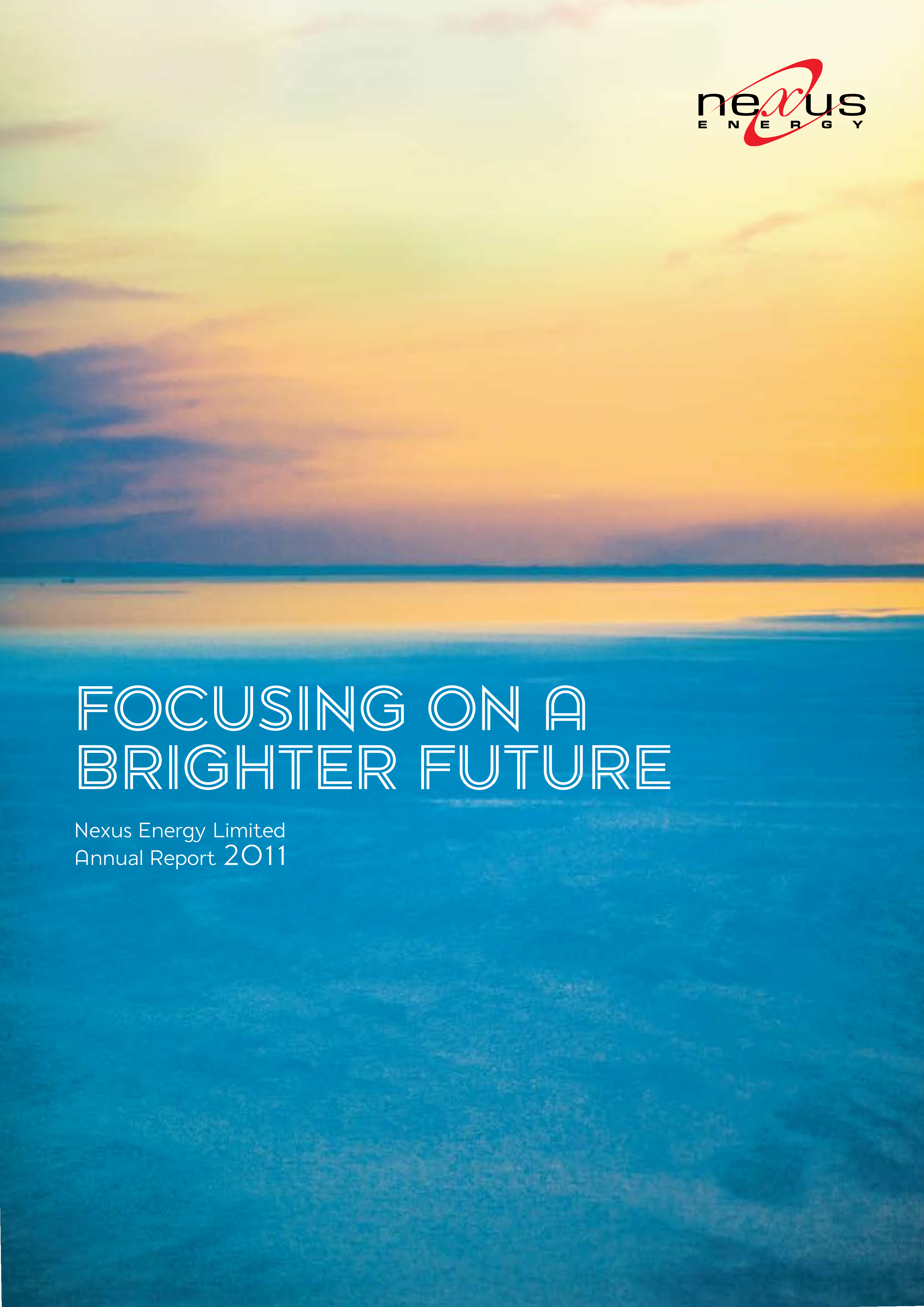


FOCUSING ON A BRIGHTER FUTURE

Nexus Energy Limited
Annual Report 2011

company profile

Nexus Energy Limited (ASX:NXS) is a Melbourne based, Australian Securities Exchange listed oil and gas exploration and production company.

Nexus has production, development and exploration assets generating a combination of cash flow and potential growth through substantial discovered, appraised and potential resource volumes. Key assets include the producing Longtom gas project (Nexus 100%) in the Gippsland basin off the south-east coast of Victoria and Nexus' developmental Crux asset (Nexus 85%) in the Browse basin, off the north-west coast of Western Australia. Nexus also holds WA-377-P (Nexus 100%), a high potential exploration permit in the Browse basin.

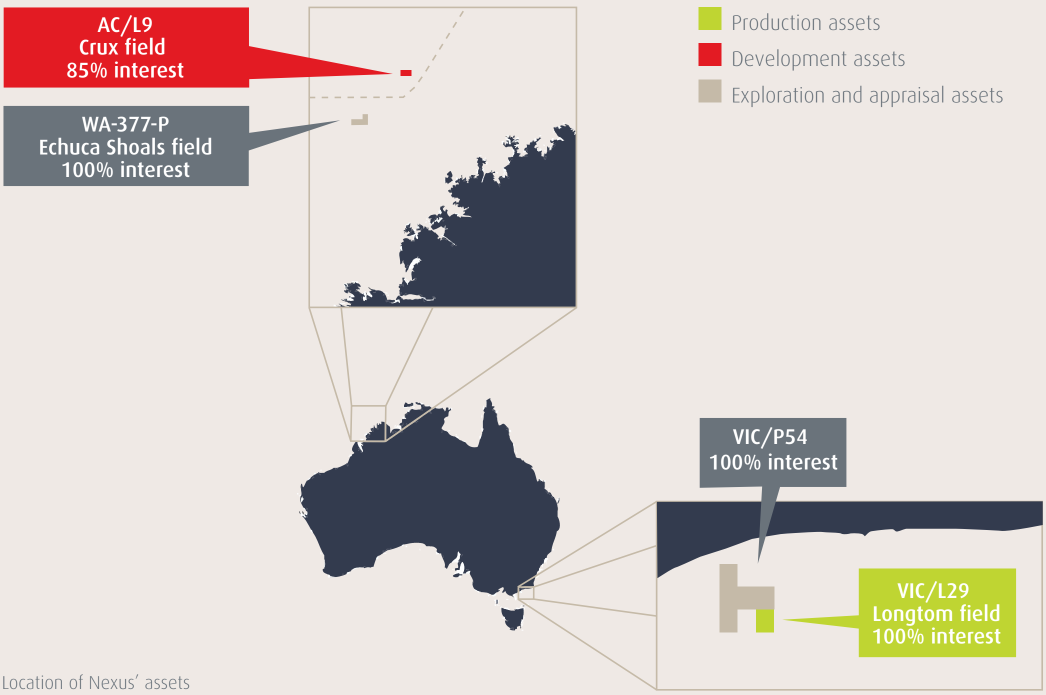
Nexus is focused on maintaining production and exploring further upside volumes from its Longtom asset, commercialisation of the Crux field, and continued exploration and appraisal in its permit WA-377-P (Echuca Shoals).

Nexus Energy Limited

ABN 64 058 818 278

The annual general meeting of Nexus Energy Limited will be held at:

11.00am on
Thursday 17 November 2011
River Room 1 & 2
Crown Towers
Level 1
8 Whiteman Street
Southbank Victoria 3006



Location of Nexus' assets

contents

PORTFOLIO OF QUALITY ASSETS

year in brief

Key achievements for the year were as follows:

- Renewed commercial and strategic focus with tangible de-risking of the business and rebuilding the balance sheet to provide platform for future growth.
- Completed the exchange offer of notes with 86% acceptances to align future repayments more closely to Crux commercialisation timetable and future cash flow.
- Recommencement of production at Longtom following successful installation of mercury removal equipment on time and on budget.
- Completed $122 million capital raising to provide funds to be used for clearly stated objectives.
  - Completed Longtom debt restructuring, enabling increased near-term free cash flow to be applied to fund growth objectives, specifically Crux commercialisation.
  - Drilling of Longtom South as a foundation for the next phase of growth in Gippsland basin.
  - Progressing the Crux liquids project to final investment decision (FID).
- Key appointments to progress the Crux liquids project to FID with the Wood Group and McDermott.
- Further enhancement of board skills with appointment of additional director.
- Maintained health and safety standards with no recordable lost time cases and no safety or environmental incidents.

chairman's review

Nexus has achieved significant financial and project milestones during the 2011 financial year and is now in a financially stronger position to unlock the value on our three prime assets; namely Crux, Longtom and Echuca Shoals. We expect these initiatives to put Nexus in a much better position for future growth as energy markets continue to develop.

With the last financial year commencing with no cash flows due to mercury in the sales gas, it was of immediate importance that the mercury removal unit (MRU) was operational as soon as possible. Due to the dedication of Nexus' employees and the cooperation of Santos, I am pleased to report that the MRU was into operation on budget with gas and condensate flowing from 15 October 2010.

The company's balance sheet was financially strengthened with the subordinated notes restructure and capital raisings successfully completed in August 2010 and May 2011 respectfully. These initiatives, whilst challenging at the time, enabled Nexus to complete a restructure of the Longtom debt facility and use a portion of the proceeds from the capital raising to further de-risk the company's balance sheet by retiring debt.

The Longtom gas project continues to provide solid cash flows and achieve record production rates during the winter months. To ensure reliability of the Longtom asset, we are undertaking an engineering and maintenance audit, which, barring anything unforseen, should not interrupt forward cash flows. At the end of the financial year, Longtom production was at record seasonal levels.

Nexus owns 100% of Longtom and the recent uptrends in gas and electricity prices in Victoria and New South Wales lead us to believe that this asset is strategic in the medium to long term. The identified exploration prospect in Longtom South should further enhance the strategic value of Longtom over time. As announced at the time of the capital raising, an allocation of these proceeds have been designated for the drilling of the identified prospect at Longtom South and for pre FID expenditure on our Crux liquids project.

The commercialisation of the Crux asset remains our immediate corporate focus with FID for the liquids project targeted for the end of 2011 calendar year. With Wood Group being appointed to provide project management services and McDermott for engineering services, Nexus has now assembled a skilled and experienced floating production storage and offloading vessel (FPSO) team. This creates the solid platform to achieve FID.

On the back of these key project appointments there is renewed market interest to acquire part of the Crux asset. We are steadily working towards successfully completing a farmin to the project. The Crux liquids project is estimated to generate in the range of up to US$6.5 billion of revenues based upon a conservative oil price of US$80 per bbl. This asset should represent the highest value for our company from our asset portfolio in the future with Longtom to underpin our cash flow requirements during this Crux development phase.

