



31 July 2007

The Manager, Companies  
Australian Stock Exchange

## QUARTERLY REPORT

JUNE 2007

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Please refer to the attached announcement.

Yours sincerely

**Susan Robutti**  
Company Secretary



## **Nexus Energy Limited**

### **Quarter Ended 30 June 2007**

#### **HIGHLIGHTS**

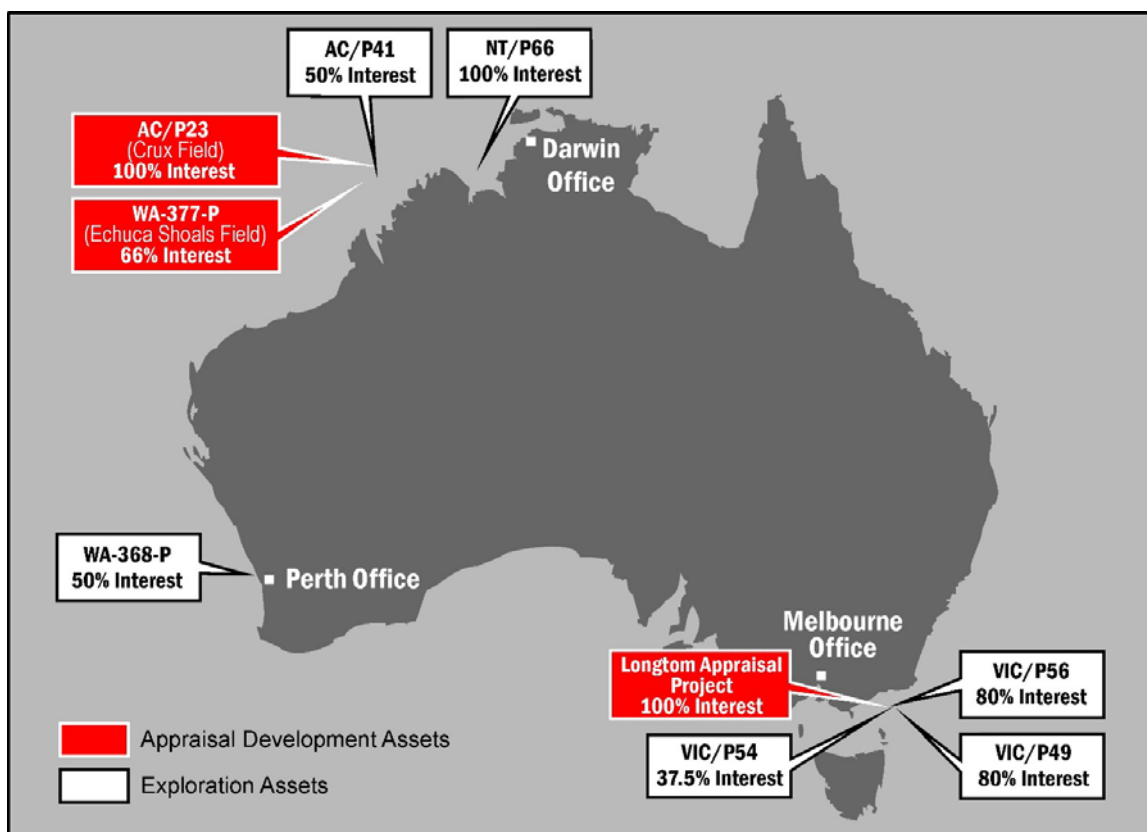
- Viking Shipping Limited placement of Tranche 1 and Tranche 2 completed in July 2007 raising A\$93 million. FPSO availability secured.
- Commercial status of the Longtom project declared with Project Finance of approximately A\$160 million secured.
- Contracted reserves of 350 Petajoules (PJ) of gas and 4 million barrels of condensate from Longtom field booked in April 2007.
- Completion of drilling operations for Crux-2 ST1 appraisal well in exploration permit AC/P23
- Best estimate contingent resource at Crux increased to 65 million barrels of condensate announced in May 2007
- Completion of Share Purchase Plan raising A\$19.2 million in May 2007
- Nexus and Shell finalise Echuca Shoals Farm-in prior to the commencement of drilling Fossetmaker-1 (exploration permit WA-377-P) in July 2007



## Activities Update

During the reporting period the company has concentrated its efforts on:

- Progressing the Longtom gas project having declared commerciality in April 2007;
- Completion of drilling operations for Crux-2 ST1 appraisal well in exploration permit AC/P23; and
- Finalising the transaction with Shell Development (Australia) Pty Ltd ("Shell") for the appraisal of the Echuca Shoals gas discovery.



*Nexus projects and exploration permits in Australia*

## **APPRAISAL AND DEVELOPMENT PROJECTS**

### **Longtom Gas Project (Nexus 100%) VIC/P54 Permit - Gippsland Basin, Victoria**

Work during the quarter focused on updating geological and reservoir simulation models based on the results of the Longtom-3 well. All major equipment and service contracts were secured for the development and the field development plan was optimised and resource volumes defined prior to the Financial Investment Decision ("FID"), which was made in April 2007.

