



Nexus and Shell agree major farm-in for Echuca Shoals

Nexus Energy Limited has signed Heads of Agreement (HOA) with Shell Development (Australia) Pty Ltd agreeing the key commercial principles for the two companies to jointly commence the appraisal of the Echuca Shoals gas discovery in Nexus's WA-377-P exploration permit, in the Browse Basin offshore Western Australia.

Under the arrangements contemplated by the HOA, Shell will make an initial payment of US\$20 million to Nexus to purchase 13.6% interest in the Echuca Shoals permit. The initial payment is due upon completion of the transaction (expected by mid December 2006).

As part of the HOA, Shell has also committed to provide funding of US\$30 million towards well costs on the next WA-377-P appraisal well at Echuca Shoals to earn a further 20.4% interest (an interest totalling 34% will be obtained by Shell for US\$ 20 million cash and US\$ 30 million drilling funding). Nexus will retain 66% interest in the permit and will be the operator.

Completion of the transaction is conditional upon execution by the companies of a farm-in agreement and joint operating agreement (JOA) and receipt of appropriate regulatory approvals. Nexus has agreed to deal exclusively with Shell until 5th of December 2006, allowing 6 weeks to agree and execute the farm-in agreement and JOA.

The Echuca Shoals -2 appraisal well is expected to be drilled early 2007.

The Company's technical evaluation of Echuca Shoals indicates potential for a resource possible sufficient to support a future liquefied natural gas (LNG) project. Based on pressure data from the original Echuca Shoals-1 well, Nexus believes Echuca Shoals could be liquids rich.

Shell's proposed involvement in the Echuca Shoals permit, which was acquired by Nexus in March 2006 via Government gazettal, is an excellent outcome for the Company. Shell is a global oil and gas industry leader with a long track record in developing and managing successful LNG projects.

"This deal provides Nexus with much more than funding. We have attracted the participation of Shell, a company with the technical and marketing capability necessary to commercialise any possible LNG scale resource which may be delineated at Echuca Shoals", Nexus' Managing Director Ian Tchacos said.

Appraisal drilling is required to determine the resource potential of Echuca Shoals. Given the large resource range it is expected that further drilling will be required to determine the fields' commerciality if the first well is successful. Development possibilities for Echuca Shoals will depend on the resource size, liquids content of the gas and the quality of the reservoirs.

If Echuca Shoals proves to be at the upper end of the possible resource range Nexus considers the field to be a potential candidate for an LNG project. If it is a smaller field but liquids rich a potential liquids recycle project similar to Nexus' Crux project may be an attractive option.

"The terms achieved for this farm-in reflect the resource potential of Echuca Shoals. The introduction of a single capable participant like Shell to the permit at this stage is expected to place Nexus in a position to make more rapid progress with the field's appraisal and development in the case of success." 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

Echuca Shoals

The WA-377-P exploration permit in the Browse Basin offshore Western Australia, was awarded to a subsidiary of Nexus Energy (100%) on 7 March 2006. The permit contains the Echuca Shoals gas discovery, located in close proximity to the giant Ichthys gas field, which is currently the focus of a proposed LNG development. Echuca Shoals-1 was drilled in 1983 and encountered gas at several levels.

Interpretation of pressure data recorded in one of the gas bearing sands in the well indicates the potential for a gas column greater than 200 metres. The accumulation could extend over a large area in the WA-377-P permit and contain large volumes of gas. While no gas sample was recovered in the discovery well,

the pressure data recorded in the well indicates that the gas could contain a significantly higher proportion of condensate than other fields in the area.

If the Echuca Shoals field proves to be a large gas accumulation Nexus believes it is ideally located in an area of the Browse Basin which is quickly becoming a regional focus for LNG developments.

In the event that the field is smaller but the gas is liquids rich, Nexus believes there is potential for a commercially attractive liquids project similar to that being pursued by Nexus at the Crux field.

Location Map of Ichthys & Echuca Shoals

