



March 2009 quarterly report & Appendix 5B

March quarter activities:

- Longtom gas project: onshore construction work is underway with project on schedule and on budget for first gas in mid 2009. Aussie-1 pipelay barge on route to Longtom site during quarter with pipelay operations commencing late April.
- Crux liquids project: Production Licence AC/L9 awarded. Technical definition complete and project ready for an investment decision upon the entry of a technically and financially capable partner. The project has been placed on hold with the drilling of the Auriga structure and a further appraisal/development well dependent on the resolution of discussions with the rig contractor and finalising further funding arrangements.
- Sale of remaining Roc Oil Company Limited ("Roc") shares completed in January 2009 for A\$23.5 million in cash.
- Sale of the remaining 15% interest in exploration permit AC/P41 in the Browse Basin to Shell Development (Australia) Pty Ltd ("Shell") in March 2009 for US\$19 million in cash, effective 1 March 2009.
- Cash balance at quarter end A\$61 million.
- At the Company's request the securities were placed in a trading halt on 9 March 2009, and then in voluntary suspension on 11 March 2009 while Nexus progressed negotiations relating to asset sales (completed with sale of AC/P41), financing and significant contractual obligations.

Post quarter end and forecast activities for the June 2009 quarter:

- Longtom offshore pipeline installation commenced.
- Ongoing discussions with Transocean Inc.'s, Sedco Forex International regarding the proposed 'Transocean Legend' drilling program on the Crux field.
- Whilst the sales process for the Crux asset is on hold, continued interest is being shown by several oil companies.
- Commenced considering alternative strategies for value maximisation of the Crux asset available pursuant to agreements with Shell, including the retention of certain contractual rights to the liquids in the licence without progressing the Crux liquids project.
- Seek approval from the Longtom project financier to an extension of certain milestone dates under the facility.

DEVELOPMENT PROJECTS

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

Development of the Longtom gas project continued with first gas expected in mid 2009. The project is forecast to be delivered within its budget of A\$300 million (gross).

Activity during the March quarter included:

- Onshore construction work for the upgrade of Santos' Orbost gas plant continued.
- Aussie-1 pipelay barge set sail from Singapore to the Longtom site. Post quarter end the pipelay operations commenced.

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

Nexus has completed the technical definition for the Crux liquids project. The Crux project is technically ready for the final investment decision ("FID") with completion of the commercial arrangements for the charter of the floating production storage and offloading ("FPSO") and financing for the project the key remaining hurdles.

Activity during the March quarter included:

- Award of Production Licence designated AC/L9 by the Delegate of the Joint Authority of the Offshore Area of the External Territory of Ashmore and Cartier Islands. The licence has an indefinite term and applies to the entire area previously defined by the AC/P23 exploration permit. Award of the Production Licence is the final regulatory approval milestone to permit sanction of the Crux liquids project.
- Settlement agreement finalised with Viking (formerly Vanguard) Oil and Gas International and Viking Shipping Limited (together, "Viking") following the termination of the Memorandum of Agreement ("MOA") for the supply of a FPSO. Nexus to pay Viking US\$12 million, in respect of services received and all claims under the MOA, with a further contingent payment of US\$5 million to be made in 2009 only on certain major divestment and liquidity events. Currently US\$10 million is outstanding, to be paid by end June 2009.

On 18 March 2009, Nexus announced that the Crux liquids project would be placed on hold and that the company was minimising future capital expenditures, to enable Nexus to retain flexibility and maximise the inherent value of the Crux asset, until market conditions improve. Due diligence is ongoing by a number of oil companies however the asset is not being actively marketed.

In addition Nexus has commenced consideration of alternative options available to it under its existing contractual arrangements. The terms of the arrangements with Shell with respect to Shell's rights to gas in the AC/P23 permit (now AC/L9), include provisions for the circumstance should the liquids joint-venture (Nexus 85%, Osaka Gas Crux Pty Ltd (a subsidiary of Osaka Gas Co., Ltd.) ("Osaka Gas") 15%) unanimously decide not to progress with the extraction of the liquids recoverable through a liquids stripping project, and notify Shell of the same prior to 31 December 2020. These provisions include the ability for Nexus and Osaka Gas, upon transfer of the AC/L9 licence to Shell (with the above mentioned notification triggering earlier access for Shell to the permit, at its option) would retain various contractual rights to participate in the production of any future liquid hydrocarbons in a future gas commercialisation project initiated by Shell until the end of the project life (and the 1 January 2021 cut-off would not apply to such contractual rights).

