



30 April 2007

The Manager, Companies
Australian Stock Exchange

QUARTERLY REPORT

31 March 2007

Please refer to the attached announcement.

Yours sincerely,

Susan Robutti
Company Secretary



Nexus Energy Limited

HIGHLIGHTS

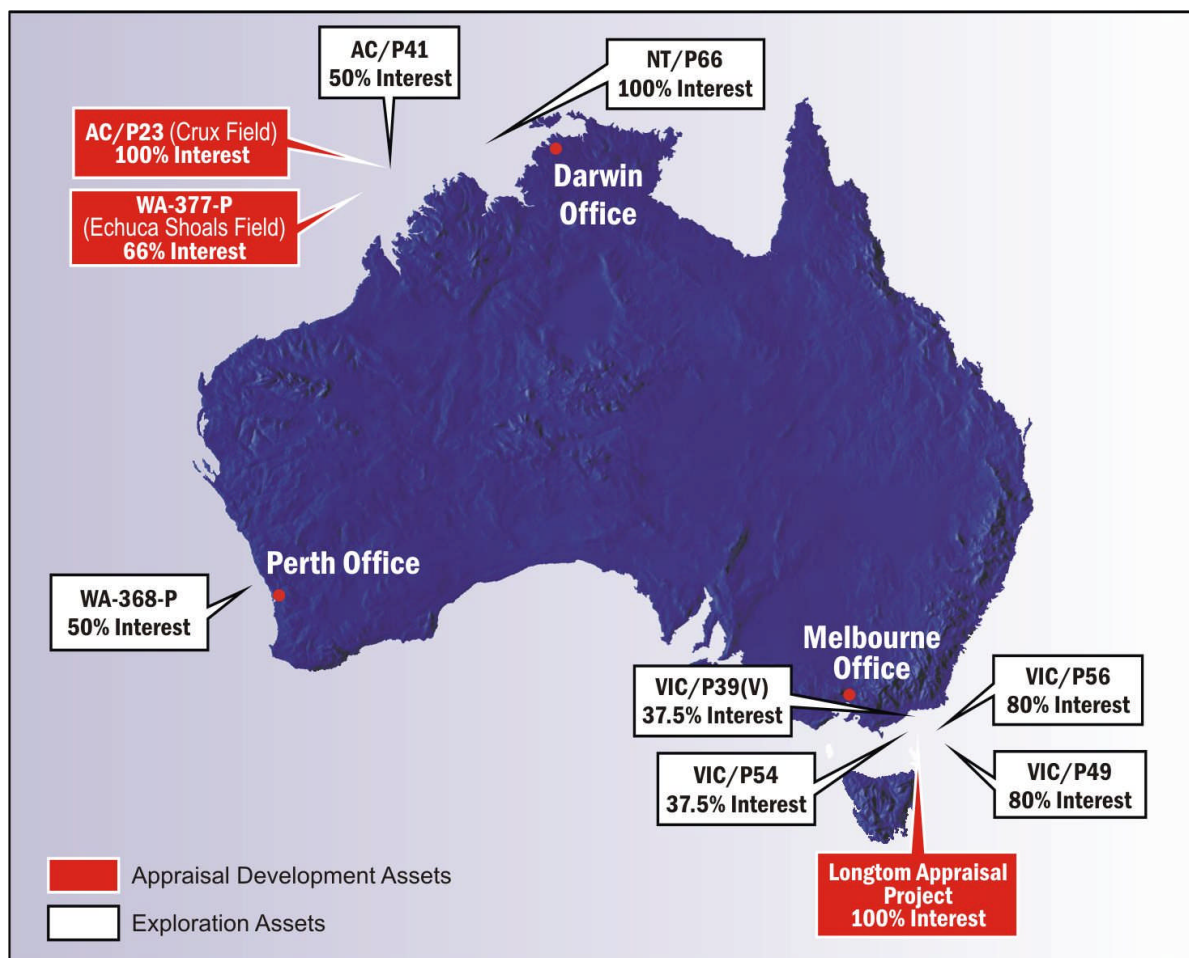
- Commerciality of the Longtom project declared and contracted reserves of 350 Petajoules (PJ) of gas and 4 million barrels of condensate booked in April 2007.
- Crux-2 and Crux-2ST1 appraisal wells drilled in exploration permit AC/P23, with higher liquids content confirmed in April 2007.
- Nexus and Shell sign Farm-In Agreement for appraisal of the Echuca Shoals gas discovery for up to US\$60 million in exploration permit WA-377-P.
- Nexus and Shell were jointly awarded a new exploration permit AC/P41 in the Browse Basin.
- Completion of institutional placement raising \$29.5 million.



