

# NEXUS ENERGY LIMITED



**FOR QUARTER ENDED  
June 2006**

## HIGHLIGHTS

- Longtom Gas Resource upgraded to 438 Bsc
- Crux condensate resource upgraded to 71 million barrels
- Sale of Crux dry gas to Shell – US\$40 million
- HOA signed fro Crux liquids – US\$40 million
- Drilling commenced Longtom #3 well



**29 July 2005**  
(ASX code: NXS)

## **“ACTIVITIES UPDATE”**

### **Gippsland Basin Permits**

***VIC/P54 (Nexus 37.5%)***

***LONGTOM SOLE RISK APPRAISAL PROGRAMME (NEXUS 100%)***

During the quarter, the internationally recognized consultants Gaffney Cline and Associates (GCA) increased their Best Estimate of Longtom Contingent Gas Resources by 38% to 438 Bscf. This increase was based upon the analysis of newly available 3 D seismic data. GCA’s estimates of the Longtom contingent gas resources are as follows:

#### **Longtom Field VIC/P54 Contingent Gas Resources**

	<b>Low Estimate (Bscf)</b>	<b>Best Estimate (Bscf)</b>	<b>High Estimate (Bscf)</b>
<b>April 2006</b>	<b>254</b>	<b>438</b>	<b>619</b>
April 2005	193	316	435

The resource definitions utilized are those of the SPE/WPC/AAPG adopted in February 2000. The estimated volumes are based on professional judgment and are subject to revision as a result of future operations or as additional information becomes available.

The Longtom #3 well was spudded on 11<sup>th</sup> July 2006 utilising the Ocean Patriot drilling rig. The Longtom #3 well appraisal well is part of a sole risk appraisal programme operated by Nexus. Nexus has a 100% interest in the Longtom Gas Project which also included front end engineering design studies. If the well is successful it will enable Nexus to take the large Longtom gas resource into development pursuant to a Gas Sales Agreement with Santos.

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

During the quarter a work programme variation for VIC/P49 was obtained whereby 250 km to 12 km of 2D. Nexus was completing post drilling analysis of the permit continued.

***VIC/P39(v) (Nexus 100%)***

During the quarter construction of the pad was completed and the rig was mobilized to the Galloway #1 location. The Galloway #1 exploration well was spudded on 28 July and will be drilled from an onshore location by deviating the well into the offshore location. Galloway has estimated Prospective Oil Resource volumes at the Best Estimate level as 28 million barrels of oil.

## **Bonaparte Basin Permits**

### ***NT/P66 (Nexus 100%)***

A twelve month permit suspension and extension was granted to the company for this permit to allow it to complete its work programme due to the lack of an available drilling rig. The company has also commenced a farmout campaign for the permit.

## **Perth Basin Permit**

### ***WA-368-P (Nexus 100%)***

Preparations were completed for a 300 square km 3 D seismic survey that will commence in August 2006.

## **Browse Basin Permits**

### ***AC/P23 (Nexus 100%)***

Front End Engineering and Design (Feed) of a gas recycling project continued with internationally recognized consulting firm Mustang Engineering.

During the quarter Nexus upgraded its best estimates assessment of the contingent resource of the Crux field to 71 million barrels of condensate and 2 TCF of gas. This assessment was made on revised mapping using the new recently acquired 3D seismic data. Nexus has engaged Gafney Cline & Associates to review the new information on Crux and provide an independent audit of the contingent resource estimates.

In June 2006 Nexus announce that it had accepted an offer from Shell Development Australia Pty Ltd (Shell) to purchase 100% of Nexus' rights in relation to the gas (excluding the condensate) in the AC/P23 permit, with Nexus retaining a 100% interest and operatorship of the gas condensate recycle project and any other liquid hydrocarbons in the permit. Shell will pay Nexus \$US40 million

In July Nexus announced that it had signed a Heads of Agreement (HOA) with an international company oil and gas company with substantial construction capability and operations experience. Under the terms of the HOIA the farminee will pay the next US\$40 million of appraisal, feasibility and development expenditure on the Crux Liquids project to earn a 34 % interest in the project. The HOA is subject to a number of conditions precedent being met by 7 October 2006.

Preparations continued for the drilling of the appraisal well Crux#2 later in 2006.

### ***WA-377-P (Echuca Shoals)***

During the quarter the company acquired a permit wide 3D seismic data that is currently being interpreted.

## **Corporate**

During the quarter the company successfully completed a \$35.4 million capital raising with the issue of 57.1 million ordinary shares at 62 cents per share.