It is pleasing to note that we have seen markets and substantial projects mature over the year. In particular Shell has achieved FID on its world's first floating FLNG project in the Prelude field which is closely located to our Crux field. This decision was made by Shell after many years of development and substantial expenditure.

During the financial year the board was further strengthened with the appointment of John Hartwell as a non-executive director in March 2011. John has brought to the company unparalleled knowledge and experience within our sector due to his previous role as the Head of the Resources Division in the Commonwealth Department of Resources, Energy and Tourism in Canberra. In September 2011, Richard Cottee resigned from the board and the company. Accordingly, Ian Boserio and I have taken on executive roles in the short term until a chief executive officer is appointed.

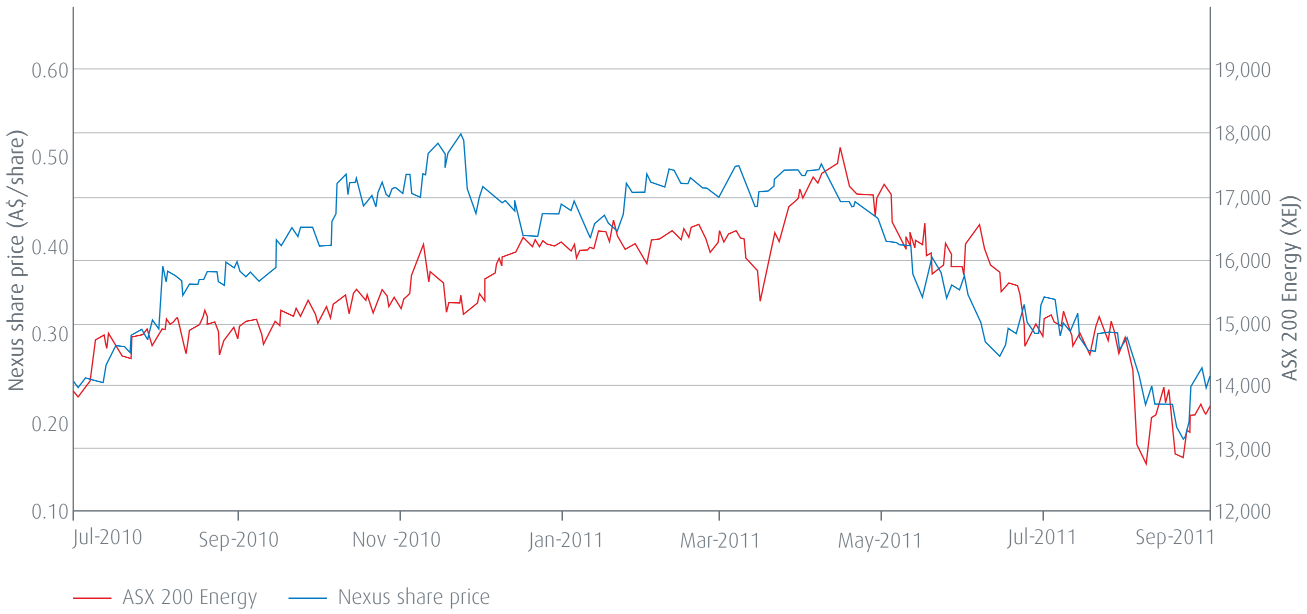
Whilst the last year was successful on so many fronts, our share price performance has suffered on the back of poor market conditions. Again we witness global uncertainty. The market is giving minimal or no value to Crux and Echuca Shoals right now, however, we as a company are confident that we can deliver on commercialising these world class assets whilst utilising cash flows from Longtom. That said we are witnessing a two speed economy in Australia, energy remains strong in line with global demand and we should be tracking away from the United States of America and Europe's economic contagion of market volatility over time.

We ask shareholders to be patient and I believe we have the best team and market focus to realise shareholder value from our world class assets.

I sincerely thank shareholders for their ongoing support on behalf of our board and staff and I would also like to thank our team of people from the board down. I know how hard everyone works and it is their tireless commitment and effort which has resulted in our company's improvement.

Michael Fowler
Chairman

Nexus share price performance July 2010 – 31 August 2011



Source: Australian Securities Exchange.

financial summary

The second half of 2011 financial year saw strong revenue from the Longtom gas project following installation of mercury removal equipment. This is reflected in a gross profit before amortisation for the year of $37 million (2010: $14 million).

A number of important financial initiatives were successfully completed which have served to rebuild the balance sheet and also to de-risk Nexus' business and to provide the financial stability from which to grow, primarily through Crux commercialisation. These initiatives have reduced the financial impediments to the development of Crux under its production licence conditions.

In August 2010, the company completed an exchange offer with acceptance from 86% of the existing $110 million unsecured senior subordinated note holders. The rationale for the exchange was firstly to lengthen the maturity profile of the notes, and secondly, to secure near term cash flow benefits through capitalising interest payments which would have been due in 2011 (to compensate for the loss of cash flow due to the interruption of production at Longtom). In November 2010, the board decided to proceed with a 32 million share placement at $0.44 per share to provide additional working capital and flexibility.

In April 2011, the company embarked on a fully underwritten three for ten accelerated renounceable entitlement offer (entitlement offer) raising approximately $122 million. The capital raising was an important step in the achievement of Nexus' stated corporate objectives. With the success of the entitlement offer the company was able to restructure the existing Longtom debt facility; provide funding for the Crux liquids project through to FID by the end of this calendar year; and pursue a targeted drilling strategy at Longtom South.

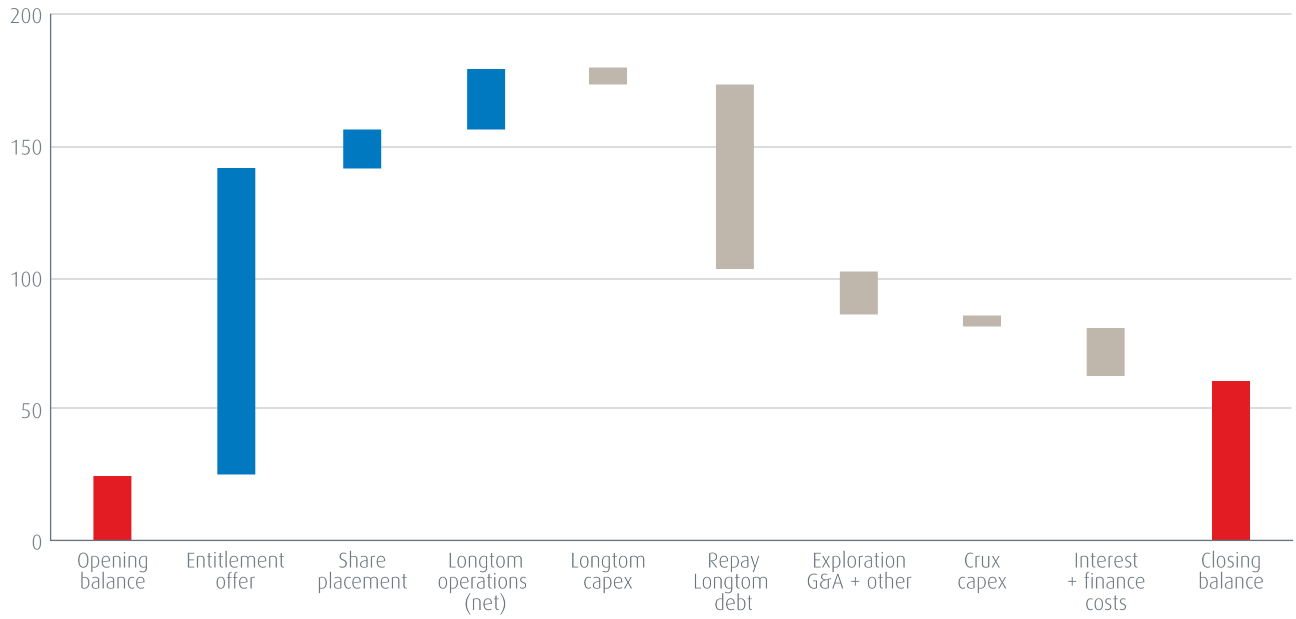
In June 2011, following completion of the entitlement offer, Nexus made a $70 million debt prepayment on the Longtom debt facility and re-profiled its principal repayment schedule to back-end weight the maturity profile. The restructure allows for increased near term cash flows to be used to progress Crux commercialisation.

The result is a marked improvement in the gearing ratio (debt:equity) from 55% at 30 June 2010 to 34% as at 30 June 2011.

Notwithstanding the loss of Longtom production for a part of the year, sales of hydrocarbons totalled $67 million (2010: $29 million) resulting in a gross profit before amortisation of $37 million (2010: $14 million). Net loss after tax of $39 million (2010: profit $1 million) arose after charging depreciation and amortisation $39 million (2010: $18 million), financing costs of $38 million (2010: $33 million), movement in the restoration provisions of $10 million, (2010 positive $10 million), exploration expense of $8 million (2010: $8 million), employee costs of $7 million (2010: $13 million) and a non-recurring write down in the carrying value of Longtom of $82 million, due to the increase in discount factor used in the Longtom asset valuation model.

At year end Nexus had a cash balance of $63 million, current assets of $76 million and net assets have increased $104 million to $633 million.

Sources and allocation of cash (A$ million) financial year 2011



Five year financial summary

Financial year		2011	2010	2009	2008	2007
Revenue	A$ million	**66.6**	28.6	85.4	65.3	52.5
Opex	A$ million	**(29.8)**	(14.5)	-	-	-
Gross profit before amortisation	A$ million	**36.7**	14.0	-	-	-
Net profit/(loss) after tax	A$ million	**(39.2)**	1.0	(50.4)	24.9	25.2
Cash flow from operating activities	A$ million	**(10.9)**	(26.1)	(14.1)	(12.4)	(4.6)
Cash and cash equivalents	A$ million	**62.6**	24.9	55.4	223.8	41.1
Total assets	A$ million	**964.4**	919.4	824.7	747.4	284.5
Borrowings	A$ million	**212.2**	290.3	225.0	204.1	38.1
Issued capital	A$ million	**688.9**	544.5	469.8	461.6	174.9
Total equity	A$ million	**632.9**	528.6	451.6	463.1	179.6
Exploration and evaluation expenditure carried forward	A$ million	**10.1**	16.8	31.1	254.7	147.3
Production and development expenditure carried forward	A$ million	**644.1**	722.1	655.6	146.5	75.3
Basic earnings per share	cents	**(3.7)**	0.1	(7.8)	4.5	6.3
Issued capital	million shares	**1,326.3**	958.1	645.3	639.5	458.5

health, safety, environment and community

Nexus continues to provide Victoria and New South Wales with natural gas, a greener source of energy than brown coal. Future exploration success at Longtom South will support Nexus' ability to continue to be an important contributor to a greener and cleaner energy mix.

