



9 August 2006

(ASX code: NXS)

Progress Report No. 5 Longtom-3 Well VIC/P54

“LONGTOM 3 INTERSECTS A SIGNIFICANT GAS COLUMN

Nexus Energy Limited is pleased to advise that at 06:00 hours (EST) on Wednesday the 9th of August the Longtom-3 ST1 well had reached a measured depth of 2563 metres. The well is located in the VIC/P54 permit, in the offshore Gippsland Basin, Victoria.

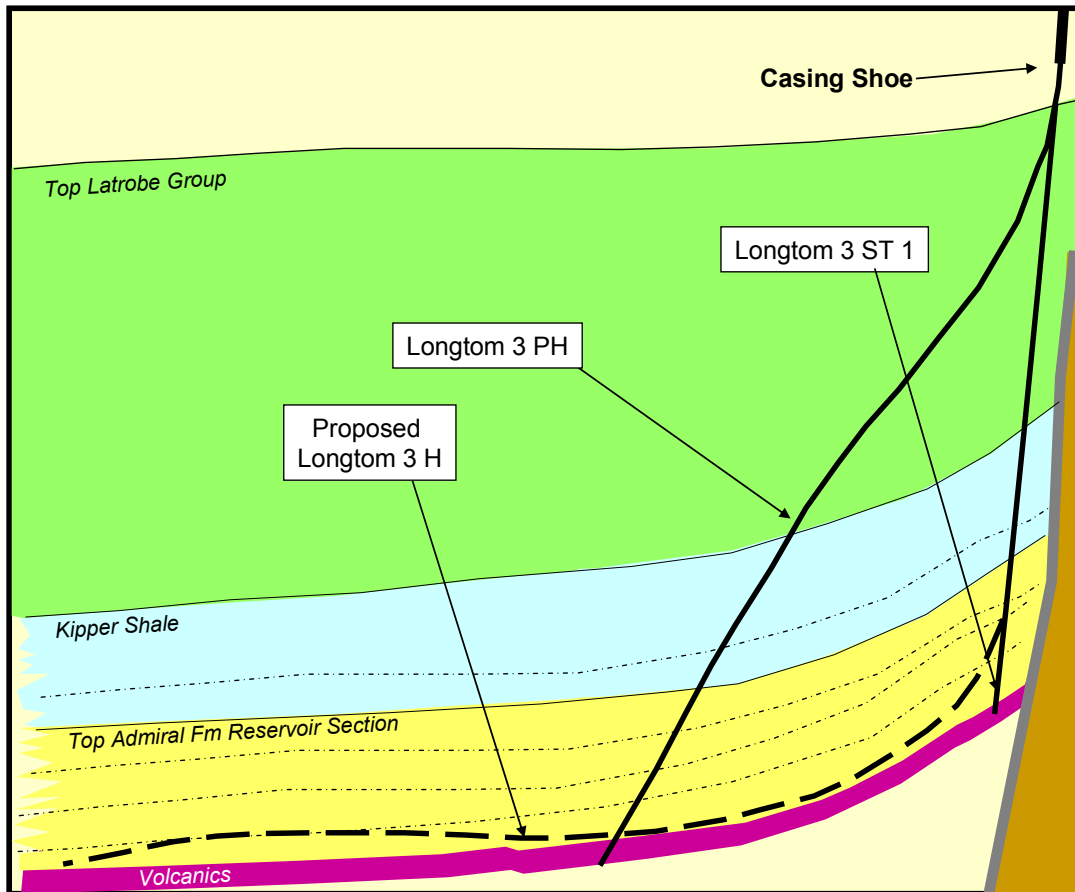
Key Points

- **Longtom 3 well ST1 (side track 1) has intersected a substantial gas column over 4 separate reservoir intervals**
- **The intersections in the pilot hole and the sidetrack well confirm Nexus' geological model for the field**
- **Nexus will now commence the planned horizontal section of the well which is expected to lead to completion and production testing**

Operations conducted since last Report:

Following the successful drilling of the Longtom-3 PH (pilot hole) the well was plugged back to the casing shoe at 995 metres and the side track well, Longtom-3 ST1 drilled. This side track has been drilled as a deviated well and will also be plugged back to 2380 metres before the horizontal well is drilled laterally through the Longtom gas sands and tested as planned.

To date 1568 metres of new hole has been drilled in Longtom-3 ST1, and at the present depth of 2563 metres, the bottom hole location is 1050 metres from the Longtom-3 PH bottom hole location, and 800 metres from Longtom-2 bottom hole location.



Schematic-Not to scale

Summary of Results:

In Longtom-3 ST 1 98 metres of gross gas sand (vertical thickness) has been intersected in four reservoir units over a 414 metres interval within the Admiral Formation.

The side track well was drilled to intersect the reservoir sands in a crestal position in order to provide additional data on sand quality and lateral continuity. Based on wire line log and pressure data, the individual sands, including the sands which were cored but not successfully tested in Longtom-2, are interpreted to be laterally continuous between all Longtom wells, while being vertically isolated from each other.

Future Operations:

Planned future well operations are to run casing across the upper gas reservoirs in Longtom-3 ST 1 and to drill the well horizontally through the lower gas sands. The horizontal section of the well will provide further information in relation to the quality and lateral continuity of the lower Admiral reservoirs. After the drilling of the horizontal section it is intended that the well will be completed with both the upper and lower sands being tested to confirm the productivity of the key gas zones. Upon completion of a successful production test the well will be suspended as a future producer.

Nexus' Managing Director Mr Ian Tchacos said, "The results of the well to date are very encouraging. The Admiral reservoir intersections in the pilot hole and in the side track well have provided sufficient confidence in our geological interpretation to proceed with the horizontal section of the well as originally planned.

Additionally Mr Tchacos said, "We have been able to take advantage of advanced seismic processing techniques (seismic amplitudes) to determine the quality and distribution of the thicker gas filled sands in the section. This has positive implications for optimizing the horizontal part of this well and the placement of future wells. I am particularly pleased about our ability to properly evaluate both well bores with down hole logs and formation pressure measurement tools. This additional information is key to refining our understanding of the Longtom field's resource potential."

Location

The well is located in VIC/P54, in the offshore Gippsland Basin, Victoria.

Latitude 38 deg 05' 34.70" S

Longitude 148 deg 18' 41.57" E

Participants:

Nexus Energy VICP54 Pty Ltd 100%

The Longtom -3 well is a sole risk appraisal project located in the VIC/P54 exploration permit. The sole risk appraisal project is being operated and funded by Nexus Energy. Apache Northwest Pty Ltd has back in rights pursuant to a joint venture agreement which enables Apache Northwest Pty to participate in any potential Longtom development upon the payment of a back in penalty.

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