

NEXUS ENERGY LIMITED



**FOR QUARTER ENDED
September 2005**

HIGHLIGHTS

- Acquisition of Crux Gas Condensate Field and Plans for its Appraisal and Development
- Farmout of permits VIC/P39(v), VIC/P56 and VIC/P49
- Planning underway for 5 well drilling program in next 9 months



31 October 2005
(ASX code: NXS)

“ACTIVITIES UPDATE”

Status of Gippsland Basin Permits

VIC/P54 (Nexus 37.5%)

During the quarter Nexus continued detailed well planning and pre drilling engineering work on the Longtom appraisal project which includes engineering studies for possible sub-sea pipeline routes and field development engineering studies. The Longtom #3 appraisal well is expected to be drilled in the first quarter of 2006.

Gas marketing efforts continued with the view to securing a gas sales agreement with a gas offtaker prior to the drilling of the Longtom #3 well.

The Fur Seal exploration well, operated by Apache commenced drilling in October.

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

During the quarter Nexus farmed out of a 50% interest in the permits VIC/P56 and VIC/P49 to Korea National Offshore Corporation (KNOC) and Seoul City Gas (SCG). KNOC and SCG will together fund the majority of the drilling costs to a maximum of \$15 million in the two permits commencing with the Culverin/Scimitar well.

An additional 10% interest in the permits was farmed out to Anzon Australia. This farmout is conditional upon Anzon raising funds pursuant to its Share Purchase Plan.

Nexus continued its detailed well planning and pre drilling engineering work for the Culverin/Scimitar exploration well which is expected to be drilled in November 2005.

Two prospects, Culverin targeting “Top Latrobe reservoirs” and Scimitar targeting “Intra Latrobe and Golden Beach reservoirs”, overlie each other and can be tested by a single well. Culverin and Scimitar straddle the permit boundary between VIC/P56 and VIC/P49 and have the potential to contain mean oil reserves of 100 million barrels and 64 million barrels respectively.

VIC/P39(v) (Nexus 75%)

During the quarter Nexus farmed out of a 25% interest in the permit to Tap Oil. Tap will earn its interest in the permit by funding a share of the drilling costs of the proposed Galloway well. Farmout negotiations are ongoing with other parties with a view to Nexus securing full funding for the well by way of farmout and retaining an interest of approximately 40 – 50%.

Nexus continued its well planning and pre drilling engineering on the Galloway prospect. Galloway has

mean oil reserves of 30 million barrels. Environmental studies and location permitting are continuing for the forthcoming drilling campaign. The well will be drilled from onshore in order to reduce drilling costs as well as development costs and time to first production if successful.

The Galloway well is expected to be drilled in the first quarter of 2006.

Status of Bonaparte Basin Permits

NT/P66 (Nexus 100%)

During the quarter detailed AVO processing and interpretation over the key leads in the permit was completed this has indicated the presence of an anomaly within the Fossil Head Fm along the northeastern side of the Scrum northwest southeast trending nose. Further seismic processing and interpretation is underway over this lead. Detailed interpretation and mapping of the area around the Ruck, Maul, Scrum and Lineout leads was also completed.

Status of Perth Basin Permits

WA 368P (Nexus 50%)

During the quarter the company was awarded the new 1875 sq km permit WA 368P over the area gazetted as W04-17 in the Vlaming Sub basin, offshore Western Australia.

The permit has been granted for a six year period and Nexus will have a 50% working interest, by prior agreement Nexus had assigned an interest of 30% to Voyager Energy (Arc Energy) and 20% to Wandoo Petroleum, an affiliate of Mitsui.

WA368P is a large permit with an existing non commercial oil discovery at Gage Roads. The presence of an oil accumulation in the permit confirms the presence of an active oil generating petroleum system in the area. Nexus and its Joint Venture partners have identified a large untested structure close to the Gage Roads oil discovery which is considered highly prospective. This structure has been mapped at the base of the South Perth Shale and has the potential to contain in excess of 200 million barrels of oil.

The acquiring of this permit represents an ongoing strategy for Nexus of securing high quality exploration opportunities in prospective area proximal to developing infrastructure and markets

New Ventures

Crux gas condensate field AC/P23 (Nexus 100%)

During the quarter the company executed an agreement to acquire a 100% interest in the Crux gas condensate field in the permit AC/P23. The Crux field contains an estimated 48 million barrels of recoverable condensate liquids (based on most likely resource estimates) and can be developed as a conventional gas liquids recycle project. The field also contains 1.3 Tcf of contingent gas resources (200 million barrels of oil equivalent) which the Company also intends to produce either concurrently or at a subsequent date.

Subject to finance the asset will be purchased from Mogal Marine Pty Ltd for A\$10 million in cash and the issue of A\$2 million in Nexus shares. The closing date for the transaction is 20 December 2005.

Crux field is located in the Australian waters of the Timor Sea approximately 600 km north of Broome. The field was discovered in 2001 and has a massive 240 metre gross condensate rich gas column in high quality sandstone reservoirs. It lies in 190 metres of water which is regarded as a moderate working depth.

The Crux field is currently defined by the Crux-1 discovery well and 3-D seismic. A new 3-D seismic survey is expected to commence in December 2005 that will better define the existing reserves potential and nearby exploration potential. The program is expected to cost ~US\$3 million. An additional appraisal well program is planned prior to progressing with the field's development. The Crux-2 appraisal well will be drilled as soon as practicable and will better define the gas composition and reservoir continuity over the field. The well is likely to be completed as a production well. Nexus has identified a rig available to drill the well in March 2006. Nexus has commenced farmout discussions with a view to a farminee funding the appraisal program in exchange for an interest in the project.

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