



March 2010 quarterly report

Chairman's comments

Nexus Energy Limited ("Nexus") is pleased to report the first full quarter of production from the Longtom gas project. During the March quarter Nexus sold 3.22 PJ of gas and 40,000 bbl of condensate, booking revenue of approximately A\$14.8 million.

Our priority for 2010 remains the commercialisation of the Crux asset. Discussions are ongoing with potential partners and Shell Development (Australia) Pty Ltd ("Shell"), the owner of the gas in AC/L9, to determine the best option that will deliver the maximum value to shareholders. To assist Nexus in this important effort, new board members with complimentary skill sets and extensive oil and gas industry experience are providing valuable support to the Nexus team.

Post the end of the quarter Nexus announced that Richard Cottee had been appointed Chief Executive Officer. We are delighted to have attracted such an experienced industry professional and look forward to working with Richard. Following a handover period with Richard, I will be resuming my non-executive Chairman role.

Michael Fowler

Executive Chairman

Production & sales revenue

The table below summarises Nexus' production and sales for the quarter ended 30 March 2010 and financial year to date.

			<u>Quarter end</u>			<u>Financial year</u>
			<i>Mar-2010</i>	<i>Dec-2009</i>	<i>Delta</i>	<i>to Mar-2010</i>
Gas	Production	PJ	3.32	2.16	+54%	5.48
	Sales	PJ	3.22	2.07	+55%	5.29
Condensate	Production	kbbl	40.1	27.3	+47%	67.4
	Sales	kbbl	40.0	25.4	+57%	65.4
Total	Net revenue*	A\$ million	14.8	9.0	+64%	23.8

*Net revenue is after the ~3% production royalty

Production and sales exceeded the prior quarter which did not represent a full three months of production (commenced on 21 October 2009). Gas sales volumes were in accordance with Nexus' gas off-take sales agreement with Santos. Condensate sales volumes for the quarter were lower than production due to the timing of individual truck liftings. The difference between gas production and sales is use of gas for fuel and flare.

Production assets

Longtom gas project (Nexus 100%) VIC/L29 – Gippsland Basin, Victoria

Post the end of the quarter, Nexus advised the market that production has ceased from the Longtom field on 23 April 2010 following the detection of low levels of mercury in the delivered gas.

Nexus is working with Santos on the installation of mercury removal equipment at the onshore Patricia Baleen gas plant. At this early stage, it is estimated that the cost of implementation of the guard beds will be approximately A\$2 million and will take at least two months to install.

Development projects

Crux liquids project (Nexus 85%) ** AC/L9 – Browse Basin, Western Australia

Following the board changes a strategy review for the commercialisation of the Crux asset was undertaken. Whilst the Crux liquids project will generate earliest cash flow for Nexus, recent announcements regarding the floating LNG ("FLNG") technology in Australia has highlighted the potential for this to accelerate a gas development at Crux. Work is continuing to attract a suitable joint venture partner to progress the development.

Nexus continues to evaluate all development options for Crux, including the liquids project whilst retaining the value of the contractual rights to participate with respect to liquids under a Shell-operated gas project.

**Nexus holds an 85% interest in the liquids in AC/L9 which may be recovered via a liquids project prior to 2021 or alternatively, in circumstances where the liquids joint-venture unanimously decides not to progress with a liquids stripping project and notifies Shell of the same prior to 31 December 2020, via a possible Shell operated gas and liquids project in which case the 2021 end date does not apply.

Appraisal and exploration assets

Exploration activity has focused on maturing plans for potential prospects, subject in certain cases to securing appropriate farm-out arrangements. Prospects include, in the Browse Basin: Auriga-1 and Caelum-1 in the Crux permit AC/L9, Fossetmaker-2 and Mashrudder-1 in WA-377-P (Echuca Shoals); in the Gippsland Basin: Dusky-1 in VIC/P49 and Longtom West in VIC/P54; and in the Perth Basin: Yngling-1 in WA-368-P.

