

NEXUS ENERGY LIMITED



**FOR QUARTER ENDED
December 2005**

HIGHLIGHTS

- Acquisition of Crux Gas Condensate Field – with most likely resource estimate of 48 MMbbls condensate and 1.3 Tcf of gas
- A\$ 7 million financing facility from BOS International for the Crux acquisition
- The execution of the Longtom gas sales and processing agreement with Santos – the value of sales over 10 years up to A\$ 1 billion



31 January 2005
(ASX code: NXS)

“ACTIVITIES UPDATE”

Gippsland Basin Permits

VIC/P54 (Nexus 37.5%)

During the quarter the Company signed the Longtom gas sales and processing agreement with Santos. This agreement will enable Nexus to process and sell up to 350 petajoules of gas from the Longtom field located in Bass Strait through Santos' existing Patricia Baleen facilities near Orbost in Victoria. This deal provides a secure framework for the commercialisation of Longtom and provides an optimal development solution by minimising the cost and risk of the development. It places Nexus in a favourable position to secure attractive terms for a farmout or finance to fund the Longtom #3 appraisal well.

The agreement is conditional on the successful completion of the Longtom #3 appraisal well and Nexus is confident that this will be achieved. Drilling of this well is scheduled to commence in June 2006.

The Fur Seal exploration well, operated by Apache, was drilled during the quarter. The well did not encounter any significant hydrocarbons and was plugged and abandoned.

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

During the quarter Nexus operated the drilling of the offshore Culverin / Scimitar well in the permit in which the company has a 40% holding. Regrettably, only a non commercial oil column was intersected, but this still provides an important data point for future exploration. The well, the first drilled by Nexus as an offshore Operator was drilled within budget. The majority of Nexus' share of drilling costs was funded via farmouts to other participants.

VIC/P39(v) (Nexus 75%)

Galloway #1 in the Vic/P39 (v) permit is the next planned exploration well. The Company is in the process of securing a second farminee who will fund well costs in exchange for participation in this attractive prospect. Nexus expects to retain an interest of approximately 40% in the well, with its share of drilling costs being funded by incoming partners. Nexus continued its well planning and pre drilling engineering on the Galloway prospect.

Galloway has a potential mean oil resource of 30 million barrels.. The well will be drilled from onshore in order to reduce drilling and development costs and time to first production if successful. The well is expected to be drilled in the second quarter of 2006.

Bonaparte Basin Permits

NT/P66 (Nexus 100%)

During the quarter, detailed interpretation and mapping of the area around the Ruck, Maul, Scrum and Lineout leads was completed.

Nexus will commence the farmout of several large gas prospects it has generated in its NT/P66 permit. The permit is adjacent to the Blacktip discovery where owners ENI recently announced a heads of agreement to sell gas to the Northern Territory's Power and Water Corporation.

Perth Basin Permits

WA 368P (Nexus 50%)

During the quarter the company commenced geological and geophysical studies of the permit.

The permit's potential for oil reserves was demonstrated by wells drilled by Ampolex in the early 1990s, confirming the presence of hydrocarbons and potentially productive reservoirs. Nexus is operator of the permit and holds a 50% equity in the permit with experienced Perth Basin explorers Arc Energy (30%) and Wandoo Petroleum (20%).

Browse Basin Permits

AC/P23 (Nexus 100%)

In January 2006 the company formally took title over AC/P23 permit and the Crux field. The permit is located in Australian waters of the Timor Sea and contains an estimated 48 million barrels of recoverable condensate liquids and can be developed as a conventional gas liquids recycle project. Independent resource estimates of Crux using the Nexus scheme for the development of the condensate alone have been valued at between A\$280 million and A\$640 million representing a further major opportunity in our growth plans

To assist with our assessment of the field and facilitate its development, Nexus has commenced the acquisition of a new 3D seismic survey over the Crux field. This high resolution seismic data will facilitate the refinement of the Crux field's development plan, fast track a development decision and confirm potentially value adding exploration opportunities.

The Crux-2 well is expected to be drilled in the third quarter of 2006 with the aim of reaching a Final Investment Decision to proceed with the development of the project by the end of 2006.

The Crux field was financed via a A\$ 7 million facility from BOS International.

CORPORATE

During the quarter the company successfully raised \$5,713,884 pursuant to the company's Share Purchase Plan. A total of 10,581,266 ordinary fully paid shares were issued at a price of 54 cents per shares.

**For further information, please contact:
Ian Tchacos on (03) 9660 2500
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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(5,130)	(9,407)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	7,133	7,458
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	7,000	7,000
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	14,133	14,458
	Net increase (decrease) in cash held	9,003	5,051
1.20	Cash at beginning of quarter/year to date	7,939	11,891
1.21	Exchange rate adjustments to item 1.20	291	291
1.22	Cash at end of quarter	17,233	17,233

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 SA'000
1.23	Aggregate amount of payments to the parties included in item 1.2	80
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 Executive Directors' Fees paid in 1.23

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	4,000
4.2 Development	Nil
Total	

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	5,840	1,239
5.2 Deposits at call	11,393	6,700
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	17,233	7,939

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	262,678,839	262,678,839		
7.4 Changes during quarter (a) Increases through issues 3,000,000 3,250,000 750,000 (b) Decreases through returns of capital, buy-backs (c) Shares out of escrow	10,581,266 3,000,000 3,250,000 750,000	10,581,266 3,000,000 3,250,000 750,000	54 cents 33 cents 30 cents 35 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>	1,500,000 5,650,000 500,000 1,000,000 500,000		<i>Exercise price</i> 50 cents 55 cents 90 cents 100 cents 150 cents	<i>Expiry date</i> 30 June 2006 31 October 2006 31 December 2006 31 December 2006 31 December 2006
7.8 Issued during quarter	2,000,000 500,000 1,000,000 500,000		55 cents 90 cents 100 cents 150 cents	31 December 2005 31 December 2006 31 December 2006 31 December 2006
7.9 Exercised during quarter	3,250,000 2,000,000 750,000		30 cents 33 cents 35 cents	31 December 2005 31 December 2005 31 December 2005
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:31st January 2006
(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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+ See chapter 19 for defined terms.

Note 1

Schedule of Exploration Permits

Held by the Consolidated Entity

At 31 December 2005

<u>Exploration Permits</u>	<u>Basin</u>	<u>Interest %</u>	<u>Note</u>
VIC/P54	Gippsland	37.5	1
VIC/P56	Gippsland	40	
VIC/P39(v)	Gippsland	75	
VIC/P49	Gippsland	40	
NT/P66	Bonaparte	100	
WA 368 P	Vlaming sub basin	50	
AC/P23	Browse	100	

Note 1: The company is the operator and has a beneficial 100% interest in the Longtom Sole Risk Appraisal Programme.