NEXUS ENERGY LTD ASX CODE: NXS
Date: 27 June 2006

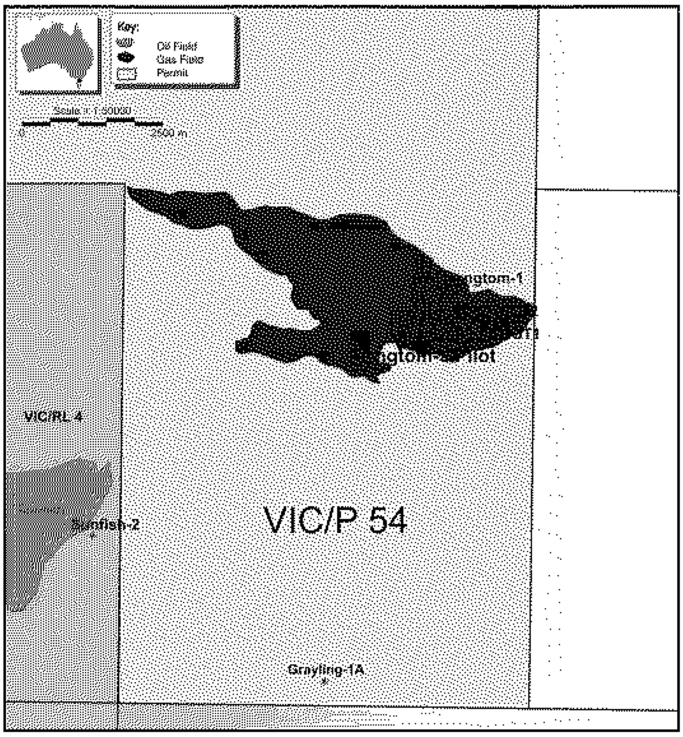
Nexus to Commence Drilling Operations in Gippsland Basin – (Longtom-3 Appraisal and Galloway-1 Exploration Wells)

Nexus is pleased to announce the expected commencement of drilling operations on the Longtom 3 appraisal well using the Ocean Patriot offshore drilling rig and the mobilisation of an onshore drilling rig for the Galloway -1 exploration well. Following the commencement of operations Nexus will issue weekly drilling reports on each well for the duration of the drilling activity.

Longtom-3 Appraisal Well (Vic/P54 Permit):

The Longtom-3 appraisal well is part of a sole risk appraisal program operated by Nexus. Nexus has a 100% interest in the Longtom Gas Project which also includes front end engineering design studies.

On the current schedule, the Longtom-3 appraisal well will spud in the 1st week of July. The well is designed to evaluate the extent and productivity of gas bearing reservoirs encountered in the Emperor formation by the Longtom-1 and Longtom-2 wells. The Longtom-2 well intersected 96 metres of net gas sands over a gross interval of 260 metres. Longtom-3 will be drilled approximately 1.2 kms south-west from the Longtom-2 location.



The first phase of drilling will involve a near vertical well (the pilot hole) designed to confirm the presence, extent and quality of gas bearing reservoirs. Upon the confirmation of a minimum gas column the pilot hole will be plugged back and deviated. A horizontal well section will be drilled to intersect gas reservoirs encountered in the pilot hole. It is intended that the horizontal well will be completed and tested to confirm the productive potential of the reservoirs.

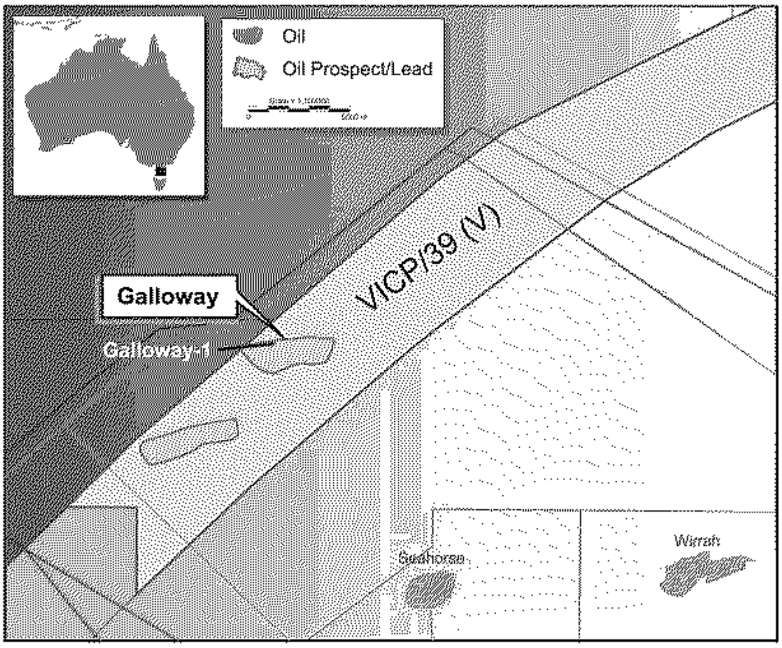
The vast bulk of the equipment required for the Longtom-3 well has now arrived in Melbourne. The largest single piece of equipment, the 33 tonne sub-sea well head, is undergoing final preparations in Melbourne.

