



March 2012 Quarterly Report & Appendix 5B

Chairman's Comments

Nexus Energy Limited (**Nexus**) provides the following update on Company activities during the March 2012 quarter.

Crux Update

In January 2012, Nexus signed a non-binding Heads of Agreement (**HOA**) with Shell Development (Australia) Pty Ltd (**Shell**) and Osaka Gas Crux Pty Ltd (**Osaka Gas**) to exclusively pursue a Shell-led integrated gas and liquids development to commercialise the Crux asset (AC/L9).

As previously announced, this transaction provides certainty for the commercialisation of the Crux asset and involves Nexus' interest in Crux being converted from a liquids only interest into an integrated liquids and gas development. Furthermore, this transaction will enable the new Joint Venture to evaluate the Crux exploration prospects in AC/L9, being Auriga and Caelum, and potentially increase reserves.

The proposed Crux transaction supports the future demand and appetite for LNG off-take as highlighted by the expressions of interest received by Nexus from a number of global energy parties post execution of the HOA. Nexus has advised these parties that such expressions of interest can be considered after settlement.

Negotiations with respect to the headline commercial terms have progressed well and the parties are now in the process of finalising detailed documentation. The term of the HOA has been extended by Nexus, Shell and Osaka Gas to 31 May 2012 to enable the three parties to finalise the detailed documentation and meet the requisite board approval processes to enable execution.

Appointment of Chief Executive Officer

Earlier this month, Nexus announced the appointment of Mr Lucio Della Martina as its Chief Executive Officer. Mr Della Martina will take up his appointment with Nexus during the middle of next month and will be relocating from Perth to Melbourne. Following a short handover period, Ian Boserio and I will resume the positions of Non-executive Director and Non-executive Chairman respectively.

As previously announced, Mr Della Martina's most recent position was Executive Vice President - Australia Business with Woodside Energy Ltd (Woodside) and he has led the Pluto project development since the field was discovered in 2005.

Longtom Update

During the March quarter, Nexus continued to supply gas in accordance with the Longtom Gas Sales Agreement with production during the quarter of 2.79 PJ of gas and 25.07 Kbbbls of condensate.

In March 2012, a full and detailed internal review of the Longtom field reserves was completed that incorporated the extensive geological and geophysical studies conducted over the last 18 months.

In parallel to the internal review process an independent review was also carried out by Gaffney, Cline & Associates (**GCA**). The final report, issued by GCA on 4 April 2012, has revised the important Proved and Probable (2P) reserves to 137 PJs. The current 2P (Proven + Probable) reserves, under the base case, are sufficient to satisfy Nexus' obligations under the Longtom Gas Sales Agreement and in particular the delivery obligations to the Santos owned Patricia-Baleen plant.

The updated reserves position does not include any resources attributable to the Gemfish (previously Longtom South) prospect. The Gemfish prospect, while located in the same VIC/L29 licence area, is distinct from the developed Longtom field both in its reservoir target and structural setting.

During the quarter, the team lead by John Ah-Cann (Longtom Asset Manager), continued with the planned offshore works program. In April 2012, the sub-sea control module on the HIPPS (High Integrity Pressure Protection System) was replaced at the Longtom facilities. The works were completed with minimal impact to production, below budget and on time.

Overview

In summary, upon completion of the Crux transaction, Nexus will secure a most unique position both in Australia and globally whereby, as a base case development option, the Crux resource will be processed by the world's first Floating LNG facility, namely Shell's Prelude Floating LNG project.

The transaction provides development and value certainty for Nexus' 17% share of the Crux resource and considerable upside in the event the Crux exploration activities are successful.

Nexus is in a sound financial position and the Board is looking forward to Lucio joining the Company as Chief Executive Officer shortly, working alongside the skilled team at Nexus to build on the growth legacies to optimise shareholder value.

Michael Fowler
Chairman

Production Assets

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

During the March quarter, Nexus continued to supply gas in accordance with the Longtom Gas Sales Agreement with production during the quarter of 2.79 PJ of gas and 25.07 Kbbbls of condensate.

