



Shareholder Update

- **Nexus advances Crux liquids project**
- **Shell provides extension for three year option for Crux**
- **Crux integration option with Shell maturing**

Crux commercialisation

As presented at Nexus Energy Limited's (Nexus) Annual General Meeting (AGM) on 17 November 2011, the commercialisation of the Crux asset to maximise shareholder value remains the company's prime focus. Since the AGM, there has been substantial progress on the various commercialisation options. These options have been progressed in parallel with the development of the Crux liquids project and other value options, such as a Shell integrated gas/liquids project or asset realisation (in part or whole).

Nexus remains on track for a Final Investment Decision (FID) for the first quarter of 2012 and the timeline of first production in accordance with terms of the AC/L9 production licence. The documentation process continues with the identified China led joint venture partners and lenders, with both progressing within the targeted FID timeline.

In addition, the Crux liquids project development planning process has progressed. This includes advancement towards an Early Contractor Involvement Agreement (Agreement) with a counterparty by the end of this year. The Agreement is the precursor to the award of an Engineering Procurement Construction and Installation (EPCI) contract in respect of the delivery of an FPSO for the Crux liquids project.

Simultaneously, Nexus has also been holding detailed discussions with Shell Development Australia (Shell) to consider the development of the Crux field via a Shell led integrated development. This development scenario could provide for a Shell led development of the gas and liquids together that would be developed either by Shell's Prelude FLNG facility or alternatively a standalone development. Any AC/L9 Crux title changes under such a scenario would need the approval of the Department of Resources of Energy and Tourism.

As a result of these discussions with both Shell and Osaka Gas, Nexus has received from Shell an offer for the Crux joint venture partners to extend the Crux liquids project handover option exercise date to the 31 March 2012 (previously 31 December 2011). Shell's offer allows for the handover date to be extended from 31 December 2020 to 31 December 2023 at the election of the Crux joint venture partners by 31 March 2012.

Nexus Chairman, Michael Fowler said, "The option extension enables Nexus to fully evaluate the alternative Shell led integration of Crux liquids and gas in parallel to the Crux liquids project. The Australian Government, through the Department of Resources of Energy and Tourism, has been kept fully informed throughout all the negotiation processes and Nexus will continue to work with all parties to ensure that the optimal Crux commercialisation strategy is achieved."

Echuca Shoals

Geological and geophysical studies are continuing on the Echuca Shoals exploration permit (WA-377-P) favourably located near the Prelude and Ichthys developments in the Browse Basin. The current work program commitments for permit year six (ending March 2012) include seismic reprocessing. This project is on target for completion in January 2012. Once completed, all work commitments for the permit term will be met.

Earlier this month, a five year renewal term application was submitted to the government authority, incorporating further studies, prospect maturation and a commitment well in the third year.

In parallel, farm out efforts are continuing with the objective of achieving a full carry on the planned well, hopefully earlier than year three.

Longtom Gas Project

As presented at our recent AGM, the less than expected performance of producing wells Longtom -3 and Longtom -4 has led to an extensive review of the field to identify further development opportunities to satisfy Nexus' obligation under the Gas Sales Agreement. A full reserves audit is now due in March 2012. The previously reported reservoir complexities will bring forward 2012 drill plans; a well is being considered for either the sizeable Longtom South prospect or a new field producer (Longtom -5).

Chief Executive Officer

Nexus is investing considerable resources to ensure a high quality appointment and the company remains confident of announcing a new Chief Executive Officer in the near future.

Michael Fowler said, "We are pleased with the level of interest received to date and the detailed process undertaken and both Ian Boserio and myself are confident that the process will conclude shortly, which will enable us to revert back to non executive roles in the near term."

Susan Robutti
Company Secretary

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