



September 2011 Quarterly Report & Appendix 5B

Nexus Energy Limited ('Nexus') provides the September 2011 quarterly report and Appendix 5B and is pleased to report on the progress of the Crux, Longtom and Echuca Shoal assets as follows:

Crux

Nexus has significantly progressed the commercialisation of the Crux liquids projects towards the final investment decision ('FID'), targeted for the end of this calendar year.

During the quarter, Nexus commenced detailed term sheet negotiations for funding with financiers for up to US\$1 billion in senior debt funding. Once the headline terms are agreed, they will remain subject to lender legal, commercial and technical due diligence prior to FID.

Substantial work on refining the FPSO details has been achieved with focus on cost and schedule. A third party has been engaged to benchmark the costs and schedules against the industry norms recently achieved in Western Australia.

Nexus continues to progress our Crux farm down negotiations in line with our FID target date.

Longtom

During the September quarter, Nexus sold 6.2 PJ of gas and 57.95 Kbbbl of condensate, booking total revenues of \$29 million. Production during the quarter was in line with gas nominations from Santos.

The first phase of offshore works to maintain the offshore production system was completed in September. The works were completed on time and within budget with minimal disruption to production. The second phase of maintenance works is planned during the December 2011 quarter, depending on vessel availability. Engineering work and procurement of items has been carried out in preparation of these works.

Nexus is continuing to progress with the planned drilling of Longtom South with continued focus on well design and rig availability. Subject to rig availability, Longtom South is expected to spud in mid 2012.

Echuca Shoals

In July 2011 the Department of Mines and Petroleum approved the application for the variation of the Year 6 work program that ends in March 2012. The Year 6 program now requires that seismic reprocessing be completed instead of a one well commitment.

In lieu of the variation to the work program and the absence of the well commitment, the Company will consider the results of the seismic reprocessing (currently underway) and continue with the farmout process.

Production Assets

Longtom Gas Project (Nexus 100%) VIC/L29 Licence - Gippsland Basin, Victoria

			2011 Financial year	2012 Financial year
			<i>Full year 30-Jun-2011</i>	<i>Quarter 30-Sep-2011</i>
Gas	Production	PJ	14.74	6.40
	Sales	PJ	14.37	6.20
Condensate	Production	Kbbl	136.38	58.76
	Sales	Kbbl	135.84	57.95
Total	Revenue	A\$ million	66.60	29.30

Nexus continued to supply gas in accordance with the Longtom Gas Sales Agreement with production during the quarter of 6.40 PJ of gas and 58.76 Kbbls of condensate.

Phase one of the offshore works to maintain the offshore production system was successfully completed in September. Phase one works included a full survey of the pipeline and subsea facility which verified the facility is in good condition.

Phase two of these works is planned to occur in the December 2011 quarter, depending on vessel availability. These works are aimed at changing out the subsea pressure transmitters. Engineering work and procurement of materials has been carried out in preparation of these works.

Development Projects

Crux Liquids Project (Nexus 85%) AC/L9 – Browse Basin, Western Australia

Activities focussed on the objective of achieving FID on the Crux liquids project. Major technical/commercial activities included:

- Nexus project management team (PMT) strengthened
- Engineering Procurement Construction and Installation (EPCI) contract terms nearing completion
- Seismic inversion completed – well locations being confirmed
- Letter Of Intent (LOI) for subsea flow lines and risers issued
- Completed schedule acceleration studies
- Commenced safety and risk studies
- Progressing engineering and procurement
- NOPSA has accepted Nexus as registered operator

In addition, the financing discussions have reached a sufficiently mature stage such that Lenders legal counsel has been appointed to review the proposed terms and financing structure. In addition, Lenders will shortly be appointing Independent Technical Engineers (ITE) to review the technical feasibility of the project as a pre-cursor to finalising the terms of the debt financing. Other third party due diligence providers will be appointed in due course as debt funders move to complete their due diligence process.

The funding, commercial and technical processes are moving ahead in parallel and are aligned with the FID timeline.

Appraisal and Exploration Assets

Exploration activity during the quarter saw an emphasis on seismic data enhancement projects. Seismic inversion processing was completed within the AC/L9 Crux production licence, with 3D seismic reprocessing initiated in exploration permit WA-377-P (Echuca Shoals). Planning for drilling the Longtom South prospect within VIC/L29 in 2012 continued.

Longtom

VIC/L29 Licence (Nexus 100%)

Gippsland Basin, Victoria

Planning for the drilling of the Longtom South prospect, located some 3.5 kilometres south of the field infrastructure, continued to focus on well design and rig availability. Subject to rig availability, Longtom South is expected to spud in mid 2012.

VIC/P54 Permit (Nexus 100%)

Gippsland Basin, Victoria

Seismic interpretation and mapping continued to focus on the maturing of the Longtom West exploration prospect. The prospect is structurally complex with trap integrity the main geological risk. The need for enhanced seismic imaging has been recognised with seismic reprocessing options being addressed.

Crux

AC/L9 Licence (Nexus 85%)

Browse Basin, Western Australia

To better understand the subsurface geology for the Crux field and the geological risks for the nearby Auriga and Caelum prospects, seismic inversion processing targeted at the recognition of sands and gas pay was completed by Fugro Jason during September.

While evaluation of the inversion data is ongoing, the resultant data volume has substantially enhanced the recognition of gas bearing sands within the subsurface and does support the high connectivity of gas bearing sands across the Crux field. This has also significantly de-risked the Auriga prospect. Results for Caelum are still under review.

