux liquids project and is experiencing renewed unsolicited interest from local and international oil companies for this project. The project can be taken forward rapidly with the introduction of an appropriate partner (or partners). Nexus is now able to maintain optionality in relation to the commercialisation of this world class asset with current P50 reserves of 75 MMbbl and the potential of up to 125-150 MMbbl of high quality liquids.

As a result of the Longtom transaction, a sell down to fund the Crux liquids project can now be assessed objectively against the alternative of the recovery of liquids from a future possible Shell Development (Australia) Pty Ltd ("**Shell**") initiated gas project under Nexus' contractual arrangements with Shell. This option has become more prominent due to the recent success at Libra (in the adjacent AC/P41 permit), that the Crux gas resource including the appraisal potential of Auriga and Caelum (in AC/L9) may be of a scale to be commercially viable as an LNG development.

Based on the above strategy the immediate priorities of Nexus will be:

- Delivering and operating Longtom, due to start production in July 2009 and to generate sustainable and predictable cash flows;
- Completion of the sale of a 50% interest in Longtom;
- Maintaining optionality for the commercialisation of Crux in order to maximise the value of this world class asset including the retention of a small core team of personnel that can take the liquids project forward;
- Progressing the appraisal of the Echuca Shoals discovery by negotiating a favourable farm-out transaction; and
- Minimising funding requirements until the commercialisation option for Crux becomes clear.

Sale of a 50% interest in Longtom

The conditional sale of a 50% interest in Longtom to AED for A\$155 million represents an opportunity for significant new funding from a part asset sale at a sensible price. This transaction delivers Nexus near term funding and upon completion of the sale will provide new capital to fund activities under the revised strategy well into 2010 on the assumption that Nexus is not required to make a substantial award of damages to Sedco Forex International during 2009. The effective date for the transaction is 1 September 2009.

As part of the transaction, Nexus has received a A\$35 million cash deposit upon execution of the conditional agreements with AED, with the remaining A\$120 million to be paid by 21 September 2009. Nexus will use part of the funds from the sale to repay part of the existing

Longtom project debt and associated expenses. It is expected that this will leave surplus funds of approximately A\$65 million.

The parties have executed an agreement which sets out the conditions to the transaction that must be satisfied or waived by 15 September 2009 ("**Completion Conditions**"), which include:

- Necessary regulatory approvals and third party consents being obtained;
- The completion of the Longtom project construction by Nexus; and
- AED obtaining finance on satisfactory terms.

In the event that by 15 September 2009 Nexus has satisfied certain of these Completion Conditions (including obtaining third party consents) (**Nexus Conditions**), but AED has not satisfied the Completion Conditions within AED's control, then Nexus can either repay the deposit by 31 January 2010 without interest or retain the deposit and transfer an 11.29% interest in Longtom to AED. If by 15 September 2009 Nexus has not satisfied the Nexus Conditions, then Nexus must refund the A\$35 million deposit to AED by 31 January 2010 together with interest at 15% per annum.

Nexus has provided AED with security for the deposit which places restrictions on the ability of Nexus to grant further security or incur further debt during the settlement period. All security will be released upon transaction completion or the repayment of the deposit.

Longtom update

The Longtom gas project is a significant long term infrastructure development that has the capacity to deliver over 10% of Victoria's annual gas demand.

Longtom is fully funded and remains on schedule for an expected first gas supply to Santos Limited in July 2009. The Longtom project financier, has notified Nexus that head office credit approval has been provided regarding the amended project milestone dates.

The offshore installation is progressing well and the 17 kilometre offshore pipeline to connect the Longtom gas field to the existing Patricia Baleen offshore pipeline has now been laid on the seabed. In addition, the control system installation and hook up work to the two existing Longtom production wells is underway. This installation work is the precursor to full commissioning of the offshore production and gathering system that will deliver gas to the Orbest gas plant.

Crux update

Crux appraisal and engineering has now matured to a point where the proposed liquids project could be sanctioned within a short period of time. The current global financial conditions have constrained potential partners from purchasing an interest in the project. Since the oil price has stabilised at around US\$60/barrel, Nexus has received renewed unsolicited interest in Crux and continues to explore the option of a part sell-down and a development of the liquids project with the introduction of an additional new partner.

As announced in the Company's quarterly report on 30 April 2009, an alternative to the sell-down of Crux is the recovery of liquids from a future possible Shell initiated gas project. The terms of the arrangements with respect to Shell's rights to gas in the AC/L9 licence, include provisions for the circumstance where the liquids joint-venture (Nexus 85%, Osaka Gas Crux Pty Ltd (a subsidiary of Osaka Gas Co., Ltd.) ("**Osaka Gas**") 15%) unanimously decides not to progress with a liquids stripping project, and notifies Shell of the same prior to 31 December 2020. These provisions include the ability for Nexus and Osaka Gas, to participate in the production of any liquid hydrocarbons in a gas commercialisation project initiated by Shell.

