



30 April 2008

The Manager, Companies
Australian Stock Exchange

Quarterly Report March 2008

Please refer to the attached announcement.

Yours sincerely

Susan Robutti
Company Secretary



Highlights

During quarter commencing 1 January 2008

- Nexus Energy Limited ("Nexus"), Anzon Australia Limited ("AZA") and Anzon Energy Limited ("AEL") announced an agreed merger on 23 January 2008.
- Crux-3 appraisal well intersected approximately 150 metres of net gas bearing sand over a 300 metres gross interval. A production test on the newly discovered overlying 13 metre thick Montara Formation tested at 50 MMscf/d.
- Crux-4 appraisal well confirmed that the Crux field extends into the previously undrilled South East Horst block, intersecting 126 metres of net gas sand over a total column of over 310 metres.
- Completion and receipt of proceeds of \$110 million from issue of Unsecured Senior Subordinated Notes.
- The crude oil tanker M.V. Ishwari was secured by Viking Oil and Gas Limited on behalf of Nexus for conversion into Crux Floating Production Storage and Offloading facility ("FPSO").

After 31 March 2008

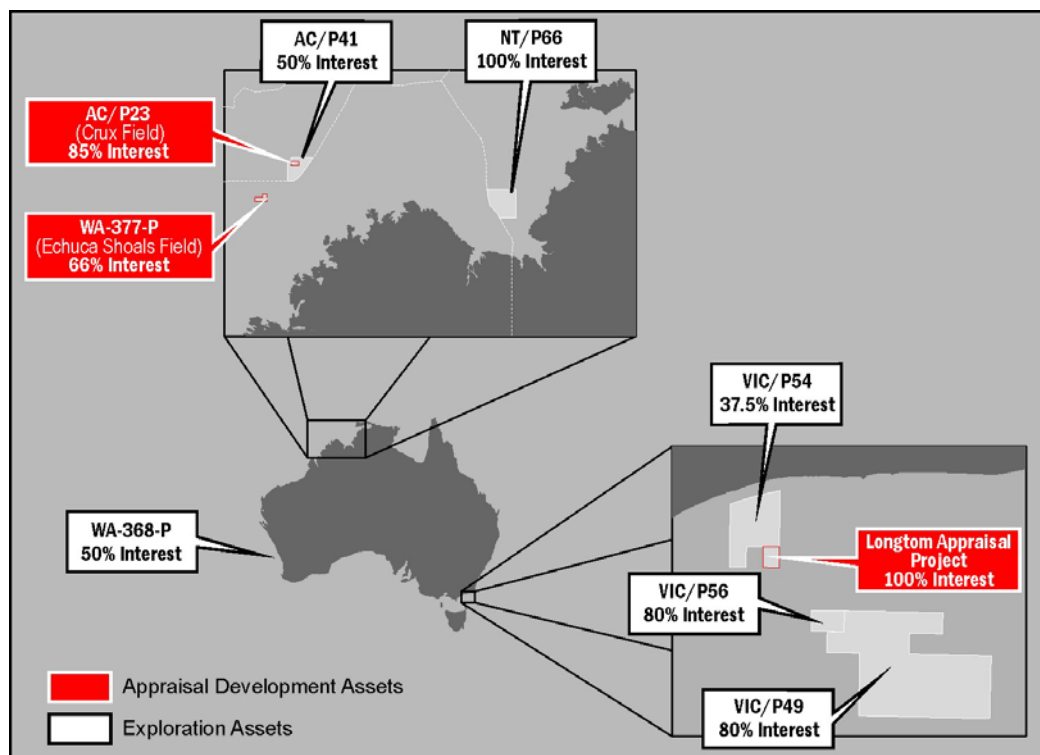
- Independent expert Gaffney Cline and Associates, confirm a best estimate (P50) contingent resource of 75.2 million barrels in the Crux field in April 2008.
- AZA and AEL adjourn shareholder meetings to vote on the proposed merger with Nexus to enable the parties to review the results of the Basker 6 and Basker 6 ST1 drilling program and determine any impact on the merger.
- Victorian Department of Primary Industries on behalf of the Commonwealth has granted Nexus a Pipeline Licence for the Longtom gas project.



