



27 February 2007

The Manager, Companies
Australian Stock Exchange

**Nexus Energy Limited
Project Update
Ian Tchacos, Managing Director
27 February 2007**

Please refer to the attached announcement.

Yours sincerely,

**Susan Robutti
Company Secretary**



**Nexus Energy Limited
Project Update
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Nexus Energy Limited ("Nexus") is progressing three significant petroleum projects each of which is currently at a different stage in the development process:

- The Longtom gas and petroleum liquids project in Bass Strait is nearing a Final Investment Decision (FID), expected at the end of the first quarter this year
- The Crux gas and petroleum liquids project in the Timor Sea is currently being appraised
- The Echuca Shoals gas discovery will see an important appraisal well due in mid 2007 following a successful farm-in deal with Shell Development (Australia) Pty Ltd

Please refer to attached slide show presentation.

Longtom (Nexus Energy Limited 100%)

Nexus is expected to make a FID on the Longtom gas project development at the end of the first quarter of 2007.

Front End Engineering and Design (FEED) for the Longtom project is complete and tenders have been called for all equipment and services required for the development.

Negotiations tenders have been finalised and letters of intent issued.

Firm cost estimates to complete the project, based on final tenders, suggest a capital cost, prior to first production, in the range of A\$185 – 195 million.

Arrangements for pipe laying have been finalised for the first quarter of 2008 in time for the production of first gas estimated the third quarter of 2008.

A preliminary field development plan for the proposed Longtom project has been submitted to the designated authority.

This plan calls for three wells to be tied back to the Santos Limited operated Patricia/Baleen offshore gathering system and onshore gas plant.

Resources within the Longtom field have been independently audited by Gaffney, Cline and Associates, on the basis of the proposed field development plan.

Gaffney Cline and Associates have calculated a field best estimate of 435PJ of sales gas and 5.2million barrels of condensate.

Their "low estimate" is 173PJ and 2 million barrels of condensate.

Nexus plans to book 350Pj's of P50 reserves within the Longtom field, which is equivalent to the contracted volume of sales gas at the point of FID. This is below the field best estimate and the high estimate indicates scope for additional contracts if production performance and further drilling confirms the fields up side potential.

Longtom project financing is nearing completion. The election of Apache Energy Limited not to back in to the Longtom project leaves Nexus with 100 per cent of the project.

Nexus expects the majority of the capital cost of the project to be funded by debt and financing negotiations are well advanced with a conclusion to these negotiations expected by the end of March 2007.

Crux (Nexus Energy 100% of liquids project)

Appraisal drilling and engineering on the Crux field in the Browse basin of the Timor Sea is continuing.

The Crux-2 appraisal well, while not delivering the outcome we expected, provided Nexus with substantial new information about the nature of the Crux field with the intersection of the Plover sandstone formation. This has been confirmed by age dating received since the well was logged.

The Plover formation is a proven oil and gas producing reservoir across the Timor Sea and reservoir at this level was not detected in the Crux-1 discovery well.

This new information requires further investigation and interpretation.

Interpretation has revealed that the newly discovered Plover sand is in pressure communication with main reservoirs seen in Crux-1.

The potential of the Plover for the entire Crux area now needs to be fully assessed and mapped. This will be completed as a matter of urgency.

While the discovery of the Plover sand represents a major new opportunity, the high case scenario, tested by the Crux-2 well, has been reduced.

Upside potential to the north east of the Crux field has been reduced but significant mapped potential exists in the south west of the field which extends into an area where Nexus has applied for additional exploration acreage. This potential extension of the Crux field has not been included in previous resource assessments for the field.

The Crux-2 ST1 sidetrack well is now being drilled towards an area where the seismic character from our 3D data set is similar to Crux-1.

The objectives of the sidetrack well is to intersect the full gas column similar to Crux-1 and to provide further confidence in mapping the core area of the field defined by Crux-1.

The sidetrack well will be cased and suspended as a future injection well if the well intersects sufficient thickness of gas reservoir.

Echuca Shoals (Nexus Energy 66%)

Shell Development (Australia) Pty Ltd recently farmed into the Echuca Shoals discovery. Echuca Shoals has a large gas resource potential and the analysis of pressure data from the discovery of Echuca Shoals-1 indicates the resource could be liquids rich.

