



Cancellation of Deed of Termination for royalty obligations by Karoon to Nexus

On 17 March 2004 Nexus entered into an agreement with Karoon Gas Australia Limited (Karoon) by which Karoon had agreed to issue to Nexus three million fully paid ordinary shares and one million five hundred thousand options exercisable at 20 cents each in Karoon in full satisfaction of royalty obligations owed by Karoon to Nexus in respect of Exploration Permit 4537 and Petroleum Permit PEP 162.

Subsequent to this agreement Karoon was advised by the Australian Stock Exchange Limited (ASX) that it had made a determination, as part of Karoon's ASX listing application, that the shares to be issued to Nexus pursuant to the Deed of Termination would be subject to a 24 month escrow period during which they would be restricted from sale. The escrow restriction would, however, be waived for any of the securities that may have been distributed in specie to Nexus shareholders.

This restriction on the Karoon shares by the ASX was not envisaged by Nexus or Karoon at the time the Deed of Termination to cancel the royalty obligations was entered into. Nexus and Karoon have agreed that any restricted securities issued as consideration for the termination of the royalty obligations would be fundamentally different to that intended by them and, as such, Nexus and Karoon have agreed to cancel the Deed of Termination. Nexus believes that the outcome of the canceling of the Deed will give it more value leverage if Karoon is successful and potentially more immediate access to cash from the asset. As such, the 2% net profits royalty obligations will remain in full force and effect.