

18 July 2006

(ASX code: NXS)

Progress Report No. 2 Longtom-3 Well VIC/P54 and Galloway-1 Well Vic/P39(v)

Longtom-3 Appraisal Well (Vic/P54 Permit)

Nexus Energy Limited is pleased to advise that at 06:00 hours (EST) on Tuesday, 18th July 2006, the Longtom-3 well had reached a depth of 1005 metres measured depth and 16" casing has been set in the hole.

Preparations are currently underway for commencing the drilling of the 9 ½" pilot hole which will be drilled to a planned total depth of 3330 metres measured depth. The pilot hole will then be plugged back and the main horizontal well bore will be drilled through the Longtom gas sands.

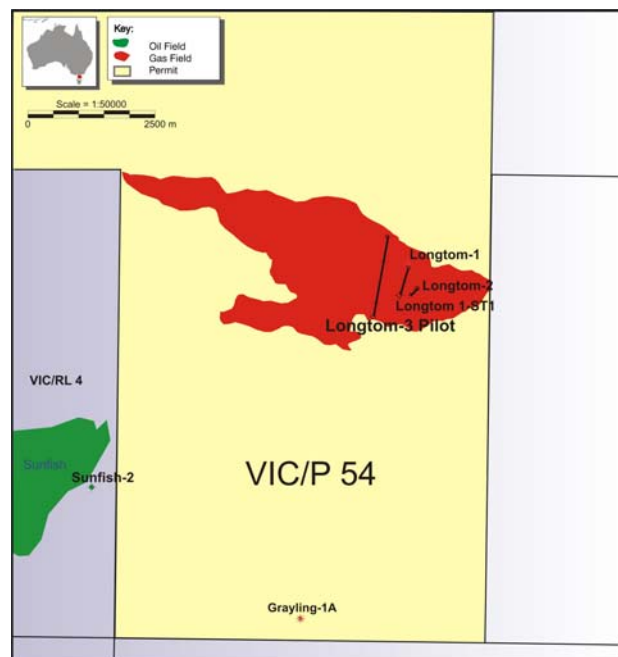
Progress over the past week has been good and, on the current schedule, it is anticipated that the pilot hole will reach total depth by 23rd July 2006

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.

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

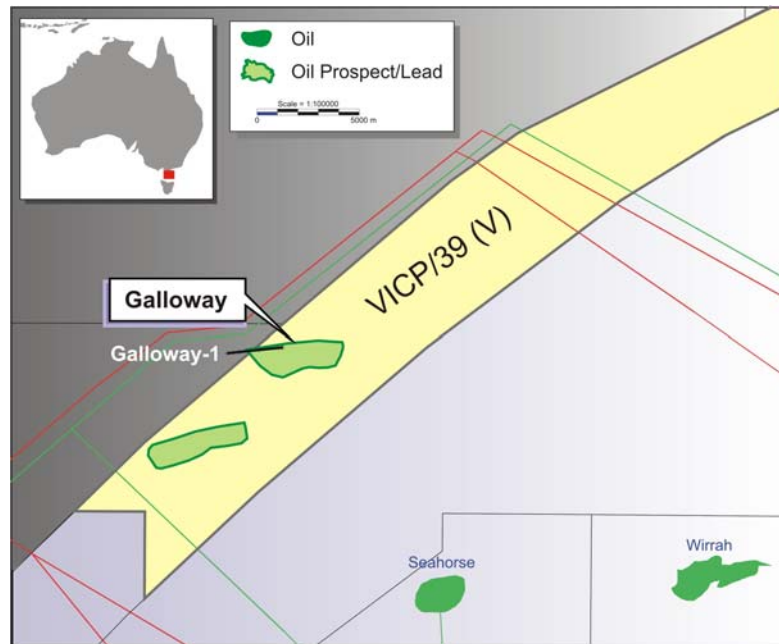


Galloway-1 Exploration Well (Vic/P39(v) Permit):

Mobilisation of the rig to the Galloway-1 well site is continuing. Nexus expect the well to be spudded next week (week commencing the July 24th). 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.

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 | 37.5% |
| • Santos Ltd | 37.5% (Operator) |
| • Tap Oil Limited | 25% |



Background

Galloway-1: Vic/P39(v)

The Vic/P39(v) offshore exploration block is situated adjacent to the Victorian coast and covers 239km². 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.

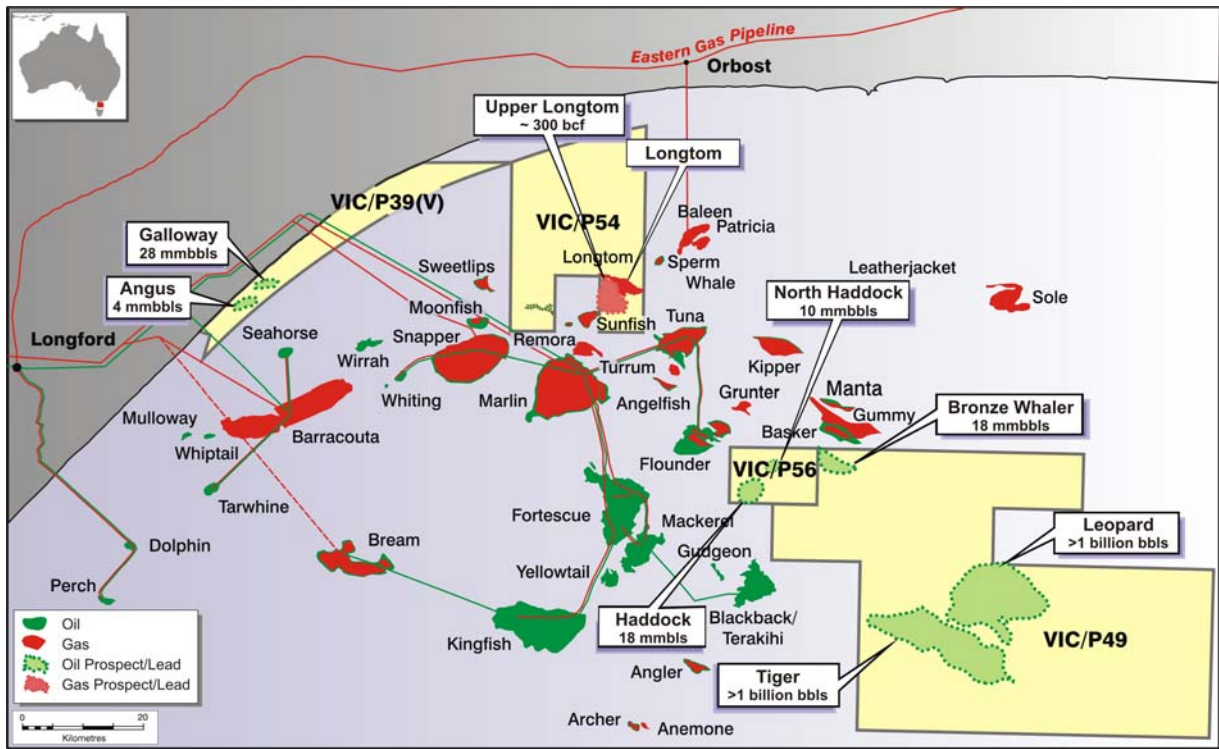
Longtom Gas Project: Vic/P54

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.

The successful testing of Longtom-3 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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