Echuca Shoals

WA-377-P, Gas Discovery (Nexus 100%)

Browse Basin, Western Australia

Trap integrity is the major geological risk for the prospects in the permit. Improved seismic imaging is seen as the best way to mitigate this risk and the agreed Year 6 work program of seismic reprocessing should provide a significant improvement in this regard.

All required field tapes have now been copied and provided to the processing contactor CGG Veritas and reprocessing is now underway. The resultant reprocessed seismic data volume will likely have most impact on the Mashmaker and Cooper prospects located in the permit's north east. Both prospects offer multiple stacked reservoir targets with substantial volume potential in the success case.

The current work program for the Echuca Shoals permit will end in March 2012. In early 2012, Nexus will be seeking a further three year work program in the ordinary course with the regulatory authority.

Cash Flow and Funding

During the September quarter, Nexus sold 6.2 PJ of gas and 57.95 Kbbl of condensate, booking total revenues of \$29 million. At the end of September, the Company's cash balance was \$62 million which was unchanged from the end of the June quarter.

Litigation

As announced on 6 July 2011, Sedco Forex International Inc (Sedco) has issued Federal Court proceedings against Nexus and its wholly owned subsidiary Nexus Energy WA Pty Ltd (NEWA). Nexus and NEWA consider that Sedco unlawfully terminated the contract so it could use the Transocean Legend to fulfil another contract. Further, prior to termination, Nexus expressed concerns about the Transocean Legend's maintenance and safety. Nexus and NEWA are vigorously defending Sedco's claim.

Board and Management Changes

On 22 September 2011, Richard Cottee unexpectedly resigned as Managing Director ceasing employment with the Company on that date.

In light of this, Michael Fowler and Ian Boserio were appointed as interim Executive Directors in the short term to work alongside Mike Maloney (Chief Operating Officer) and the rest of the Nexus's management team.

The Board of Nexus is fully aware of the Corporate Governance recommendations in relation to Non-Executive Directors taking executive positions, however in the circumstances felt it necessary and appropriate to assist the Company in achieving the previously stated objectives.

Nexus is currently in a process to secure the appointment of a new Chief Executive Officer in the short term.

Susan Robutti
Company Secretary

For further information please contact:
Michael Fowler – Executive Chairman
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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10

Name of entity

Nexus Energy Ltd

ABN

64 058 818 278

Quarter ended ("current quarter")

30 September 2011

Consolidated statement of cash flows

		Current quarter	Year to date (3 months)
		A\$'000	A\$'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	31,263	31,263
1.2	Payments for		
	(a) exploration and evaluation	(378)	(378)
	(b) development	(4,915)	(4,915)
	(c) production	(10,424)	(10,424)
	(d) administration	(7,175)	(7,175)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	834	834
1.5	Interest and other costs of finance paid	(8,492)	(8,492)
1.6	Income taxes paid		
1.7	Other – GST, FX gains/losses	1,520	1,520
Net Operating Cash Flows		2,233	2,233
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets	(4)	(4)
1.9	Proceeds from sale of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets	784	784
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other		
Net investing cash flows		780	780
1.13	Total operating and investing cash flows (carried forward)	3,013	3,013

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	3,013	3,013
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	(3,000)	(3,000)
1.18	Dividends paid		
1.19	Other	(33)	(33)
	Net financing cash flows	(3,033)	(3,033)
	Net increase (decrease) in cash held	(20)	(20)
1.20	Cash at beginning of quarter/year to date	62,612	62,612
1.21	Exchange rate adjustments to item 1.20	(15)	(15)
1.22	Cash at end of quarter	62,577	62,577

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	2,641
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

Directors fees include termination payment to Michael Fowler.

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

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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

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+ 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	239,748	239,748
3.2 Credit standby arrangements (\$60m letter of credit provided as security for completion of certain capital works on the Longtom project and for obligations in respect to gas deliveries)	60,000	60,000

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	465
4.2 Development (<i>Includes Long Lead Items instalments and Crux Pre FID Costs</i>)	24,832
4.3 Production (<i>Includes Longtom Facility interest and principle repayment</i>)	24,923
4.4 Administration	4,194
Total	54,414

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	12,751	12,231
5.2 Deposits at call	40,997	45,200
5.3 Bank overdraft		
5.4 Other	8,829	5,181
Total: cash at end of quarter (item 1.22)	62,577	62,612

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)	Amount paid up per security (see note 3)
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	1,326,697,820	1,326,697,820		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	360,754		Ordinary shares pursuant to the Executive Director and Employee Plan Rules	
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>	31,884,058		<i>Exercise price</i> 202 cents	<i>Expiry date</i> 15 January 2013 (warrants)
	123,339		Zero	30 June 2012
	1,592,400		Zero	30 June 2013
	2,413,100		Zero	30 June 2014
7.8 Issued during quarter	2,413,100		Zero	30 June 2014
7.9 Exercised during quarter	360,754		Zero	
7.10 Expired during quarter	48,400 44,400 2,250,000		Zero Zero Zero	2 July 2011 10 July 2011 22 September 2011
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 give a true and fair view of the matters disclosed.

Sign here: Date: 31 October 2011
Company Secretary

Print name: Susan Robutti

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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Cash Flows Statement* 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.

**Schedule of Exploration Permits
Held by Consolidated Entity
At 30 September 2011**

Permit	Basin	Interest %
VIC/P54	Gippsland	100
VIC/L29	Gippsland	100
AC/L9	Browse	85
WA-377-P	Browse	100

+ See chapter 19 for defined terms.