Galloway-1* Exploration Well *(Vic/P39(v) Permit):

The Galloway-1 exploration well will be drilled from an onshore location by deviating the well into the offshore exploration block Vic/P39(v) near Seaspray in SE Victoria. Construction of the well pad has commenced and the operator, Santos, has advised that the rig is scheduled to commence mobilising to the location in early July.

Santos and Tap Oil Limited are farming in to Vic/P39(v) through the drilling of Galloway-1. The post farm-in interests in the permit will be:

- **Nexus Energy (Aust) NL** **37.5%**
- Santos Ltd 37.5% (Operator)
- Tap (Shelfal) P/L 25%



Background

Galloway-1: Vic/P39(v)

The Vic/P39(v) offshore exploration block is situated adjacent to the Victorian coast and covers 239km^2. In 2005 Nexus acquired 250km of 2D seismic data in the permit and delineated two structural closures, the Galloway and Angus Prospects. The seismic data indicates that Galloway is more likely to contain oil than gas. If the structure is oil-bearing it has a mean probability of containing a recoverable volume of 28 million barrels.

An oil discovery at Galloway-1 has the potential for significantly better economic returns than a similar discovery offshore as it could be rapidly brought onto production due to its onshore drilling location. In addition, significantly lower costs are expected for development and production operations at this onshore location than at any offshore location.

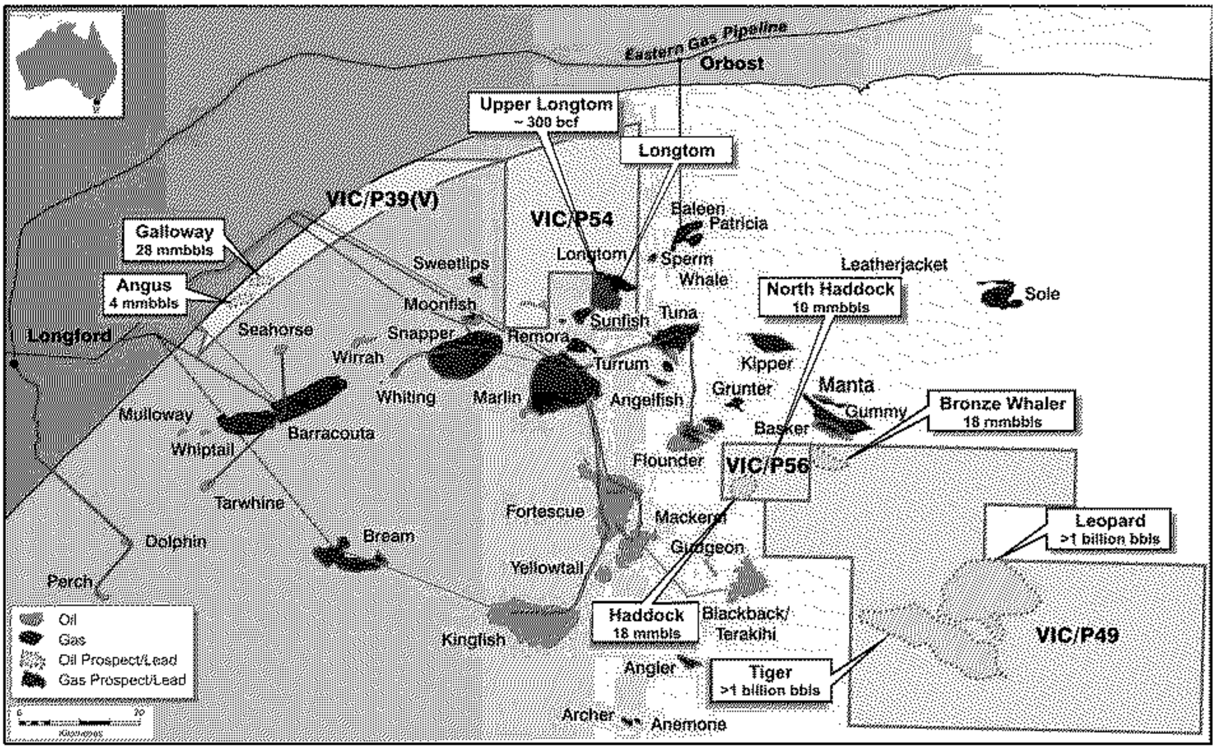
Longtom Gas Project: Vic/P54

The Longtom Field lies in the offshore exploration permit Vic/P54, approximately 30km south of the Victorian coast near the town of Orbost. The best estimate of the contingent resource at Longtom is 438Bscf (465PJ sales gas).

In December 2005 Nexus signed a gas sales and processing agreement with Santos for up to 450PJ of gas from the Longtom Field. In light of this commitment, the two companies have now commenced co-ordinated front end engineering design studies on the project with the aim of being in a position to sanction the project in Q4 2006.

Nexus expects to drill the Longtom-3 appraisal well in July 2006. The successful testing will mark a major milestone on the way to sanctioning the project. Following the completion of the well, the resource size will be reviewed and the development plan finalised. Nexus expects first production prior to June 2008.

Apache Northwest, which has a 62.5% interest in Vic/P54, has a right to buy back into the field development following the drilling of Longtom-3 by paying Nexus six times the cost of its share of the project, plus back costs associated with its share of the program.



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