



June 2008 quarterly report & Appendix 5B

Highlights from the June quarter:

- Independent expert Gaffney Cline and Associates, confirm a best estimate (P50) contingent resource of 75.2 million barrels in the Crux field.
- Letters of Intent signed for Crux development equipment.
- Drilling rig secured for Crux development wells.
- Longtom field gas Pipeline Licence issued by Victorian Government.
- Garfish-1 exploration and appraisal well drilled in the VIC/L29 permit.
- Share placement to institutions raises A\$143 million.
- Nexus cash balance at period end A\$224 million.

Post quarter end highlights and forecast activities for the September quarter:

- Completion of Share Purchase Plan raising A\$8.3 million in July.
- Longtom-4 development well intersects 100 metres of gas sands in July.
- Submit Crux Field Development Plan to the regulator.
- Preparation for Libra-1 exploration well in the AC/P41 permit.
- Drill the Sidestep-1 exploration well in the NT/P66 permit.

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DEVELOPMENT PROJECTS

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

Development of the Longtom gas project continued with first gas currently expected in the second quarter of 2009.

Project activity during the June quarter included:

- A Pipeline Licence was awarded in April 2008.
- The Aussie 1 pipe lay barge was launched in Singapore in early June. The barge is scheduled at the Longtom gas field for the offshore installation of the pipeline, the control umbilical and the associated subsea hardware and control equipment in the fourth quarter of 2008.
- The Longtom-4 development well started drilling on 21 June. At the end of July the pilot hole had intersected 100 metres of gas sands within a gross interval of 470 metres.
- The Santos VCAT hearing was held late May 2008 to achieve planning approval for upgrade of the existing onshore Patricia Baleen gas plant. The outcome of the VCAT hearing is expected in August 2008. Nexus will advise the market once the outcome of the hearing has been determined if there is a revised first gas date.

Crux liquids project (Nexus 85%) AC/P23 Permit – Browse Basin, Western Australia

Nexus committed to the purchase of long lead time items for the Crux liquids project during the June quarter and also secured a rig for development drilling in advance of final project sanction. The commitment to time critical equipment is expected to deliver first production by the end of 2010. The company continues to work towards a Final Investment Decision ("FID") for the Crux project by the end of 2008.

Project activity during the June quarter included:

- A 12.5% increase in Crux 2P reserves to 75.2 MMbbl (refer to table below) following the drilling of the Crux-3 and Crux-4 wells.
- Notice of Award ("NOA") signed with Sedco Forex International Inc to secure the Transocean Legend semi-submersible drilling rig. The NOA includes a minimum duration contract of 260 days to drill five additional development wells and complete all eight wells planned for the Crux development. It is expected that the rig will be available to commence operations on the Crux field between February and April 2009.
- Letter of Intent ("LOI") signed with Cameron Australasian Proprietary Limited for the supply of eight sub-sea xmas trees for Crux development wells.
- LOI signed with Wellstream International Limited for the supply of the flexible sub-sea flow lines which will connect the Crux development wells to the Floating Production Storage and Offloading ("FPSO") vessel.

On 23 April 2008 Nexus reported that a substantial increase of recoverable hydrocarbon volumes in the Crux field had been confirmed by independent auditor Gaffney, Cline and Associates ("GCA").

The table below details the current updated volumes and compares them against those previously provided by GCA on 24 October 2007.

CRUX FIELD ESTIMATED RECOVERABLE LIQUIDS VOLUMES

Confidence Level	Gross (100%) Field			Nexus Share 85%		
	P90	P50	P10	P90	P50	P10
Condensate MMstb @ 24 October 2007	54.9	66.3	78.3	46.7	56.4	66.6
Condensate MMstb @ 22 April 2008	63.8	75.2	86.3	54.2	63.9	73.4

These revised volumes are the result of further review by Nexus as well as an independent assessment by external independent expert, GCA. The volumes were certified by GCA as Contingent Resources as the project has not yet been officially sanctioned and GCA has not assessed the commerciality of the Condensate Resource volumes.

However, Nexus has subsequently booked these volumes as Reserves on the basis of the Crux project being deemed by the board of Nexus to be economic. The board's commitment to proceed with the project is further reflected in the commitment to long lead items.

The confirmed increases in the P90 and P50 volume estimates substantially boost the commercial value of the Crux liquids project and enhance Nexus' ability to procure project finance on attractive terms. The Field Development Plan has been updated and will be submitted to the Joint Authority in the third quarter of 2008.

The topsides engineering, procurement and construction bid has been received and preparation of a definitive cost estimate and quality schedule in support of the project FID process is underway. The next significant commitment will be for the Turret Mooring System for the FPSO.

