



NEXUS ENERGY LIMITED

Activities

Exploration Permits

VIC / P54 Nexus interest 37.5%

During the quarter Nexus finalised a farmout of a 62.5% interest in the permit to Apache Energy (Apache).

The principal terms of the farmout are:

- Apache will fund 94% of estimated costs to undertake a two (2) well drilling program (including a Longtom appraisal well and an exploration well) in the VIC / P54 permit. Nexus will fund the remaining 6% of drilling costs and any well testing upon success at its retained working interest.
- Apache will earn an interest of 62.5% in the permit, Nexus will retain a 37.5% interest.
- Nexus will assign operatorship of the permit to Apache at least three (3) months prior to drilling the wells.

The Ocean Patriot Semi Submersible drilling unit has been secured by the joint venture. Drilling operations are planned to commence during October 2004 with the two wells being drilled back to back.

The drilling program will target the Longtom gas appraisal opportunity (with mean reserves calculated by Nexus of 270 Bcf) and the Grayling prospect (with mean oil potential calculated by Nexus of 104 mmbbls). Both Longtom and Grayling are defined on 3-D seismic.

VIC / P56 Nexus interest 100%

75 km² of 3-d seismic data was acquired in the permit via a data trade with Esso / BHP Billiton in exchange for well data from one well in this permit. The data covers approximately half of the permit area.

Geotechnical work has continued to further enhance the prospectivity of this permit, with the interpretation of all available seismic data and regional data being completed. Reprocessing of the

available 2D seismic data in the permit has begun. Mapping has commenced utilizing newly acquired 3-D seismic and reprocessed 2-D seismic data.

Studies to date have reconfirmed the presence of 2 well defined prospects at Top Latrobe level, Haddock and Culverin and an Intra Latrobe lead.

Apache have an option to farm in to this permit when studies are completed in August 2004

NT/P66 Nexus Interest 100%

During the quarter Nexus commenced the acquisition of 7,500 km of airborne gravity gradiometry utilizing the BHP Billiton FALCON™ technology in the permit.

The results of the airborne gravity data will ensure that the future seismic acquisition is focused over the more prospective areas of the permit. Structures in this part of the Bonaparte basin are generally formed by the movement of deep seated salt. The presence of salt causes small perturbations in the earth's gravitational fields and gravity surveys have been used successfully in other parts of the world to delineate salt related structures.

VIC/P39(v) Nexus interest 100%

The Company was awarded this permit on April 20th 2004 with a commitment to acquire 250 km 2D seismic and drill one exploration in the Primary 3 year work program..

Geotechnical work to evaluate this permit commenced during the quarter.

Production New Ventures

The Company reviewed two production new ventures during the quarter and is further evaluating one of the opportunities.

Corporate

During the quarter the company announced that a placement was arranged to raise \$5.5 million by the issue of 33,300,000 ordinary fully paid shares at 16.5 cents per share. Of this amount 4.3 million shares were issued in June with 29 million shares being issued after approval of Nexus shareholders at a General Meeting held in the July 2004.

The placement was jointly managed and arranged of Grange Securities Limited and Euroz Securities Limited with the shares being placed to a range of sophisticated investors and financial institutions.

This placement represents an important evolution in the Company's capital base with the introduction of the new financial institutions to the share register

Information Technology Interests

Original IT Investments Pty Ltd (OIT)

Nexus interest 33.33%

The grant deed with the Commonwealth Government expired in June 2004.

During the quarter the Commonwealth announced an extension to the BITS Incubator program, with additional funding of \$36m to be allocated to successful applicants. OITI has made an application for this additional funding and has been shortlisted in the selection process to potentially receive further funding.

A successful application could see OITI obtain sufficient funds not only to successfully market the current startup enterprises that it currently has on its program, but also to admit some stand out enterprises with exceptionally good IT innovative ideas.

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")

June 2004

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 (b) development (c) production (d) administration	(190)	(914)
1.3 Dividends received	(414)	(1,222)
1.4 Interest and other items of a similar nature received	7	53
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other - GST refunds	53	189
Net Operating Cash Flows	(544)	(1,894)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(20)	(2) (112)
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)		
Net investing cash flows	(20)	(114)
1.13 Total operating and investing cash flows (carried forward)	(564)	(2,008)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(564)	(2,008)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	710	2,499
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)	(35)	(113)
	Net financing cash flows	675	2,386
	Net increase (decrease) in cash held	111	378
1.20	Cash at beginning of quarter/year to date	683	416
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	794	794

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	43
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

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

+ 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	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	200
4.2 Development	Nil
Total	200

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	17	18
5.2 Deposits at call	777	675
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	794	683

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/P54	Farmout of 62.5%	100% 37.5%
6.2	Interests in mining tenements acquired or increased	VIC/P39(v)	Awarded under government gazettal process	Nil 100%

+ 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	149,905,476	149,905,476		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs (c) Shares out of escrow	4,300,000	4,300,000		
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>	27,667,479	27,667,479	<i>Exercise price</i>	<i>Expiry date</i>
	3,000,000		18 cents	31 July 2004
	6,000,000		20 cents	31 July 2004
	2,000,000		14 cents	31 March 2005
	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 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <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 July 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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Note 1

+ See chapter 19 for defined terms.

Schedule of Exploration Permits

Held by the Consolidated Entity

At 30 June 2004

<u>Exploration Permits</u>	<u>Basin</u>	<u>Interest %</u>
VIC/P54	Gippsland	37.5
VIC/P56	Gippsland	100
VIC/P39(v)	Gippsland	100
NT/P66	Bonaparte	100

Note:

1. VIC/P54 was subject to a farmout to Apache Energy that has reduced the interest held by the consolidated entity to 37.5
2. In April 2004 the consolidated entity acquired a 100% interest in the offshore Gippsland Basin Permit VIC/ P39 (v)