

22 August 2006

(ASX code: NXS)

Progress Report No. 7 Longtom-3 Well VIC/P54

“LONGTOM 3 HORIZONTAL WELL DRILLING AHEAD WITH 930 METRES OF GAS RESERVOIR INTERSECTED TO DATE”

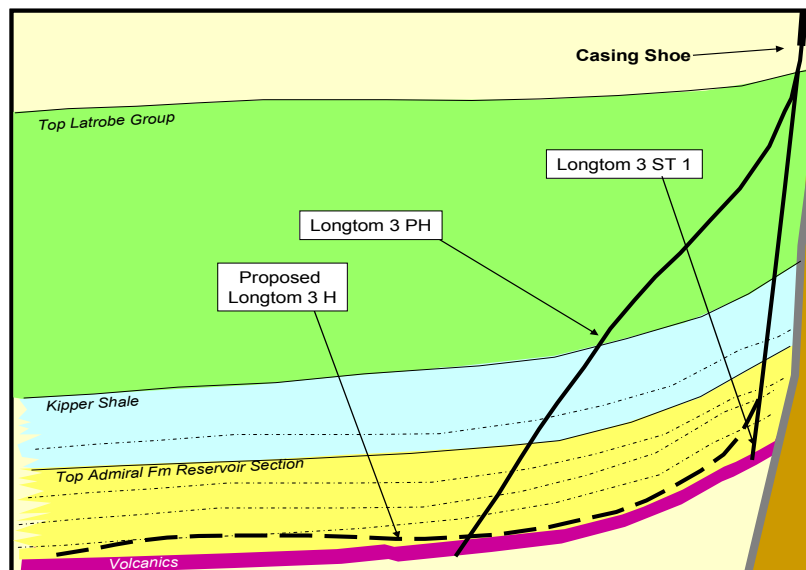
Nexus Energy Limited is pleased to advise that at 09:00 hours (EST) on Tuesday the 22nd August the Longtom-3 H (Horizontal) well had reached a measured depth of 4080 metres and planned operations going forward are to drill ahead as planned.

Key Points

- Longtom 3 H (Horizontal) has intersected an additional 540 metres gross gas reservoir sands in the lower part of the Admiral Formation, making a total of 930 metres including the 390 metres mentioned in last week's report.
- The well continues to track through laterally continuous gas sands and confirm the geological model developed from Nexus' interpretation of the seismic amplitude data.

Operations conducted since last Report:

To date 1170 metres of new hole has been drilled in the horizontal section of Longtom-3 H since the last report on the 15th August 2006



Future Operations:

Planned future well operations are to continue to drill the horizontal well through the lower gas sands of the Admiral formation. The horizontal section of the well will continue to provide 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, "We are very pleased with the progress made on drilling in the horizontal well section since last week. The additional reservoir section intersected by the well continues to be encouraging from a well productivity and resource definition perspective. It is anticipated that we will reach total depth in the well towards the end of the week with the next stage being the running of casing in the well prior to the planned production test."

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 37.50%

The Longtom -3 well is a sole risk appraisal project operated and funded by Nexus Energy Limited. Apache Northwest Pty Ltd has back in rights pursuant to joint venture agreements which enable Apache Northwest Pty to participate in any potential Longtom development upon the payment of a back in penalty.

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