These contractual arrangements de-facto create a "floor valuation" to the recoverable liquids contained within the AC/L9 licence and therefore to Nexus' interest in the same. This approach also exposes Nexus to a much larger reserves base given it will retain contractual rights in any liquids from further appraisal and future gas discoveries in the event a gas commercialisation project is initiated by Shell. Furthermore given Nexus' funding constraints and the general

illiquidity in capital markets this option allows Nexus to retain contractual rights to a material reserves base without the requirement to any significant capital expenditure in the near term.

Post the end of the quarter, as a result of a failure to agree various matters primarily relating to the financing of the drilling contract with Transocean Inc.'s, Sedco Forex International for the deployment of the rig 'Transocean Legend' to work on wells at the Crux Field, Nexus has been put into the position where, until those matters are agreed, the company may not be able to proceed with its drilling program associated with the Crux project, including the Auriga structure and a further appraisal/development well as it intended under the contract. Discussions and correspondence are continuing with Transocean.

***Nexus holds an 85% interest in the liquids in AC/L9 which may be recovered via a liquids project prior to 2021 (together with the contractual rights to liquids described above).*

APPRAISAL AND EXPLORATION ASSETS

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

AC/L9 (formerly AC/P23) Permit (Nexus 85%) Browse Basin, Western Australia

Production Licence AC/L9 was awarded in February 2009 following approval of the Crux liquids project Field Development Plan. Two near field exploration/appraisal opportunities at Auriga and Caelum have been identified as possible additions to the existing Crux field. The successful Libra-1 gas/condensate discovery in the adjacent exploration permit AC/P41 has increased the confidence of encountering hydrocarbons in the Auriga structure.

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

Additional geological studies have indicated that the Echuca Shoals Tithonian reservoir section is stratigraphically isolated, highlighting the up-dip potential for additional trapped gas. The Fossetmaker-1 well is interpreted to have intersected the gas-water-contact and detailed seismic inversion studies and an assessment of the well data indicate that the potential gas in place at the Echuca Shoals gas field within exploration permit WA-377-P is approximately 2 Tcf, with the potential for associated condensate. The geological studies also indicate the presence of a deeper exploration target in an older reservoir section which has the potential to add another 2 Tcf of gas in place.

Another well will be required to test this potential and several possible well locations are being considered. Nexus is targeting this follow-up well to be drilled later in 2009 subject to successfully farming-out the cost of the well. The farm-out process was initiated during the quarter.

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

Results from the Garfish-1 exploration well and Longtom-4 development well are being incorporated into the Longtom gas field reservoir model to review current 1P and 2P reserve estimates. The outcome of this study work is expected during Q2 2009 calendar year.

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

The Dusky prospect is a possible extension of the Basker oil field and is mature for drilling. The Kan Tan IV rig is scheduled to commence drilling in 2H 2010. The Tiger and Leopard leads have also been identified on regional seismic lines in the deep water part of the basin and interpretation of seismic over these leads is nearing completion.

WA-424-P (Nexus 100%)

Browse Basin, Western Australia

Technical evaluation of WA-424-P has begun with the intention of farming out an interest before the commitment well is scheduled to be drilled in late 2010. Nexus plans to test the large Tristram prospect which will evaluate the potential of a Jurassic aged stratigraphic trap. The oil potential of the permit is confirmed by the small Gwydion oil field which was discovered in 1995.

WA-368-P (Nexus 50%)

Perth Basin, Western Australia

Yngling is an oil prospect with a mean unrisked resource of 90 MMbbl. Nexus will farm-out equity in the permit prior to drilling the prospect.

NT/P66 (Nexus 100%)

Bonaparte Basin, Northern Territory

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

CORPORATE

Cash and funding

As at the end of March the company's cash balance was A\$61 million. Financing activity during the quarter included:

- Sale of remaining Roc Oil Company Limited ("Roc") shares completed in January 2009 for A\$23.5 million in cash;
- Sale of remaining 15% interest in exploration permit AC/P41 in the Browse Basin, offshore Western Australia for US\$19 million, effective 1 March 2009.