Nexus started the sale process for 10% equity in the Crux liquids project in June. The company is talking to multiple parties with the objective of completing the sale in around three months.

APPRAISAL AND EXPLORATION ASSETS

In addition to its appraisal and development activities, Nexus and its various joint venture partners, have firm plans to drill four exploration wells over the next 12 – 18 months, one in the Gippsland Basin permit VIC/P49, one in permit NT/P66 in the Bonaparte Basin and two in permit AC/P41 in the Browse Basin.

Echuca Shoals gas discovery (Nexus 66%) WA-377-P Permit – Browse Basin, Western Australia

Nexus completed the re-interpretation of reprocessed seismic data over the Echuca Shoals structure during the quarter. In combination with results from the Fossetmaker-1 well (drilled in August 2007), the company now estimates potential gas in place in the Echuca Shoals structure within exploration permit WA-377-P of around 2 Tcf, with the potential for associated condensate. Another well will be required to test this potential. The objectives of such a well will be to test the closure up-dip from both the Echuca Shoals-1 and Fossetmaker-1 wells.

Geological and geophysical studies indicate that there is additional exploration potential within the permit which may also be tested by the drilling of a future appraisal well.

VIC/L29 Permit (Nexus 100%) Gippsland Basin, Victoria

The Garfish-1 exploration and appraisal well (previously known as Longtom Upper) was drilled during the quarter, however, the exploration objective was unsuccessful. The well confirmed the presence of sands within the Admiral Formation appraisal objective which appear to be correlated to the main reservoir sands in the existing Longtom wells some 5 kilometres away in the eastern part of the permit.

Slightly elevated gas readings were observed while drilling through the main reservoir sand and further analysis indicates this sand may represent a gas charged extension of one of the reservoir sands intersected in previous Longtom wells. The results from the Garfish-1 well do not impact on 1P reserves for the field. The impact on 2P reserves, if any, will be assessed in coming months. Data obtained from the well will be combined with information collected from drilling the Longtom-4 development well before a re-assessment of reserves is undertaken.

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

Nexus and Shell (as operator) accepted the award of the AC/P41 permit in 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 complete and interpretation of the data is underway. The first exploration well, is scheduled to be drilled in the third quarter of 2008 on the Libra structure immediately south east of the Crux field in AC/P23. Libra is targeting a most likely gross resource estimate of 500 Bcf of gas with 19 MMbbl of condensate.

The second AC/P41 commitment exploration well is scheduled to be drilled in the June 2009 quarter.

**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 is complete and interpretation of the seismic data over these leads is underway.

As part of the survey, seismic data was acquired over a possible extension of the Basker oil field into the VIC/P49 permit (the Dusky prospect (previously Sleeper)). Processing of this data was completed in December 2007 and the Dusky prospect is now mature for drilling. The Kan Tan IV drilling rig has been contracted for the Dusky prospect which is scheduled to become available in the third quarter of 2009.

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

The Wilcraft Jack up rig is scheduled to begin drilling the Sidestep-1 prospect in August 2008. The Sidestep prospect is located 10 kilometres from the Blacktip field which is currently under development. The exploration well will target around 900 Bcf 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.

**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 for the Yngling-1 oil prospect with the intention to drill this well in the first quarter of 2009.

CORPORATE

Funding

Funding activity during the June quarter included:

- The issue of 83.4 million new shares via a placement to institutional and sophisticated investors at A\$1.72 per share. Gross proceeds, totalling A\$143 million from the placement of these shares, were received on 4 June 2008, with the new shares commencing trading on 5 June 2008. Post quarter end a Share Purchase Plan ("SPP") was conducted to allow Nexus' retail shareholders to participate in the capital raising. The SPP raised A\$8.3 million in July.
- In January 2008 Nexus announced that a A\$50 million Early Stage Project Finance Development Facility had been provided by the BOS International (Australia) Limited ("BOSI") for drilling costs associated with the Crux project. The second and final tranche of A\$25 million was drawn on 30 April 2008.
- Voluntary prepayments totalling A\$7.5 million were made on a margin loan established with BOSI for the acquisition of shares in AZA. There were no shares either purchased or sold in AZA during the quarter.

As at the end of June the company's cash balance was A\$224 million.

Management appointments

Nexus has made a number of key additions to its leadership team.

During the quarter Mr Dave Nolan started in the role of Chief Operating Officer ("COO") and Mr Moss Daemi started in the role of General Manager Commercial & Partner Relations.