Activities Update Quarter Ended 31 March 2008

During the reporting period the company has concentrated its efforts on:

- Developing the Longtom gas project which was declared commercial in April 2007;
- Procuring long lead items for the Crux liquids project and progressing project definition with a view to securing a Final Investment Decision during the third quarter of 2008;
- Drilling, testing and suspending for future production the successful Crux-3 and Crux-4 appraisal wells in exploration permit AC/P23;
- Sourcing significant loan capital for the development of Longtom gas project, Crux project appraisal and definition, as well as the merger of Nexus with Anzon Australia Limited and Anzon Energy Limited; and
- Ongoing exploration prospect maturation and planning for drilling targeting near field potential adjacent to the Crux liquids project (Libra 1 well) and the Longtom gas project (Longtom Upper 1 well).



Nexus projects and exploration permits in Australia

Note (1) On 4 February 2008 Apache Energy Ltd advised that it would withdraw from exploration permit VIC/P54. This event increases Nexus' equity interest in the permit to 100%.

Note (2) Nexus has elected to withdraw from exploration permit VIC/P56.

NEXUS AND ANZON MERGER

On 23 January 2008, Nexus Energy Limited ("Nexus") and Anzon Australia Limited ("AZA") and Anzon Energy Limited ("AEL") announced an agreed merger.

The merger will combine AZA's immediate production capacity from its interest in the Basker Manta asset with Nexus' material position in a pipeline of significant offshore projects including, Longtom and Crux. A merged entity will have a significant production profile, asset diversity including domestic gas, oil and condensate as well as potential LNG exposure from Echuca Shoals and the Crux near-field exploration, increased financial capability and expanded operatorship capability.

On 11 April 2008, AZA and AEL announced that their respective Scheme Meetings and Extraordinary General Meeting of AEL shareholders scheduled for 18 April 2008 would be adjourned to a date to be advised. The meetings were adjourned to assess the Basker 6 and Basker 6 ST1 drilling program.

On 18 April 2008, Nexus' General Meeting was also adjourned to a date to be advised. Nexus and AZA continue to work together to assess any potential impact from the Basker 6 and Basker 6 ST1 drilling program.

APPRAISAL AND DEVELOPMENT PROJECTS

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

The Longtom gas project was approved by the Board of Nexus in April 2007 and project finance for the project was obtained subject to the satisfaction of regulatory approvals shortly thereafter with the BOS International (Australia) Limited for approximately 70% of the project capital cost.

Project milestones to date include:

- The Longtom Production Licence (Vic/L29) awarded to Nexus.
- A Pipeline Licence application was submitted and the Licence awarded in April 2008.
- Procurement of all required material (including the pipeline, control umbilicals, well heads, high integrity pipeline protection system (HIPPS) unit for the offshore work has been completed and much of the equipment has been delivered to the offshore installation contractor, or is being held by the vendor pending delivery instructions.
- The Aussie 1 pipe lay barge which is contracted for the Longtom pipeline installation is nearing completion. Launch of the barge is scheduled for early May prior to sea trials and is scheduled for mobilisation to the Longtom gas field for the offshore installation of the pipeline and control umbilical, and the associated subsea hardware and control equipment in November 2008.
- A currency hedge was put in place at an exchange rate of US\$0.86/A\$ instead of the US\$0.75/A\$ that had been assumed in the project budget at FID. As a large part of the project costs are denominated in US\$ this will provide a material benefit to the project budget.
- Securing of a rig to drill the Longtom-4 development well and the Longtom upper exploration and appraisal well.

- Santos Limited confirmed that it will not exercise its option to purchase equity in the project.

Drilling of the Longtom upper appraisal and development well and the Longtom-4 development wells is scheduled for June and July respectively.

The regulatory planning approval process for the onshore plant upgrade has not yet been completed and this will most likely affect the schedule of the overall project. It is likely that first gas will be delayed until early 2009 but any delay will have minimal impact on project costs and may provide material benefits by allowing provision for tie in of additional Vic/L29 gas resources. Nexus will advise its shareholders of the revised first gas date once the regulatory approval process for the onshore plant has been determined. This is expected to occur during the next three months.

Crux Liquids Project (Nexus 85%) AC/P23 Permit - Browse Basin, Northern Territory

Field Appraisal:

Appraisal of the Crux field commenced shortly after its purchase by Nexus with a new 3D seismic survey acquired early 2006. Following evaluation of the new data, appraisal drilling commenced in early 2007 with the drilling of the Crux-2 well and the Crux-2 ST1 well. The Crux-3 and Crux-4 appraisal wells commenced drilling in December 2007 and January 2008 respectively. Both wells have been suspended as future production wells during the March 2008 quarter.

