



Nexus executes non-binding Heads of Agreement with Shell and Osaka Gas for integrated gas and liquids development at Crux

- New Joint Venture to be formed for Shell-led integrated gas and liquids development with equity participating interests to be held by Shell 80% (Operator), Nexus 17% and Osaka Gas 3%
- New Joint Venture will supercede current arrangements with Shell once finalised
- Base case development option is for Crux to become part of the Prelude Floating LNG project
- Nexus to have a 12-month option to sell 2% participating interest in the new Joint Venture to Shell for A\$75 million
- The Shell-led integrated development substantially increases Nexus shareholder value for the Crux asset

Nexus Energy Limited (**Nexus**) today advises that it has signed a non-binding Heads of Agreement (**HOA**) with Shell Development (Australia) Pty Ltd (**Shell**) and Osaka Gas Crux Pty Ltd (**Osaka Gas**) to exclusively pursue a Shell-led integrated gas and liquids development to commercialise the Crux asset.

As previously announced, Nexus has been progressing in parallel various commercialisation options for the development of the Crux asset to achieve maximum shareholder value. The non-binding HOA was executed after fully considering the standalone liquids project versus an integrated development case with Shell.

Nexus Chairman, Michael Fowler said: "We are pleased with this agreement with Shell and Osaka Gas and believe it is a good outcome for Nexus and our shareholders. It will allow us to focus on adding potential gas reserves to the Crux area and continue the next phase of growth for the Company.

"This deal provides certainty for the future of the Crux project and creates a transparent value for Nexus' share of the project which is not fully reflected in our share price. The base case development option is for Crux to become part of the Prelude Floating LNG project currently under development by Shell. This provides Nexus with exposure to future LNG sales in proportion to its equity interest. Furthermore, this transaction will enable the new Joint Venture to evaluate the Crux exploration prospects in AC/L9 and potentially increase reserves."

Mr Fowler added, "This deal gives Nexus high leverage within the Australian E&P sector as we are the only mid-tier stock with planned production through Shell's Floating LNG project."

The agreement, once finalised and subject to a number of conditions (including relevant regulatory approvals), will result in a new Joint Venture being formed to consolidate the existing gas interests held by Shell with the liquids interests held by Nexus and Osaka Gas. An amendment of the terms of the licence consistent with the integrated project will also be required. Once binding agreements are signed, targeted for April 2012, participating interests for the new Joint Venture will be Shell (becoming Operator) holding 80%, Nexus 17% and Osaka Gas 3%. Nexus also has a 12-month option to sell 2% of its participating interest in the new Joint Venture to Shell for A\$75 million. Exercising this option would reduce Nexus' participating interest to 15%.

Shell will become operator of the AC/L9 Crux title from Nexus after settlement, which will require approval from the relevant Federal Government authorities.

As Shell has indicated, Crux gas is an integral part of its groundbreaking Prelude Floating LNG development, as it intends to use gas from Crux to ensure the Prelude Floating LNG facility continues to remain at full throughput for as long as possible.

Mr Fowler also said, "We would like to formally thank the members of the Nexus team, Shell and Osaka Gas for all the hard work invested in achieving this outcome, which creates significant value and a defined development path for all Crux participants."

Susan Robutti
Company Secretary

For further information contact:
Michael Fowler – Executive Chairman
Ph: +61 3 9660 2500