			<u>Financial year</u>	<u>Quarter end</u>				<u>Financial year to date</u>
			<u>30-Jun-2011</u>	<u>Sept-2011</u>	<u>Dec-2011</u>	<u>Mar-2012</u>	<u>Jun-2012</u>	<u>30-Jun-2012</u>
Gas	Production	PJ	14.74	6.40	5.45	2.79	-	14.64
	Sales	PJ	14.37	6.20	5.33	2.71	-	14.24
Condensate	Production	Kbbl	136.38	58.76	46.86	25.07	-	130.69
	Sales	Kbbl	135.84	57.95	45.55	26.63	-	130.13
Total	Revenue	A\$ million	66.60	29.30	24.68	13.32	-	67.30

The offshore works completed in December 2011, utilising a small ROV, identified the location and source of a small hydraulic leak that has been ongoing. Long lead items are currently being sourced to enable repair of this leak that remains scheduled for 2H 2012.

During April 2012, as part of the offshore works program, the sub-sea control module on the HIPPS was replaced at the Longtom facilities. The works were completed with minimal impact to production, and carried out using the Skandi Hercules vessel.

Appraisal and Exploration Assets

Exploration activity during the quarter focused on seismic data enhancement in WA-377-P, the Crux area evaluation, and planning for future drilling in the Longtom area.

Echuca Shoals WA-377-P, Gas Discovery (Nexus 100%) Browse Basin, Western Australia

Geological and geophysical studies are continuing on the Echuca Shoals exploration permit (WA-377-P) favourably located near the Prelude and Ichthys developments in the Browse Basin.

On 23 March 2012, the government authority granted the renewal of the WA-377-P exploration permit for a further period of 5 years. The renewal work program incorporates further studies, prospect maturation and a commitment well in the third year. Prospect mapping and early results of 3D seismic reprocessing are encouraging. Nexus is considering its partnership options to commercialise hydrocarbons in this strategically located permit.

Crux AC/L9 Licence (Nexus 85%) Browse Basin, Western Australia

Nexus signed and announced a non-binding HOA with Shell and Osaka Gas on 19 January 2012 to exclusively pursue a Shell-led integrated gas and liquids development to commercialise the Crux asset. The base case development option is for Crux to become part of the Prelude Floating LNG project currently under development by Shell.

The term of the HOA has been extended to the end of May 2012 to enable all final drafting of legal agreements, that will include a tolling agreement, and allowing for the parties to the HOA to obtain the necessary internal approvals. Discussions on the remaining commercial terms are well progressed.

The agreement once finalised, and subject to regulatory approval conditions, will result in the following:

- A new Joint Venture will be formed to consolidate the existing gas and liquids interests: Shell currently holds 100% of the gas interests, with Nexus holding 85% of the liquids interests and Osaka Gas the remaining 15% of the liquids interest.
- Once binding agreements are signed, participating interests for the new Joint Venture will be Shell (becoming Operator) holding 80%, Nexus 17% and Osaka Gas 3%.
- Nexus also has a 12-month option to sell 2% of its participating interest in the new Joint Venture to Shell for A\$75 million. Exercising this option would reduce Nexus' participating interest to 15%.
- Shell will become Operator of the AC/L9 Crux title from Nexus after settlement, which will require approval from the relevant Federal Government authorities. An amendment of the terms of the licence consistent with the integrated project will also be required.

This transaction will enable the new Joint Venture to potentially accelerate the evaluation of the Crux exploration prospects in AC/L9 (Auriga and Caelum). Contributions to the exploration activities will be determined by the participating interests of the parties at that time, noting that post completion Nexus will have an option to reduce its participating interest by 2% to 15%.

Longtom

VIC/L29 Licence (Nexus 100%)

Gippsland Basin, Victoria

The Longtom field reserves audit was completed by Gaffney, Cline and Associates with their final report received on 4 April.

As part of this work, Nexus carried out an extensive review of the Longtom field infill drilling opportunities with the results being integrated into an overall field development review now underway. Accordingly, potential well designs for both the Longtom South exploration prospect (now renamed the Gemfish prospect) and field infill development well (Longtom-5) have progressed as options for planned 2013 drilling.

VIC/P54 Permit (Nexus 100%)

Gippsland Basin, Victoria

The Longtom West prospect mapped within VIC/P54 is structurally complex with trap integrity the main geological risk. To mitigate risk, seismic reprocessing will be undertaken later in 2012 with technical planning now underway.

WA-368-P (Nexus 50%)

Offshore Perth Basin, Western Australia

Nexus and ARC (Offshore PB) Limited as former permit holders of Exploration Permit WA-368-P have entered into a Good Standing Agreement with the Commonwealth-Western Australia Offshore Petroleum Joint Authority to address the failure to complete all firm Year 3 work commitments prior to the 21 March 2011 cancellation of the permit. Under this agreement, Nexus may discharge its share of the outstanding work commitment of \$4.34 million by conducting exploration activities within qualifying exploration permits granted from the next two acreage releases that include re-release areas.