Health and safety standards have been maintained with no safety or new environmental incidents and no community complaints.

Nexus' strong internal HSEC culture has been fundamental in delivering the strong HSEC performance. The total recordable injury frequency rate (TRIFR), expressed as a frequency per million man-hours and using a 12 month rolling average, dropped to zero during 2011. Nexus is proud of this record but is aware that there is no room for complacency in matters relating to safety and the environment.

On the environmental side there have been no new incidents. The umbilical leak at Longtom detected in early 2010 continues to be regularly monitored and its status communicated to the regulatory authorities. The annual environment report was submitted for 2010 and was subsequently accepted by the Department of Primary Industries (DPI). The environment plan and safety case for the Longtom facilities has been revised to reflect the operational phase of the project and to cover a range of usual contingency plans and remediation measures, should these be required in the future.

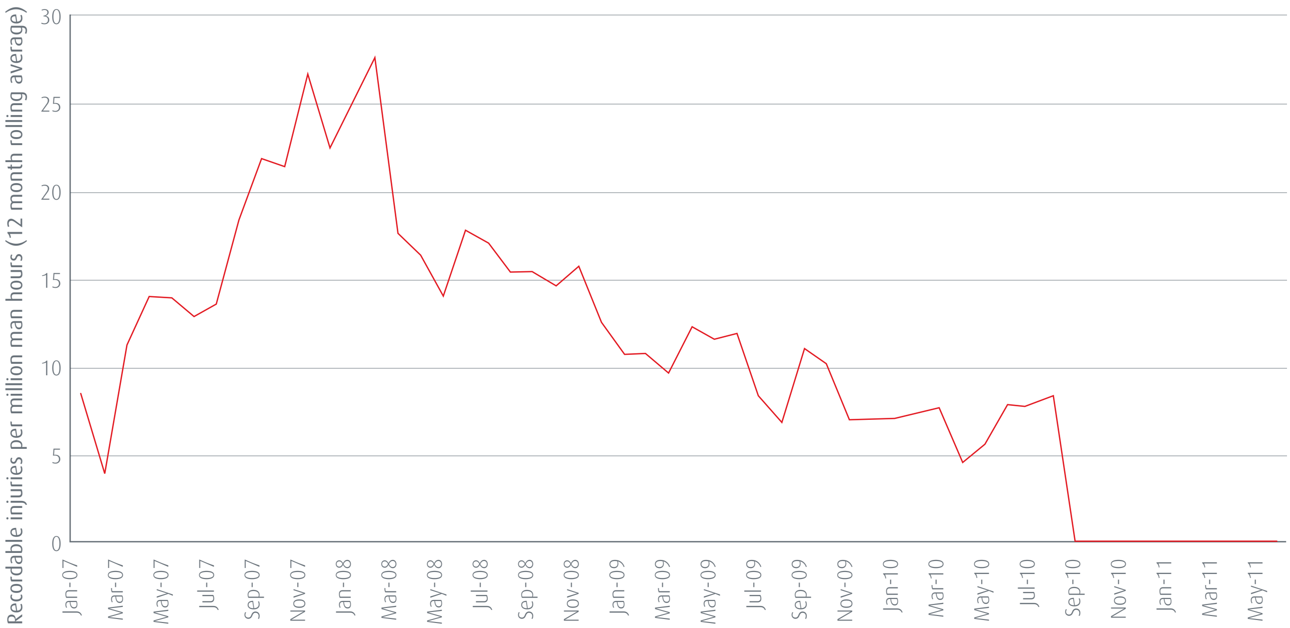
The challenge will be to maintain this record when the Crux liquids project go-ahead is announced in the coming year.

Financial year 2012 HSEC focus areas

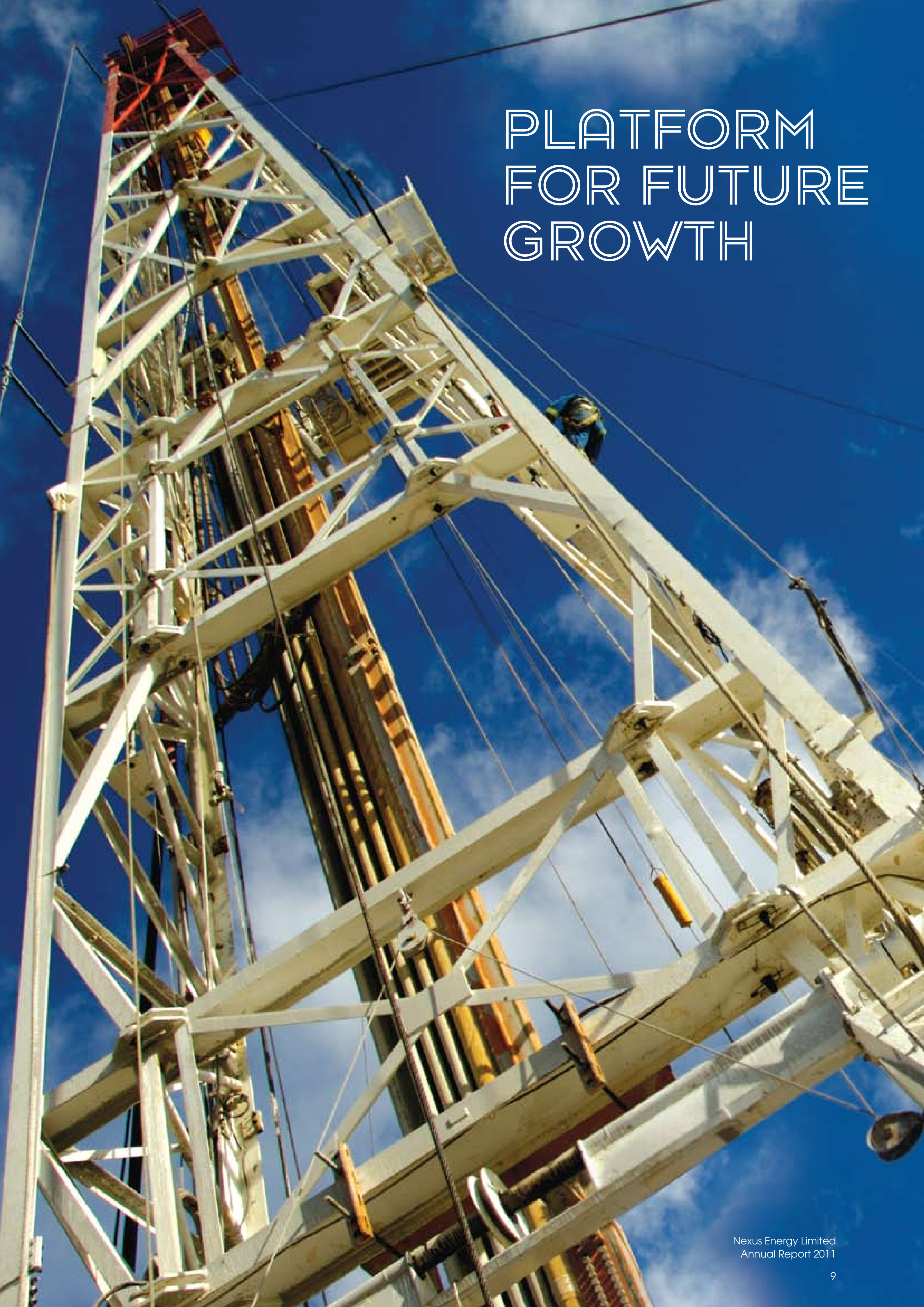
Nexus is focused on maintaining its good health and safety track record and ensuring the strong culture is reinforced as Nexus progresses the Crux development during 2012 to ensure that the proposed facilities meet all regulatory requirements and that the health, safety and environmental requirements are met.

The regulatory regime for the offshore oil and gas industry will continue to change through the 2012 financial year. Plans are underway for the consolidation of the environmental and resource based regulatory arrangements under a NOPSA style organisation rather than the current state based designated authorities. Nexus continues to monitor this change and does not expect that these changes will have an adverse affect on its plans.

Nexus safety performance – total recordable injury frequency rate (TRIFR year 2010-11)



PLATFORM FOR FUTURE GROWTH



longtom asset

Longtom gas production

Nexus continues to meet gas nominations made by its customer Santos under the Longtom Gas Sales Agreement. Since the installation of mercury removal equipment, completed in October 2010, there have been no material unplanned production interruptions with plant availability being within agreed operating parameters.

Longtom production during May and June 2011 achieved record levels, with over 2.5 PJ of gas and 24,000 bbl of condensate being produced in each month. For the 2011 financial year, 14.7 PJ and 136,000 bbl of condensate have been produced from Longtom.

