



28 August 2007

The Manager, Companies  
Australian Stock Exchange

## **PROGRESS REPORT NO. 3**

### **FOSSETMAKER-1 APPRAISAL WELL IN EXPLORATION PERMIT WA-377-P**

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Please refer to the attached announcement.

Yours sincerely

**Susan Robutti**  
Company Secretary



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### **FOSSETMAKER-1 APPRAISAL WELL IN EXPLORATION PERMIT WA-377-P**

Nexus Energy Limited ("Nexus") is pleased to advise that at 6.00 AM (AWST) this morning, the Fossetmaker-1 well was drilling ahead at a depth of 3,490 metres true vertical depth ("TVD") in 8 ½ inch hole. Over the course of the next week the anticipated operations will be to drill ahead to the planned total depth for the Fossetmaker-1 well at 3,800 metres TVD.

Fossetmaker-1 is located approximately 7 kilometres ENE of the Echuca Shoals-1 discovery well and will evaluate the possible eastern extension of the Echuca Shoals field. The well is being drilled using the Shell Development (Australia) Pty Ltd ("Shell") contracted Ocean Epoch drilling rig. Nexus is the permit operator however Shell is responsible for the drilling operations on Fossetmaker-1.

Nexus will continue to issue weekly reports during the drilling phase of the Fossetmaker-1 well and well results as they become available.

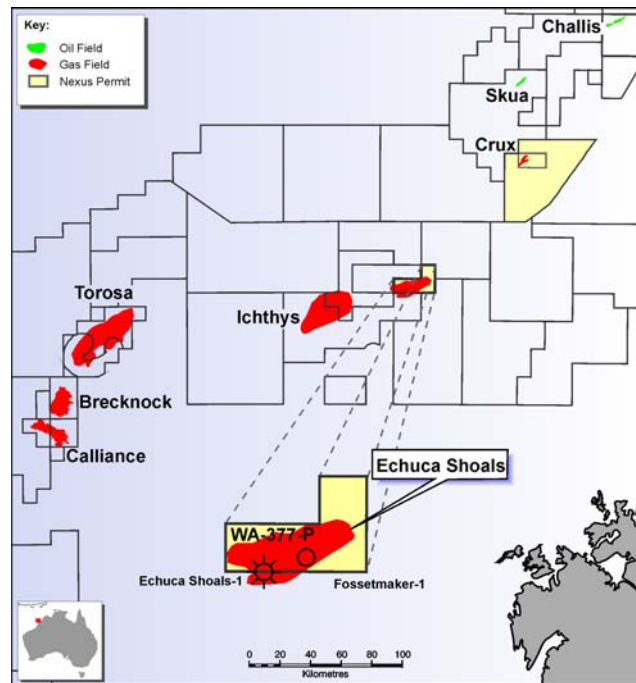
#### **Participants**

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. 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.

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.

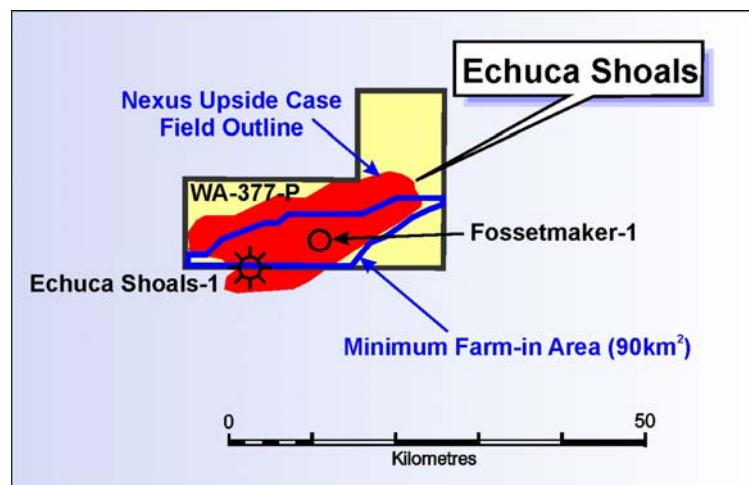
In the event that Echuca Shoals proves to be a large gas accumulation Nexus believes it is ideally located in an area of the Browse basin which is quickly becoming a regional focus for LNG developments.

In the case that 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