

NEXUS ENERGY LIMITED



**FOR QUARTER ENDED
June 2006**

HIGHLIGHTS

- Longtom Gas Resource upgraded to 438 Bscf
- Crux condensate resource upgraded to 71 million barrels
- Agreed sale of Crux dry gas to Shell – US\$40 million
- HOA for Crux liquids project farmin – US\$40 million
- Drilling commenced Longtom #3 well



29 July 2005
(ASX code: NXS)

“ACTIVITIES UPDATE”

Gippsland Basin Permits

VIC/P54 (Nexus 37.5%)

LONGTOM SOLE RISK APPRAISAL PROGRAMME (NEXUS 100%)

During the quarter, the internationally recognised consultants Gaffney Cline and Associates (GCA) increased their Best Estimate of Longtom Contingent Gas Resources by 38% to 438 Bscf. This increase was based upon their analysis of newly available 3D seismic data. GCA’s estimates of the Longtom contingent gas resources are as follows:

Longtom Field VIC/P54 Contingent Gas Resources

	Low Estimate (Bscf)	Best Estimate (Bscf)	High Estimate (Bscf)
April 2006	254	438	619
April 2005	193	316	435

The resource definitions utilised are those of the SPE/WPC/AAPG adopted in February 2000. The estimated volumes are based on professional judgment and are subject to revision as a result of future operations or as additional information become available.

The Longtom #3 well was spudded on 11th July 2006 utilising the Ocean Patriot drilling rig. The Longtom #3 appraisal well is part of a sole risk appraisal programme operated by Nexus. Nexus has a 100% interest in the Longtom Gas Project which also included front end engineering design studies. If the well is successful it will enable Nexus to take the substantial Longtom gas resource into development utilising the nearby Patricia Baleen gas infrastructure pursuant to an existing Gas Sales and Toll Processing Agreement with Santos.

VIC/P56 and VIC/P49 (Nexus 40%)

During the quarter a work programme variation for VIC/P49 was agreed whereby 1200 km of 2D seismic will now be acquired in the permit. Nexus was completing interpretation of previously acquired seismic data in Vic/P49 and post drilling analysis of wells drilled in the vicinity of the permits.

In Vic/P56, Nexus analysis of the permit post the drilling of Culverin #1 continued.

VIC/P39(v) (Nexus 37.5% post farmout)

During the quarter construction of the drilling location was completed and the rig was mobilised to the Galloway #1 location. The Galloway #1 exploration well was spudded on 28 July and is being drilled from an onshore surface location to the offshore bottom hole location via a deviated well. Galloway has estimated prospective oil resource volumes at the best estimate level of 28 million barrels of oil.

Bonaparte Basin Permits

NT/P66 (Nexus 100%)

A twelve month permit suspension and extension was granted to the company for this permit to allow it to complete its work programme due to the lack of an available drilling rig. The company has now commenced a farmout campaign for the permit.

Perth Basin Permit

WA-368-P (Nexus 50%)

Preparations were completed for a 300 square km 3D seismic survey that will commence in August 2006.

Browse Basin Permits

AC/P23 (Nexus 100%)

Front End Engineering and Design (Feed) of a gas condensate recycling project (Crux Liquids Project) continued with internationally recognized consulting firm Mustang Engineering.

During the quarter Nexus upgraded its assessment of the best estimate contingent resource of the Crux field to 71 million barrels of condensate and 2 TCF of gas. This assessment was made on revised mapping using recently acquired 3D seismic data. Nexus has engaged Gafney Cline & Associates to review the new information on Crux and provide an independent audit of the contingent resource estimates.

In June 2006 Nexus announced that it had accepted an offer from Shell Development Australia Pty Ltd (Shell) to purchase 100% of Nexus' rights in relation to the gas (excluding the condensate liquids) in the AC/P23 permit, with Nexus retaining a 100% interest and operatorship of the Crux Liquids Project and any other liquid hydrocarbons in the permit. Shell will pay Nexus \$US40 million upon final documentation and statutory approval of agreements

In July Nexus announced that it had signed a Heads of Agreement (HOA) with an international oil and gas company with substantial construction capability and operations experience. Under the terms of the HOA the farminee will pay the next US\$40 million of appraisal, feasibility and development expenditure on the Crux Liquids Project to earn a 34 % interest in the project. The HOA is subject to a number of conditions precedent being met by 7 October 2006.