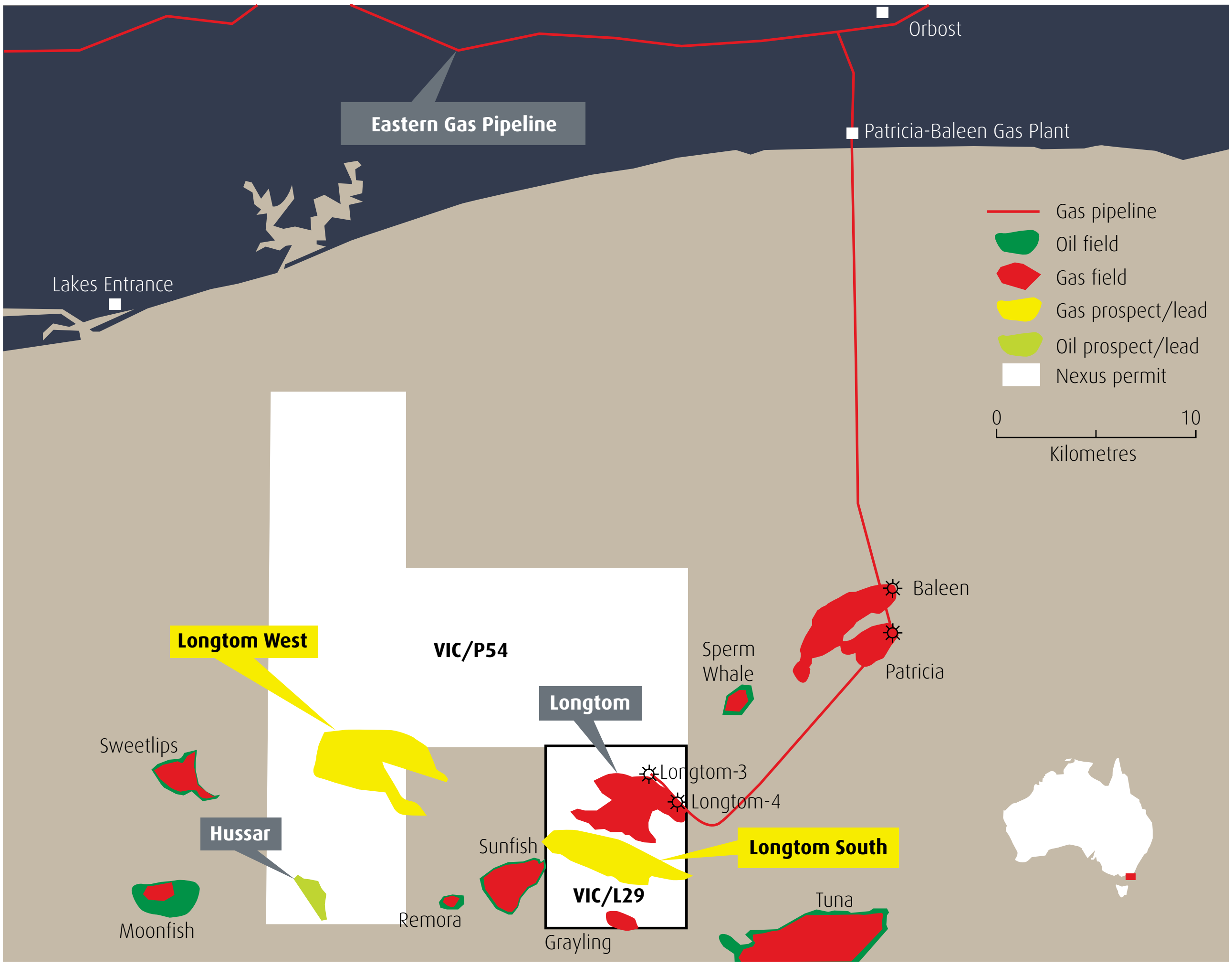
In line with good operating practice and following Nexus' maintenance review, planned work will have been undertaken to ensure the continued reliability of the system. A planned preventative maintenance program commenced in the second half of the 2011 calendar year. This program is within Nexus' capital budget and management cash flow forecasts for the 2012 financial year.

Longtom future development

To address previously disclosed complexity in relation to the Longtom reservoir, significant effort is being applied to fully understand the subsurface characteristics and to determine the optimal drilling campaign which may involve bringing forward the planned drilling of the Longtom-5 well. However the timing or need for the drilling of Longtom-5 will be dependent on the outcome of the planned drilling of Longtom South, the results of which will significantly impact the decision making on timing and location of the Longtom-5 well.

In line with the stated objective, several technical studies are underway to address the subsurface understanding. Well log analysis, reprocessed seismic data including inversion processing, production history, geological modelling and reservoir simulation underpin this work. Mapping at all reservoir levels, gas reservoir distribution, gas in place resource estimates and potential infill well locations (including possible multi lateral wells), economics of various well and development options are being addressed, and will be incorporated into a forward field development plan. As referred to previously, the results of the Longtom South well will be critical input to the forward plan.

It is acknowledged that until this work is completed, and wells are drilled, there remains uncertainty in relation to Longtom asset valuations which are customarily derived through discounted



Location of Longtom gas project and Gippsland basin exploration prospects and leads.

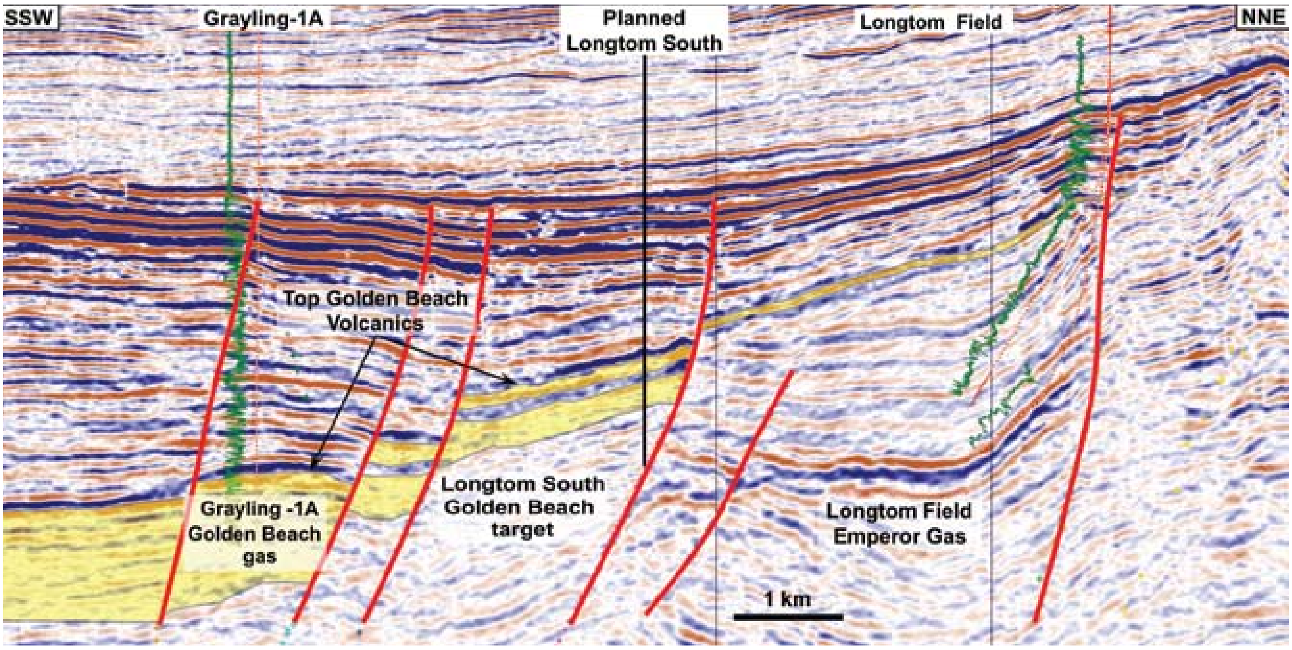
cash flow analysis. Uncertainty is usually reflected within the discount rate applied to forward cash flows to arrive at a present valuation. Until additional certainty can be derived from the ongoing studies and drilling, Nexus is applying a more conservative discount rate to the projected cash flows of 14% to derive the valuation contained within the financial statements.

Longtom exploration potential

Geological and geophysical studies have identified the Longtom South exploration prospect as an exciting growth opportunity for Nexus with drilling planned for calendar year 2012. Three oil and gas reservoir targets will be tested in the well. Estimated mean success volumes are about 200 Bcf gas, with 8 MMbbls associated condensate, and 10 MMbbls oil unrisked.

As the prospect is located just four kilometres south of the Longtom field infrastructure within VIC/L29, a development tie back to Longtom would be relatively low cost, similar to the drilling of an infill production well within the field.

Therefore any discovered gas will have a major positive impact on the Longtom field's ultimate value. An oil discovery would generate a new high value cash flow stream.



Faults shown in red, well paths for the Grayling-1A and the Longtom producing wells shown in green, Golden Beach section shown in yellow, Longtom South projected well path shown in black.

Longtom South has mapped structural closures within the fault block immediately south of the field at three reservoir levels – Intra Latrobe, Golden Beach and Emperor. The seismic line above illustrates the prospect structural setting highlighting the Golden Beach section (in yellow) thickening across the fault south of the Longtom field. The Intra Latrobe lies above the Golden Beach while the Emperor (the Longtom field reservoir) sits below Golden Beach. However, the structural traps at each reservoir level are independent of each other so that the drilling results at any one level will not impact, positively or negatively, on the other target zones.

All three reservoirs are proven hydrocarbon bearing in nearby wells, where results indicate the possibility of oil at Intra Latrobe level, gas/condensate and possibly oil at Golden Beach level, and gas at Emperor level.

The Golden Beach is viewed as the prospect's primary objective based on its assessed lower geological risk. However, an oil discovery has substantial value. The Intra Latrobe (oil bearing in wells such as Sunfish-1 on the western edge of the Longtom South prospect) is viewed as the best chance for an oil outcome.

The Golden Beach is viewed as the lowest risk target based on its analogous seismic response to the Nexus Grayling-1A well, a Golden Beach gas discovery immediately south of the prospect. Grayling tested a relatively small structural closure with the identified gas resource considered non commercial at the time. However, the prospective gas resource for the larger structure at Longtom South is substantial and, in the success case, the commercial viability of tying in the Grayling gas would be reassessed.

A FINANCIALLY STRONGER POSITION

crux asset and browse basin

Browse basin

Australia's Browse basin remains one of the global hotspots for the oil and gas industry. During the past year, three mega-LNG projects in the basin have achieved significant milestones, including Final Investment Decision (FID) for Shell's Prelude floating liquefied natural gas (FLNG) vessel, and environmental approval for LNG projects proposed by Inpex and Woodside. International and domestic energy companies are actively pursuing opportunities in the basin which has been estimated to hold at least 37 Tcf of gas and over 1 billion liquid barrels. The basin is expected to double Australia's LNG output over the next decade.

The basin's potential has been known for the past few decades. Issues with the basin's distance to shore, isolation from infrastructure, environmental sustainability, and water depth have presented hurdles for the industry. More recently, concerns about the higher costs associated with construction projects in Australia have added to the challenge of unlocking the value of the basin's resources. However, rising oil and gas prices, and issues such as political instability and limited access to reserves in other countries have increased the relative attractiveness of the basin. Technological advances, such as deep water drilling and subsea completions, have now given the industry the tools to develop the resources in a safe and efficient manner.

Nexus occupies a strong position in this exciting region. Nexus operates two permits; AC/L9 which contains the Crux field to be developed as a liquids recovery project and WA-377-P, which contains the known Echuca Shoals gas discovery.

Crux (AC/L9)

Nexus (85% interest) and its partner, Osaka Gas (15% interest) have rights to the hydrocarbon liquids recovered from the licence until 31 December 2020.

