

# NEXUS ENERGY LIMITED



**FOR QUARTER ENDED  
March 2006**

## HIGHLIGHTS

- Acquisition of Echuca Shoals gas condensate discovery located in the Browse Basin of Western Australia
- Acquisition of a 280km<sup>2</sup> 3D seismic survey over the Crux gas condensate field
- Purchase of 753 km<sup>2</sup> of 3D data over the Echuca Shoals discovery
- Rejection of unsolicited hostile inadequate takeover offer from Anzon Australia Limited
- Farmout of 37.5% of Vic/P39(v) and rig slot secured for drilling Galloway-1 well in Quarter three 2006



**28 April 2006**  
(ASX code: NXS)

## **“ACTIVITIES UPDATE”**

### **Browse Basin Permits**

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

In January 2006 the company formally took title over the AC/P23 permit and the Crux gas condensate field. The permit is located in the Timor Sea in northern Australia and contains an estimated 48 million barrels of recoverable condensate liquids based on most likely contingent independent resource estimates, that can be developed as a conventional gas liquids recycle project

During the quarter, Nexus completed the acquisition of the 280 km<sup>2</sup> Crucis 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 delineate potentially value adding exploration opportunities. Processing is currently in progress and the initial interpretation of this new data set is expected to be completed in the third quarter of 2006

Nexus also commenced Front End Engineering and Design (FEED) of a gas recycling project and has commissioned internationally recognised consulting firm Mustang Engineering to execute the FEED work.

The Crux-2 well is expected to be drilled in the fourth quarter of 2006 with the aim of reaching a Final Investment Decision to proceed with the development of the project by the first quarter of 2007.

#### ***WA 377P (Nexus 100%)***

In March 2006 Nexus was awarded this new permit that includes the Echuca Shoals gas condensate discovery. The permit is located in the Browse Basin offshore North West Australia. This area is emerging as a major gas province with several large condensate rich gas accumulations lying in close proximity to the permit area.

WA 377P contains the Echuca Shoals 1 gas condensate discovery drilled in 1983. Nexus has interpreted the existing 2 D seismic data over Echuca Shoals. During the quarter the company licensed an existing 753 km<sup>2</sup> 3D data set with the initial interpretation expected to be completed during the next two months.

Ongoing geotechnical evaluation of the permit is being accelerated with a view to drilling an appraisal well in the first quarter of 2007. FEED studies for a potential gas liquids recycle project similar to Crux will commence during the 2<sup>nd</sup> half of 2006.

### **Gippsland Basin Permits**

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

During the quarter the joint venture notified the designated authority that it would continue into year 4 of the permit, with a commitment for geophysical and geological studies.

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

During the quarter the company continued with its drilling preparations for the Longtom #3 well, which is expected to spud in mid June 2006.

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

During the quarter additional geotechnical work incorporating the recent results of the Culverin Scimitar #1 well continued over both permits.

During the quarter the VIC/P49 joint venture has applied for a year 5 work programme variation to include a 1200km 2D seismic survey over two large leads, Tiger and Leopard which have been identified in the deeper water to the south of the permit.

### ***VIC/P39(v) (Nexus 37.5%)***

During the quarter the company negotiated a farmout of a 37.5% interest in this permit to Santos Offshore Pty Ltd "Santos" Santos will earn a 37.5% interest in the permit by funding a portion of the Galloway #1 exploration well and will assume the role of operator. Nexus' share of planned drilling costs will be totally funded by the permits incoming farmin partners. Nexus continued its well planning and pre drilling engineering on the Galloway prospect.

The Galloway prospect has a potential mean oil resource of 28 million barrels. The well will be drilled from onshore in order to reduce drilling and development costs and time to first production, if the well is successful. The well is expected to be drilled in the second quarter of 2006.

## **Bonaparte Basin Permits**

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

Nexus has commenced a farmout effort 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.

Nexus is also seeking a suspension and extension of the permit due to the lack of suitable drilling rig availability

## **Perth Basin Permits**

### ***WA 368P (Nexus 50%)***

During the quarter the company commenced geological and geophysical evaluation of the permit with a view to drilling a prospect next year.

Environmental approval was received from the authorities for a proposed 3D seismic survey, tendering for the survey commenced during the quarter

## **CORPORATE**

On 17 March 2006 the Nexus successfully raised \$17.3 million at 47 cents per share pursuant via a share placement to sophisticated and institutional investors.

