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The Manager, Companies
Australian Stock Exchange

Production Licence Granted for Longtom Project

Rig Slot Secured for Further Appraisal

Please refer to the attached announcement.

Yours sincerely

Susan Robutti
Company Secretary



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Nexus Energy Limited ("Nexus") has been granted a Production Licence for Petroleum Permit VIC/L29 in relation to the Longtom gas project. Nexus has been notified by the designated government authorities that the Production Licence was awarded on 24 September 2007, completing an important regulatory project milestone in the development of the Longtom gas project.

Under the terms of a gas sales agreement with Santos Limited ("Santos"), Nexus provided Santos with an option to purchase up to 35% equity in the Longtom field for A\$70 million. Santos now has until the end of November 2007 to exercise that option.

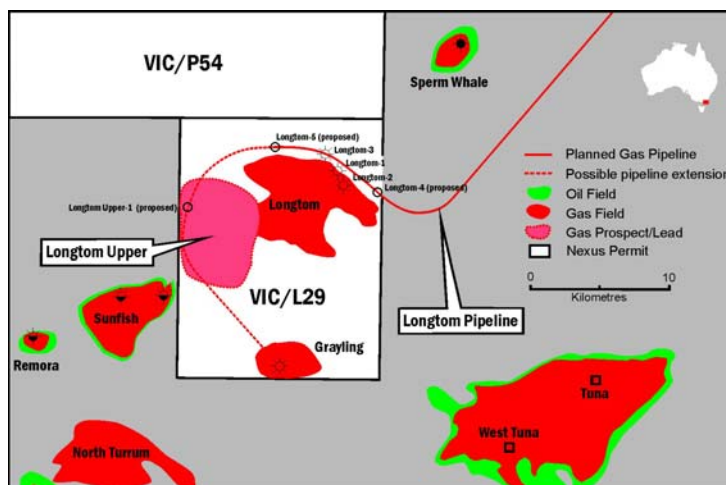
Nexus has also secured a rig slot for an appraisal well targeting additional resource potential in the Longtom field and exploration potential in the Longtom Upper prospect. The drilling is being undertaken in conjunction with Longtom development drilling with a view to increasing Nexus' marketable reserves base at Longtom.

Progress on development of Longtom

The Longtom project was approved by the Board of Nexus in April 2007 and project finance for the project was secured shortly thereafter with the Bank of Scotland International for 70% of the project capital cost. The rising Australian dollar has provided a significant boost for the project given that the majority of the project costs are denominated in US currency.

Preparation for the pipeline installation is continuing according to plan. All pipeline and subsea components are now being manufactured. The installation vessel is expected to be in the field in March 2007 with all activities scheduled to finish before the end of May 2008. The Longtom-4 development well is scheduled to spud in May 2008 and be ready for first gas during the quarter commencing July 2008. However, it should be noted that Longtom-4 is not required for first gas as the Longtom-3 well can provide the entire Santos contracted flow rate of 68 Terajoules (TJ) per day.

The Longtom project is forecast to deliver approximately A\$70 million per annum of operating cash flow assuming an oil price of US\$60 per barrel. It should be noted that Nexus will derive significant benefit from approximately 4 million barrels of condensate which is forecast to be produced in conjunction with the 350 Petajoules (PJ) of contracted gas.



Map showing location of the newly awarded production licence VIC/L29 and Longtom and Longtom Upper

Rig slot secured to increase marketable gas from Longtom field and Longtom Upper prospect

Nexus has secured a rig slot to drill a further appraisal well on the Longtom field. Appraisal of the Longtom field would be aimed at testing the field's upside potential. The field has possible contingent resources in excess of 800 PJ based on third party resource estimates by independent engineering group, Gaffney Cline and Associates. Alternatively, the rig slot may be used to test the Longtom Upper prospect which has the potential to hold 200 PJ of gas. The Longtom Upper prospect has been identified using seismic amplitude techniques which have proved accurate in locating gas during the appraisal of the Longtom field. The well will be drilled after the Longtom-4 development well is completed in mid 2008.