The Crux field is a very well defined reservoir with high permeability and porosity. There have been a total of five penetrations into the Crux structure, four of which were drilled by Nexus. The Crux production licence, granted in 2009, requires the field to be developed as a liquids project and Nexus is committed to fulfilling the terms of the production licence. This field development plan is based on four subsea production wells and four subsea gas re-injection wells tied back to a custom built FPSO. Gas recycling facilities on the FPSO will be sized to handle up to 1,100 MMcf/d which provides for condensate production capacity of over 30,000 barrels per day. Out of the eight wells required, two have already been drilled by Nexus and are in 'suspended' mode awaiting well completion and hookup to subsea equipment.

In order to achieve its end of calendar year 2011 FID target date, Nexus has committed funding to be used for engineering verification studies and to derive firm cost and schedules in order to facilitate the letting of engineering, procurement, construction and installation contracts.

Accordingly, in May 2011, Nexus secured an agreement with Wood Group for the provision of project management services to augment the existing Nexus organisation. McDermott has also been contracted to carry out the required engineering works necessary to achieve FID.

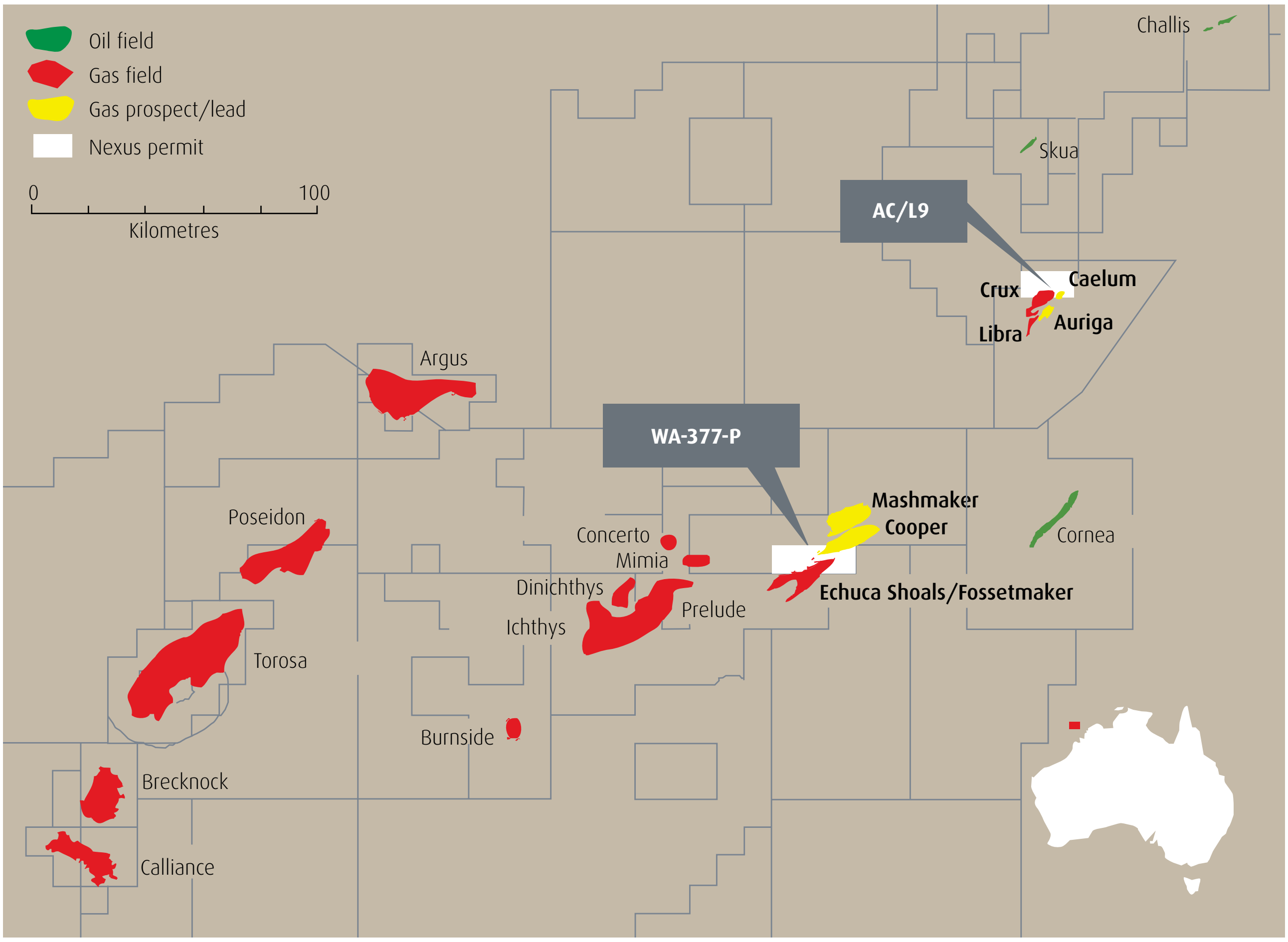
The key to Crux commercialisation is to secure adequate funding. Presently, Nexus is in detailed negotiations with potential investors and farminees that would enable the project to achieve FID.

Nexus has also mandated an Australian based financial institution to act as structuring bank/global coordinator to optimise the project finance debt element of the funding.

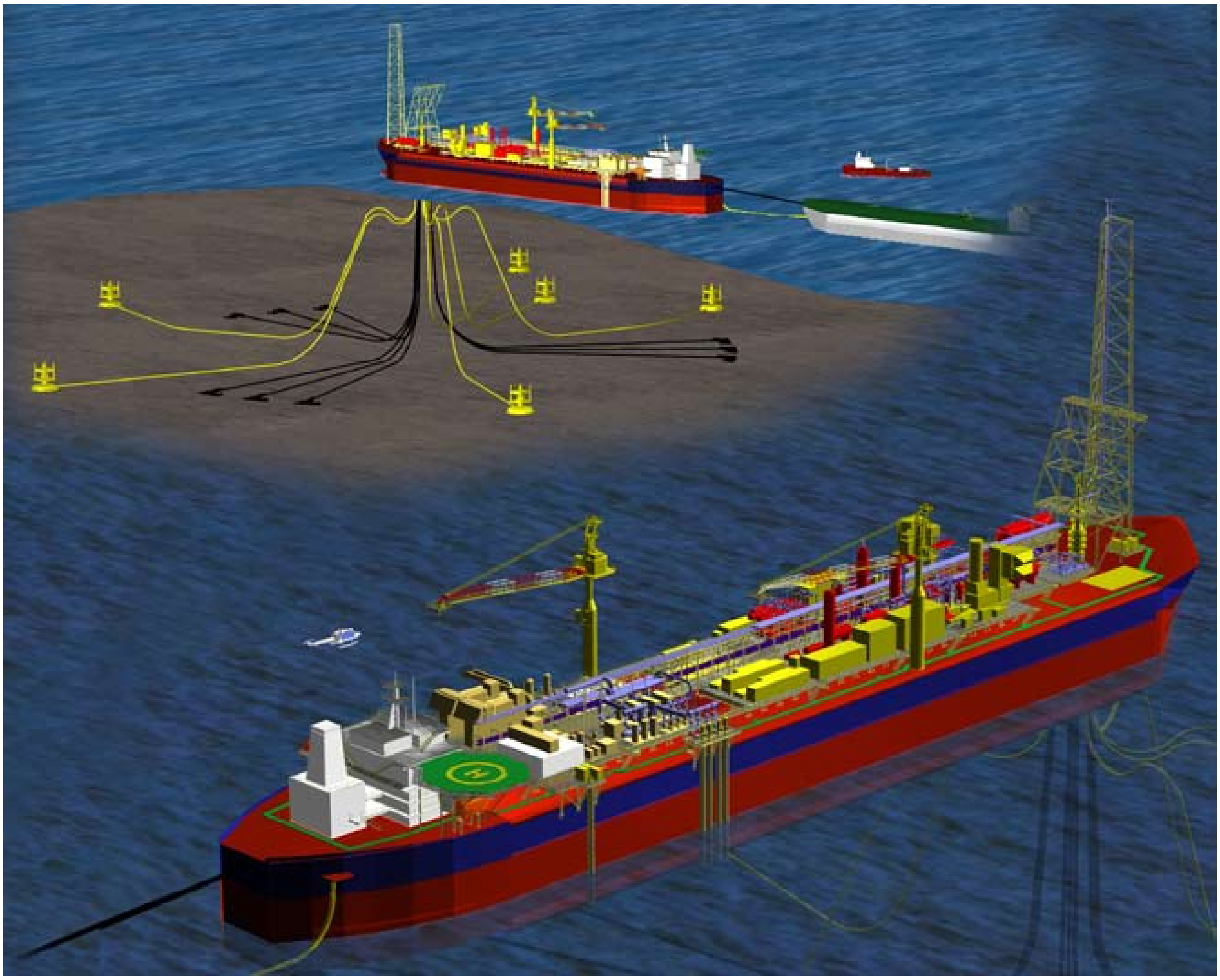
A number of distinct financing options are being progressed in parallel with the work stream to firm up the commercial and contractual arrangements to construct the project. The final choice of the financing option will be determined by a number of factors but will include the choice and location of the main contractor with potential for vendor related financing or export credit agency backing being key determinants in the decision-making process.

Browse basin exploration prospects and leads

Permit	Nexus %	Prospect/lead	Unrisked gross resource potential
AC/L9	85	Auriga – condensate	45 MMbbl recoverable
	85	Caelum – condensate	25 MMbbl recoverable
WA-377-P	100	Echuca Shoals/Fossetmaker – gas/condensate	0.5 Tcf/30 MMbbl in place
	100	Mashmaker – gas/condensate	2.2 Tcf/132 MMbbl in place
	100	Cooper – gas/condensate	2.6 Tcf/156 MMbbl in place



Location of AC/L9 and WA-377-P permits in the Browse basin.



Artist's impression of the Crux liquids project and floating production storage and offloading vessel (FPSO).

Concurrent with debt funding considerations, Nexus is in discussions with a number of third parties to sell down up to 35% interest in Crux. Under a number of financing options, proceeds from a sell-down would provide Nexus' share of equity funding for the project.

The AC/L9 government permit requires that recovery operations begin at Crux by February 2014. Nexus' efforts are focused on achieving hydrocarbon recovery operations in line with the production licence conditions.

Echuca Shoals (WA-377-P)

Nexus (100% interest) is also the operator of permit WA-377-P in the Browse basin. The exploration permit lies in close proximity to the major planned LNG developments – Shell's Prelude FLNG project and the Ichthys project operated by Inpex. The potential for a significant gas resource within WA-377-P, both in the known Echuca Shoals discovery and in undrilled prospects, has been recognised and continues to be aggressively pursued.