Preparations continued for the drilling of the appraisal well Crux #2 later in 2006.

WA-377-P (Echuca Shoals-Nexus 100%)

During the quarter the company purchased a permit wide 3D seismic data and commenced interpretation of the data. Further seismic processing was commenced in preparation for final mapping for appraisal well location expected by the end of November 2006

Corporate

During the quarter the company successfully completed a \$35.4 million capital raising with the issue of 57.1 million ordinary shares at 62 cents per share.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Nexus Energy Ltd

ABN

64 058 818 278

Quarter ended ("current quarter")

June 2006

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation	(7,240)	(29,135)
(b) development		
(c) production		
(d) administration * (GST payments of \$5,877 included)	(8,167)	(10,790)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	401	747
1.5 Interest and other costs of finance paid	(315)	(315)
1.6 Income taxes paid		
1.7 Other – GST refunds	2,514	4,185
Net Operating Cash Flows	(12,807)	(35,308)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects		
(b)equity investments		
(c) other fixed assets	(37)	(169)
1.9 Proceeds from sale of: (a)prospects		
(b)equity investments		
(c)other fixed assets	1	1
1.10 Loans to other entities		
1.11 Loans repaid by other entities	30	30
1.12 Other (provide details if material)		
Net investing cash flows	(6)	(138)
1.13 Total operating and investing cash flows (carried forward)	(12,813)	(35,446)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(12,813)	(35,446)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	36,516	61,310
1.15	Proceeds from sale of forfeited shares		7,000
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other – borrowing transaction costs		(350)
	– equity transaction costs	(2,193)	(2,193)
	– Finance lease repayments	(5)	(5)
	Net financing cash flows	34,318	65,762
	Net increase (decrease) in cash held	21,505	30,316
1.20	Cash at beginning of quarter/year to date	20,846	11,891
1.21	Exchange rate adjustments to item 1.20	113	257
1.22	Cash at end of quarter	42,464	42,464

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	138
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

During January 2006 Nexus Group completed its acquisition of 100% of Crux (AC/P23 permit) following payment of \$10 million in cash and the issue of \$2 million of Nexus Energy Limited ordinary shares.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	7,000	7,000
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	30,000
4.2 Development	
Total	30,000

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	10,168	5,407
5.2 Deposits at call	32,296	15,439
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	42,464	20,846

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	360,705,459	360,705,459		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	57,104,097 440,000	57,104,097 440,000	62 cents 50 cents	
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	1,060,000 5,650,000 500,000 1,000,000 500,000 3,250,000 250,000	Options exercised at 30/6 and shares allotted 3/7	<i>Exercise price</i> 50 cents 55 cents 90 cents 100 cents 150 cents 75 cents 77 cents	<i>Expiry date</i> 30 June 2006 31 October 2006 31 December 2006 31 December 2006 31 December 2006 30 April 2007 30 April 2007
7.8 Issued during quarter				
7.9 Exercised during quarter	440,000		50 cents	30 June 2006
7.10 Expired during quarter				

+ See chapter 19 for defined terms.

7.11	Debentures <i>(totals only)</i>		
7.12	Unsecured notes <i>(totals only)</i>		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX](#) (see note 4).
- 2 This statement does /does not* *(delete one)* give a true and fair view of the matters disclosed.

Sign here: Date:30July 2006.....
(Director/Company secretary)

Print name:Edward Munks.....

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

Schedule of Exploratioon Permits

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Held by Consolidated Entity
At 30 June 2006

<u>Permit</u>	<u>Basin</u>	<u>Interest %</u>
VIC/P54	Gippsland	37.5
Longtom Sole Risk Programme (VIC/P54)	Gippsland	100
VIC/P56	Gippsland	40
VIC/P49	Gippsland	40
VIC/P39(v)	Gippsland	37.5
NT/P66	Bonaparte	100
WA-368-P	Perth	50
AC/P23 (Crux)	Browse	100
WA-377-P (Echuca Shoals)	Browse	100

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