Management Changes

The announcement of Mr Lucio Della Martina as Chief Executive Officer was announced on 3 April 2012. Mr Della Martina will take up his appointment with Nexus mid-May and will be relocating from Perth to Melbourne. Mr Della Martina's most recent position was Executive Vice President - Australia Business with Woodside Energy Ltd (Woodside) and he has led the Pluto project development since the field was discovered in 2005.

Mr Della Martina comes to Nexus with more than 20 years of experience across refining technology, international oil trading, gas business development, LNG marketing and LNG supply planning. He held various positions within Woodside including General Manager of Gas Business Development, General Manager of LNG Marketing and Vice President, ALNG (the marketing arm of the North West Shelf Venture). Mr Della Martina was employed by Shell from 1980 to 1991 in roles covering refining technology, operations, economics, planning and international oil trading.

In addition, the Company announces that Susan Robutti has been appointed as Chief Financial Officer. Ms Robutti is a Chartered Accountant with extensive financial experience. Further, Mr Mike Maloney (Chief Operating Officer), who led the liquids project, has departed Nexus on agreed mutual terms as that project is suspended. The Board and staff of Nexus thank Mr Maloney for his tireless efforts over the last couple of years on the Crux liquids project journey and we wish him well.

Cash Flow and Funding

At the end of March, the Company's cash balance was \$36.6 million, a decrease of \$12.1 million from the end of the December quarter as a result of principal repayments for the Longtom senior debt facility, Longtom Offshore work expenditure and Convertible notes interest payments.

During the March 2012 quarter, Nexus sold 2.71 PJ of gas and 26.63 Kbbbl of condensate, booking total revenues of \$13.32 million.

As a result of the HOA being signed for an integrated development at Crux with Shell and Osaka Gas, the long lead items acquired for the liquids project are being reviewed and the global sales process commenced to sell these items (post execution of binding agreements).

Susan Robutti
Company Secretary

For further information please contact:
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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 2012

Consolidated statement of cash flows

		Current quarter A\$'000	Year to date (9 months) A\$'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	15,619	71,441
1.2	Payments for		
	(a) exploration and evaluation	(326)	(1,145)
	(b) development	(1,145)	(25,186)
	(c) production	(11,273)	(32,252)
	(d) administration	(6,166)	(18,057)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	514	2,129
1.5	Interest and other costs of finance paid	(8,173)	(19,306)
1.6	Income taxes paid		
1.7	Other – GST, FX gains/losses	1,422	4,306
Net Operating Cash Flows		(9,528)	(18,070)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets	(8)	(137)
1.9	Proceeds from sale of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets		784
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other		
Net investing cash flows		(8)	647
1.13	Total operating and investing cash flows (carried forward)	(9,536)	(17,423)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(9,536)	(17,423)
	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	(2,500)	(8,500)
1.18	Dividends paid		
1.19	Other		(19)
	Net financing cash flows	(2,500)	(8,519)
	Net increase (decrease) in cash held	(12,036)	(25,942)
1.20	Cash at beginning of quarter/year to date	48,711	62,612
1.21	Exchange rate adjustments to item 1.20	(31)	(26)
1.22	Cash at end of quarter	36,644	36,644

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	476
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	234,248	234,248
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	60
4.2 Development	1,084
4.3 Production (<i>Includes Longtom Facility interest and principle repayment and continued offshore works program</i>)	21,422
4.4 Administration	4,705
Total	27,271

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	2,524	3,329
5.2 Deposits at call	28,578	26,768
5.3 Bank overdraft		
5.4 Other	5,542	18,614
Total: cash at end of quarter (item 1.22)	36,644	48,711

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	1,326,821,159	1,326,821,159		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
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)
	1,592,400		Zero	30 June 2013
	2,413,100		Zero	30 June 2014
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
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: 30 April 2012
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 31 March 2012**

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

* - As announced on 19 January 2012, a non-binding Heads of Agreement has been signed with Shell development Australia Pty Ltd ("Shell") and Osaka Gas Crux Pty Ltd to exclusively pursue a Shell-led integrated gas and liquids development to commercialise the Crux asset. Upon finalisation of binding agreements and approval from relevant federal Government authorities, Nexus participating interest in the newly formed Joint Venture will be 17%.

+ See chapter 19 for defined terms.