The Cooper and Mashmaker prospects offer multi-reservoir targets and a substantial combined upside volume of about 5 Tcf gas in place unrisked. The technical focus is on improving the quality of the 3D seismic data base prior to moving into a potential drilling campaign. In parallel with the technical studies, Nexus has continued to seek a farmin partner and is currently in discussions with several potential farminees.

COMMERCIAL AND STRATEGIC FOCUS

board of directors

Michael Fowler

B.Bus (Acc), Finsia (Fellow)

Executive chairman

Experience and expertise

Michael Fowler was a founding director of Nexus and has been a board member since the company listed on the ASX in September 2000. Mr Fowler has over 20 years' experience in the financial services sector. He began his career working for chartered accounting firms in Melbourne before leaving to join a private family investment group in the mid 1990s, where he furthered his career by joining their board. Mr Fowler left that group to start the Treasury Group of Companies, a funds management company, with the Victor Smorgon Group in 1999. That business grew to have some $1.2 billion of funds under management and was taken over by an ASX 200 financial services company in early 2005. Mr Fowler established the Maximum Capital Group of Companies which specialises in property finance and related investment products and services. Mr Fowler, formerly a non-executive director, was appointed chairman on 7 August 2007, executive chairman on 28 May 2009 and non-executive chairman on 2 July 2011.

Directorships held in other listed entities

Mr Fowler has not been a director of any other Australian listed entities in the past three years.

Michael Arnett

B.Comm (Acc & Fin), Bachelor of Laws

Non-executive director and deputy chairman

Experience and expertise

Michael Arnett was appointed to the board of Nexus on 28 May 2009. Mr Arnett has more than 20 years' experience in capital raising, corporate, commercial, banking and finance, mergers and acquisitions and securities. He is a consultant to and former partner of international law firm Deacons predominantly consulting in the mining, resources and oil and gas areas.

Directorships held in other listed entities

Current directorships held by Mr Arnett are Global Resources Corporation Limited (formerly Cloncurry Metals Limited), New Guinea Energy Limited and NRW Holdings Limited. With the exception of these entities, Mr Arnett has not been a director of any other Australian listed entities in the past three years.

Ian Boserio

B.Sc Hons (Geophysics), B.Sc (Geology)

Executive director

Experience and expertise

Ian Boserio was appointed to the board of Nexus on 18 November 2009. Mr Boserio has over 30 years' international experience in the oil and gas business focusing predominantly on exploration. He has spent the majority of his career with Shell including roles in Australia, North Sea, Middle East, India and Indonesia, and five years with Woodside as the Australian exploration manager. Mr Boserio's last position at Shell was as the Australian new business manager, prior to that he led the Shell Australia and NZ exploration team growing its gas portfolio for LNG development.

Directorships held in other listed entities

Current directorship held by Mr Boserio is Otto Energy Limited since September 2010. With the exception of Otto Energy Limited, Mr Boserio has not been a director of any other Australian listed entities in the past three years.



Steven Lowden

B.Sc, Master of Petroleum Engineering

Non-executive director

Experience and expertise

Steven Lowden was appointed to the board of Nexus on 18 November 2009. Mr Lowden has over 25 years' experience in the international oil and gas industry across exploration, development, production and gas liquefaction. Throughout his career in the oil industry Mr Lowden has worked in the North Sea, Middle East, South East Asia and North Africa. Mr Lowden has previously held positions with Premier Oil plc, including chief petroleum engineer, general manager for development and production and an executive director of the board, and, more recently at Marathon Oil Company as president of Marathon International, head of corporate business development and an officer of the company. Since late 2005 Mr Lowden has been involved with two private energy businesses focusing on assets in Africa.

Directorships held in other listed entities

Mr Lowden has not been a director of any other Australian listed entities in the past three years.

Symon Drake-Brockman

B.Com

Non-executive director

Experience and expertise

Symon Drake-Brockman was appointed to the board of Nexus on 18 November 2009. Mr Drake-Brockman has over 20 years of finance experience covering both the debt and equity markets. He was formerly chief executive officer of RBS Global Banking and Markets in the Americas and chief executive officer of RBS Greenwich Capital, global head of RBS' Debt Markets division and board member of RBS Global Banking and Markets. Mr Drake-Brockman previously held senior positions with ING Barings and JP Morgan in London, New York, Tokyo and Hong Kong.

Directorships held in other listed entities

Mr Drake-Brockman has not been a director of any other Australian listed entities in the past three years.

John Hartwell

M.Com (Economics)

Non-executive director

Experience and expertise

John Hartwell was appointed to the board of Nexus on 31 March 2011. Mr Hartwell has over 18 years' experience working in the Australian government where he held a wide range of positions dealing with trade, commodity and energy and resources issues. From 2002 to 2010 he was head of the resources division, in the Department of Resources, Energy and Tourism, Canberra. The resources division provides advice to the Australian government on policy issues, legislative changes and administrative matters related to the petroleum industry, upstream and downstream and the coal and minerals industries.

Directorships held in other listed entities

Mr Hartwell has not been a director of any other Australian listed entities in the past three years.

financial statements

directors' report
for the financial year ended 30 June 2011

The Directors present their report of Nexus Energy Limited ("Company") and subsidiaries ("Group") for the financial year ended 30 June 2011 and the independent audit report thereon.

Board of directors

The Board of Directors of the Company ("Board") have been in office since the start of the financial year to the date of this report unless otherwise stated:

Michael Fowler

Non-executive chairman

Qualifications

B.Bus (Acc), Finsia (Fellow)

Experience and expertise

Michael Fowler was a founding Director of Nexus and has been a Board member since the Company listed on the ASX in September 2000. Mr Fowler has over 20 years' experience in the financial services sector. He began his career working for chartered accounting firms in Melbourne before leaving to join a private family investment group in the mid 1990s, where he furthered his career by joining their Board. Mr Fowler left that group to start the Treasury Group of Companies, a funds management company, with the Victor Smorgon Group in 1999. That business grew to have some $1.2 billion of funds under management and was taken over by an ASX 200 financial services company in early 2005. Mr Fowler established the Maximum Capital Group of Companies which specialises in property finance and related investment products and services. Mr Fowler, formerly a Non-Executive Director, was appointed Chairman on 7 August 2007, Executive Chairman on 28 May 2009 and Non-Executive Chairman on 2 July 2011.

Directorships held in other listed entities

Michael Fowler has not been a Director of any other Australian listed entities in the past three years.

Special responsibilities

Non-Executive Chairman
Member of Nomination Committee
Member of Remuneration and Performance Committee

Interests in shares and options

4,874,122 ordinary shares

Richard Cottee

Managing director

Qualifications

B. Arts, Bachelor of Laws (Hons)

Experience and expertise

Richard Cottee commenced on 3 May 2010 as Chief Executive Officer and was appointed Managing Director on 22 July 2010. Mr Cottee's previous 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.

Directorships held in other listed entities

Mr Cottee was Managing Director of Queensland Gas Company ("QGC") from 2002 until 2008 when the Company was taken over in a friendly acquisition by the BG Group. With the exception of QGC, Mr Cottee has not been a Director of any other Australian listed entities in the past three years.

Board of directors (continued)

Richard Cottee (continued)

Special responsibilities

Managing Director
Member of Nomination Committee

Interests in shares and options

2,250,000 options over ordinary shares

Michael Arnett

Non-executive director

Qualifications

B.Comm (Acc & Fin), Bachelor of Laws

Experience and expertise

Michael Arnett was appointed to the Board of Nexus on 28 May 2009. Mr Arnett has more than 20 years' experience in capital raising, corporate, commercial, banking and finance, mergers and acquisitions and securities. He is a consultant to and former partner of international law firm Deacons predominantly consulting in the mining, resources and oil and gas areas.

Directorships held in other listed entities

Current directorships held by Mr Arnett are Global Resources Corporation Limited (formerly Cloncurry Metals Limited), New Guinea Energy Limited and NRW Holdings Limited. With the exception of these entities, Mr Arnett has not been a Director of any other Australian listed entities in the past three years.

Special responsibilities

Deputy Chairman
Chair of Audit Committee
Member of Nomination Committee

Interests in shares and options

411,668 ordinary shares

Steven Lowden

Non-executive director

Qualifications

B.Sc, Master of Petroleum Engineering

Experience and expertise

Steven Lowden was appointed to the Board of Nexus on 18 November 2009. Mr Lowden has over 25 years' experience in the international oil and gas industry across exploration, development, production and gas liquefaction. Throughout his career in the oil industry Mr Lowden has worked in the North Sea, Middle East, South East Asia and North Africa. Mr Lowden has previously held positions with Premier Oil plc, including chief petroleum engineer, general manager for development and production and an Executive Director of the Board, and, more recently at Marathon Oil Company as president of Marathon International, head of corporate business development and an officer of the company. Since late 2005 Mr Lowden has been involved with two private energy businesses focusing on assets in Africa.

Directorships held in other listed entities

Steven Lowden has not been a Director of any other Australian listed entities in the past three years.

Special responsibilities

Member of Audit Committee
Member of Nomination Committee

Interests in shares and options

580,450 ordinary shares

Ian Boserio

Non-executive director

Qualifications
B.Sc Hons (Geophysics), B.Sc (Geology)

Experience and expertise
Ian Boserio was appointed to the Board of Nexus on 18 November 2009. Mr Boserio has more than 25 years' international experience in the oil and gas business focusing predominantly on exploration. He has spent the majority of his career with Shell including roles in Australia, North Sea, Middle East, India and Indonesia, and five years with Woodside as the Australian exploration manager. Mr Boserio's last position at Shell was as the Australian new business manager, prior to that he led the Shell Australia and NZ exploration team growing its gas portfolio for LNG development.

Directorships held in other listed entities
Current directorship held by Mr Boserio is Otto Energy Limited since September 2010. With the exception of Otto Energy Limited, Mr Boserio has not been a Director of any other Australian listed entities in the past three years.

Special responsibilities
Chair of Remuneration and Performance Committee
Member of Nomination Committee

Interests in shares and options
455,000 ordinary shares

Symon Drake-Brockman

Non-executive Directors

Qualifications
B.Com

Experience and expertise
Symon Drake-Brockman was appointed to the Board of Nexus on 18 November 2009. Mr Drake-Brockman has over 20 years of finance experience covering both the debt and equity markets. He was formerly Chief Executive Officer of RBS Global Banking and Markets in the Americas and Chief Executive Officer of RBS Greenwich Capital, Global head of RBS' Debt Markets division and Board member of RBS Global Banking and Markets. Mr Drake-Brockman previously held senior positions with ING Barings and JP Morgan in London, New York, Tokyo and Hong Kong.