Mr Nolan has 25 years industry experience and joined Nexus from BG Group where he held the position of COO for BG Trinidad. Prior to this role, Mr Nolan held several asset and project management positions within BP plc across various locations including Alaska, UK, Indonesia and Azerbaijan.

Mr Daemi has over 28 years international experience in the oil and gas industry. He joined Nexus from BP plc where he held various asset and project management positions most recent of which was as the BP representative for the North West Shelf Joint Venture responsible for BP sanctioning of the NWS JV capital investment programme.

Post quarter end Nexus announced the appointment of Mr Peter Thomas in the role of Chief Financial Officer ("CFO"), commencing late August. Mr Thomas joins Nexus from Stratic Energy Corporation, a Canadian oil and gas business listed in Toronto and on the London AIM, where he held the position of CFO. Prior to this role, he served as CFO of Hardman Resources Limited, the Australian listed international oil company, from 2005 until its acquisition in early 2007. Mr Thomas has over 20 years experience in finance with the international oil industry.

Nexus and Anzon merger

On 5 May 2008 Nexus announced that the proposed merger with Anzon Australia Limited ("AZA") and Anzon Energy Limited ("AEL") was to be terminated. The decision to terminate the merger was due to the parties not being able to agree merger terms following the assessment of the Basker-6 and Basker-6 ST1 drilling results.

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")

30 June 2008

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (12 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	(30,062)	(121,238)
	(b) development	(19,616)	(74,595)
	(c) production		
	(d) administration	(6,524)	(21,161)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	2,016	6,088
1.5	Interest and other costs of finance paid	(2,138)	(2,945)
1.6	Income taxes paid		
1.7	Other – GST	1,069	5,638
Net Operating Cash Flows		(55,255)	(208,213)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments		(100,479)
	(c) other fixed assets	(228)	(1,022)
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	(3)	75,059
Net investing cash flows		(231)	(26,437)
1.13	Total operating and investing cash flows (carried forward)	(55,486)	(234,650)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(55,486)	(234,650)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	145,297	249,179
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	25,000	226,414
1.17	Repayment of borrowings	(7,500)	(46,361)
1.18	Dividends paid		
1.19	Other		
	– borrowing transaction costs	(778)	(4,432)
	– equity transaction costs	(5,108)	(5,283)
	– Finance lease repayments	(2)	(8)
	Net financing cash flows	156,909	419,509
	Net increase (decrease) in cash held	101,423	184,859
1.20	Cash at beginning of quarter/year to date	123,533	41,132
1.21	Exchange rate adjustments to item 1.20	(1,149)	(2,184)
1.22	Cash at end of quarter	223,807	223,807

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	249
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)	220,000	219,500
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	56,000
4.2 Development	95,000
Total	151,000

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	16,480	12,168
5.2 Deposits at call	136,548	37,359
5.3 Bank overdraft		
5.4 Other (including escrow accounts and project finance facility reserve account)	70,779	74,006
Total: cash at end of quarter (item 1.22)	223,807	123,533

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	VIC/P54	Exploration Permit	37.5%	100%

+ 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	639,504,369	639,504,369		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	1,000,000 500,000 83,400,000	1,000,000 500,000 83,400,000	110 cents 150 cents 172 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>	4,431,100 1,101,000 319,500 31,884,058 90,000 99,500 148,000 359,800 97,600		<i>Exercise price</i> 162 cents 162 cents 195 cents 207 cents 225 cents 233 cents 219 cents 225 cents 225 cents	<i>Expiry date</i> 23 December 2008 14 January 2009 27 February 2009 15 January 2013 <i>(warrants)</i> 28 April 2011 27 July 2009 23 May 2011 23 May 2011 28 September 2009

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.8	Issued during quarter	90,000 99,500 148,000 359,800 97,600		<i>Exercise Price</i> 225 cents 233 cents 219 cents 225 cents 225 cents	<i>Expiry Date</i> 28 April 2011 27 July 2009 23 May 2011 23 May 2011 28 September 2009
7.9	Exercised during quarter	1,000,000 500,000		<i>Exercise Price</i> 110 cents 150 cents	<i>Exercise Date</i> 7 May 2008 7 May 2008
7.10	Expired during quarter	95,600		<i>Exercise Price</i> 162 cents	<i>Expiry Date</i> 23 December 2008 (Lapsed)
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

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: 31 July 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.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

- 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.

Schedule of Exploration Permits
Held by Consolidated Entity
At 30 June 2008

<u>Permit</u>	<u>Basin</u>	<u>Interest %</u>
VIC/P54	Gippsland	100
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

*Nexus has lodged a notice of intent to withdraw from this permit and is awaiting confirmation from the government.

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