



## March 2011 Quarterly Report & Appendix 5B

### Chairman's Comments

Nexus Energy Limited ("Nexus") is pleased to report that a number of initiatives were successfully carried out since the last quarterly report. We are continuing to work towards achieving our corporate objectives of de-risking the Company and unlocking the value of our assets.

#### Fully Underwritten Renounceable Entitlement Offer

On 11 April 2011, the Company announced a fully underwritten 3 for 10 accelerated renounceable entitlement offer (Offer) to all eligible shareholders at an issue price of \$0.40 per new share, to raise approximately \$122 million.

The raising is an important step in achieving Nexus's objectives of:

- Restructuring the existing Longtom debt facility
- Funding the Crux liquids project through to final investment decision (FID) this calendar year
- Pursuing a targeted drilling strategy at Longtom South

The institutional component of the Offer was successfully completed on 14 April 2011 with strong support from the institutional shareholders, both existing and new. The retail component of the Offer opened on 19 April 2011 and closes on 11 May 2011.

#### Longtom

During the quarter, Nexus sold 4.19 PJ of gas and 45.64 Kbbbl of condensate, booking revenues of approximately \$20 million.

In April 2011, the financier has credit approved new terms for the existing Longtom debt facility. Those terms provide for a revised repayment profile which will result in a greater proportion of Longtom cash flows being available to support corporate objectives through to 2014.

#### Crux Commercialisation

Nexus is targeting FID by December 2011 for the Crux liquids project with discussions progressing with relevant parties on the provision of a FPSO, finance and to ensure sufficient production time for the extraction of condensate in accordance with the FID timeline.

#### Board Changes

Also, the Board was strengthened with the appointment of John Hartwell as a Non-Executive Director on 31 March 2011. John brings to the Nexus Board unparalleled experience and expertise in his knowledge of the Australian petroleum resources sector.

**Michael Fowler**  
Executive Chairman

## Production & Sales Revenue

The table below summarises Nexus' production and sales of gas and condensate.

			<u>Quarter end</u>			<u>Financial year</u>
			<i>Dec-2010</i>	<i>Mar-2011</i>	<i>Delta</i>	<u>to date</u> <i>31-Mar-2011</i>
<b>Gas</b>	Production	PJ	4.48	4.30	(4%)	8.78
	Sales	PJ	4.37	4.19	(4%)	8.56
<b>Condensate</b>	Production	Kbbl	35.87	46.14	29%	82.01
	Sales	Kbbl	35.25	45.64	29%	80.89
<b>Total</b>	Revenue	A\$ million	19.08	20.12	5%	39.20

The difference between the gas production and sales is use of gas for fuel and flare.

## Production Assets

### **Longtom Gas Project (Nexus 100%)**

#### **VIC/L29 – Gippsland Basin, Victoria**

Nexus has met all nominations to supply gas in accordance with the Longtom Gas Sales Agreement with production during the quarter of 4.30 PJ of gas and 46.14 Kbbl of condensate.

Reconciliation of the reservoir pressure behaviour with field mapping is ongoing coupled with further data on the undeveloped 400 sands on Longtom-3. The results of the Longtom South well (to be drilled 2H 2012) will also be integrated together with production data collected to that point in time, as inputs to an updated field development plan and reserves analysis.

## Development Projects

### **Crux Liquids Project (Nexus 85%)**

#### **AC/L9 – Browse Basin, Western Australia**

Nexus is targeting FID by end of calendar year 2011. The Company has also reached agreement on commercial terms with Shell Development (Australia) Pty Ltd ("Shell") to purchase an option for a three year extension of the gas rights handover date from 31 December 2020 to 31 December 2023. Documentation has been agreed between Shell and Nexus on announced terms but requires joint venture approval.

Discussions are proceeding with relevant parties on the provision of a FPSO, finance and to ensure sufficient production time for the extraction of condensate in accordance with the FID timeline.

## Appraisal and Exploration Assets

Exploration activity continued to focus on maturing prospects to "drillable" status. The emphasis during the quarter has been on risk reduction via enhanced seismic data quality. Discussions with contractors are advancing with a view to initiating seismic reprocessing projects in the Browse Basin permits WA-377-P and AC/L9. Targeted prospects include Auriga and Caelum in the Crux permit AC/L9, Fossetmaker "updip", Backmaker and Mashmaker in WA-377-P (Echuca Shoals).

**VIC/L29 Licence (Nexus 100%)**

**Gippsland Basin, Victoria**

Interpretation of the reprocessed 3D seismic data continued in the assessment of near Longtom gas field exploration opportunities. The Longtom South prospect, located some 3.5 kilometres south of the field infrastructure, is now considered mature for drilling with preliminary well engineering design work initiated. Subject to rig availability, a Longtom South spud date may occur in 2H 2012.

**AC/L9 Licence (Nexus 85%)**

**Browse Basin, Western Australia**

Seismic mapping over the Crux field and associated prospects continued. The Auriga exploration prospect is considered a low geological risk opportunity with Caelum a possible moderate risk target. To further de-risk the current interpretation, seismic reprocessing targeted at enhanced data quality was under evaluation during the quarter.

