



## **NEXUS ENERGY LIMITED**

### **Activities**

#### *Exploration Permits*

#### **VIC / P54      Nexus interest 100%**

During the quarter Nexus gained access to approximately 350 km<sup>2</sup> of 3-D seismic data over the southern portion of the permit through a data trade agreement. The 3-D dataset was originally acquired by Esso Australian Resources Pty Ltd (Esso) and its partner BHP Billiton Petroleum (Bass Strait) Pty Ltd (BHPB) in 2002 as part of the extensive Northern Margin 3-D seismic survey in the Gippsland Basin.

Geotechnical work has continued to further enhance the prospectivity of the Longtom gas accumulation and it also has further defined two substantial prospects within the permit with reserves potential of 80 million barrels of oil at North Grayling and 104 million barrels at Grayling. Success at either lead at these reserve levels would result in a robust stand alone development.

The Company has renewed its gas marketing efforts and is confident of the viability of commercialising the Longtom gas discovery should the appraisal programme prove successful.

#### *Farmout*

Nexus has recommenced its farmout efforts for this permit following the acquisition and mapping of the 3-D data set. The Company expects to announce a farmout by the end of February 2004.

#### **VIC / P56      Nexus interest 100%**

Following the mapping of the 3-D data set in VIC / P54 the Company commenced the geotechnical re-evaluation of VIC/P56 in the first week of January. Nexus will be seeking farmin partners for this permit once the farmout of VIC / P54 has been concluded.

Geotechnical work to evaluate this permit continued during the quarter. The company also purchased approximately 500 km of speculative 2D seismic data over the entire permit.

Nexus intends to commence farmout discussions with several companies over the coming months.

Nexus will continue to focus on the Bonaparte and Gippsland basins as core areas of exploration portfolio development.

#### *New Acreage Gazettals*

During September Nexus submitted bids for two blocks V03-1 and V03-1(v) adjacent and to the west of its VIC/P54 permit in the Gippsland Basin and is currently awaiting the outcome of award of these permits.

#### *Production New Ventures*

The Company reviewed one production new venture during the quarter, but concentrated its activities on technical and commercial work to establish the potential viability of Longtom. The company will recommence production new ventures once a farmout for VIC/P54 has been completed.

#### *Corporate*

During the quarter the company raised \$1,599,147 by way of a placement of 17,195,130 ordinary fully paid shares. The placements were arranged through a range of leading financial institutions and sophisticated investors that also expanded the Company's shareholder base. The funds raised were used for Nexus' ongoing activities in relation to the planned farmout of exploration permit VIC/P54 and furthering exploration activities in relation to VIC/P56 and NT/P66.

These placement represents the final capital raising until the company completes either a major production acquisition or a farmout of its 100% owned permit VIC/P54 prior to the commencement of its planned Gippsland basin drilling programme. It is anticipated that the drilling programme will commence in the third quarter of 2004.

On the 13<sup>th</sup> November 2003 the Company announced that it will issue 6 million options at an exercise price of 14 cents each to eligible Nexus employees pursuant to the Employee Share Option Plan.

The exercise price of the options represented a 54% premium to the then Company's current share price of 9.1 cents.

The options can only be exercised upon the achievement of certain performance targets set by the Board against which the level of achievement will be assessed to determine the amount of options that can be exercised by the employees.

The number of options that can be exercised is based on a linear relationship starting at zero to a maximum of 6 million options.

If performance targets are not met, no incentive options can be exercised.

Performance targets for Nexus for the coming year are based upon the achievement of certain farmouts of the company's interests in its existing permits.

If the objectives are not met by the 30 September 2004 then the options will automatically expire.

It is anticipated that the options will be issued in early February 2004.

### *Information Technology Interests*

#### **Original IT Investments Pty Ltd**

**Nexus interest 33.33%**

Nexus and its co shareholders in Original IT Investments Pty Ltd (OIT) have made a submission to the commonwealth government to amend the OIT grant deed. The proposed amendments are for the Commonwealth to release the final \$400,000 of outstanding grant monies to OIT and for the OIT shareholders to be relieved of their obligation to contribute their remaining contributions. In addition funds held by OIT will be used in the commercialization of its existing incubatee startup enterprises as well as accepting a reduced number of new applicant start up enterprises.

The Commonwealth Government has agreed to the amendments and formal documentation is being prepared it is anticipated that the amendments and the release of \$400,000 of cash will be completed in mid February 2004.

It is the Companies ultimate aim to exit the business on the most favourable terms possible and concentrate on its oil and gas activities

Rule 5.3

## 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")

December 2003

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(348)	(547)
1.3 Dividends received	(302)	(549)
1.4 Interest and other items of a similar nature received	4	30
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other - GST refunds	449	93
<b>Net Operating Cash Flows</b>	<b>(597)</b>	<b>(973)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(1) (2)	(1) (4)
1.9 Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	<b>(3)</b>	<b>(5)</b>
1.13 Total operating and investing cash flows (carried forward)	(600)	(978)

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(600)	(978)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	1,599	1,789
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)	(74)	(74)
	<b>Net financing cash flows</b>	<b>1,525</b>	<b>1,715</b>
	<b>Net increase (decrease) in cash held</b>	<b>925</b>	<b>737</b>
1.20	Cash at beginning of quarter/year to date	228	416
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	<b>1,153</b>	<b>1,153</b>

**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	86
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

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**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

Nil
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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

Nil
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**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	Nil	Nil

+ See chapter 19 for defined terms.

3.2 Credit standby arrangements	Nil	Nil
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**Estimated cash outflows for next quarter**

		\$A'000
4.1	Exploration and evaluation	300
4.2	Development	Nil
<b>Total</b>		<b>300</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	18	18
5.2	Deposits at call	1,153	1,153
5.3	Bank overdraft		
5.4	Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>		<b>1,153</b>	<b>1,153</b>

**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 <b>Preference <sup>+</sup>securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b><sup>+</sup>Ordinary securities</b>	145,605,476	145,605,476		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs (c) Shares out of escrow	17,195,130	17,195,130		
7.5 <b><sup>+</sup>Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	27,667,479	27,667,479	<i>Exercise price</i>	<i>Expiry date</i>
	3,000,000		18 cents	31 July 2004
	2,000,000		20 cents	31 July 2004
	2,000,000		12.5 cents	30 June 2005
	2,000,000		25 cents	30 June 2005
	2,000,000		50 cents	30 June 2005
	3,000,000		20 cents	30 June 2005
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

## 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: .....30 January 2004  
(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.

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## Note1

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+ See chapter 19 for defined terms.

**Schedule of Exploration Permits**

**Held by the Consolidated Entity**

<u>Exploration Permits</u>	<u>Basin</u>	<u>Interest %</u>
VIC/P54	Gippsland	100
VIC/P56	Gippsland	100
NT/P66	Bonaparte	100