An independent audit by international consulting firm Gaffney, Cline and Associates ("GCA") confirmed a best resource estimate of 435 petajoules of saleable gas and 5.2 million barrels of condensate in the Longtom gas/condensate field.

Commerciality of the Longtom project was declared in April 2007 and following the FID Nexus subsequently booked contracted reserves of 350 petajoules of gas and 4 million barrels of condensate.

### **Crux Liquids Project (Nexus 100%) AC/P23 Permit - Browse Basin, Northern Territory**

Front End Engineering and Design ("FEED") of a gas condensate recycling project (Crux liquids project) was completed in February 2007 by Houston based consulting firm Mustang Engineering.

The Crux-2 appraisal well was spudded on 30 December 2006. Crux-2 encountered a gross gas column of 70m with 26m of good quality sandstones in the Jurassic aged Plover formation. A sidetrack well, Crux-2 ST1, was initiated on 20 February 2007.

Crux-2 ST1 encountered a 158m gross gas column which had the same pressure characteristics as the gas columns seen in both the Crux-1 and Crux-2 wells, indicating that all three wells had intersected a single accumulation. The drilling operations on the Crux-2 ST1 well were completed in April 2007 following the successful suspension of the well as a future injector/producer for a Crux liquids project.

The Crux-2 ST1 confirmed a higher liquids content within the Crux field with samples recovered indicating a condensate gas ratio of 35 barrels per million standard cubic feet of reservoir gas. The field was re-mapped following the completion of Crux-2 ST1 and the potentially recoverable contingent resource re-estimated. The Nexus' most recent estimate of the range of contingent resources in the field is given in the table below. The reservoir simulation model will be updated over the next quarter and a third party commissioned to audit the updated resource estimate.

### **CRUX FIELD LIQUIDS VOLUME**

<b>Contingent Resource Confidence</b>	<b>Low</b>	<b>Best</b>	<b>High</b>
<b>Condensate (MMstb) @ 7 May 2007</b>	<b>45</b>	<b>65</b>	<b>85</b>

Nexus currently holds a 100% interest and is operator of the proposed Crux liquids project and any other liquid hydrocarbons in the AC/P23 permit.

The company expects to commit to the development of the Crux liquids project in early 2008. Nexus has announced an agreement with Viking Shipping Limited ("Viking") which included an exclusive arrangement for the supply of a Floating Storage Production and Offloading ("FPSO") facility for the Crux liquids project pursuant to a Floating Production Facility Option Agreement ("Option Agreement") between Nexus and Vanguard oil and Gas.

Under the Option Agreement, Vanguard Oil and Gas International ("Vanguard"), a subsidiary of Viking, will provide Nexus with a leased FPSO on pre-agreed terms based on a transparent calculation of lease rates for deployment on the Crux liquids project. Vanguard has previous Australian FPSO experience and with the financial support from its parent (Viking) is expected to assist Nexus in maximising the value from the highly prospective Crux liquids project. Vanguard is in the process of purchasing up to three vessels for FPSO deployment in a range of oil field development applications.

### **Echuca Shoals Gas Discovery (Nexus 66%) WA-377-P Permit - Browse Basin, Western Australia**

In July 2007, Nexus completed a farm-in agreement with Shell Development (Australia) Pty Ltd ("Shell") to jointly appraise the Echuca Shoals gas discovery.

Under the farm-in agreement, Shell is required to provide funding of up to US\$60 million in a combination of cash (US\$5 million) and contributions toward the drilling of two appraisal wells (US\$55 million) to earn a 34% interest in the entire permit.

In July 2007, Shell made a US\$5 million cash payment to Nexus Energy WA377P Pty Ltd. Following receipt of regulatory approvals for the farm-in agreement and the finalisation of the terms of a joint operating agreement, Shell will fund the first US\$30 million of Fossetmaker-1, the first appraisal well. Shell has the right to fund the first US\$25 million of a second well to retain a 34% interest in the entire Echuca Shoals permit.

Reprocessing of the Adele 3D seismic data over the permit area was completed in February 2007. Additional inversion processing of the Adele 3D seismic survey was completed in May 2007 and a drilling location for the Fossetmaker-1 has been finalised with the well scheduled in August 2007.

## **EXPLORATION ASSETS**

### **AC/P41 Permit (Nexus 50%) Browse Basin, Western Australia**

With operator Shell Development (Australia) Pty Ltd, Nexus accepted the award of the AC/P41 permit on 1 March 2007. The permit surrounds the AC/P23 permit which contains the Crux Gas Field. Acquisition of the 500km<sup>2</sup> Octantis 3D survey was completed in July 2007 and processing of the data is underway.

### **VIC/P49 Permit (Nexus 80%) Gippsland Basin, Victoria**

Acquisition of 1,700km of 2D seismic data was completed in July 2007 with the majority of the data designed to define two large leads, Tiger and Leopard, which have been identified on regional seismic lines in the deep water part of the basin. As part of the survey, seismic data was

also acquired over a possible extension of the Basker oil field into the VIC/P49 permit and other prospects on trend with the Basker.

