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The Manager, Companies
Australian Stock Exchange

Nexus Retains 100% of Longtom Project

Please refer attached announcement.

Yours sincerely,

Susan Robutti
Company Secretary



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Nexus Energy Limited is pleased to advise that it has retained a 100% interest in the Longtom gas field in Bass Strait after confirmation by Apache Energy Limited that it will not exercise its buy-back right in relation to the project.

The Longtom field is located within Victorian offshore exploration permit VIC/P54 in Bass Strait in which Nexus Energy Limited ("Nexus") owns a 37.5% equity interest.

As a result of Apache Energy Limited's ("Apache") decision Nexus now owns 100% of the Longtom field which lies within the VIC/P54 permit and the associated Longtom Gas Project.

Apache had previously elected not to participate in the drilling of the Longtom-3 appraisal well, successfully drilled and tested by Nexus in September this year, but had retained the right to reclaim its interest in the field upon payment of an agreed 'back-in' fee of its share of the well cost plus a penalty of six times that share.

The Longtom field is due to be developed in 2007 with first gas scheduled for the second half of 2008. Gas from the field will be produced via sub-sea wells linked by pipeline to the Santos Limited ("Santos") owned and operated Patricia/Baleen gas facility.

A gas sales agreement for Longtom gas was signed with Santos in December 2005. Santos has agreed to process up to 450 PJ of raw gas from the Longtom field through its existing onshore Patricia/Baleen facility near Orbost in north eastern Victoria. Santos has agreed to purchase the first 350 PJ of the sales quality gas production at defined prices.

Ian Tchacos, the Nexus Managing Director said: "We are making good progress on the project and anticipate being in a position to approve the Longtom Gas Development at the end of January 2007 once the project funding arrangements are in place and an independent reserves estimate has been completed supporting the contracted volumes."

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Longtom field background

The Longtom gas field was discovered by BHP Billiton in 1995 but was considered un-economic at the time.

The original Longtom-1 discovery well intersected a 386 metre gas column in the Emperor formation. This was confirmed by the Longtom-2 appraisal well drilled by Apache in late 2004, which intersected a gas column in excess of 400 metres in five separate reservoir zones.

A test of the lower three reservoir zones flowed at a stabilised rate of 18-19 MMscf/d over a 12 hour period, but a mechanical failure in the well bore prevented a test of the upper reservoir sections from flowing. A core cut over the upper zone in Longtom-2 confirmed the presence of a reservoir section highly capable of flowing gas.

The Longtom-3 well drilled in September this year by Nexus on a sole risk basis, confirmed the commercial potential of the Longtom field when a sustained flow rate of over 75 MMscf/d was achieved during the second production test over the lower reservoir sections. These lower reservoir sections contain over 80% of the hydrocarbon volumes in the Longtom field. A test of the upper reservoir sand, which did not flow in the Longtom-2 well, also confirmed the capacity of this sand to flow.

From deepest to shallowest, the identified gas bearing reservoir units in the Longtom field are named the 100, 200, 300, 400 and 500 sands. The reservoirs appear to be connected to a series of vertically separate, but laterally connected, common aquifers.

A gas reserve for the Longtom field is due to be established early in January 2007 with a Final Investment Decision (FID) expected at the end of January 2007.