Shell will pay US\$5 million in cash and has agreed to pay the first US\$30 million of the Echuca Shoals-2 appraisal well to earn a 34% interest in approximately 27% of the permit in close proximity to the Echuca Shoals-1 discovery well (Area A).

Under the agreement Shell must pay for the first US\$25 million of a subsequent well to earn a 34% per cent interest in the rest of the Permit.

Cash payment for the deal is expected to be received in March upon receipt of formal regulatory approvals.

Nexus is now working to complete seismic mapping of Echuca Shoals using reprocessed 3D seismic data with the work to be completed in April 2007.

Drilling of the Echuca Shoals-2 well is expected in June / July 2007 using the new seismic data to optimise well location.

Conclusion

Nexus is taking significant steps across its asset base towards becoming a producer. These three projects offer our investors exposure to a material resource position which we expect to start converting to reserves in the near future with Longtom.

We are privileged for a company of our size to have a pipeline of projects which is expected to provide a substantial long lived production profile.

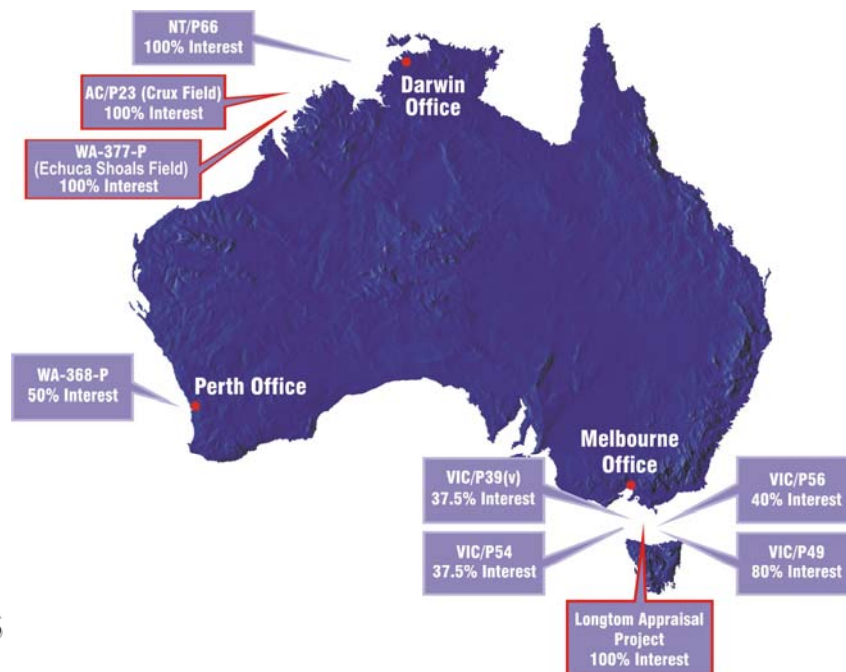
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Nexus Energy Limited

Project Update



- Longtom
- Crux
- Echuca Shoals

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Longtom Project Plan to First Gas															
	2007									2008					
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Final Investment Decision	▲														
Production License Grant				▲											
Pipeline & Equipment Manufacture	[Bar spanning Apr 2007 to Dec 2007]														
Pipelay Vessel Mobilisation										[Bar]					
Pipeline Installation & tie-in											[Bar]				
Drill Longtom-4													[Bar]		
First Gas (earliest)															▲

- ❖ Front end engineering and design completed
- ❖ LOI's issued for all major equipment and pipelay vessel (Feb'08 lay window)
- ❖ Jack-up rig slot secured in Q2 2008 for LT-4 (Sea Drill "West Triton")

Gaffney, Cline and Associates Resource Audit

GAS AND CONDENSATE CONTINGENT RESOURCE ESTIMATES FOR THE LONGTOM FIELD

	Low Estimate	Best Estimate	High Estimate
Contingent Sales Gas Resources (PJ)	173	435	842
Contingent Condensate Resources (MMstb)	2	5.2	12.9

