

26 July 2006

(ASX code: NXS)

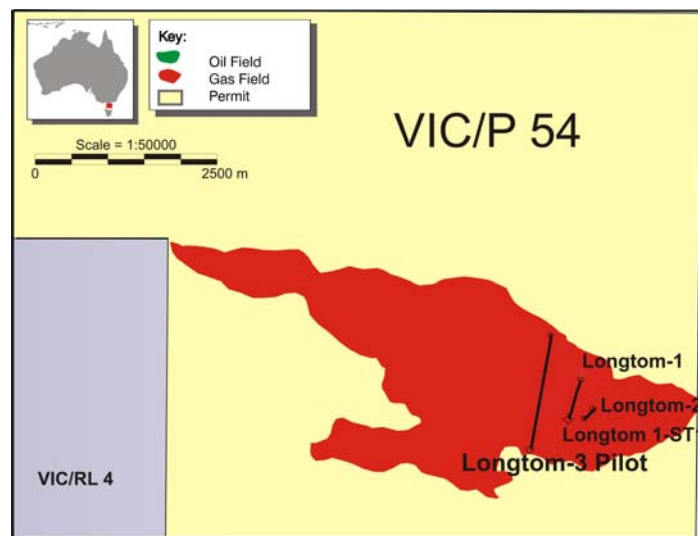
Progress Report No. 3 Longtom-3 Well VIC/P54

Longtom-3 Appraisal Well (Vic/P54 Permit)

Nexus Energy Limited is pleased to advise that at 09:00 hours (EST) on Wednesday, 26th July 2006, the Longtom -3 well had reached a depth of 3396 metres measured depth and was drilling ahead in the 9 1/2" pilot hole. Progress has been slower than was anticipated in the last announcement on 18th July 2006.

The target section has been intersected slightly deeper than expected and the pilot hole is anticipated to reach total depth (TD) of approximately 3500 metres later today. Due to operational constraints the Logging While Drilling (LWD) tools have not been run, so wireline logs will be run after the well reaches TD, before the pilot hole is plugged back and the main horizontal well bore drilled through the Longtom gas sands.

Several sands have been encountered over the target interval and there are indications of gas. While this is encouraging, wire line logs will be required to evaluate rock properties and gas saturations.



A further announcement will be made upon completion of wire line logging.

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

Background

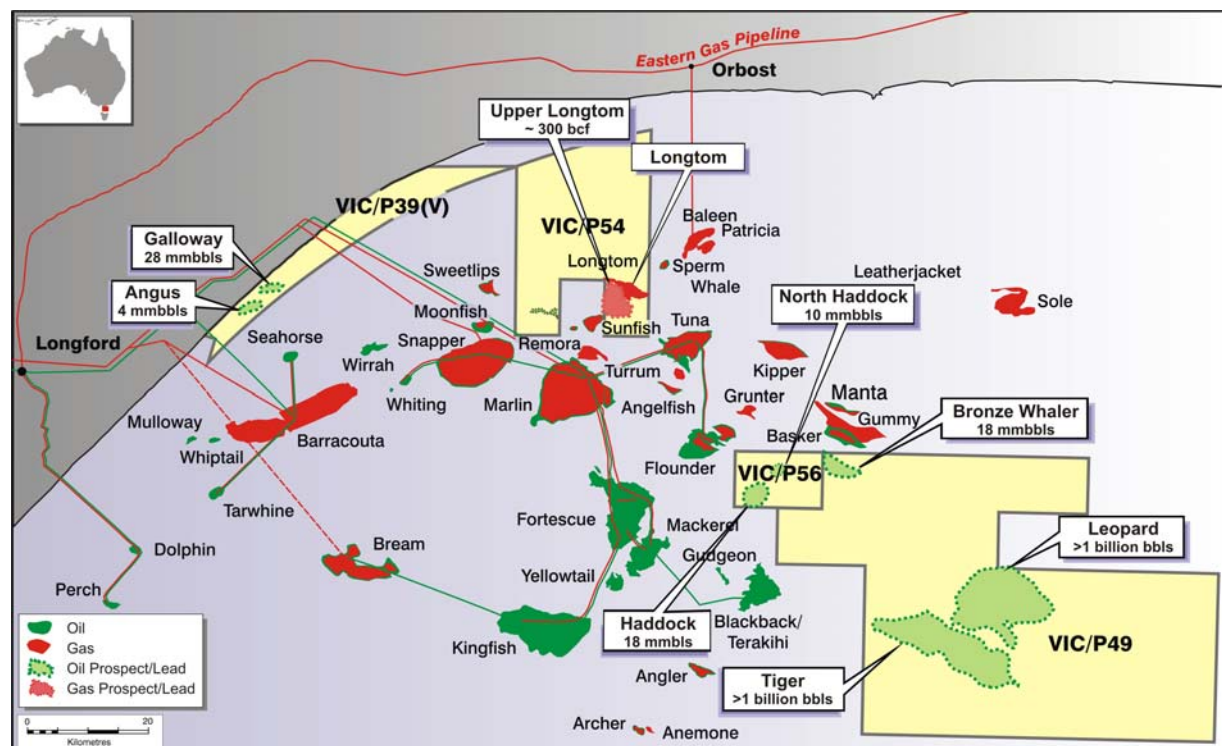
Longtom Gas Project: Vic/P54

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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