Both the Crux-3 and Crux-4 wells intersected previously unseen younger Montara Formation gas-charged sands overlying the older Plover and Nome Formation sands which had been seen in the earlier Crux-1, Crux-2 and Crux-2 ST1 wells. The Crux-4 well has confirmed that the Crux field extends into the previously undrilled South East Horst block, intersecting 126 metres of net gas sand over a total column of over 310 metres. The well encountered the top of the gas column at the highest point seen in the field to date, approximately 20 metres above the highest gas sand seen in the Crux-3 well.

Crux-4 is the third appraisal well to be retained as a future development well representing a significant pre-investment in the Crux liquids project which is expected to reach a Financial Investment Decision later this year. Four additional development wells are planned for the Crux liquids project.

In March 2008, Nexus announced a substantial increase of recoverable hydrocarbon volumes in the Crux field in the Browse basin. The increase was confirmed on 22 April 2008 following a review by independent auditor Gaffney Cline and Associates.

In line with previous announcements following the success of the Crux-3 and Crux-4 appraisal wells, the Nexus board has accepted the audited contingent resource estimates as a basis for booking reserves in the development area of the Crux field, located in exploration permit AC/P23, off the North West coast of Western Australia.

The Crux development area includes that part of the Crux field defined by the existing appraisal wells within AC/P23. It is this area that Nexus and its partner Osaka Gas Co. Ltd, plan to develop via the Crux liquids project.

The table below details the current updated volumes and compares them against those previously provided by Gaffney, Cline and Associates on 25 October 2007.

CRUX FIELD (100%) RECOVERABLE LIQUIDS VOLUME
(Nexus Share 85%)

Confidence Level	Proved P90	Proved plus Probable P50	Proved plus Probable plus Possible P10
Condensate MMstb @ 27 October 2007	54.9	66.3	78.3
Condensate MMstb @ 21 April 2008	63.8	75.2	86.3

The revised volumes are the result of further review by Nexus as well as an independent assessment by external independent expert, Gaffney, Cline and Associates (GCA). The volumes were certified by GCA as Contingent Resources as the project has not yet been officially sanctioned. However, these volumes have subsequently been booked by Nexus as Reserves on the basis of the Crux project being deemed by the board of Nexus to be economic and reflecting the board's commitment to proceed with the project.

The confirmed increases in the proved and proved plus probable volume estimates (P90 and P50 respectively) substantially boost the commercial value of the Crux liquids project and enhance Nexus' ability to procure project finance on attractive terms.

Facilities definition, detailed design and equipment procurement

In conjunction with the appraisal development drilling significant progress has been made on project definition and procurement, including:

- SBM Offshore Construction, located in Kuala Lumpur Malaysia, has been engaged to provide topsides process definition, and to submit an Engineering, Procurement and Construction (EPC) contract to provide the detailed engineering scope of the execution phase of the Crux liquids project.
- Consistent with the terms and conditions of the Memorandum of Agreement ("MOA") signed with Vanguard Field Development Solutions Pte Ltd (VFDS), VFDS had purchased MT Ishwari, a Suezmax cargo trading tanker for conversion to a FPSO for the Crux liquids project.
- A Letter of Intent has been issued to GE Oil and Gas for the design and supply of two gas turbine driven gas re-injection compressor trains for the project.
- Tenders have been issued for the supply of a turret and mooring for the FPSO and also for the supply of subsea trees and flowlines for the project. Bids have been received for all packages and are being evaluated.

Brief History of Crux

Nexus purchased the AC/P23 exploration permit which contains the Crux gas/condensate field in January 2006. In early 2007 Nexus sold the rights to the gas (excluding condensate) to Shell Development (Australia) Pty Ltd ("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 assume ownership of the permit and will have the right to extract the gas and any remaining condensate.

A Front End Engineering and Design Study ("FEED") for the Crux liquids project was completed in February 2007 providing a high degree of cost and engineering design definition for the Floating Production Storage and Offloading facility ("FPSO"). The design basis for the gas recycling facility for the Crux liquids project envisages approximately 900 MMscf/d of gas being produced through four production wells. Over 32,500 Stb/d of condensate could be stripped from the gas before re-injection into the reservoir through three injection wells.