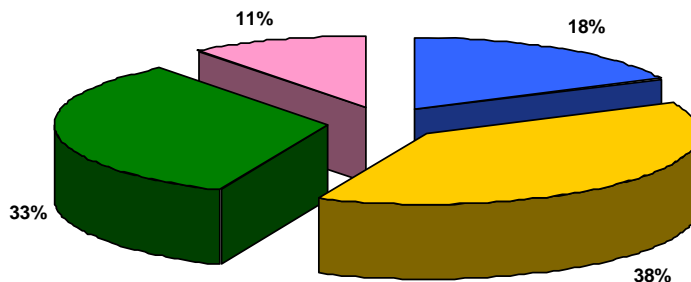
Basis for GCA Report

- ❖ GCA report used Nexus' Development Plan as basis of assessment
- ❖ Tie-back to Patricia/Baleen on shore gas plant, Production start-up Q3 2008
- ❖ 2 wells at start-up (Longtom-4 in Q2 2008), 3rd well when required (~2012 to 2014)
- ❖ Nexus' intention is to book 350PJ (P50) reserves for Project at FID

Longtom Project Development Costs

Cost definition based on firm contracts

Longtom Development Capital Spend Breakdown



- ❖ Target capital cost of A\$185 to A\$195 million (weather, joint mob/demob)
 - ▶ Majority of capital spend in 1st half 2008
- ❖ Target first gas production date mid 2008

Commercial financing status

- ❖ Apache election not to buy back allows Nexus to proceed @ 100%
- ❖ Financing Negotiations are well advanced
- ❖ Anticipate ~ 75% of remaining capex to be funded by senior debt
 - ▶ Underwritten project finance – limited recourse 9 years
- ❖ Loan and security agreements in final stages

Outstanding issues prior to FID

- ❖ Finalise production license application
- ❖ Complete loan agreements
- ❖ Expect to conclude by end of 1st quarter 2007
 - First gas date of Q3 2008 remains achievable

