



Tuesday, 16 January 2007

The Manager, Companies
Australian Stock Exchange

**Shell and Nexus Finalise
Farm-in Agreement for Appraisal of the
Echuca Shoals Gas Discovery**

Please refer attached announcement.

Yours sincerely,

**Susan Robutti
Company Secretary**



Shell and Nexus Finalise Farm-in Agreement for Appraisal of the Echuca Shoals Gas Discovery

Nexus Energy Limited (“Nexus”), together with its wholly owned subsidiary Nexus Energy WA377P Pty Ltd (“Nexus Energy WA377P”), has executed a Farm-in Agreement with Shell Development Australia Pty Ltd (“Shell”) for the joint appraisal of the Nexus owned Echuca Shoals gas/condensate discovery.

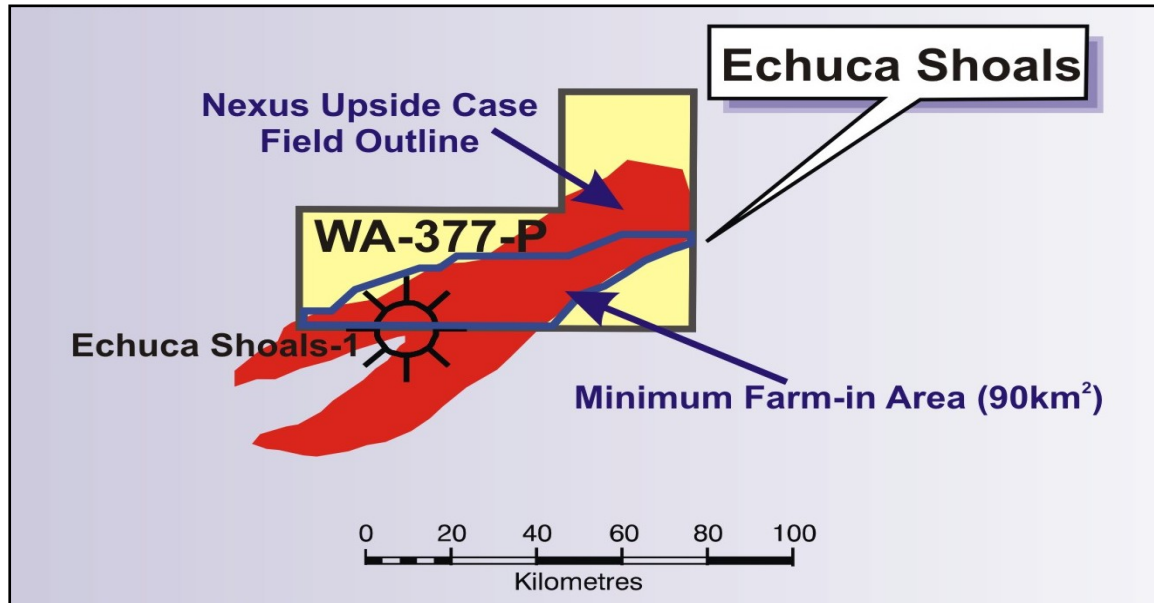
The Echuca Shoals field is located in the WA-377-P permit, in the Browse Basin off-shore Western Australia.

The Farm-in Agreement will be binding on the parties upon receipt of regulatory approvals and finalisation of the terms of a routine Joint Operating Agreement. The Farm-in Agreement includes revised terms to those contained in the Heads Of Agreement between Shell and Nexus which was announced on 26 October 2006.

Under the Farm-in Agreement, Shell is required to provide funding of up to US\$60 million in a combination of cash (US\$5 million) and contributions toward the drilling of two appraisal wells (US\$55 million) to earn a 34% interest in the entire permit.

Shell will make a US\$5 million cash payment to Nexus Energy WA377P following receipt of regulatory approvals for the Farm-in Agreement and finalisation of the terms of a Joint Operating Agreement and will fund the first US\$30 million of Echuca Shoals-2, the first appraisal well. Shell has the right to fund the first US\$25 million of a second appraisal well to retain a 34% interest in the entire Echuca Shoals permit.

Shell will forgo rights to any hydrocarbons in the WA-377-P permit outside a specified area of approximately 90 square kilometres (“Minimum Farm-in Area” shown in the map below) if a well is drilled in this area without Shell’s participation, following a decision by Shell not to fund the first US\$25 million of the second appraisal well.



Map Showing Nexus Field Interpretation and Minimum Farm-in Area

Subject to receiving regulatory approvals and finalising the terms of a Joint Operating Agreement, the initial payment of US\$5 million is expected to be received by mid-February 2007 and the first farm-in well is scheduled to be drilled during the second quarter of 2007 using a Shell contracted drilling rig. Importantly, Nexus will retain operatorship of the permit but Shell will be responsible for the drilling operations on the appraisal well (Echuca Shoals-2).