On the same date Nexus also announced that a second tranche of 57.1 shares would be issued at 47 cents each subject to shareholder approval.

Subsequent to the reporting quarter on 19 April 2006 Nexus announced a repricing of the second tranche of 57.1 million shares to 62 cents per share as well as the offer and issue to shareholders other than recipients of the proposed share placement of up to 8000 shares at an issue price of 62 cents each. Both of these issues are subject to shareholder approval at a shareholders' meeting on 19 May 2006.

On 20 March 2006 an unsolicited hostile takeover bid was made for the company. The directors subsequently rejected the offer as inadequate. A formal Target's Statement is expected to be despatched to shareholders in early May with your directors recommending a formal rejection of this highly conditional, hostile and inadequate offer.

**For further information, please contact:  
Ian Tchacos on (03) 9660 2500  
Email: [itchacos@nxs.com.au](mailto:itchacos@nxs.com.au)**

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")

March 2006

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration, evaluation and materials (b) development (c) production (d) administration	(14,156)	(21,895)
1.3 Dividends received	(1,064)	(2,623)
1.4 Interest and other items of a similar nature received	98	346
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other - GST refunds	945	1,671
<b>Net Operating Cash Flows</b>	<b>(14,177)</b>	<b>(22,501)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(10)	(132)
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)		
<b>Net investing cash flows</b>	<b>(10)</b>	<b>(132)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(14,187)</b>	<b>(22,633)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(14,187)	(22,633)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	17,412	24,794
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		7,000
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other – borrowing transaction cost		(350)
	<b>Net financing cash flows</b>	<b>17,412</b>	<b>31,444</b>
<b>Net increase (decrease) in cash held</b>			
		<b>3,225</b>	<b>8,811</b>
1.20	Cash at beginning of quarter/year to date	17,503	11,891
1.21	Exchange rate adjustments to item 1.20	118	144
1.22	<b>Cash at end of quarter</b>	<b>20,846</b>	<b>20,846</b>

**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	90
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

YTD Balances adjusted to correctly reflect Joint Venture cash adjustments taken up

**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

During January 2006 Nexus Group completed its acquisition of 100% of Crux (AC/P23 permit) following payment of \$10 million of funds previously held in escrow and the issue of \$ 2million Nexus Energy Limited ordinary shares.

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	\$ 7,000	\$ 7,000
3.2 Credit standby arrangements	Nil	Nil

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	\$ 10,000
4.2 Development	Nil
<b>Total</b>	

### 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	5,407	5,840
5.2 Deposits at call	15,439	11,393
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>20,846</b>	<b>17,233</b>

### 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 <b>Preference <sup>+</sup>securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	303,161,362	303,161,362		
7.4 Changes during quarter (a) Increases through issues  (b) Decreases through returns of capital, buy-backs (c) Shares out of escrow	871,688 2,714,932 36,895,903	871,688 2,714,932 36,895,903	57.36 cents 55.25 cents 47 cents	
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
	1,500,000		50 cents	30 June 2006
	5,650,000		55 cents	31 October 2006
	500,000		90 cents	31 December 2006
	1,000,000		100 cents	31 December 2006
	500,000		150 cents	31 December 2006
	2,250,000		75 cents	30 April 2007
	250,000		77 cents	30 April 2007
	1,000,000		75 cents	30 April 2007
7.8 Issued during quarter	2,250,000 250,000 1,000,000		75 cents 77 cents 75 cents	30 April 2007 30 April 2007 30 April 2007
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <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 give a true and fair view of the matters disclosed.

Sign here: ..... Date: .....28 April 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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### Note 1

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+ See chapter 19 for defined terms.

**Schedule of Exploration Permits**

**Held by the Consolidated Entity**

**At 31 March 2006**

<b>Permit</b>	<b>Basin</b>	<b>Interest %</b>
VIC/P54	Gippsland	37.5
Longtom Sole Risk Programme (VIC/P54)	Gippsland	100
VIC/P56	Gippsland	40
VIC/P49	Gippsland	40
VIC/P39(v)	Gippsland	37.5
NT/P66	Bonaparte	100
WA-368-P	Perth	50
AC/P23 (Crux)	Browse	100
WA-377-P (Echuca Shoals)	Browse	100