Crux Appraisal Well Results

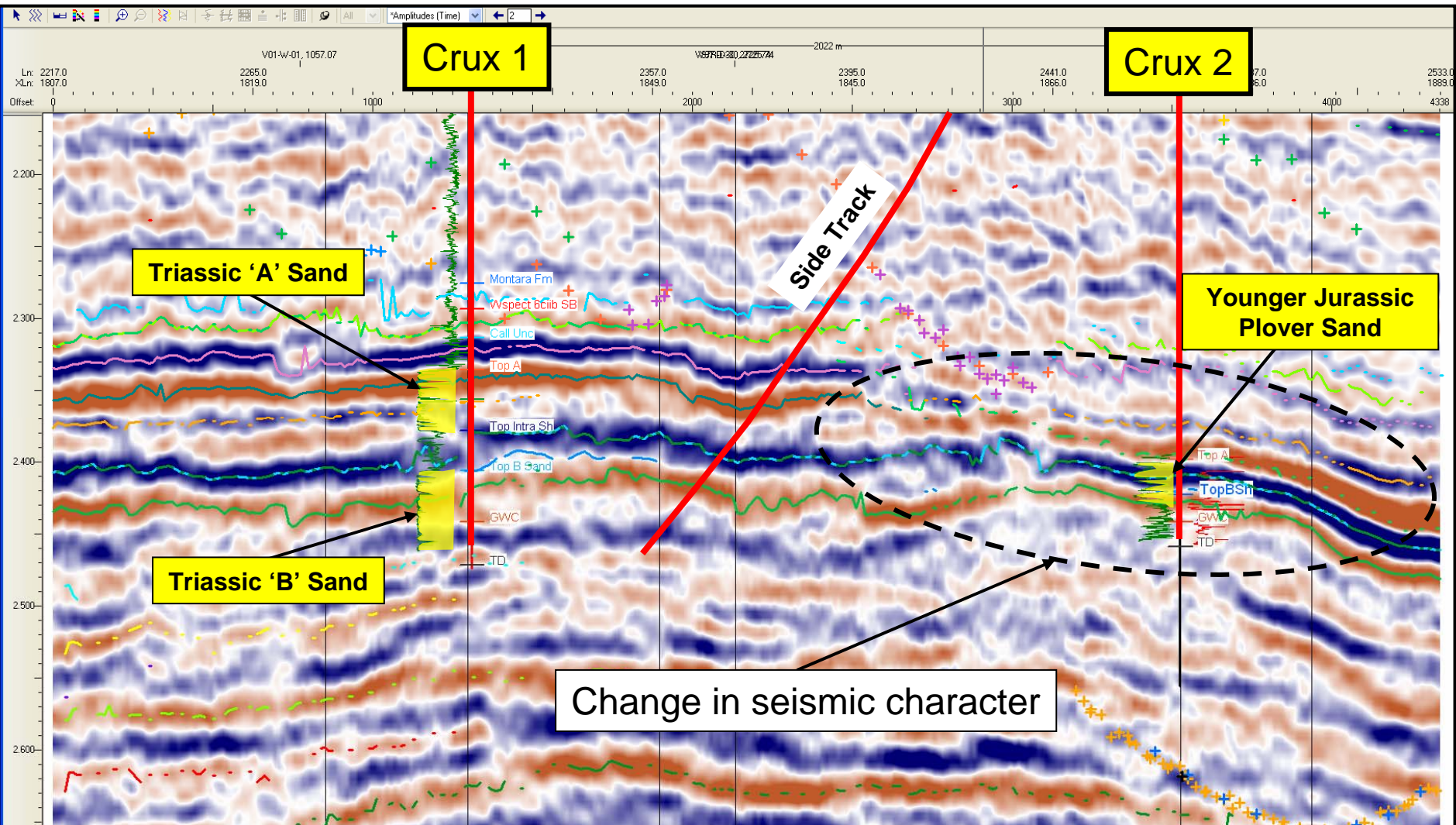
Update on Crux-2 results

- ❖ Age dating reveals gas charged sand encountered is Jurassic aged Plover formation
- ❖ The gas in this sand is in communication with the gas seen in Triassic aged 'A' and 'B' sand reservoirs in Crux-1
- ❖ Upside of the 'A' and 'B' sand reservoirs to the north east reduced but occurrence of new Plover Fm sands represents a new play type with additional upside potential which requires further assessment. (Plover formation is proven reservoir in many nearby fields, Jabiru, Skua, Brecknock, Torosa and Calliance)

Crux-2 ST 1 (sidetrack well) objectives

- ❖ Objective of the well is to intersect full gas column in 'A' and 'B' sands as seen in Crux-1
- ❖ Well directed to an area where seismic character is similar to Crux-1 and a successful result here will provide an additional control point to delineate the core area of the field
- ❖ Well expected to provide a future injection location if well intersects a sufficient column

Crux Seismic Cross Section



Crux resource assessment

- ❖ Confidence in resource potential of core area remains unaffected
- ❖ Reduction in upside identified in the north east of field for Triassic 'A' and 'B' sands
- ❖ Additional Plover formation potential which has not yet been incorporated into resource assessment
- ❖ Extension of Crux structure to the south west identified recently from seismic acquired by Nexus in 2006 has not yet been included in resource assessment
- ❖ Nexus has bid on block AC06-02 which contains further extension of Crux structure and is confident of being awarded the block
- ❖ Revised assessment incorporating the Crux-2 and Crux-2 ST1 well results expected to be completed in April 2007

