



Nexus Energy Limited

HIGHLIGHTS

- Crux-2 Appraisal Well begins in exploration permit AC/P23 (30 December 2006)
- US\$40 million received from Shell for Crux gas rights
- A\$30 million bridge finance secured with BOSI for Longtom appraisal and development
- Shell and Nexus finalise Farm-In Agreement for appraisal of the Echuca Shoals gas discovery for up to US\$55 million



Activities Update Quarter Ended 31 December 2006

During the reporting period the company has concentrated its efforts on:

- progressing the Longtom gas project toward securing a Financial Investment Decision ("FID"),
- preparation for the drilling of the Crux-2 appraisal well
- completing Front End Engineering and Design ("FEED") on the Crux liquids project and;
- concluding the transaction with Shell Development Australia Pty Ltd ("Shell") for the appraisal of the Echuca Shoals gas discovery.



Nexus projects and exploration permits in Australia

APPRAISAL AND DEVELOPMENT PROJECTS

Longtom Gas Project (Nexus 100%) VIC/P54 Permit - Gippsland Basin, Victoria

Nexus has retained a 100% interest in the Longtom gas project with Apache Northwest Pty Ltd electing not to exercise its back in rights to the Longtom sole risk project

Work during the quarter focused on updating geological and reservoir simulation models based on the results of the Longtom-3 well, optimisation of the field development plan, definition of the resource volume prior to the Financial Investment Decision (FID) and on the preparation and analysis of tenders for long-lead capital equipment and the drilling of the Longtom-4 development well.

A preliminary field development plan was submitted to the designated authority in December 2006.

The company expects to make a FID decision on the Longtom project following receipt of an independent reserves report by Gaffney Cline and Associates in the first quarter 2007.

Crux Liquids Project (Nexus 100%) AC/P23 Permit - Browse Basin, Northern Territory

Front End Engineering and Design ("FEED") of a gas condensate recycling project (Crux liquids project) continued with internationally recognised consulting firm Mustang Engineering. FEED activity is expected to be completed by the end of January 2007 and we expect to be able to commit to the development of the Crux liquids project in mid 2007.

Requests for expressions of interest were issued to contractors for the supply of floating production and storage and offloading vessel ("FPSO") for the project. Tender documentation will be issued to a number of qualified tenderers during February 2007.

The semi-submersible drilling unit "Songa Venus" began tow to the Crux-2 appraisal well location on 24 December 2006, and the well was spudded on 30 December 2006. Results of the Crux-2 well are expected to be included in the next quarterly report.

Nexus currently holds a 100% interest and operatorship of the Crux liquids project and any other liquid hydrocarbons in the AC/P23 permit.

Echuca Shoals Gas Discovery (Nexus 100%) WA-377-P Permit - Browse Basin, Western Australia

In January 2007, Nexus announced that it had signed a Farm-in Agreement with Shell Development Australia Pty Ltd ("Shell") to jointly commence the appraisal of the Echuca Shoals gas discovery.

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 Pty Ltd 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.

It is expected that the initial cash payment will be received in March 2007 and the first appraisal well will be drilled during the second quarter of 2007.

Reprocessing of the Adele 3D seismic data over the permit area continued and is expected to be completed in early February 2007. This data will be interpreted prior to the selection of a drilling location for the Echuca Shoals-2 appraisal well currently scheduled for the second quarter 2007.

EXPLORATION ASSETS

VIC/P49 Permit (Nexus 80%) Gippsland Basin, Victoria

CGG Australia Services Pty Ltd was contracted to acquire up to 2,000 km of 2D seismic in the first half of 2007 with the majority of the data designed to define the large leads, Tiger and Leopard, which have been identified on regional seismic lines in the deep water part of the basin.

A possible extension of the Basker oil field into the permit was also identified. Acquisition of additional seismic data is planned over this possible extension in the first half of 2007.

VIC/P39 (v) (Nexus 37.5%) Gippsland Basin, Victoria

Following the results of the Galloway-1 exploration well work continued to assess the remaining prospectivity in the permit before a decision is made to enter the secondary permit term early in 2007.

VIC/P56 (Nexus 40%) Gippsland Basin, Victoria

Studies to review remaining prospectivity in the permit following the drilling of the Culverin and Scimitar prospects continued during the quarter.

WA-368-P (Nexus 50%) Perth Basin, Western Australia

Processing of the 300 km² Catalina 3D seismic survey continued and is expected to be completed by the end of January 2007, once the data is available interpretation will commence.

NT/P66 (Nexus 100%) Bonaparte Basin, Northern Territory

A letter of intent with a drilling contractor has been signed with the intention of drilling a well in the permit to complete its primary term work programme. The company is also progressing a farmout campaign for the permit.

CORPORATE

Funding

In October 2006, US\$40 million (~A\$53 million) was received in full payment from Shell Development Australia Pty Ltd for the sale of the natural gas resources contained in the AC/P23 Permit.

In October 2006, the company secured and drew down on a bridge funding facility of A\$30 million which was applied towards the appraisal and development of the company's Longtom gas project from BOS International (Australia) Limited, part of the Bank of Scotland Group.

The company is at an advanced stage of securing project finance for the Longtom development project to coincide with a Financial Investment Decision (FID) decision during the first quarter 2007. The company is also progressing a potential bridge funding facility to be applied to the appraisal and development of the Crux liquids project.

As at the end December 2006 the company's cash balance was A\$61 million.

For further information please contact:

Ian TchacosDavid Griffiths
Managing Director

Phone: 03 9660 2500

Fax: 03 9654 9303

Website: www.nexusenergy.com.au

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