Such contractual rights are triggered upon transfer of the AC/L9 licence to Shell (with the notification allowing earlier access for Shell to the licence, at its option) and last until the end of that project life (and the 1 January 2021 cut-off date would not apply).

These contractual arrangements essentially create a "floor valuation" for the recoverable liquids contained within AC/L9. This approach also provides Nexus with exposure to a potentially much larger reserves base given it will retain contractual rights to any liquids from further appraisal and future gas discoveries in the event a gas commercialisation project is initiated by Shell.

Transocean Legend - drilling contract

On 19 May 2009, Transocean Inc.'s, Sedco Forex International terminated a drilling contract with Nexus Energy WA Pty Ltd relating to the supply of the Transocean Legend for exploration/development drilling in the AC/L9 licence. Nexus Energy WA Pty Ltd has disputed Sedco Forex's entitlement to terminate the contract. Sedco Forex has foreshadowed a damages claim, which Nexus will be vigorously defending. Further information will be provided upon receipt of the details of any damages claim.

Board changes

Nexus has taken steps to strengthen its Board of Directors. Nexus is pleased to advise the appointment of Michael Arnett as a non executive director. Michael Arnett is a former partner of international law firm Deacons where he practiced in the oil and gas sector for many years and sat on the full Board. He brings a wealth of valuable legal and commercial resources industry experience.

Furthermore, Nexus' Chairman, Michael Fowler, will assume an executive role in the short to medium term to provide additional support with the direct management of the Company.

Chairman statement

Nexus Chairman, Michael Fowler said, "We welcome Michael Arnett to the Board of Nexus. Michael brings a depth of resources, legal and commercial experience complementary to existing Board members and shares our commitment to delivering shareholder value.

To the staff at Nexus, we would like to thank you for your ongoing hard work and commitment during these difficult times. As you would appreciate it was a tough decision to reduce our corporate structure and we wish our departing colleagues all the best.

Our revised corporate strategy provides for a significant reduction in funding requirements, while retaining the value held within the Company's assets. To our shareholders, we acknowledge how difficult it has been during our period of suspension. The Board has decided to adapt our company to global market weakness on a severe scale and put us in a position of funding certainty whilst being well positioned to grow as markets recover."

Susan Robutti
Company Secretary

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About Longtom

The Longtom gas field is located in production licence VIC/L29 in the Gippsland Basin, offshore Victoria. The field is 31 kilometres from the coastline in approximately 56 metres of water. The development concept for Longtom initially involves two subsea gas production wells tied back to the existing Patricia Baleen facilities operated by Santos Limited. Nexus has booked 2P reserves of 350 PJ of gas and 4 MMbbl of condensate for the field. The project is at an advanced stage of development and remains on target for first gas production in July 2009 at a volume of 11,000 - 12,000 boe/d (100% basis).

About Nexus

Nexus is a publically listed Australian oil and gas exploration and development company based in Melbourne, Australia. Nexus has been the sole owner, developer and operator of the Longtom gas project (VIC/L29) in the Gippsland Basin, offshore Victoria. Nexus also holds an 85% operated interest in the Crux liquids project (AC/L9) in the Browse Basin offshore Western Australia. Nexus has a portfolio of exploration acreage in proven oil and gas basins primarily in the Browse and Gippsland basins of Australia.

About AED

AED has a 40% interest in AC/P22, AC/L6 and AC/RL1, all of which are in the Ashmore Cartier Exploration Permit area of the Vulcan Sub-Basin, located in the Bonaparte Basin in North Western Australia within uncontested Australian territorial waters. AED is producing oil from the Puffin North East field, plans to develop the Puffin South West field, is appraising the Talbot field and is assessing exploration leads and prospects within AC/P22.

About Michael Arnett

Michael Arnett is a consultant to and former partner of international law firm Deacons. He has more than 20 years experience in capital raising, corporate, commercial, banking & finance, mergers & acquisitions and securities. Mr Arnett is now acting as a consultant for Deacon's predominantly in the mining, resources and oil and gas areas.

In addition, Mr Arnett has extensive experience with publicly listed clients in the oil and gas, resources and property resource sectors. Current directorships include Archipelago Resources Plc, Archipelago Metals Limited, Cloncurry Metals Limited, New Guinea Energy Limited, NRW Holdings Limited and Queensland Energy Resources Limited. Previously Mr Arnett has held the position of Chairman for Anzon Energy Ltd and Director of Anzon Australia Ltd.

Mr Arnett was also formerly the President, Vice President, Treasurer and Secretary of the Australian Mining and Petroleum Law Association (WA Branch).

The reserves information contained in this announcement in relation to the Crux liquids project and the Longtom gas project has been compiled by Keith Edwards, General Manager Business Development and Corporate Planning. Mr Edwards' qualifications include a degree in physics from Monash University, Melbourne and more than 20 years of relevant experience. Mr Edwards is a full time employee of Nexus and has consented in writing to the inclusion of this information in this announcement.