Directorships held in other listed entities
Mr Drake-Brockman has not been a Director of any other Australian listed entities in the past three years.

Special responsibilities
Member of the Audit Committee
Member of the Nomination Committee

Interests in shares and options
52,500,169 ordinary shares

John Hartwell

Non-executive director

Qualifications

M.Com (Economics)

Experience and expertise

John Hartwell was appointed to the Board of Nexus on 31 March 2011. Mr Hartwell has over 18 years' experience working in the Australian Government where he held a wide range of positions dealing with trade, commodity and energy and resources issues. From 2002 to 2010 he was head of the resources division, in the Department of Resources, Energy and Tourism, Canberra. The resources division provides advice to the Australian Government on policy issues, legislative changes and administrative matters related to the petroleum industry, upstream and downstream and the coal and minerals industries.

Directorships held in other listed entities

Mr Hartwell has not been a Director of any other Australian listed entities in the past three years.

Special responsibilities

Chair of nomination committee
Member of Remuneration and Performance Committee

Interests in shares and options

31,200 ordinary shares

Company secretary

Susan Robutti was appointed Company Secretary on 13 October 2006. Ms Robutti is a Chartered Accountant with extensive financial experience, having previously held the role of Financial Controller and Company Secretary with the Treasury Group of Companies.

Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year were:

	Board		Audit Committee		Remuneration & Performance Committee		Nomination Committee	
Director	**Number eligible to attend**	**Number attended**	**Number eligible to attend**	**Number attended**	**Number eligible to attend**	**Number attended**	**Number eligible to attend**	**Number attended**
Michael Fowler	9	9	-	-	-	-	1	1
Richard Cottee	9	9	-	-	-	-	1	1
Michael Arnett	9	9	2	2	2	2	1	1
Steven Lowden	9	9	2	2	-	-	1	1
Ian Boserio	9	9	-	-	2	2	1	1
Symon Drake-Brockman	9	9	2	2	2	2	1	1
John Hartwell	2	2	-	-	-	-	-	-

On 2 July 2011, the membership of the Board committees was reviewed with a change to the membership of the Remuneration and Performance Committee. The Directors' Report details the representation of the Board committees at the date of signing the report.

Principal activities

The principal activities of the Company during the course of the financial year were oil and gas exploration, development and production. There were no significant changes in the nature of those principal activities during the financial year.

Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the nature of the activities or state of affairs of the Group during the financial year.

Future developments, prospects and business strategies

Likely developments, future prospects and business strategies for the operations of the Group and the expected results of those operations have not been included in this report as the Directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the Group.

Dividends

The Directors of the Company do not recommend the paying of a dividend for the financial year. Since the end of the previous financial year, no dividend has been paid or declared.

Events subsequent to balance date

Since the end of the financial year, the significant events referred to in Note 33 to the Financial Report have occurred. Except for the matters referred to in Note 33, there has not been any matter or circumstance that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group, in financial periods subsequent to 30 June 2011.

Proceedings on behalf of company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the financial year.

Environmental regulation

The Group is subject to significant environmental regulation in respect of exploration, development and production activities. The Group is committed to undertaking all of its exploration, development and production activities in an environmentally responsible manner. The Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any significant breach of those environmental requirements as they apply to the Company and the Group.

Indemnification of directors and officers

During the financial year, the Company paid a premium in respect of the contract insuring the Directors of the Company (as named above), the Company Secretary and all Executive Officers of the Company and of any related body corporate against a liability incurred by a Director, Secretary or Executive Officer. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify an auditor of the Company or of any related body corporate against a liability incurred as such by an auditor.

Review of operations

Statement of comprehensive income

The consolidated loss after income tax of the Group for the financial year ended 30 June 2011 was $39,202,356 (2010: profit $1,031,157). Included in the result is the gain on extinguishment of financial liabilities of $14,609,199. This was offset by the impairment in the production asset of $81,772,347.

Statement of financial position

The net assets of the Group have increased by $104,316,175 from 30 June 2010 to $632,898,948 as at 30 June 2011. The increase in net assets is mainly attributable to the increase in cash and cash equivalents, increase in the deferred tax asset as a result of augmentation of PRRT credits and increased capitalised cost for the Crux development project. These increases were offset by an $81,772,347 impairment in the production asset and increased sundry and trade creditors.

Corporate activities

In August 2010, Nexus completed a restructure of its subordinated notes. Under the transaction new Unsecured Senior Subordinated Notes, (Tranche A due in 2017 and Tranche B due in 2013) were exchanged for 86.27% of its $110 million Unsecured Senior Subordinated Notes due 2013, and issued 30,195,445 Nexus ordinary shares. The issuance of the New Notes removed the financial impediment to the early development of Crux by postponing the maturity until after the date on which Crux needed to be developed under its existing production licence (being 2014). The structure of the New Note maximises the Group's near term cash as well as provide interest rate relief until 2013 to enable the Company to focus on its growth strategy.

In November 2010, Nexus completed a share placement of 32 million fully paid ordinary shares at an issue price of $0.44 per share to sophisticated investors identified as existing shareholders. Total gross proceeds from the placement was $14 million. In May 2011, the Company completed a fully underwritten three for 10 accelerated renounceable entitlement offer at an issue price of $0.40 per new share which raised gross proceeds of approximately $122 million. It was positively supported by institutional shareholders raising approximately $57 million and the retail entitlement offer raised approximately $65 million. Proceeds from the raising have been used to restructure the existing Longtom debt facility, will be used to fund the Crux liquids project through to Final Investment Decision (FID) (targeted end of calendar year 2011) and pursue a targeted drilling strategy at Longtom South.

In June 2011, Nexus completed the restructure of the Longtom debt facility and upon completion $70 million of the facility was repaid from the proceeds of the accelerated renounceable entitlement offer. The restructure allows for increased near term cash flows to be used to progress corporate objectives. Principal repayments are back-end weighted and scheduled to commence in September 2011 with final repayment in June 2016. Refer to Note 19 for further details.

Production segment

Longtom gas project (Nexus 100%)

VIC/L29 – Gippsland basin, Victoria

Production from the Longtom asset recommenced in October 2010 following the installation of the mercury removal facilities. The Company has met all nominations to supply gas in accordance with the Longtom Gas Sales Agreement. The Company's production of gas and condensate for the 2011 financial year totalled 14.73PJ of gas and 136.38 kbbl of condensate with total gross revenue of $66,607,811.

Development segment

Crux asset (Nexus 85%)

AC/L9 – Browse basin, Western Australia

Activities focused on the objective of achieving FID on the Crux liquids project by the end of calendar year 2011. On 6 May 2011, the Wood Group was engaged to provide project management services through to FID. In addition, McDermott Asia Pacific Pte. Ltd ("McDermott") and Fluor Australia Pty Ltd were both engaged to perform an engineering and strategic review of the project in May 2011. Following the completion of this review, an agreement was executed with McDermott on 26 July 2011 to provide project development engineering services for the Crux liquids project. The Company is continuing to work towards FID on the Crux liquids project.

Exploration segment

Echuca Shoals gas discovery (Nexus 100%)

WA-377-P – Browse basin, Western Australia

Prospects with attractive unrisked volume potential have been mapped on the existing seismic database. In particular, further appraisal of the gas encountered in Echuca Shoals/Fossetmaker is under evaluation along with the Mashmaker and Cooper prospects in the permit's north east. Both undrilled prospects offer multiple stacked reservoir targets. Structural mapping and trap integrity are viewed as the major geological risks for the identified opportunities. To allow for better prospect definition and risk reduction prior to further drilling in the permit, a work variation for Permit Year 6 has been approved by the Joint Authority which will allow for seismic reprocessing during Year 6 in lieu of a one well commitment. Enhanced seismic data quality is seen as critical step in prospect risk reduction. Seismic field tape copying is underway.

VIC/P54 (Nexus 100%)

Gippsland basin, Victoria

Interpretation of the reprocessed seismic data focused on the maturing of the Longtom West exploration prospect continued. This work is being integrated with the Longtom South evaluation in the adjoining VIC/L29 Production Licence area and will look to address the value of drilling Longtom West back to back with Longtom South.

WA-368-P (Nexus 0%)

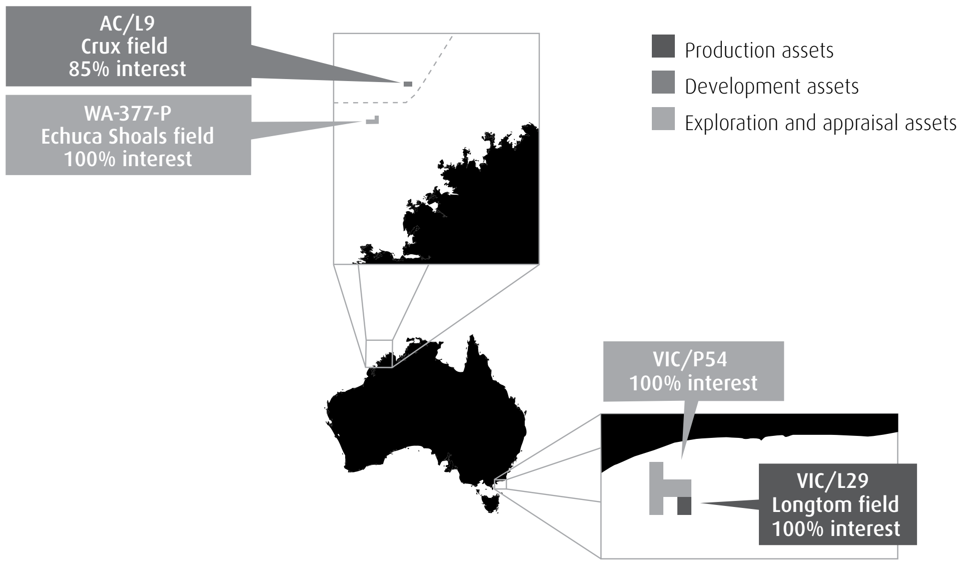
Perth basin, Western Australia

The exploration permit for WA-368-P was cancelled by the government Joint Authority on 21 March 2011. Nexus will now proceed to negotiate a 'Good Standing Agreement' with the government authority.

New ventures

The Company continued to evaluate a number of oil and gas opportunities during the year.

Location of Nexus' assets



Remuneration report

This report details the nature and amount of remuneration for each Director and the other key management personnel of Nexus Energy Limited. This section of the Directors' Report is prepared in accordance with Section 300A of the Corporations Act 2001.

