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AED to acquire a 50% interest in Longtom

AED Oil ("AED") is pleased to announce that Nexus Energy Limited ("Nexus") and AED have entered into a transaction where AED has agreed to acquire a 50% joint venture interest in the Longtom project (VIC/L29) and the exploration permit VIC/P54, subject to certain conditions.

Key highlights of the transaction include:

- AED to acquire a 50% interest in Longtom project for A\$155 million
- AED to pay Nexus an initial secured deposit of A\$35 million followed by a further payment of A\$120 million upon completion of the transaction and AED obtaining debt financing
- Substantial 2P Reserves (175PJ gas and 2mmbbl condensate, or 32mmboe¹ - AED's 50% share)
- Strong cash flow project with long term CPI linked fixed price contract
- First gas and condensate production anticipated during July 2009
- Completion is anticipated to take place by September 2009 after construction of the Longtom project is completed

Benefits of the transaction to AED include:

- Product/geographic diversity within AED's portfolio
- Stronger platform for further growth opportunities
- Potential for greater balance sheet flexibility for certain capital management initiatives
- Potential to work together with Nexus on other opportunities

Today AED and Nexus executed a Sale and Purchase Agreement whereby AED has agreed to acquire and Nexus has agreed to sell a 50% interest in the Longtom project (VIC/L29) and surrounding exploration permit (VIC/P54).

Completion of the transaction is subject to satisfaction or waiver of a number of conditions by 15 September 2009 including AED obtaining debt financing for Longtom, the completion of the Longtom project construction by Nexus and any approvals required by Government, regulators and other third party consents.

Project construction by Nexus is progressing well with first gas and condensate production anticipated to commence during July 2009.

Mr David Dix, Executive Chairman of AED, stated that he is delighted to have the opportunity to work with Nexus to jointly manage the Longtom project.

"The addition of the Longtom project to AED's existing oil projects in the Timor Sea will diversify the Company's asset base as well as providing further cash flow over the long term", he said.

"AED's 50% interest in the project is forecast to be cash flow positive immediately after completion (generating in excess of A\$30 million of EBITDA per annum attributable to AED) and adds significant value for AED shareholders". Mr Dix noted that the transaction represents an effective price of A\$0.83 per GJe of 2P Reserves¹ which compares favourably to other recent acquisitions within the industry.

The acquisition is to be funded primarily through debt financing, with the remainder to be funded by cash reserves. Nexus currently has project finance in place for the Longtom project. AED is in discussions with international and Australian banks that have shown firm interest in participating in financing the project.

Furthermore AED's 50% interest in the project enhances the corporate environment within which AED may pursue certain capital management initiatives, including the potential restructuring of its Convertible Bonds, thereby enabling it to reorganise its balance sheet and free up additional capital for development opportunities.

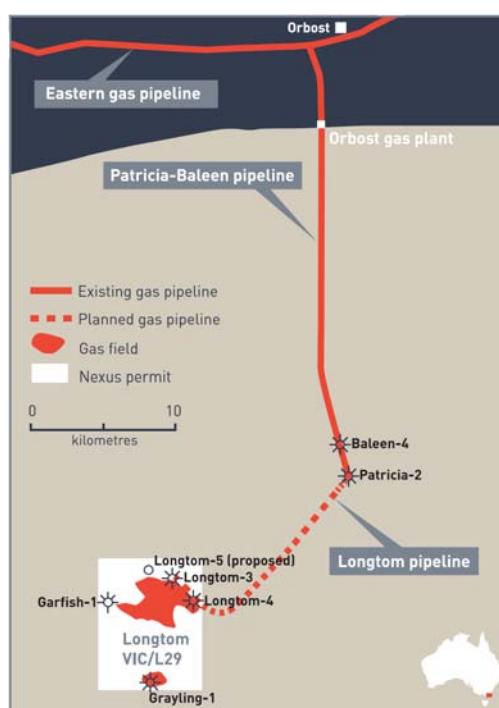
About VIC/L29 and the Longtom Project

Overview

The Longtom project is located within production licence VIC/L29 in the Gippsland Basin, offshore Victoria (Bass Strait). The field is 31 kilometres from the coastline in approximately 56 metres of water and 17 kilometres from existing infrastructure.

The project is currently being developed as a gas producing, two subsea well development tied-back to the existing and adjacent Santos operated Patricia-Baleen facilities. A long term Gas Sales Agreement signed with Santos in 2005 underpins the development of the Longtom project.

First gas from the Longtom project is anticipated in July 2009.



¹ Based on 50% of 2P reserves 175PJ gas and 2mmbl condensate (11PJ) or 32mmboe (1mmboe condensate = 0.94mmboe, 1PJ = 0.172mmboe)

Reserves and Resources

The Longtom field consists of a series of stacked gas sands within the Admiral Formation, with the deeper sands interpreted to contain the major portion of the gas reserves.

At FID in April 2007, 2P Reserves of 350PJ and 4MMbbl were booked by Nexus for the Longtom gas project.

In February 2007, Longtom Contingent Resource estimates were independently confirmed as outlined below in Table 1.