In August 2007 Nexus sold a 15% interest in the Crux liquids project to a wholly owned subsidiary of leading Japanese energy supplier Osaka Gas Co., Ltd. Nexus received A\$75 million for the interest which implied a total value for the Crux project of A\$500 million.

Nexus and Vanguard Oil and Gas International Ltd ("Vanguard") have entered into a Memorandum of Agreement ("MOA") for the supply of an FPSO capable of processing Crux reservoir gas and recovering condensate as marketable liquids.

Under the MOA, Nexus and Vanguard have agreed to commence a significant engineering design and equipment procurement program leading up to the expected sanction of the Crux liquids project during the third quarter of 2008.

The integrated nature of the work program between Nexus and Vanguard during the pre project sanction phase utilises the specialist engineering skills available in both organisations and ensures that Vanguard will provide Nexus with a design and equipment that meet Nexus' requirements. Nexus will maintain overall supervisory control during this stage of the project.

Nexus confidently expects that the above progressive approach to the Crux project will enable first condensate production in 2010.

Echuca Shoals Gas Discovery (Nexus 66%) WA-377-P Permit - Browse Basin, Western Australia

In July 2007, Nexus completed a farm-in agreement with Shell Development (Australia) Pty Ltd ("Shell") to jointly appraise the Echuca Shoals gas discovery. Under the farm-in agreement, Shell has provided funding of US\$35 million in a combination of cash (US\$5 million) and contributions toward the drilling of the Fossetmaker-1 well to earn a 34% interest in a third of the permit in proximity to the Echuca Shoals well (farmin area).

The Fossetmaker-1 well was spudded on 6 August 2007 and funded by Shell pursuant to the farmin agreement. The well was located approximately 7 kilometres ENE of the Echuca Shoals-1 discovery well to evaluate the possible eastern extension of the Echuca Shoals field. Shell have declined an option to fund the first US\$ 25 million of a second well outside the farmin area to earn a 34% interest in the rest of the permit.

Nexus believes that potential gas volumes of up to 4 Tcf of gas are in place and associated condensate may be present in the Echuca Shoals structure within the WA-377-P exploration permit. However, another well will be required to test this potential.

Geological and geophysical studies to evaluate the Fossetmaker-1 result and nearby wells to further assess the potential of Echuca Shoals are nearing completion. It is likely that the optimum location for a future appraisal well will be updip of the Fossetmaker-1 well. The objectives of such a well will be to test the closure updip from both the Echuca Shoals-1 and Fossetmaker-1 wells.

EXPLORATION ASSETS

In addition to its appraisal and development activities, Nexus and its various Joint Venture partners, have secured five firm rig slots for planned exploration activities over the next twelve months, two in the Gippsland Basin permits VIC/P54 and VIC/P49, one in permit NT/P66 in the Bonaparte Basin and two in permit AC/P41 in the Browse Basin.

AC/P41 Permit (Nexus 50%) Browse Basin, Western Australia

Nexus and Shell (as operator) accepted the award of the AC/P41 permit on 1 March 2007. The permit surrounds the AC/P23 permit which contains the Crux Gas/Condensate Field.

Processing of the 500 km² Octantis 3D seismic is near completion. The first exploration well will be drilled in June 2008 on the Libra structure immediately south east of the Crux field in AC/P23. Libra has the potential to contain up to 1 TCF of gas and up to 30 MMbbls of condensate.

The second commitment exploration well is scheduled to be drilled in the second half of 2008.

VIC/P49 Permit (Nexus 80%) Gippsland Basin, Victoria

Acquisition of 1,700 km of 2D seismic data was completed in July 2007 with the majority of the data designed to define the large leads. Tiger and Leopard have been identified on regional seismic lines in the deep water part of the basin. Processing of the data has been delayed due to issues associated with the deep water and interpretation is expected to begin in May 2008. Part of the survey, seismic data was also acquired over a possible extension of the Basker oil field into the VIC/P49 permit. Processing of this data was completed in December 2007 and the Sleeper prospect has been progressed as the well to be drilled in the permit.

VIC/P56 (Nexus 80%) Gippsland Basin, Victoria

Nexus has elected to withdraw from this permit and formal notifications have been lodged with the designated government authority.