Activities Update Quarter Ended 31 March 2007

During the reporting period the company has concentrated it's efforts on:

- Progressing the Longtom gas project toward securing a Final Investment Decision ("FID"), which was made in April 2007;
- Drilling of the Crux-2 and Crux-2ST1 appraisal well;
- Completing the Front End Engineering and Design ("FEED") on the Crux liquids project; and
- Finalising the transaction with Shell Development Australia Pty Ltd ("Shell") for the appraisal of the Echuca Shoals gas discovery.



Nexus projects and exploration permits in Australia

APPRAISAL AND DEVELOPMENT PROJECTS

Longtom Gas Project (Nexus 100%) VIC/P54 Permit - Gippsland Basin, Victoria

Work during the quarter focused on updating geological and reservoir simulation models based on the results of the Longtom-3 well. The field development plan was optimised and resource volumes defined prior to the Final Investment Decision (FID), which was made in April 2007.

An independent audit by international consulting firm Gaffney, Cline and Associates ("GCA") confirmed a best estimate contingent resource of 435 petajoules (PJ) of saleable gas and 5.2 million barrels of condensate in the Longtom gas/condensate field.

Commerciality of the Longtom project was declared in April 2007 and following the FID Nexus subsequently booked contracted reserves of 350 Petajoules (PJ) of gas and 4 million barrels of condensate.

Crux Liquids Project (Nexus 100%) AC/P23 Permit - Browse Basin, Northern Territory

Front End Engineering and Design of a gas condensate recycling project (Crux liquids project) was completed in February 2007 by internationally recognised consulting firm Mustang Engineering.

The Crux-2 appraisal well was spudded on 30 December 2006. Crux-2 encountered a gross gas column of 70m with 26m of good quality sandstones in the Jurassic aged Plover formation. As this was deemed less than the minimum sand thickness required to support the proposed liquids project a sidetrack well, Crux-2ST1, was initiated on February 20th.

Crux-2ST1 encountered a 158 metre gross gas column which had the same pressure characteristics as the gas columns seen in both the Crux-1 and Crux-2 wells, indicating that all three wells had intersected a single accumulation. The Crux-2ST1 confirmed a higher liquids content within the Crux field with samples recovered indicating a condensate gas ratio of 35 barrels per million standard cubic feet of reservoir gas

The drilling operations on the Crux-2ST1 well were completed in April 2007 following the successful suspension of the well as a future injector/producer for a Crux liquids project.

Nexus currently holds a 100% interest and is operator of the potential Crux liquids project and any other liquid hydrocarbons in the AC/P23 permit.

The company expects to be able to commit to the development of the Crux liquids project in early 2008.

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

In January 2007, Nexus announced that it had signed a Farm-in Agreement with Shell Development Australia Pty Ltd ("Shell") to jointly commence the appraisal of the Echuca Shoals gas discovery.

Under the Farm-in Agreement Shell is required to provide funding of up to US\$60 million in a combination of cash (US\$5 million) and contributions toward the drilling of two appraisal wells (US\$ 55 million) to earn a 34% interest in the entire permit.

Shell will make a US\$5 million cash payment to Nexus Energy WA377P Pty Ltd following receipt of regulatory approvals for the Farm-in Agreement and finalisation of the terms of a joint operating agreement and will fund the first US\$30 million of Echuca Shoals-2, the first appraisal well. Shell has the right to fund the first US\$25 million of a second appraisal well to retain a 34% interest in the entire Echuca Shoals permit. It is expected that the initial cash payment will be received in May 2007 and the first appraisal well will commence drilling in June 2007.

Reprocessing of the Adele 3D seismic data over the permit area was completed in February 2007. Additional inversion processing commenced in March 2007 and is expected to be completed in April 2007. This data will be interpreted prior to the selection of a drilling location for the Echuca Shoals-2 appraisal well currently scheduled for the second quarter 2007.