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

**Browse Basin, Western Australia**

Prospects have been mapped at several reservoir target levels. Unrisked volume potential is considered attractive given the permit's proximity to nearby fields such as Prelude and Ichthys. While further appraisal drilling of the gas encountered in Echuca Shoals/Fossetmaker is under consideration, potential drilling locations have also been recognised in the permit's north east where stacked reservoir targets could be tested (e.g. Backmaker/Cooper/Maltster and Mashmaker). The focus for the technical studies has now moved to risk reduction. Discussions with seismic contractors are being initiated looking to enhance the seismic data quality as the next step in the prospect evaluation process.

**WA-368-P (Nexus 0%)**

**Perth Basin, Western Australia**

The exploration permit for WA-368-P was cancelled by the Government Joint Authority on 21 March 2011. Nexus will now proceed to negotiate a "Good Standing Agreement" with the Government Authority.

**VIC/P54 Permit (Nexus 100%)**

**Gippsland Basin, Victoria**

Interpretation of the reprocessed seismic data focused on the maturing of the Longtom West exploration prospect continued. This work is being integrated with mapping in the adjoining VIC/L29 Production Licence area.

**Cash flow and funding**

During the March quarter, Nexus sold 4.19 PJ of gas and 45.64 Kbbbl of condensate, booking revenues of approximately \$20 million, in line with expectations. At the end of March the company's cash balance was \$17 million with a net decrease of \$3 million for the quarter.

On 7 April 2011, the Longtom financier credit approved new terms for the existing Longtom Debt Facility. Those terms provide for a revised repayment profile which will result in a greater proportion of Longtom cash flows being available to support corporate objectives in the near and mid term (pre 2014). The Company will apply \$70 million from the proceeds of the fully underwritten Accelerated Renounceable Entitlement Offer (announced on 11 April 2011) as a debt repayment on the Longtom Debt Facility to obtain the restructure terms, which Nexus requested.

On 11 April 2011, Nexus announced a fully underwritten 3 for 10 Accelerated Renounceable Entitlement Offer, to raise approximately \$122 million. The Institutional component of the Entitlement Offer was well supported by institutional shareholders and was completed on 14 April 2011 raising approximately \$57 million. The Retail Entitlement Offer opened on 19 April 2011 and will close on 11 May 2011. The Retail Entitlement Offer will raise approximately \$65 million.

### **Board Changes**

On 31 March 2011, John Hartwell was appointed as a Non-Executive Director to the Nexus Board. Prior to joining Nexus, John held the position of Head of the Resources Division, in the Commonwealth Department of Resources, Energy and Tourism, from 2002 until his retirement in August 2010.

**Susan Robutti**  
Company Secretary

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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")

31 March 2011

### Consolidated statement of cash flows

		Current quarter	Year to date (9 months)
		A\$'000	A\$'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	20,136	43,358
1.2	Payments for		
	(a) exploration and evaluation	(694)	(1,297)
	(b) development	(1,178)	(3,433)
	(c) production	(13,403)	(37,089)
	(d) administration	(2,998)	(9,609)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	201	642
1.5	Interest and other costs of finance paid	(5,443)	(15,252)
1.6	Income taxes paid		
1.7	Other – GST, FX gains/losses	20	1,124
<b>Net Operating Cash Flows</b>		<b>(3,359)</b>	<b>(21,556)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets	(227)	(227)
1.9	Proceeds from sale of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets	7	10
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other		
<b>Net investing cash flows</b>		<b>(220)</b>	<b>(217)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(3,579)</b>	<b>(21,773)</b>

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(3,579)	(21,773)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.		14,080
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other		(429)
<b>Net financing cash flows</b>		0	13,651
<b>Net increase (decrease) in cash held</b>		(3,579)	(8,122)
1.20	Cash at beginning of quarter/year to date	20,315	24,924
1.21	Exchange rate adjustments to item 1.20		(66)
1.22	<b>Cash at end of quarter</b>	16,736	16,736

**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	933
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-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

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

+ 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	311,994	311,994
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	408
4.2 Development	6,914
4.3 Production	17,431
4.4 Administration	74,369**
<b>Total</b>	<b>99,122</b>

\*\* Includes \$70m principle repayment on the Longtom Debt Facility upon completion of Accelerated Renounceable Entitlement Offer (announced 11 April 2011) and refinancing of the facility.

### 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	1,544	8,294
5.2 Deposits at call	-	1,340
5.3 Bank overdraft	-	-
5.4 Other	15,192	10,681
<b>Total: cash at end of quarter (item 1.22)</b>	<b>16,736</b>	<b>20,315</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	WA-368-P	Exploration Permit	50	0
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 <b>Preference +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>	1,020,257,304	1,020,257,304		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
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>
	31,884,058		204 cents	15 January 2013 (warrants)
	90,000		225 cents	28 April 2011
	92,500		219 cents	23 May 2011
	359,800		225 cents	23 May 2011
	1,765,900		Zero	30 June 2012
	3,110,200		Zero	30 June 2013
	999,200		Zero	30 June 2013
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter			<i>Exercise Price</i>	<i>Expiry Date</i>
	28,800		Zero	4 January 2011
	141,800		Zero	31 January 2011
	316,800		Zero	28 February 2011
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: 29 April 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.

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**Schedule of Exploration Permits  
Held by Consolidated Entity  
At 31 March 2011**

Permit	Basin	Interest %
VIC/P54	Gippsland	100
VIC/L29	Gippsland	100
WA-368-P**	Perth	0
AC/L9	Browse	85
WA-377-P	Browse	100

\*\* Exploration permit cancelled by the government Joint Authority on 21 March 2011. Nexus will now proceed to negotiate a "Good Standing Agreement" with the government authority.