AC/L9 Licence (Nexus 85%)

Browse Basin, Western Australia

Two near field appraisal opportunities at Auriga and Caelum have been identified as possible additions to the Crux field. Drilling activity is on hold until a new partner is identified.

Echuca Shoals gas discovery (Nexus 100%*)

WA-377-P Permit – Browse Basin, Western Australia

During the quarter Shell finalised its withdrawal from the permit leaving Nexus with a 100% interest. The potential gas in place at the Echuca Shoals gas field within WA-377-P is approximately 2 Tcf, with the potential for associated condensate. Geological studies also indicate the presence of deeper exploration targets which have the potential to add up to another 3 Tcf of gas in place. An additional prospect at Mashrudder has also been identified on 3D seismic in the north-east of the permit in a deeper and older reservoir section. Nexus plans to farm-out equity in the permit to fund drilling activity and is currently in discussions with interested parties.

WA-424-P (Nexus 100%)

Browse Basin, Western Australia

Technical evaluation of WA-424-P has indicated the potential for 3D seismic coverage to improve the delineation of potential drilling targets in the permit. Discussions with several interested parties have begun with a view to participating in the acquisition of 3D seismic data. The oil potential of the permit is confirmed by the small Gwydion oil field which was discovered in 1995.

VIC/P54 Permit (Nexus 100%)

Gippsland Basin, Victoria

Reprocessing of 3D seismic data over the Longtom field and the eastern part of VIC/P54 is complete and interpretation of this data is underway to determine the potential for the Longtom trend to extend further east. A gas discovery could be tied into the Longtom production facilities.

VIC/P49 Permit (Nexus 80%)

Gippsland Basin, Victoria

The Dusky prospect is a possible extension of the Basker field and is mature for drilling. Interpretation of seismic data over the deep water part of the permit has identified several large structures and further work to generate drill ready prospects is underway prior to farming out an interest in the permit. Nexus has applied for a variation to the year 6 work programme and a six month permit extension from 15 April to allow completion of technical work on deep water leads.

WA-368-P (Nexus 50%)

Perth Basin, Western Australia

Yngling is an oil prospect with a mean unrisked resource of 90 MMbbl. Nexus will seek to farm-out equity in the permit prior to drilling the prospect and has applied for a six month permit extension prior to drilling the year 3 commitment well.

NT/P66 (Nexus 100%)

Bonaparte Basin, Northern Territory

No activity during the quarter. All drilling commitments for this permit have been fulfilled.

Cash flow and funding

At the end of March the company's cash balance was A\$33.6 million. During the quarter Nexus received its first cash payments from sales revenue from the Longtom gas project of A\$17.5 million. Cash production costs include processing tariff, opex and prepayment of tariffs in the form of take or pay charges totalling A\$15 million.

The reduction in development cash outflow this quarter is due to substantially all capex costs having been closed out now that the Longtom project has been completed and the project finance debt facility is fully drawn. Cash interest and financing costs reflect the full interest and fee charges on the Longtom project debt facility.

In addition, administration costs are also lower than the previous quarter as there were a number of one-off costs relating to redundancies of project personnel following Longtom project completion and that of the Managing Director.

The net result is a decrease in cash of A\$11.1 million for the quarter.

Total loan facilities of A\$296 million are represented by the fully drawn Longtom project debt facility (A\$160 million) and fully capitalised Notes (A\$136 million). The available Standby Letter of Credit ("LC") has been issued to Santos in support of Nexus' obligations under the Longtom Gas Sales Agreement. The LC was undrawn at the end of the quarter and remains so.

Nexus continues to examine all sources of funding as part of its day to day cash flow management. The options being considered include scenarios for debt refinancing, asset sales, re-profiling of commitments and overhead reductions to ensure the organisation size is appropriate and fits with near term objectives.