EXPLORATION ASSETS

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

Along with operator Shell Development Australia Ltd, Nexus accepted the award of the AC/P41 permit on March 1st 2007. The permit surrounds the AC/P23 permit which contains the Crux Gas Field. Acquisition of a 500 km² 3D survey is expected to commence in June 2007.

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

CGG Australia Services Pty Ltd was contracted to acquire up to 2,000 km of 2D seismic in the first half of 2007 with the majority of the data designed to define the large leads, Tiger and Leopard, which have been identified on regional seismic lines in the deep water part of the basin.

A possible extension of the Basker oil field into the permit was also identified. Acquisition of additional seismic data is planned over this possible extension in the first half of 2007.

VIC/P39 (v) (Nexus 37.5%) Gippsland Basin, Victoria

Nexus has given notice to VIC/P39(v) Joint Venture partners of it's intention to withdraw from the permit.

VIC/P56 (Nexus 40%) Gippsland Basin, Victoria

Studies to review remaining prospectivity in the permit following the drilling of the Culverin and Scimitar prospects continued during the quarter.

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 commenced.

Preparation for the acquisition of environmental data around possible well locations is also underway.

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

A rig contract with a drilling contractor has been signed with the intention of drilling a well in the permit to complete the primary term work programme. The company is also progressing a farmout campaign for the permit.

CORPORATE

Funding

In March 2007, the company completed an institutional placement that raised \$29.5 million. A total of 36.84 million new shares were placed with domestic and institutional and sophisticated investors at \$0.80 per share.

The company is at an advanced stage of finalising project finance for the Longtom development following it's Financial Investment Decision (FID) and booking of reserves during April 2007.

As at the end March 2007 the company's cash balance was A\$62.8 million.

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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 2007

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 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	(26,126)	(96,629)
(b) development		
(c) production		
(d) administration	(1,751)	(6,408)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	650	1,953
1.5 Interest and other costs of finance paid	(322)	(693)
1.6 Income taxes paid		
1.7 Other – GST	1,508	2,078
Net Operating Cash Flows	(26,041)	(99,699)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	(111)	(438)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other – Gas Rights	6	52,040
Net investing cash flows	(105)	51,602
1.13 Total operating and investing cash flows (carried forward)	(26,146)	(48,097)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(26,146)	(48,097)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	29,472	50,361
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		28,313
1.17	Repayment of borrowings		(7,000)
1.18	Dividends paid		
1.19	Other		
	– borrowing transaction costs		
	– equity transaction costs	(1,105)	(1,904)
	– Finance lease repayments	(4)	(11)
	Net financing cash flows	28,363	69,759
	Net increase (decrease) in cash held	2,217	21,662
1.20	Cash at beginning of quarter/year to date	61,015	42,464
1.21	Exchange rate adjustments to item 1.20	(474)	(1,368)
1.22	Cash at end of quarter	62,758	62,758

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	193
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	30,000	30,000
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	60,000
4.2 Development	22,000
Total	82,000

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	24,102	19,409
5.2 Deposits at call	38,656	41,606
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	62,758	61,015

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-377P	Exploration Permit [Note: reduction in Nexus's interest is subject to transfer approval under the PSLA]	100%	66%
6.2 Interests in mining tenements acquired or increased	AC/P41	Exploration Permit	0%	50%

+ 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	431,153,608	431,153,608		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	36,840,000	36,840,000	80 cents	
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>	2,595,000 650,000 11,954,500 1,000,000 199,400 410,300 500,000		<i>Exercise price</i> 75 cents 77 cents 87 cents 110 cents 136 cents 146 cents 150 cents	<i>Expiry date</i> 30 April 2007 30 April 2007 31 October 2007 6 October 2008 31 December 2007 31 December 2007 6 April 2009
7.8 Issued during quarter				

+ 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 /does not* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: Date: 24 April 2007
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.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly 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 2007

<u>Permit</u>	<u>Basin</u>	<u>Interest %</u>
VIC/P54	Gippsland	37.5
Longtom Sole Risk Programme (VIC/P54)	Gippsland	100
VIC/P56	Gippsland	40
VIC/P49	Gippsland	80
VIC/P39(v)	Gippsland	37.5
NT/P66	Bonaparte	100
WA-368-P	Perth	50
AC/P23 (Crux)	Browse	100
WA-377-P (Echuca Shoals)	Browse	66
AC/P41	Browse	50

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