At 31 March 2009, A\$57 million of the A\$160 million Longtom project finance facility (development facility and cost overrun facility) was utilised, with A\$103 million remaining available. Cash costs to completion on the Longtom project as at 31 March 2009 were estimated at approximately A\$106 million, out of a total project cost of A\$300 million, both figures including contingencies of A\$18 million.

As announced in the half year end accounts lodged with the ASX on 17 March 2009, delays in the project schedule for the Longtom gas development have resulted in the need to seek approval from the Longtom project financier to an extension of certain milestone dates under the facility. The Longtom project financier has provided a letter acknowledging this request and has also advised that it is still in the credit approval process for such extensions. To assist with meeting project commitments whilst seeking ongoing credit approval, the financier has enabled access to the cost overrun account of A\$15 million as well as sufficient funding under the existing facilities to continue to deliver the Longtom gas project for first gas in mid 2009.

As announced on 14 April 2009, discussions continue with parties in relation to a finance package and with suppliers regarding a reduction in contractual commitments to defer and reduce cash outflows. Nexus is committed to resolving these negotiations as soon as possible, at which time the Company will make a substantive release to the market.

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 Mar 2009

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	(5,199)	(46,247)
	(b) development	(36,625)	(195,857)
	(c) production		
	(d) administration	553	(12,437)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	360	4,420
1.5	Interest and other costs of finance paid	(449)	(2,162)
1.6	Income taxes paid		
1.7	Other – GST, FX gains/losses	(4,130)	(884)
Net Operating Cash Flows		(45,490)	(253,167)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets	(93)	(1,026)
1.9	Proceeds from sale of:		
	(a) prospects		
	(b) equity investments	23,489	33,054
	(c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other – Sale of permit interests	27,802	98,345
Net investing cash flows		51,198	130,373
1.13	Total operating and investing cash flows (carried forward)	5,708	(122,794)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	5,708	(122,794)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		8,283
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	1,739	36,589
1.17	Repayment of borrowings		(89,500)
1.18	Dividends paid		
1.19	Other		
	– borrowing transaction costs		
	– equity transaction costs		(112)
	– Finance lease repayments	(2)	(6)
	Net financing cash flows	1,737	(44,746)
	Net increase (decrease) in cash held	7,445	(167,540)
1.20	Cash at beginning of quarter/year to date	51,678	223,807
1.21	Exchange rate adjustments to item 1.20	2,127	4,983
1.22	Cash at end of quarter	61,250	61,250

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	345
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

Not included in the amounts reported in 1.23 above are fees of \$48,000 paid for legal services in the ordinary course of business to Clayton Utz, a firm which one of the Company's former directors is a partner. That director resigned on 23 January 2009.

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 \$2.9 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.

As part of a farm-out agreement with an entity for an interest in exploration permit AC/P41, that entity funded Nexus' participating interest related to the drilling costs for the Libra-1 well amounting to \$2.9 million for the quarter. Nexus disposed of its remaining 15% interest in this permit during the quarter.

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	287,283	183,873
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	4,000
4.2	Development	81,000
	Total	85,000

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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	44,568	22,139
5.2 Deposits at call	1,597	12,940
5.3 Bank overdraft		
5.4 Other (including escrow accounts and project finance facility reserve account)	15,085	16,579
Total: cash at end of quarter (item 1.22)	61,250	51,678

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	AC/P41	Exploration permit	15	0
6.2 Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

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	645,350,183	645,350,183		
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> 207 cents	<i>Expiry date</i> 15 January 2013 (warrants)
	90,000		225 cents	28 April 2011
	99,500		233 cents	27 July 2009
	148,000		219 cents	23 May 2011
	359,800		225 cents	23 May 2011
	97,600		225 cents	28 September 2009
	2,590,700		150 cents	24 December 2012

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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	1,101,000 319,500		<i>Exercise Price</i> 162 cents 195 cents	<i>Expiry Date</i> 14 January 2009 27 February 2009
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 2009
 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.

- 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 2009

<u>Permit</u>	<u>Basin</u>	<u>Interest %</u>
VIC/P54	Gippsland	100
Longtom Sole Risk Programme (VIC/L29)	Gippsland	100
VIC/P49	Gippsland	80
NT/P66	Bonaparte	100
WA-368-P	Perth	50
AC/L9* (Formerly AC/P23)	Browse	85
WA-377-P	Browse	66
WA-424-P	Browse	100

*Production licence AC/L9 was granted in February 2009.

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