Table 1 Contingent Resource Estimates (100%)

	Low Estimate	Best Estimate	High Estimate
Sales Gas (Bscf)	153	384	742
Sales Gas (PJ)	173	435	842
Condensate (mmmbbl)	2.0	5.2	12.9

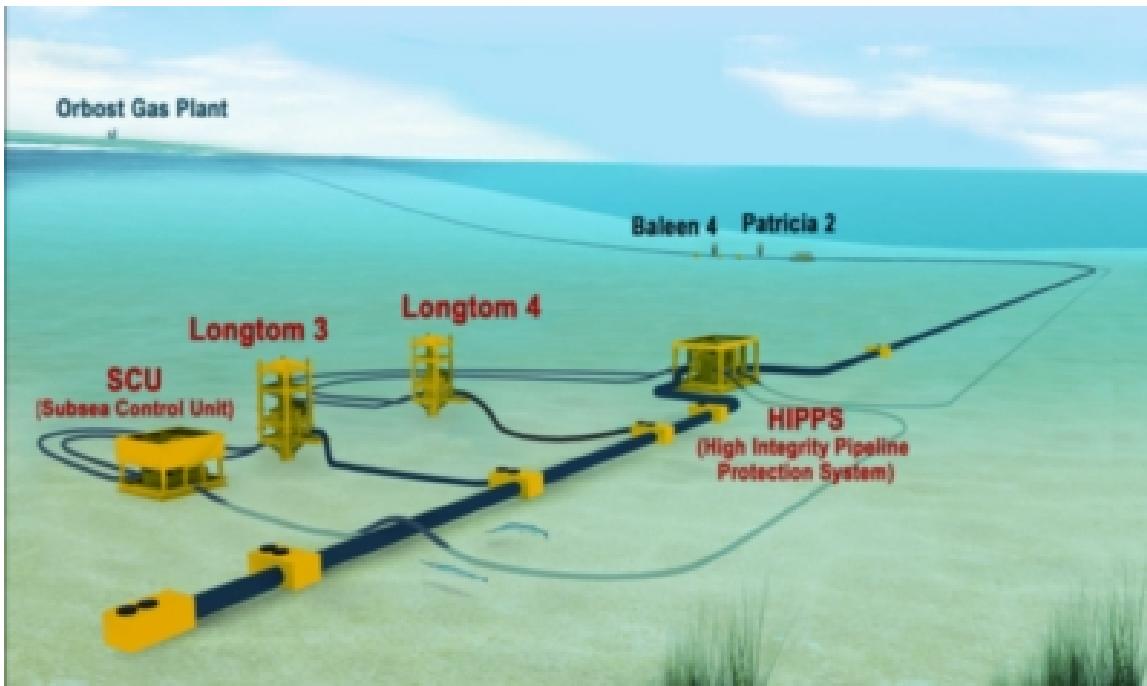
Gas produced from the Longtom project has been sold to Santos under a long term Gas Sales and Tolling Agreement and condensate produced will be sold benchmarked to market oil prices. Accordingly, AED and Nexus will benefit from any upward movement in the oil price.

Development

A Financial Investment Decision for the Longtom project was made by Nexus in April 2007. The development concept involves initially two subsea gas production wells (Longtom-3 and Longtom-4) tied-back to the existing adjacent Santos operated Patricia-Baleen facilities. Following the receipt of a pipeline licence in April 2008 Nexus had received all necessary approvals for development of the Longtom project.

Gas and condensate produced from the Longtom-3 and 4 will be transported from the producing wells via a new 12 inch pipeline to the existing Patricia-Baleen pipeline owned by Santos, approximately 17 kilometres from the Longtom wells. Nexus is currently constructing this pipeline and the associated control lines and equipment. The offshore pipeline to connect Longtom to the Patricia Baleen offshore pipeline has now been laid on the seabed and the control system installation and connection work is in progress.

The raw gas will be transported along the Patricia-Baleen pipeline to shore where it will be processed at Santos' existing onshore Orbost gas plant. Santos is currently installing new equipment at the gas plant to be able to process the Longtom gas. The plant upgrade involves installation of facilities for condensate removal from the gas and the subsequent stabilisation, storage and export of the condensate.



Production

Under the Santos Gas Sales Agreement, Longtom is contracted to supply up to 25PJ of gas per year with a total contract quantity of up to 350PJ, with an option to increase to 450PJ. It is currently envisaged that first gas will occur in July 2009. Condensate produced at Longtom will be also sold to Santos.

Both Longtom-3 and Longtom-4 have been successfully flow tested at rates of 75MMscf/d and 58MMscf/d respectively. When gas flow is initiated, each well individually is anticipated to have the capacity to produce the daily contracted quantity. Both wells have been completed and are now ready for commercial production after the current tie-in programme without further rig intervention.

About AED Oil

In addition to this transaction AED has a 40% interest in AC/P22, AC/L6 and AC/RL1, all of which are in the Ashmore Cartier Exploration Permit area of the Vulcan Sub-Basin, located in the Bonaparte Basin in North Western Australia within uncontested Australian territorial waters. AED has a producing Puffin North East field, has drilled and is appraising the Puffin South West field and continues to evaluate the Talbot field and other exploration leads and prospects within AC/P22.

Recently AED completed drilling the Predator and Sea Eagle prospects with the Great Auk-1 exploration well. Drilling confirmed the discovery of a 7 metre hydrocarbon column with the presence of heavy (or wet) gas.

The Company is imminently due to intersect the hydrocarbon zones in the LK sands updip of Puffin-9 during its current Puffin-13 appraisal campaign, which will more thoroughly define through testing the updip potential of Puffin-9.

About Nexus

Nexus is a publically listed Australian oil and gas exploration and development company based in Melbourne, Australia. Nexus has been the sole owner, developer and operator of the Longtom gas project (VIC/L29) in the Gippsland Basin, offshore

Victoria. Nexus also holds an 85% operated interest in the Crux liquids project (AC/L9) in the Browse Basin offshore Western Australia. Nexus has portfolio of exploration acreage in proven oil and gas basins primarily in the Browse and Gippsland basins of Australia.



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