



20 September 2007

The Manager, Companies
Australian Stock Exchange

**Echuca Shoals Gas Field
Resource Update
Exploration Permit WA-377-P**

Please refer to the attached announcement.

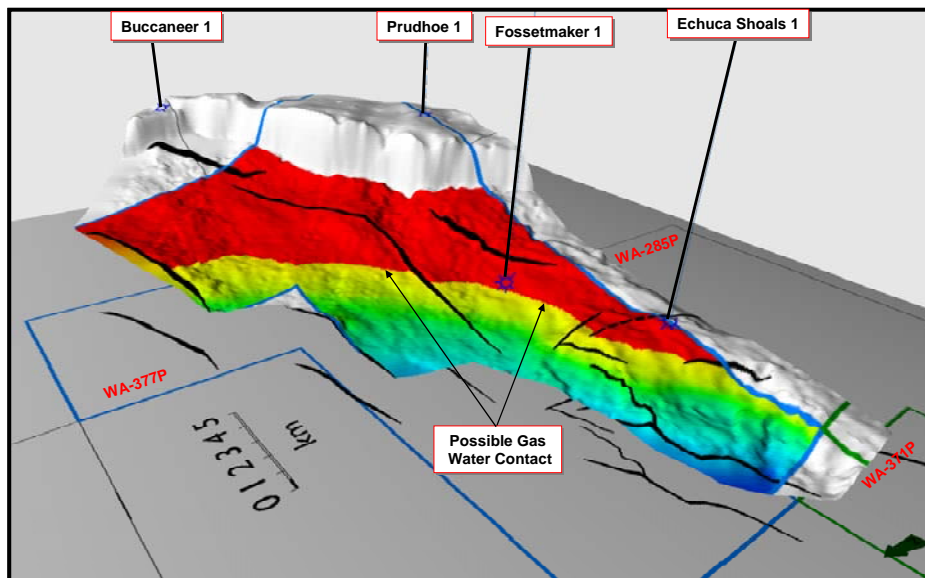
Yours sincerely

**Susan Robutti
Company Secretary**



Echuca Shoals Gas Field Resource Update Exploration Permit WA-377-P

Further to the announcement on 3 September 2007, Nexus Energy Limited ("Nexus") advises that the initial analysis of the Fossetmaker-1 appraisal well results indicate that there is still significant potential in the Echuca Shoals accumulation that will require further appraisal to confirm.



Tithonian sandstone depth structure showing gas potential in WA 377-P in red.

Fossetmaker-1 appraisal objectives

Fossetmaker-1 is located approximately 7 kilometres ENE of the Echuca Shoals-1 discovery well and was drilled to evaluate the possible eastern extension of the Echuca Shoals field.

The original discovery well, Echuca Shoals-1, intersected a low saturation gas column in Tithonian sands over a 70 metre gross interval down to a depth of 3,656 metres subsea, intersecting a shale at the bottom of the gas sand interval without encountering a gas water contact (GWC). Pressure data from the well indicated the potential for a column extending below the lowest gas encountered in the Echuca Shoals-1 well the likelihood that the accumulation was stratigraphically trapped. Pressure data obtained across the gas interval also indicated the potential for a condensate rich gas within the Tithonian section. No samples were collected in the original well.

The Fossetmaker-1 well was drilled at a location interpreted to be structurally deeper than the Echuca Shoals-1 well in order to test the potential for a deeper gas contact that would in turn confirm the presence of a large stratigraphically controlled accumulation.

The key objectives of the Fossetmaker-1 well were as follows:

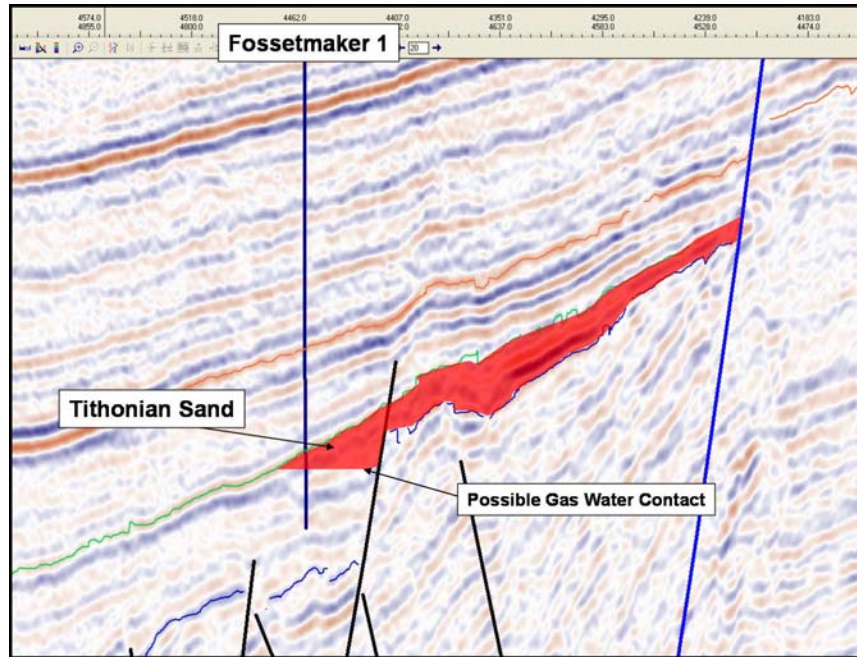
- Determine if the gas accumulation seen in Echuca Shoals-1 extended 7 kilometres from the discovery well which would in turn validate the presence of a stratigraphic trapping mechanism required to confirm a significant gas volume;
- Determine whether a deeper gas water contact is present;
- Determine the thickness, quality and lateral extent of sandstones across the accumulation; and
- Determine the quality and condensate content of the gas in Echuca Shoals.

Summary of Fossetmaker-1 results

The Fossetmaker-1 well intersected the top reservoir section deep to prognosis resulting in gas shows being encountered in poor quality reservoir sands over a 10 metre interval at the top of a larger sand package. This indicates a possible GWC at a depth of 3,671 metres subsea, some 15 metres deeper than the deepest gas seen in Echuca Shoals-1.

Wireline logs have confirmed the presence of gas in thin sand beds in this interval. Better quality sands were intersected in the Fossetmaker-1 well over a 100 metre interval below the gas zone. Although these sands were poor quality, the Echuca Shoals 1 indicated that such sands could improve in reservoir quality when they are intersected above the gas water contact.

Wireline formation pressure measurement logs run in the well were unable to record valid pressure points in the Tithonian sands at the Fossetmaker-1 location, so it is not possible to confirm if the gas encountered in Fossetmaker-1 is in pressure communication with the gas observed in the Echuca Shoals-1 well and if this defines a new common GWC across the whole field.



Up dip gas potential based on Fossetmaker-1 possible gas water contact

Potential Gas Volumes

Nexus believes that a field wide GWC at 3,671 metres subsea corresponding to the lowest gas intersected in Fossetmaker-1 would potentially yield significant gas volumes which may be contained up dip in an accumulation controlled by the major regional fault and stratigraphic trapping mechanism to the north west. The confirmation of the Tithonian sands encountered at Echuca Shoals-1 extending to and thickening at the Fossetmaker-1 location is positive in terms of potential to trap significant volumes of hydrocarbons if reservoir quality is preserved within the hydrocarbon column as was the case in Echuca Shoals-1.. This analysis is supported by good Tithonian sand continuity indicated from the 3D seismic between Echuca Shoals-1 and Fossetmaker-1.

Based on initial studies, incorporating the results of Fossetmaker-1, Nexus has assessed the potential recoverable gas volumes in the Echuca Shoals structure and believes that a recoverable volume of up to 4 Tcf of gas in place and associated condensate may exist in the Echuca Shoals structure within the WA-377-P exploration permit, however another well will be required to test this potential. Studies are ongoing incorporating the Fossetmaker-1 result and nearby wells to further assess the potential of Echuca Shoals and the optimum location for any future appraisal well.

Nexus managing director, Ian Tchacos, said "There are positive implications from this appraisal well result indicating a significant prize may exist at Echuca Shoals. It is unfortunate that the Fossetmaker-1 well did not provide a more definitive result, however we have confirmed the presence of sand continuity and potential of a deeper gas column from a very significant step out from the Echuca Shoals-1 discovery well. Our studies indicate that substantial gas and liquid volumes may be present at Echuca Shoals warranting the ongoing appraisal of a potentially large accumulation in a rapidly emerging LNG province."

