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The Manager, Companies
Australian Stock Exchange

Shell and Nexus finalise Echuca Shoals Farm-in prior to the Commencement of Drilling

Please refer to the attached announcement.

Yours sincerely,

Susan Robutti
Company Secretary



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Nexus Energy Limited ("Nexus") has finalised documentation of Farm-in and Joint Venture Agreements with Shell Development (Australia) Pty Ltd ("Shell") for appraisal of the Echuca Shoals gas condensate discovery. Nexus has received a US\$5 million cash payment from Shell, prior to the scheduled drilling of the Fossetmaker-1 well.

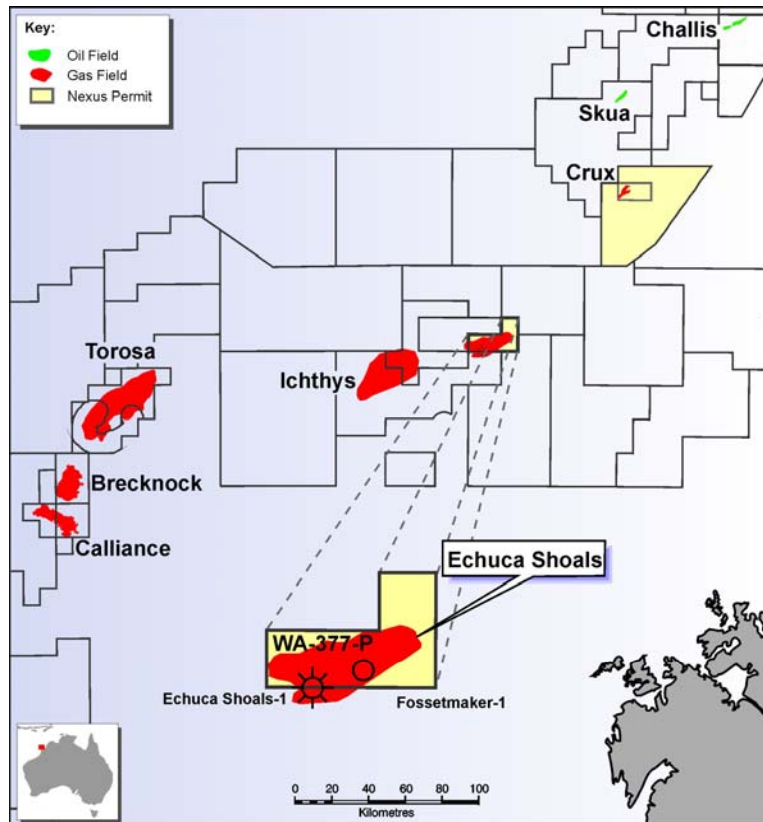
The Echuca Shoals field is located in the WA-377-P permit, in the Browse basin off-shore Western Australia. WA-377-P is adjacent to the permit containing the large Ichthys gas condensate field, which is currently the focus of a proposed LNG development. Nexus will retain a 66% interest in the permit after the farm-in by Shell.

The Farm-in Agreement is now binding on the parties with the receipt of all regulatory approvals, the finalisation of a Joint Operating Agreement and the upfront payment of US\$5 million by Shell to Nexus.

Under the Farm-in Agreement, Shell will also fund the first US\$30 million of the Fossetmaker-1 well, the first well to be drilled on the structure, and has an option to fund the first US\$25 million of a second appraisal well in order to earn a 34% interest in the entire permit.

Drilling on Fossetmaker-1, which will be located approximately 7 kilometres ENE of the Echuca Shoals-1 discovery well (refer location map), is likely to commence late August early September 2007. The well will be drilled using the Shell contracted "Ocean Epoch" drilling rig. Nexus will remain the permit operator however Shell will be responsible for the drilling operations on Fossetmaker-1.

Nexus Managing Director Ian Tchacos commented "Settlement of this transaction finalises our contractual framework with Shell in preparation for the joint appraisal of the Echuca Shoals gas condensate field. This is not just a matter of funding; it is an important partnership for Nexus in the event that the Fossetmaker-1 well is successful in defining a significant gas resource at Echuca Shoals. Shell is a recognised leader in our industry and has a successful record in developing, managing and marketing successful LNG developments."



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

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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 on the border of the permit in the immediately adjacent block in 1983 and encountered gas at several levels.

Interpretation by Nexus of pressure data recorded in one of the gas bearing sands in the well indicates the potential for a large gas column. 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 interpretation by Nexus of formation pressure data recorded in the well indicates that the gas at Echuca Shoals could contain a significantly higher proportion of condensate than other fields in the area.

Nexus currently estimates that a large resource range exists for the Echuca Shoals field based on current Nexus mapping using the available 3D seismic data and the well information available from the Echuca Shoals-1 well.

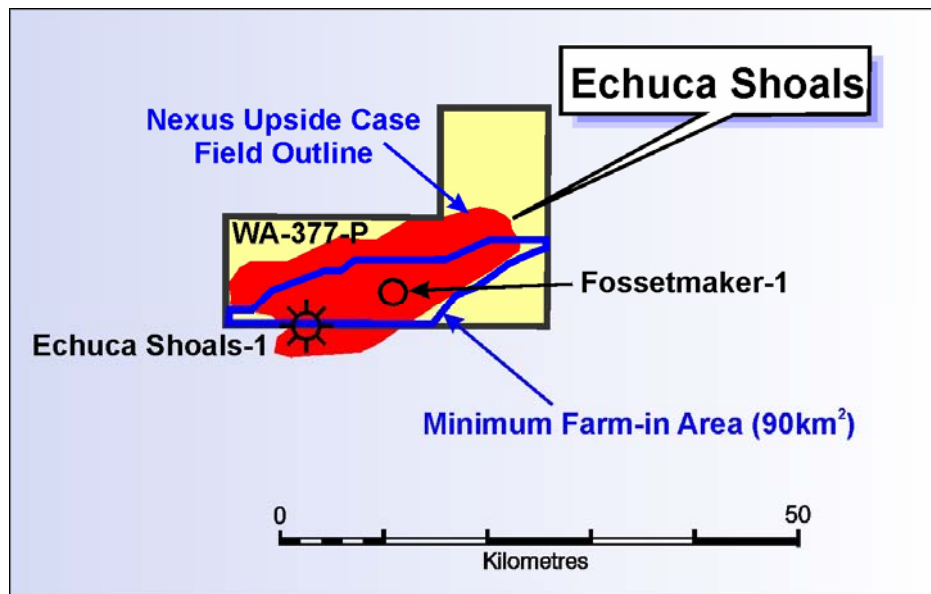
If Echuca Shoals proves to be a large gas accumulation Nexus believes it is ideally located in an area of the Browse basin which is quickly becoming a regional focus for LNG developments.

If the field is smaller but the gas is liquids rich, Nexus is of the view that the field could provide the opportunity for a liquids project similar to the Crux liquids project.

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