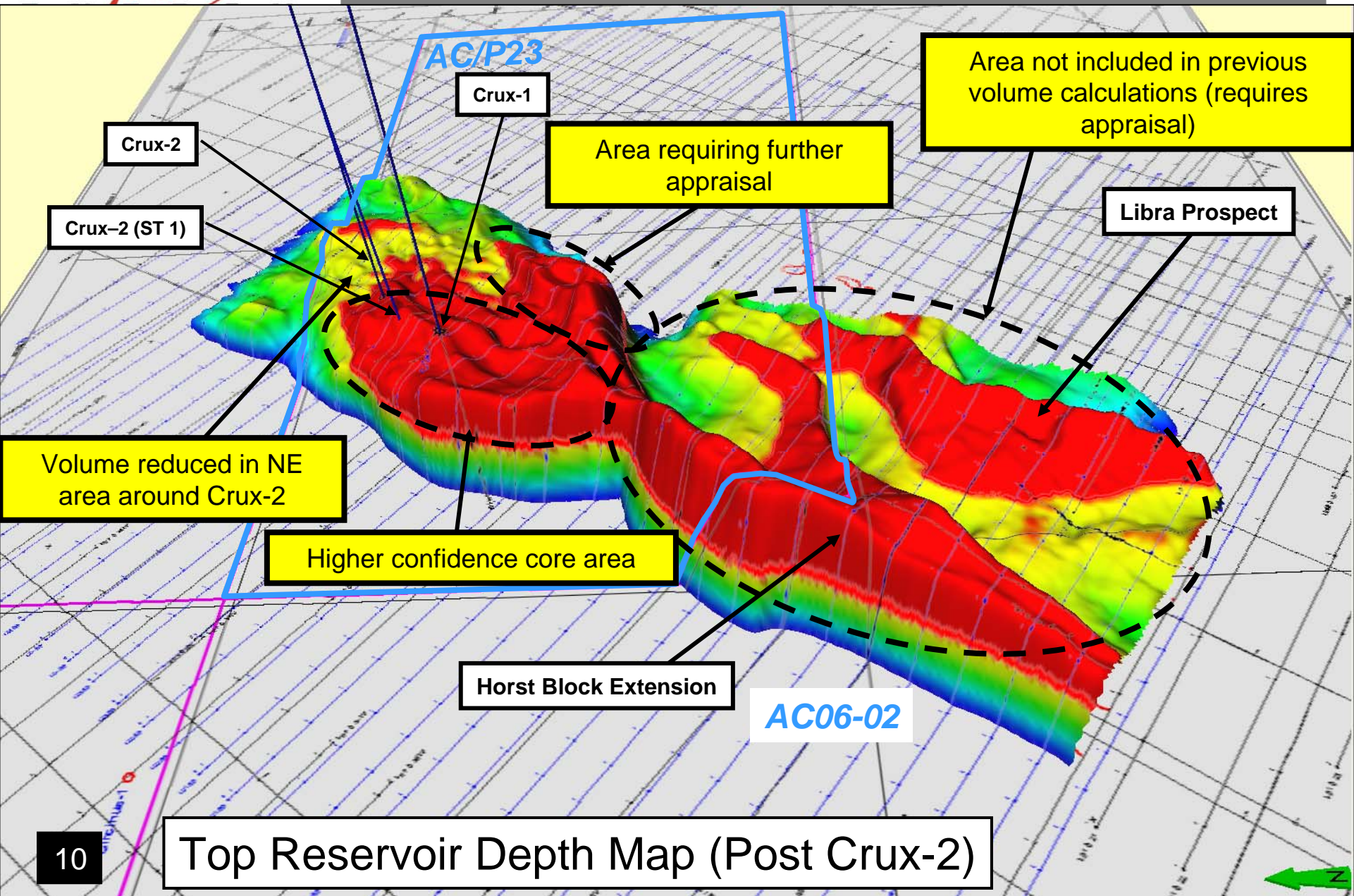
Delay of 6 months to liquids project

- ❖ A further appraisal well is likely to be drilled prior to project commitment

Front end engineering and design study completed

- ❖ Will take advantage of additional time and the results of further appraisal drilling to optimise project

Crux Resource Potential



Echuca Shoals Update

- ❖ Shell farmin deal finalised
- ❖ Shell will pay US\$ 5 million Cash and the first US\$ 30 million of the cost of drilling Echuca Shoals-2 well for 34% of Area A
- ❖ Shell have the option to pay a further US\$ 25 million towards the cost of a second well in WA-377-P to earn 34% in remainder of permit
- ❖ Cash payment to be received upon receipt of regulatory approvals – March 2007
- ❖ Revised seismic mapping with attribute reprocessed data scheduled for March / April 2007
- ❖ Echuca Shoals-2 well will be drilled using Shell operated Ocean Epoch drilling rig delayed to June / July 2007 to utilise new seismic data for optimal location

