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The Manager, Companies
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PROGRESS REPORT NO. 16

**COMPLETION OF DRILLING OPERATIONS
CRUX-2 ST1 APPRAISAL WELL
IN EXPLORATION PERMIT AC/P23**

Please refer to the attached announcement.

Yours sincerely,

Susan Robutti
Company Secretary



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Progress Update

Nexus Energy Limited ("Nexus") advises that at 12.15 PM (ACST) drilling operations on the Crux-2 ST1 were completed following the successful suspension of the Crux-2 ST1 well as a future injection/production well for the Crux gas condensate field. The Songa Venus drilling rig has moved off location.

As previously indicated, the information gained from the Crux-2 well and the Crux-2 ST1 well will now be integrated into the field geological model which will enable Nexus to provide an updated estimated recoverable field volume in the near future.

Participants

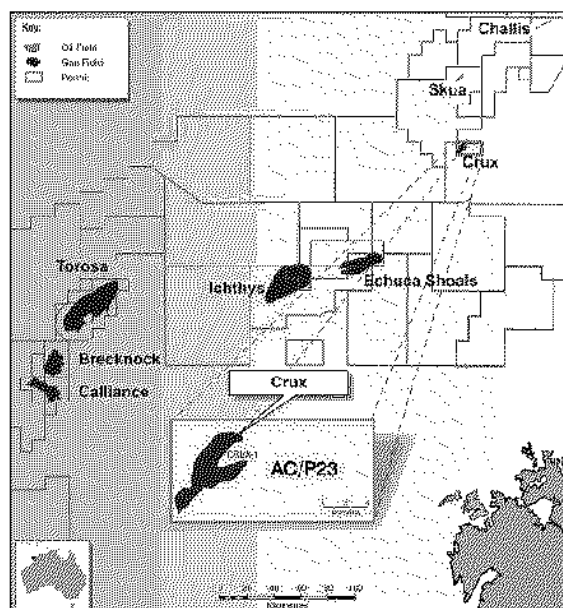
Nexus Energy WA Pty Ltd (100%)

Location

The Crux-2 ST1 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

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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 a LNG project.

A 3D seismic survey acquired by Nexus earlier in 2006. A FEED study commenced in April 2006.

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

The gas sales agreement enables Nexus to undertake 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 commenced appraisal of the field with the drilling of Crux-2 well which confirmed a gross gas column of 70 m with a net 26 m of good quality sandstones in Jurassic aged Plover formation. The well did not intersect the required minimum thickness of reservoir sands necessary to support the proposed liquids project gas injection rate and a decision was made to sidetrack the well.

The Crux-2 ST1 sidetrack location encountered gas sands the same as the reservoir sands encountered at the Crux-1 well. By sidetracking the Crux-2 well to a more optimal location the company plans to utilise the cased large-bore well as the first of up to six wells required for the potential recycle project.

Nexus recently announced a revised best estimate contingent resource for the field within the AC/P23 permit of 55 million barrels based on remapping of the field by Nexus post Crux-2 but before the Crux-2 ST1 results. A further revision of contingent resources which will incorporate the results of Crux-2 ST1 will be announced in the near future.

Nexus has completed a basis for design for a gas recycling facility for the Crux liquids project with approximately 900MMscf/d of gas being produced through three production wells. Based on the increased liquids content over 31,500 stb/d of condensate could be stripped from the gas before re-injection into the reservoir through three injection wells. A 600MMscf/d scheme is also being considered which would yield 21,000 stb/d of condensate.

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