WA-368-P (Nexus 50%) Perth Basin, Western Australia

Processing of the 300 km² Catalina 3D seismic survey was completed in February 2007 and interpretation of the data has been completed. Plans are underway to contract a drilling rig with the intention to drill this well in the fourth quarter of 2008.

NT/P66 (Nexus 100%) Bonaparte Basin, Northern Territory

A rig contract with a drilling contractor has been signed to drill the Sidestep prospect. The Sidestep prospect is located 10 kms from the Blacktip field which is currently under development. The exploration well will target over 1Tcf of potential gas resource in a shallow reservoir which is identified by a seismic amplitude similar to the anomaly seen at Blacktip where the same aged reservoir was shown to be gas charged.

CORPORATE

Funding

On 7 January 2008 Nexus announced that Early Stage Project Finance Development Facility for A\$50 million had been provided by the BOS International (Australia) Limited. The funds will be applied to the drilling costs of the Crux-3 and 4 wells. The first tranche of A\$25 million has been drawn and upon the successful completion of the Crux-3 well, the second tranche will be drawn for utilisation on the Crux-4 well.

As at the end of March 2008 the company's cash balance was \$123 million.

Forecast Activities

The forecast activities to 30 June 2008 include:

- Continue to progress the Longtom gas project
- Preparation for an exploration well in exploration permit in AC/P41
- Placement of orders for long lead equipment items for the Crux liquids project
- Commence detailed engineering for the Crux liquids project

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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.

Name of entity

Nexus Energy Ltd

ABN

64 058 818 278

Quarter ended ("current quarter")

31 March 2008

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		
1.2	Payments for		
	(a) exploration and evaluation	(52,483)	(91,176)
	(b) development	(21,970)	(54,979)
	(c) production		
	(d) administration	(9,013)	(14,637)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	1,365	4,072
1.5	Interest and other costs of finance paid	(11)	(807)
1.6	Income taxes paid		
1.7	Other – GST	(1,302)	4,569
	Net Operating Cash Flows	(83,414)	(152,958)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments	-	(100,479)
	(c) other fixed assets	(81)	(794)
1.9	Proceeds from sale of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets	-	5
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other – Sale of liquid gas interests	-	75,062
	Net investing cash flows	(81)	(26,206)
1.13	Total operating and investing cash flows (carried forward)	(83,495)	(179,164)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(83,495)	(179,164)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	103,882
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	110,000	201,414
1.17	Repayment of borrowings	-	(38,861)
1.18	Dividends paid		
1.19	Other		
	– borrowing transaction costs	(3,654)	(3,654)
	– equity transaction costs	(32)	(175)
	– Finance lease repayments	-	(6)
	Net financing cash flows	106,314	262,600
	Net increase (decrease) in cash held	22,819	83,435
1.20	Cash at beginning of quarter/year to date	101,841	41,132
1.21	Exchange rate adjustments to item 1.20	(1,127)	(1,034)
1.22	Cash at end of quarter	123,533	123,533

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	364
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 (includes \$110m unsecured senior subordinated notes)	215,000	202,000
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	60,300
4.2 Development	52,500
Total	112,800

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	12,168	22,512
5.2 Deposits at call	37,359	20,615
5.3 Bank overdraft		
5.4 Other (including escrow accounts and project finance facility reserve account)	74,006	58,714
Total: cash at end of quarter (item 1.22)	123,533	101,841

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	554,604,369	554,604,369		
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>	1,000,000 500,000 4,526,700 1,101,000 319,500 31,884,058		<i>Exercise price</i> 110 cents 150 cents 162 cents 162 cents 195 cents 207 cents	<i>Expiry date</i> 6 October 2008 6 April 2009 23 December 2008 14 January 2009 27 February 2009 15 January 2013 (warrants)
7.8 Issued during quarter	31,884,058		207 cents	15 January 2013

+ See chapter 19 for defined terms.

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>				

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 2008
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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* 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.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Schedule of Exploration Permits
Held by Consolidated Entity
At 31 March 2008

<u>Permit</u>	<u>Basin</u>	<u>Interest %</u>
VIC/P54	Gippsland	37.5
Longtom Sole Risk Programme (VIC/L29)	Gippsland	100
VIC/P56	Gippsland	80
VIC/P49	Gippsland	80
NT/P66	Bonaparte	100
WA-368-P	Perth	50
AC/P23	Browse	85
WA-377-P	Browse	66
AC/P41	Browse	50

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+ See chapter 19 for defined terms.