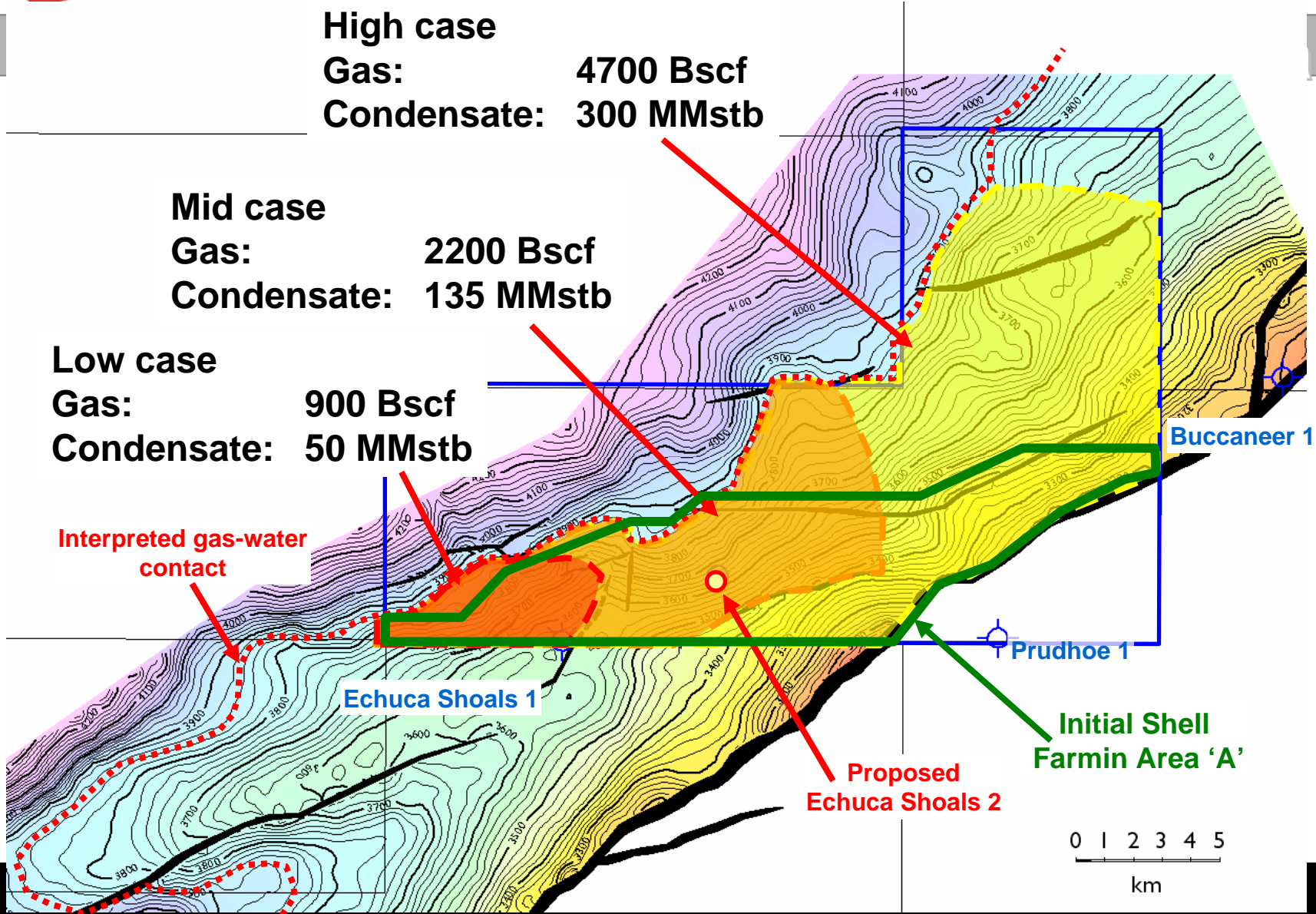
Large gas resource potential to be defined by appraisal program. Analysis by Nexus of Echuca Shoals-1 indicates resource may have a high liquids content

Echuca Shoals Update

High case
Gas: 4700 Bscf
Condensate: 300 MMstb

Mid case
Gas: 2200 Bscf
Condensate: 135 MMstb

Low case
Gas: 900 Bscf
Condensate: 50 MMstb



▶ Large Resource Base

▶ Pipeline of Projects

▶ Long Lived Production



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