“Finalisation of this transaction with Shell for the appraisal of the Echuca Shoals field, 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 and we look forward to further developing our relationship with them.” said Managing Director Ian Tchacos.

Nexus believes that the Echuca Shoals gas resource may be large enough to support a future Liquefied Natural Gas project. Based on pressure data from the original Echuca Shoals-1 discovery well, Nexus also believes gas in Echuca Shoals field is likely to contain high levels of valuable hydrocarbon liquids.

“We now have a definitive agreement which provides Nexus with substantial appraisal funding, a large retained equity interest of 66% and a sensible framework for the appraisal of the Echuca Shoals field within WA-377-P. If the appraisal program is successful, Nexus has the option to further sell down its interest in the asset to fund further appraisal or development of Echuca Shoals. Given our developing relationship with Shell it is our preference to obtain funding from them

to optimally position the joint venture for any future LNG development.” said Ian Tchacos.

A decision on the drilling and timing of a second Echuca Shoals appraisal well will be made following the results of the first appraisal well (Echuca Shoals-2).

“We are very pleased with the revised terms agreed with Shell for this farm-in and consider the agreement to be of mutual benefit. We believe the jointly defined program, developed with Shell to determine the potential of Echuca Shoals, is the best way forward for the asset.

We have the potential via this transaction to gain access to Shell rig slots which provides the opportunity to make more rapid progress with the field’s appraisal and development in the event of success. ” added Ian Tchacos.

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Background to Echuca Shoals

The exploration permit WA-377-P in the Browse Basin was awarded to a subsidiary of Nexus (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.

A key objective of the first appraisal well will be to test the validity of Nexus' interpretation of the Echuca Shoals-1 pressure data. This well is scheduled to be drilled in the second quarter of 2007.

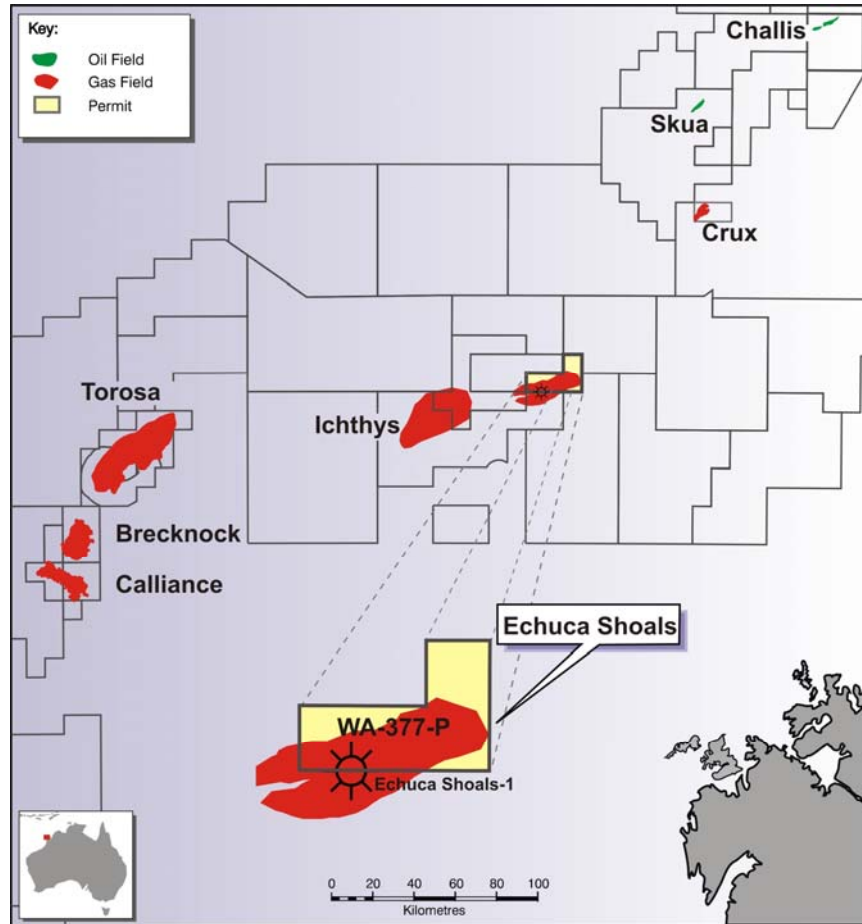
Nexus currently estimates that the recoverable contingent resources at Echuca Shoals located within WA-377-P are as follows:

Contingent Resource	Low Estimate	Best Estimate	High Estimate
Gas (Bscf)	900	2200	4700
Condensate (MMstb)	50	135	300

The large resource range for the Echuca Shoals resource is based on current mapping using the available 3D seismic data and limited well information.

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.

If the field is smaller but the gas is liquids rich, Nexus is of the view that 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