



## June 2011 Quarterly Report & Appendix 5B

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### Chairman's Comments

Nexus Energy Limited ("Nexus") is pleased to report that many significant milestones were achieved during the quarter with the focus of activities being on the fully renounceable entitlement offer, Longtom debt restructure and progressing the commercialisation of the Crux liquids project.

#### Fully Underwritten Renounceable Entitlement Offer

In May 2011, the fully underwritten 3 for 10 accelerated renounceable entitlement offer was completed raising approximately \$122 million. The raising was an important step in achieving Nexus's objectives by completing the restructuring of the existing Longtom debt facility, funding the Crux liquids project through to final investment decision (FID) this calendar year and pursuing a targeted drilling strategy at Longtom South.

#### Longtom

During the quarter, Nexus sold 5.81 PJ of gas and 54.95 Kbbbl of condensate, booking revenues of approximately \$27 million. All nominations under the Santos Gas Sales Agreement were met during the quarter.

In June 2011, Nexus completed the restructure of the Longtom debt facility and repaid \$70 million of the facility from the proceeds of the accelerated renounceable entitlement offer. The restructure allows for increased near term cash flows to be used to progress corporate objectives.

#### Crux Commercialisation

Key project appointments were made during the quarter with activities focussed on the objective of achieving FID on the Crux liquids project by the end of calendar year 2011. The Wood Group were engaged to provide project management services through to FID.

Also, McDermott Asia Pacific Pte. Ltd ("McDermott") and Fluor Australia Pty Ltd were both engaged to perform an engineering and strategic review of the project during the quarter. Following the completion of this review, an agreement was executed with McDermott on 26 July 2011 to provide project development engineering services for the Crux liquids project.

Satisfactory progress is being made on an integrated financing – farmdown proposal which is to be consummated by FID. FID should be able to be achieved within the timeline required under the Shell Extension Agreement.

**Michael Fowler**  
Chairman

## Production & Sales Revenue

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

			<u>Quarter end</u>				<u>Financial year to date</u>
			<i>Dec-2010</i>	<i>Mar-2011</i>	<i>Jun-2011</i>	<i>Delta (Mar to Jun 11)</i>	<i>30-Jun-2011</i>
<b>Gas</b>	Production	PJ	4.48	4.30	5.96	39%	14.74
	Sales	PJ	4.37	4.19	5.81	39%	14.37
<b>Condensate</b>	Production	Kbbl	35.87	46.14	54.37	18%	136.38
	Sales	Kbbl	35.25	45.64	54.95	20%	135.84
<b>Total</b>	Revenue	A\$ million	19.08	20.12	27.40	36%	66.60

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 continued to supply gas in accordance with the Longtom Gas Sales agreement with production during the quarter of 5.96 PJ of gas and 54.37 Kbbls of condensate.

Production during April was interrupted with two weeks of scheduled maintenance work at the onshore Patricia Baleen Plant by Santos. However, gas production during May and June 2011 was at record levels with over 2.5 PJ produced in each month and daily production reaching 85.6 TJ/d.

Offshore works to enhance the reliability of the offshore production system is planned for 2H 2011, depending on vessel availability. Engineering work and procurement of long lead items 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 by the end of calendar year 2011. On 6 May 2011, the Wood Group was engaged to provide project management services through to FID.

In addition, McDermott Asia Pacific Pte. Ltd ("McDermott") and Fluor Australia Pty Ltd were both engaged to perform an engineering and strategic review of the project during the quarter. Following the completion of this review, an agreement was executed with McDermott on 26 July 2011 to provide project development engineering services for the Crux liquids project.

Also in this period, the subsea trees that are stored in Cameron's facilities at Johore Bahru (Malaysia), were removed from storage and prepared for retesting. Testing will be completed during 3Q 2011.

The GE Reinjection Compressors remain in storage at GE Florence and they are scheduled to commence assembly within the next three months.

Substantial work on refining the FPSO details has progressed 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 WA.

## **Appraisal and Exploration Assets**

Exploration activity continued to focus on maturing prospects to “drillable” status with an emphasis on seismic data quality. Seismic reprocessing projects were initiated within AC/L9 and WA-377-P. Targeted prospects include Auriga and Caelum in the Crux permit AC/L9, and Echuca Shoals/Fossetmaker, Mashmaker and Cooper in WA-377-P. Planning for drilling Longtom South within VIC/L29 in 2012 continued.

### **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, focused on well design and rig availability. Subject to rig availability, a Longtom South spud date may occur in 2H 2012.

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

#### **Browse Basin, Western Australia**

To further de-risk the current seismic interpretation over the field and nearby Auriga and Caelum prospects, seismic reprocessing targeted at enhanced data quality was initiated during the quarter. The work is being carried out by Fugro Jason.