Management update

Post the end of the quarter, Nexus announced the appointment of Mr Richard Cottee as Chief Executive Officer ("CEO"). Mr Cottee will assume his responsibilities as CEO on 3 May 2010 and will be relocating from Brisbane to Melbourne. Following a handover period Mr Fowler will step down from his executive role and resume a non-executive chairman position.

Mr Cottee's most recent role was at Queensland Gas Company ("QGC") where he held the position of Managing Director from 2002 until 2008 when the company was taken over in a friendly acquisition by the BG Group. Over this period QGC grew from a market capitalisation of around \$20 million to an ASX100 company with a market capitalisation of \$5.7 billion.

Prior to his role at QGC, Mr Cottee worked in the utility sector as Vice President and Managing Director of NRG Energy Ltd in London, and Chief Executive of CS Energy Ltd in Brisbane. Mr Cottee is a lawyer by background and commenced his career with Allens Arthur Robinson before holding commercial positions with Itochu and Santos. He also spent six years with Freehills, Allens & Mallesons covering the resource sector and six years as an executive director of Cyprus Australia Coal.

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.

Name of entity

Nexus Energy Ltd

ABN

64 058 818 278

Quarter ended ("current quarter")

31 March 2010

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	17,451	17,451
1.2	Payments for		
	(a) exploration and evaluation	1,200	(40)
	(b) development	(5,111)	(84,527)
	(c) production	(15,011)	(15,268)
	(d) administration	(5,346)	(15,067)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	259	920
1.5	Interest and other costs of finance paid	(4,891)	(8,502)
1.6	Income taxes paid		
1.7	Other – GST, FX gains/losses	338	(213)
Net Operating Cash Flows		(11,111)	(105,246)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets	(1)	(37)
1.9	Proceeds from sale of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets	5	5
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other		(35,000)
Net investing cash flows		4	(35,032)
1.13	Total operating and investing cash flows (carried forward)	(11,107)	(140,278)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(11,107)	(140,278)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		74,517
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		45,911
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other		
	– borrowing transaction costs		
	– equity transaction costs		(1,365)
	– Finance lease repayments		
	Net financing cash flows		119,063
	Net increase (decrease) in cash held	(11,107)	(21,215)
1.20	Cash at beginning of quarter/year to date	44,741	55,377
1.21	Exchange rate adjustments to item 1.20	(11)	(539)
1.22	Cash at end of quarter	33,623	33,623

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	905
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

Increase in loan facilities available and used resulting from capitalised interest during the quarter amounted to \$4.6 million.

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	296,293	296,293
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	618
4.2 Development	6,935
Total	7,553

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	23,691	28,501
5.2 Deposits at call	1,660	1,644
5.3 Bank overdraft		
5.4 Other (including escrow accounts and project finance facility reserve account)	8,272	14,596
Total: cash at end of quarter (item 1.22)	33,623	44,741

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	958,061,849	958,061,849		
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> 204 cents	<i>Expiry date</i> 15 January 2013 (warrants)
	90,000		225 cents	28 April 2011
	148,000		219 cents	23 May 2011
	359,800		225 cents	23 May 2011
	2,590,700		147 cents	24 December 2012
	4,665,500		Zero	30 June 2012
7.8 Issued during quarter			<i>Exercise Price</i>	<i>Expiry Date</i>
7.9 Exercised during quarter			<i>Exercise Price</i>	<i>Exercise Date</i>
7.10 Expired during quarter	61,600		<i>Exercise Price</i> Zero	<i>Expiry Date</i> 31 January 2010
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 2010
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.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Schedule of Exploration Permits
Held by Consolidated Entity
At 31 March 2010

Permit	Basin	Interest %
VIC/P54	Gippsland	100
VIC/L29	Gippsland	100
VIC/P49	Gippsland	80
NT/P66	Bonaparte	100
WA-368-P	Perth	50
AC/L9	Browse	85
WA-377-P	Browse	100
WA-424-P	Browse	100

+ See chapter 19 for defined terms.