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The Manager, Companies
Australian Stock Exchange

**FOSSETMAKER-1 APPRAISAL WELL
INTERSECTS A TIGHT GAS COLUMN
IN EXPLORATION PERMIT WA-377-P**

Please refer to the attached announcement.

Yours sincerely

Susan Robutti
Company Secretary

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FOSSETMAKER-1 APPRAISAL WELL INTERSECTS A TIGHT GAS COLUMN IN EXPLORATION PERMIT WA-377-P

Nexus Energy Limited ("Nexus") advises that the Fossetmaker-1 well has reached a depth of 3,822 metres and wireline logs have been acquired. Gas shows were recorded during drilling over a section of sandstones equivalent in age to the sandstones encountered in the Echuca Shoals-1 well. Wireline logs indicate a 10 metre gas interval with a low net to gross at a depth just below the 70 metre main gas column seen in the Echuca shoals gas well.

Wireline run formation pressure measurement logs indicate that the formation is tight at this location. It is unclear whether the gas encountered in Fossetmaker-1 is in pressure communication with the gas observed in the Echuca Shoals-1 well.

Further study will be required to assess the commercial implications of this result for the Echuca Shoals gas accumulation.

The well is currently being plugged prior to releasing the rig. The well has been drilled at no cost to Nexus pursuant to a farm-in agreement with Shell Development (Australia) Pty Ltd ("Shell").

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. Nexus will provide a reassessment of the Echuca Shoals resource potential following a complete technical evaluation incorporating the results of the Fossetmaker-1.

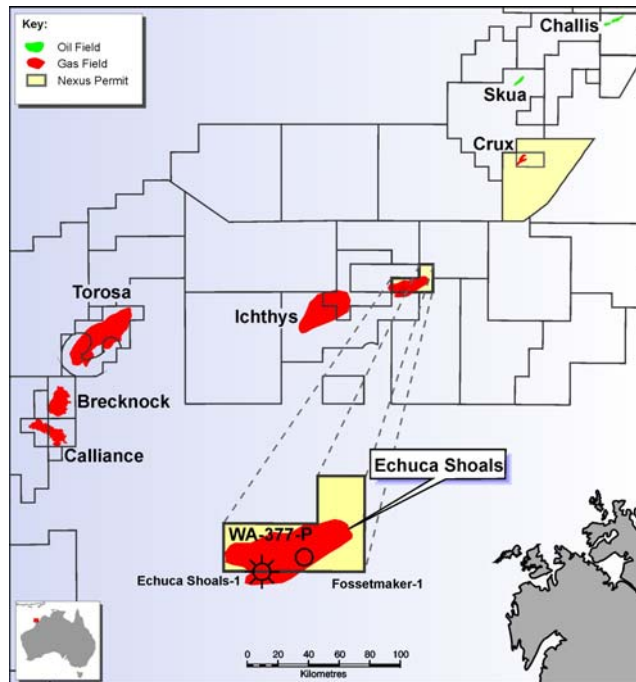
Participants

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%)

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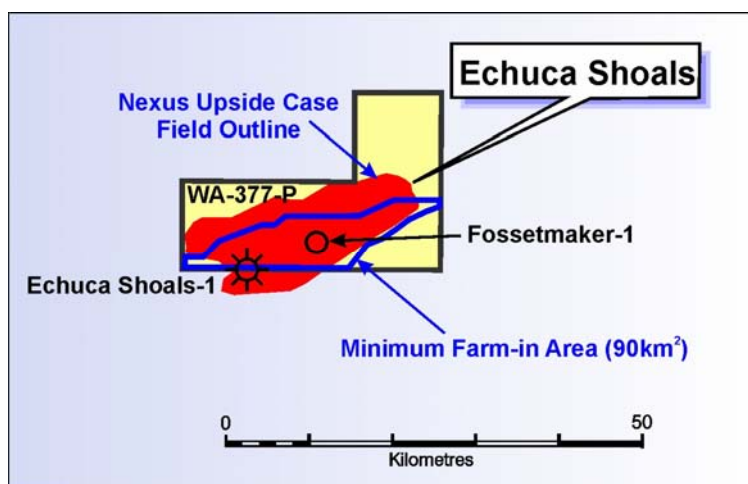
Background to Echuca Shoals

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