



Wednesday, 3 January 2007

The Manager, Companies
Australian Stock Exchange

PROGRESS REPORT NO. 1

**CRUX-2 APPRAISAL WELL
IN EXPLORATION PERMIT AC/P23**

Please refer attached announcement.

Yours sincerely,

Susan Robutti
Company Secretary



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Nexus Energy Limited is pleased to report that the Crux-2 appraisal well was spudded on 30 December 2006 at 8.30 AM (CST).

At 6.00 AM (CST) this morning, the Crux-2 well had reached a depth of 515 m RT in 24 inch hole and the forward plan over the next few days is to drill ahead to a depth of 1,150 m RT to set 18 ^{3/8} inch casing before drilling ahead to the next casing point at 2,300 m RT.

Nexus intends to issue weekly drilling reports during the drilling phase of the Crux-2 well.

Participants

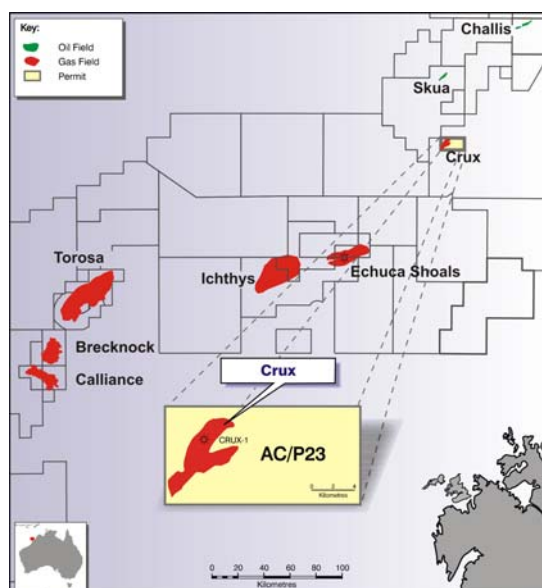
Nexus Energy WA Pty Ltd (100%)

Location

The Crux-2 well is located in AC/P23, in the offshore Browse Basin, Western Australia.

Longitude 124 deg 28' 4.25" E

Latitude 12 deg 56' 50.18" S

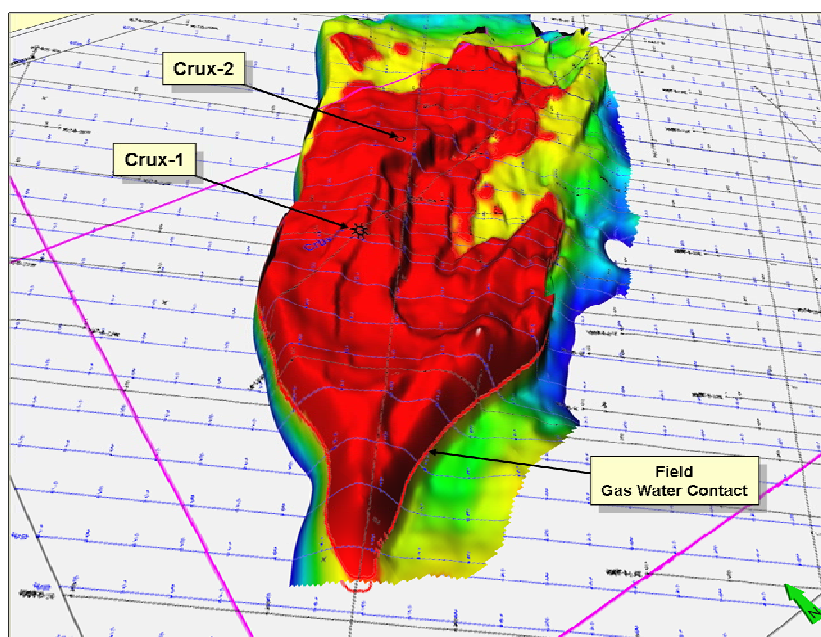


Location Map Crux Field – AC/P23

Crux-2 Well Details

Nexus has designed the well to appraise the Crux gas liquids resource to enable a development decision on its 100% owned Crux liquids project scheduled for mid 2007. If successful, the well will be the first of six development wells planned on the field to recover an expected 71 million barrels (Nexus best estimate contingent recoverable resources) of condensate (a high value premium light oil).

The Crux-2 well is to be located two kilometres northeast of the Crux-1 discovery well, which encountered a 244 metre gas column in high quality Triassic aged reservoirs. The well will be drilled to an estimated total depth of 4,145 m RT and is anticipated to intersect the top of the reservoir section at a depth of 3,675 m RT.



Location of Crux-2 Well - 3D Field Image

Background on the Crux Field

The field is 100 kilometres north east of the 100% Nexus owned permit WA-377-P which contains the Echuca Shoals gas discovery, adjacent to Inpex's Ichthys gas field; currently being considered for development as an LNG project.

A 3D seismic survey acquired by Nexus earlier this year indicates that the field contains a best estimate contingent recoverable condensate resource of 71 MMstb.

Early in 2006 Nexus sold the rights to the gas (excluding condensate) in the Crux field to Shell for US\$40 million.

Sale of condensate from the field has the potential to provide significant value to Nexus' shareholders and this opportunity has been vigorously pursued since the field was acquired.

The gas sales agreement provides for Nexus to be able to execute its condensate recycle project until 31 December 2020 at which time Shell will take ownership of the permit and will be able to extract the gas and any remaining condensate.

Nexus expects that it will be in a position to sanction the project by mid 2007 with first condensate being produced during the third quarter of 2009.

Nexus envisages a gas recycling scheme for the Crux liquids project with approximately 960 MMscf/d being produced through three production wells. Over 25,000 stb/d of condensate would be stripped from the gas, it is compressed and re-injected into the reservoir through three injection wells.

The wells are to be tied back to a floating production, storage and offloading facility (FPSO).

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