**VIC/P56 (Nexus 80%)  
Gippsland Basin, Victoria**

Studies to review remaining prospectivity in the permit following the drilling of the Culverin and Scimitar prospects continued during the quarter.

**VIC/P39 (v) (Nexus 0%)  
Gippsland Basin, Victoria**

In April 2008, Nexus provided notice to VIC/P39(v) Joint Venture partners withdrawing from the permit.

**WA-368-P (Nexus 50%)  
Perth Basin, Western Australia**

Processing of the 300km<sup>2</sup> Catalina 3D seismic survey was completed in February 2007 and interpretation of the data has commenced.

Acquisition of environmental data around possible well locations was completed in June 2007. Work is underway to finalise a well location to drill the Yngling prospect. Community engagement planning is well advanced.

**NT/P66 (Nexus 100%)  
Bonaparte Basin, Northern Territory**

A rig contract with a drilling contractor has been signed to drill a well in the permit to complete its primary term work programme. The company is also progressing a farmout campaign for the permit. A suspension and extension of the year 2 permit term until 28 March 2008 has been granted.

**CORPORATE**

**Funding**

In May 2007, the company completed a share purchase plan that raised A\$19.2 million. A total of 24 million new shares were issued to eligible shareholders at A\$0.80 per share.

In July 2007, the company concluded a A\$93 million placement (in two tranches) to FPSO owner Viking Shipping Limited ("Viking"). A total of 68.7 million new shares were issued at A\$1.35 per share. The payment of the second tranche by Viking entitles their subsidiary, Vanguard Oil and Gas International ("Vanguard") to obtain an exclusive arrangement for the supply of a Floating Storage Production and Offloading (FPSO) facility for the Crux liquids project pursuant to a FPSO Option Agreement between Nexus and Vanguard.

In July 2007, Nexus finalised documentation of farm-in and joint venture agreements with Shell Development (Australia) Pty Ltd ("Shell") for appraisal of the Echuca Shoals gas condensate discovery. Nexus received a US\$5 million cash payment from Shell, prior to the scheduled drilling of the Fossetmaker-1 well which will be funded by Shell pursuant to the farm-in agreement for WA-377-P.

As at the end of June 2007 the company's cash balance was A\$41 million.

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# 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")

30 June 2007

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors		
1.2 Payments for		
(a) exploration and evaluation	(43,005)	(139,634)
(b) development	(9,177)	(9,177)
(c) production		
(d) administration	(970)	(7,378)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	732	2,685
1.5 Interest and other costs of finance paid	(159)	(852)
1.6 Income taxes paid		
1.7 Other – GST	(708)	1,370
<b>Net Operating Cash Flows</b>	<b>(53,287)</b>	<b>(152,986)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	(142)	(580)
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		
1.12 Other – Gas Rights	8	52,048
<b>Net investing cash flows</b>	<b>(133)</b>	<b>51,469</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(53,420)</b>	<b>(101,517)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(53,420)	(101,517)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	21,801	72,162
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	9,734	38,047
1.17	Repayment of borrowings	-	(7,000)
1.18	Dividends paid		
1.19	Other		
	– borrowing transaction costs		
	– equity transaction costs	(54)	(1,958)
	– Finance lease repayments	(2)	(13)
	<b>Net financing cash flows</b>	31,479	101,238
	<b>Net increase (decrease) in cash held</b>	(21,941)	(279)
1.20	Cash at beginning of quarter/year to date	62,758	42,464
1.21	Exchange rate adjustments to item 1.20	316	(1,052)
1.22	<b>Cash at end of quarter</b>	41,133	41,133

**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	126
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

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	50,000	44,527
3.2 Credit standby arrangements		

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	45,000
4.2 Development	18,000
<b>Total</b>	<b>63,000</b>

### 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	8,598	24,102
5.2 Deposits at call	32,535	38,656
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	41,133	62,758

### 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	VIC/P39(v)	Exploration Permit	37.5%	0%
6.2 Interests in mining tenements acquired or increased	VIC/P56	Exploration Permit	40%	80%

+ See chapter 19 for defined terms.



7.10	Expired during quarter				
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <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: 31 July 2007  
Company secretary

Print name: Susan Robutti

## 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.

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+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

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Schedule of Exploration Permits  
Held by Consolidated Entity  
At 30 June 2007

<b>Permit</b>	<b>Basin</b>	<b>Interest %</b>
VIC/P54	Gippsland	37.5
Longtom Sole Risk Programme (VIC/P54)	Gippsland	100
VIC/P56	Gippsland	80
VIC/P49	Gippsland	80
NT/P66	Bonaparte	100
WA-368-P	Perth	50
AC/P23 (Crux)	Browse	100
WA-377-P (Echuca Shoals)	Browse	66
AC/P41	Browse	50

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+ See chapter 19 for defined terms.