Nexus managing director, Ian Tchacos said, "We are less than a year away from expected first gas sales from Longtom and significant cash flow. The progress being made at Longtom is significant not only in terms of the project but the capability of Nexus. We have assembled an experienced development team to deliver Longtom and given the subsea nature of the Longtom project a significant portion of the Longtom team will move on to the Crux liquids project."

"The best place to find gas is where you have already found it - the upside potential at Longtom and the Longtom Upper prospect provides Nexus with a very exciting opportunity in light of strengthening gas prices and increasing demand for gas in Eastern Australia. With 100% of the project we have the ability to leverage from our Longtom development infrastructure immediately after its creation and have the potential to build a very significant portfolio of gas connected to existing infrastructure. Appraising Longtom or testing the Longtom Upper prospect provides a very cost effective opportunity to significantly increase our marketable reserves base and future cash flows from our Longtom position."

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Background on Longtom field

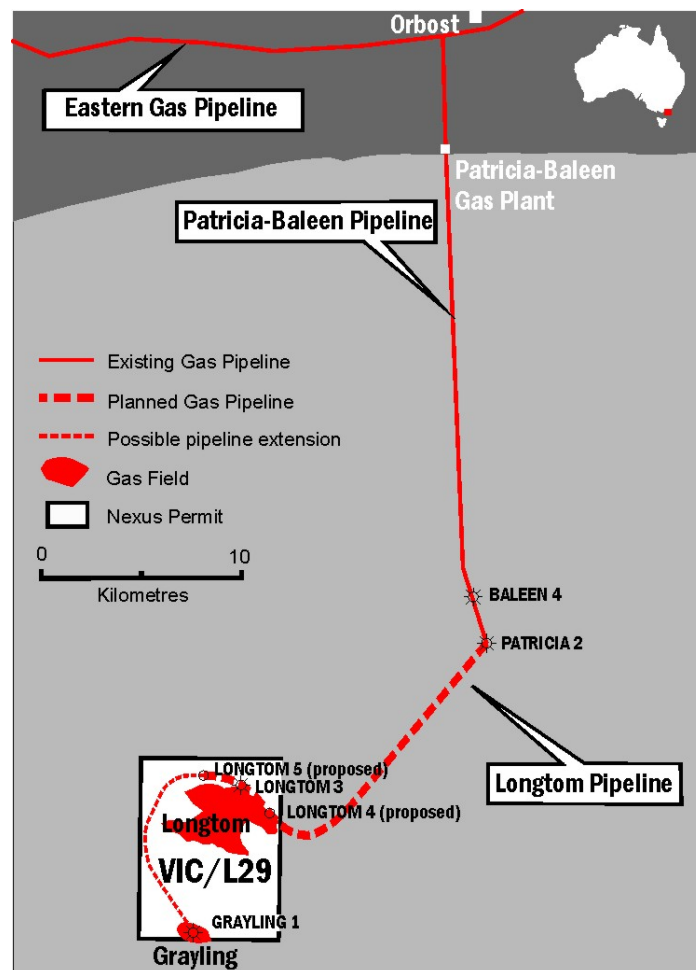
The Longtom field (Nexus 100%) offshore Gippsland Basin, is currently being developed by Nexus. First gas from the Longtom project is forecast for third quarter 2008, with initial production rates of approximately 25PJ/year.

Nexus declared the commerciality of the Longtom gas project in April this year based on currently contracted 2P reserves of 350 PJ of gas and 4 million barrels of condensate.

A gas sales agreement for Longtom gas was signed with Santos in December 2005, and subsequently modified in April 2007.

Under the gas sales agreement Nexus will deliver raw gas from the Longtom field to the Santos owned and operated Patricia-Baleen gas processing plant near Orbost. The first 350 PJ of the sales quality gas will be sold to Santos at defined prices, with Santos holding an option to purchase an additional 100 PJ of gas at market prices.

Santos also has an option to acquire up to 35% interest in the Longtom project.



Map showing the Longtom project pipeline and existing Patricia Baleen infrastructure