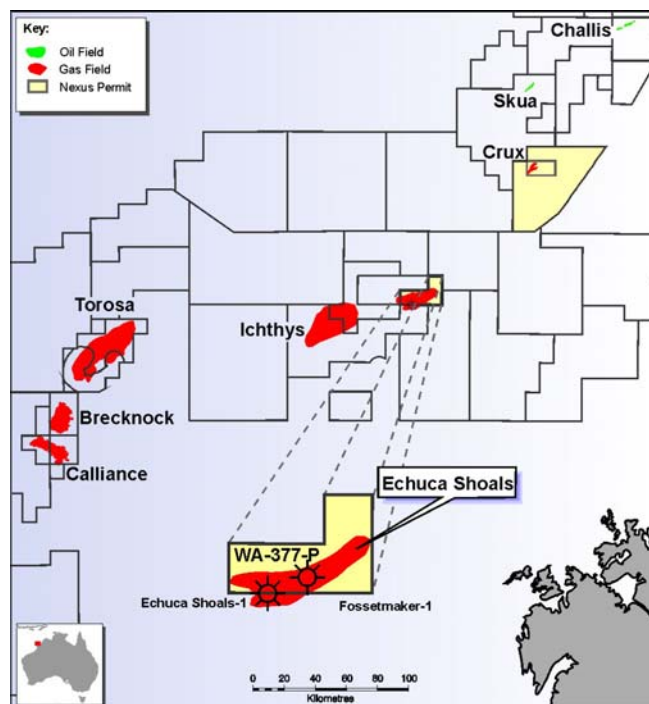
Participants

Nexus Energy WA377P Pty Ltd (66%)
Shell Development (Australia) Pty Ltd (34%)

Location

The Fossetmaker-1 well is located in WA-377-P, in the offshore Browse Basin, Western Australia.

Longitude 123 deg 47' 0.93" E
Latitude 13 deg 43' 39.29" S



Fossetmaker-1 location within WA-377-P (Nexus 66%).

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
Email: ian.howarth@farrington.com.au

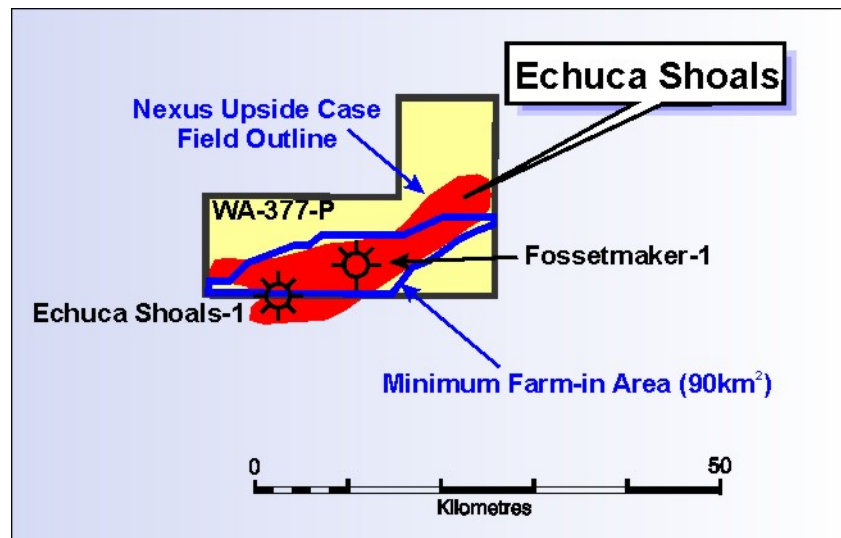
Background to Echuca Shoals

The exploration permit WA-377-P located 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 on the border of the permit in the immediately adjacent block in 1983 and encountered gas at several levels.

Shell and Nexus Farm-in Agreement

Shell having made a US\$5 million cash payment to Nexus following receipt of regulatory approvals for the Farm-in Agreement and also finalisation of the terms of a Joint Operating Agreement will fund the first US\$30 million of Fossetmaker-1, the first exploration/appraisal well. Shell then has the right to fund the first US\$25 million of a second appraisal well to earn a 34% interest in the entire WA-377-P permit.

Shell will forgo rights to any hydrocarbons in the WA-377-P permit outside the minimum farm-in area, (a specified area of approximately 90 square kilometres 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 Fossetmaker-1 location and minimum farm-in area.