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

#### **Browse Basin, Western Australia**

Prospects with attractive unrisks volume potential have been mapped on the existing seismic data base. In particular, further appraisal of the gas encountered in Echuca Shoals/Fossetmaker is under evaluation along with the Mashmaker and Cooper prospects in the permit's north east. Both undrilled prospects offer multiple stacked reservoir targets. Structural mapping and trap integrity are viewed as the major geological risks for the identified opportunities. To allow for better prospect definition and risk reduction prior to further drilling in the permit, a work variation for Permit Year 6 (7/3/2011 to 6/3/2012) has been approved by the Joint Authority which will allow for seismic reprocessing during Year 6 in lieu of a one well commitment. Enhanced seismic data quality is seen a critical step in prospect risk reduction. Seismic field tape copying is underway with reprocessing to be carried out by CGG Veritas.

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

#### **Gippsland Basin, Victoria**

Seismic interpretation and mapping continued to focus on the maturing of the Longtom West exploration prospect. This work is being integrated with the Longtom South evaluation in the adjoining VIC/L29 Production Licence area and will look to address the value of drilling Longtom West back to back with Longtom South.

## **Cash flow and funding**

During the June quarter, Nexus sold 5.81 PJ of gas and 54.95 Kbbbl of condensate, booking revenues of approximately \$27 million. At the end of June, the company's cash balance was \$62 million with a net increase of \$45 million for the quarter.

In May 2011, the fully underwritten 3 for 10 accelerated renounceable entitlement offer was completed raising approximately \$122 million.

In June 2011, Nexus completed the restructure of the Longtom debt facility and upon completion repaid \$70 million of the facility from the proceeds of the accelerated renounceable entitlement offer. The restructure allows for increased near term cash flows to be used to progress corporate objectives. Principle repayments are back-end weighted and scheduled to commence in September 2011 with final repayment in June 2016.

### **Board and Management Changes**

In July 2011, Michael Fowler was appointed as Non-Executive Chairman and Mike Maloney was appointed Chief Operating Officer. Prior to these changes, Michael Fowler previously held the position of Executive Chairman and Mike Maloney the position of Crux Asset Manager & GM Operations, Engineering & Commercial.

**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")

30 June 2011

### Consolidated statement of cash flows

	Current quarter A\$'000	Year to date (12 months) A\$'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	22,793	66,151
1.2 Payments for		
(a) exploration and evaluation	(361)	(1,658)
(b) development	(1,226)	(4,659)
(c) production	(12,177)	(49,266)
(d) administration	(6,926)	(16,535)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	803	1,445
1.5 Interest and other costs of finance paid	(5,537)	(20,789)
1.6 Income taxes paid		
1.7 Other – GST, FX gains/losses	729	1,853
<b>Net Operating Cash Flows</b>	<b>(1,902)</b>	<b>(23,458)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	(3)	(230)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	1	11
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other		
<b>Net investing cash flows</b>	<b>(2)</b>	<b>(219)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,904)</b>	<b>(23,677)</b>

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(1,904)	(23,677)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	122,432	136,512
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	(70,000)	(70,000)
1.18	Dividends paid		
1.19	Other	(4,634)	(5,063)
	<b>Net financing cash flows</b>	47,798	61,449
	<b>Net increase (decrease) in cash held</b>	45,894	37,772
1.20	Cash at beginning of quarter/year to date	16,736	24,924
1.21	Exchange rate adjustments to item 1.20	(18)	(84)
1.22	<b>Cash at end of quarter</b>	62,612	62,612

**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	916
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	242,805	242,805
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	518
4.2 Development	11,134
4.3 Production (Includes Longtom Facility principle repayment)	21,154
4.4 Administration	10,692
<b>Total</b>	<b>43,498</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	12,231	1,544
5.2 Deposits at call	45,200	-
5.3 Bank overdraft	-	-
5.4 Other	5,181	15,192
<b>Total: cash at end of quarter (item 1.22)</b>	<b>62,612</b>	<b>16,736</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)	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>	1,326,337,066	1,326,337,066		
7.4 Changes during quarter (a) Increases through issues  (b) Decreases through returns of capital, buy-backs	306,079,762		Issue Price \$0.40 Per Security	
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>	31,884,058		<i>Exercise price</i> 202 cents	<i>Expiry date</i> 15 January 2013 (warrants)
	532,493		Zero	30 June 2012
	3,110,200		Zero	30 June 2013
	776,600		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>
	90,000		225 cents	28 April 2011
	92,500		219 cents	23 May 2011
	359,800		225 cents	23 May 2011
	1,233,407		Zero	30 June 2012
	222,600		Zero	30 June 2013
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 July 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 30 June 2011**

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

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+ See chapter 19 for defined terms.