Remuneration policy

The remuneration policy of Nexus has been designed to align Director and other key management personnel compensation with shareholder and business objectives by providing a fixed remuneration component as well as offering specific short term and long term incentives based on key performance areas affecting the Group's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and Directors to run and manage the Group, as well as create goal congruence between Directors, other key management personnel and shareholders.

The Board's policy for determining the nature and amount of remuneration for Directors and other key management personnel of the Group is as follows:

- The remuneration policy, setting the terms and conditions for the Executive and Non-Executive Directors and other senior executives, was developed by the Board after seeking professional advice from an independent external consultant.
- The executive remuneration structure is based on a number of factors, including length of service, particular experience of the individual concerned and overall performance of the Company. It also involves a balance between fixed remuneration, equity-based remuneration (within thresholds set by the Board) and termination payments.
- Reviews of executive packages are performed annually by reference to the Group's performance, executive performance and comparable information from industry sectors.
- All executives are eligible to participate in the Executive Director and Employee Option Plan (set out in Note 29 to the Financial Report).

The Executive Directors and other key management personnel receive a superannuation guarantee contribution required by the government, currently at 9%, and do not receive other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation. All remuneration paid to Directors and other key management personnel is valued at the cost to the Company and expensed. Options are valued using a binomial option pricing model.

The Board policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The remuneration amounts paid to Non-Executive Directors is reviewed annually, based on market price, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders. Fees for Non-Executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholders interests, the Directors are encouraged to hold shares in the Company. The Company's earnings have not been included in the assessment of the remuneration of Directors or other key management personnel.

Employment details and retirement benefits of directors and key management personnel

The following table provides employment details of persons who were, during the financial year, Directors and members of key management personnel of the Consolidated Group, and to the extent different, the five group executives receiving the highest remuneration. Also illustrated are the proportions of remuneration that were performance and non-performance based and the portion of remuneration received in the form of options.

Directors	Position	Contract details
Michael Fowler	Non-Executive Chairman	Michael Fowler resigned as Executive Chairman and Director on 2 June 2011 with effect from 2 July 2011, and was appointed as Non-Executive Chairman and Director with effect from that date. A new employment agreement was executed in July 2011 which has no minimum term. Four week notice period required to terminate and entitled to a maximum of one year's aggregate salary on termination or resignation. At 30 June 2011, Michael Fowler was entitled to retirement and termination benefits under his previous employment contract which were paid on 2 July 2011.
Richard Cottee	Managing Director	Three year term commencing on 3 May 2010. Three months notice period required to terminate and entitled to six months fixed remuneration on redundancy.
Michael Arnett	Non-Executive Director	No minimum term. Four week notice period required to terminate and entitled to one year aggregate salary on termination or resignation subject to various conditions that include having completed two years' continuous service.
Steven Lowden	Non-Executive Director	No minimum term. No notice period required to terminate and entitled to one year aggregate salary on termination or resignation subject to various conditions that include having completed two years' continuous service.
Ian Boserio	Non-Executive Director	No minimum term. No notice period required to terminate and entitled to one year aggregate salary on termination or resignation subject to various conditions that include having completed two years' continuous service.
Symon Drake-Brockman	Non-Executive Director	No minimum term. No notice period required to terminate and entitled to one year aggregate salary on termination or resignation subject to various conditions that include having completed two years' continuous service.
John Hartwell	Non-Executive Director	No minimum term. No notice period required to terminate and entitled to one year aggregate salary on termination or resignation subject to various conditions that include having completed two years' continuous service.

The Board acknowledges that the entitlement of each of the Non-Executive Directors to receive a termination payment in certain circumstances is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers that these arrangements are reasonable in the circumstances, particularly given the significant time commitments required by each of the Non-Executive Directors during the Company's continuing phase of development. The Board also believes that such payments are appropriate given the necessity to attract the highest calibre of professionals to the Company.

Executive team	Position	Contract details
Keith Edwards	GM Business Development and Corporate Planning	Keith Edwards ceased employment on 31 May 2011.
John Ah-Cann	Longtom Asset Manager & Drilling Manager	No fixed term. Four week notice period required to terminate and entitled to three months' total fixed remuneration for the first year plus one month of total fixed remuneration for each additional year of service upon redundancy.
Mike Maloney	Chief Operating Officer	No fixed term. Three months' notice period required to terminate and entitled to six months' total fixed remuneration upon redundancy.
Keith Jackson	Exploration Manager	No fixed term. Four week notice period required to terminate and entitled to three months' total fixed remuneration upon redundancy.
Stuart Jones	GM Finance & Investor Relations	Four year contract expiring 7 August 2013. Three months' notice period required to terminate and entitled to three months' total fixed remuneration upon redundancy.

	Proportions of elements of remuneration related to performance			Proportions of elements of remuneration not related to performance	
Directors	**Non salary cash incentives %**	**Shares %**	**Options %**	**Fixed salary/fees %**	**Total %**
Michael Fowler	-	-	-	100	100
Richard Cottee	25	-	27	48	100
Other key management personnel					
Keith Edwards	-	-	7	93	100
John Ah-Cann	7	-	12	81	100
Mike Maloney	11	-	11	78	100
Keith Jackson(1)	9	-	-	91	100
Stuart Jones	8	-	8	84	100

(1) Keith Jackson became a member of the key management personnel effective 13 September 2010.

Details of remuneration for the financial year ended 30 June 2011

Details of the remuneration of the Directors and the other key management personnel of Nexus Energy Limited and the Group are set out in the following tables:

		Short term benefits			Post employment benefits			Share-based payments	
Directors	**Year**	**Salary, fees & commissions $**	**Cash bonus $**	**Other $**	**Super-annuation contributions $**	**Other $**	**Increase in long term benefits $**	**Fair value of share options at grant date $**	**Total $**
Michael Fowler	**2011**	**900,000**	**-**	**-**	**81,000**	**-**	**1,035,603**	**-**	**2,016,603**
	2010	900,000	-	-	81,000	-	1,227,027	-	2,208,027
Richard Cottee(1)	**2011**	**605,717**	**350,000**	**-**	**54,514**	**-**	**-**	**382,500**	**1,392,731**
	2010	91,744	-	-	8,256	-	-	-	100,000
Michael Arnett	**2011**	**137,503**	**-**	**-**	**12,375**	**-**	**21,711**	**-**	**171,589**
	2010	115,387	-	-	11,399	-	121,384	-	248,170
Steven Lowden(2)	**2011**	**102,446**	**-**	**-**	**9,220**	**-**	**81,481**	**-**	**193,147**
	2010	68,807	-	-	6,193	-	25,132	-	100,132
Ian Boserio(3)	**2011**	**102,066**	**-**	**-**	**9,186**	**-**	**70,657**	**-**	**181,909**
	2010	68,151	-	-	6,134	-	35,560	-	109,845
Symon Drake-Brockman(4)	**2011**	**102,066**	**-**	**-**	**9,186**	**-**	**82,743**	**-**	**193,995**
	2010	64,269	-	-	5,784	-	23,474	-	93,527
John Hartwell(5)	**2011**	**19,797**	**-**	**-**	**1,782**	**-**	**16,482**	**-**	**38,061**
Ian Tchacos(6)	2010	366,746	150,000	13,375	48,587	1,296,439	-	-	1,875,147
Alastair Haydock(7)	2010	25,000	-	-	50,000	347,501	-	-	422,501
Neil Ferguson(8)	2010	45,774	-	-	50,000	447,024	-	-	542,798
	2011	**1,969,595**	**350,000**	**-**	**177,263**	**-**	**1,308,677**	**382,500**	**4,188,035**
	2010	1,745,878	150,000	13,375	267,353	2,090,964	1,432,577	-	5,700,147

Increase in long term benefits

In accordance with the requirement of the Accounting Standards, an increase in the long term benefits has been included in the Remuneration Report table above. The amount represents the movement in the Non-Executive Directors' termination payment entitlements, measured as the present value of the estimated future cash outflows with a probability estimate for completion of the service period requirement. An accrual is made for the Group's liability for Director termination and redundancy benefits arising from services rendered by Non-Executive Directors in accordance with their contracts. Directors' retirement benefits that are expected to be settled within one year of 30 June 2011 have been measured at the present value of future cash flows and include a probability estimate of the Non-Executive Director satisfying the service period requirements. The 30 June 2010 balances have been retrospectively adjusted to incorporate the estimated termination entitlements under their contracts.

(1) Richard Cottee was appointed Chief Executive Officer on 3 May 2010. The transactions detailed in the above table for 2010 cover the period 3 May 2010 to 30 June 2010.

(2) Steven Lowden was appointed as a Non-Executive Director on 18 November 2009. The transactions detailed in the above table for 2010 cover the period 18 November 2009 to 30 June 2010.

(3) Ian Boserio was appointed as a Non-Executive Director on 18 November 2009. The transactions detailed in the above table for 2010 cover the period 18 November 2009 to 30 June 2010.

(4) Symon Drake-Brockman was appointed as a Non-Executive Director on 18 November 2009. The transactions detailed in the above table for 2010 cover the period 18 November 2009 to 30 June 2010.

(5) John Hartwell was appointed as a Non-Executive Director on 31 March 2011. The transactions detailed in the above table for 2011 cover the period 31 March 2011 to 30 June 2011.

(6) Ian Tchacos ceased with Nexus effective 21 December 2009. Transactions detailed in the above table for 2010 cover the period 1 July 2009 to 21 December 2009.

(7) Alastair Haydock resigned as a Non-Executive Director effective 31 December 2009. Transactions detailed above for 2010 cover the period 1 July 2009 to 31 December 2009.

(8) Neil Ferguson resigned as a Non-Executive Director on 24 February 2010. Transactions detailed above for 2010 cover the period 1 July 2009 to 24 February 2010.

Details of remuneration for the financial year ended 30 June 2011 (continued)

		Short term benefits			Post employment benefits			Share-based payments	
Other key management personnel	**Year**	**Salary, fees & commissions $**	**Cash bonus $**	**Other $**	**Super-annuation contributions $**	**Other $**	**Increase in long term benefits $**	**Fair value of share options at grant date $**	**Total $**
Keith Edwards[(1)]	**2011**	**437,900**	**-**	**-**	**45,833**	**191,325**	**-**	**50,457**	**725,515**
	2010	484,998	-	-	25,000	-	24,432	-	534,430
John Ah-Cann	**2011**	**605,204**	**55,500**	**-**	**50,000**	**-**	**10,158**	**98,280**	**819,142**
	2010	589,543	63,000	-	57,394	-	1,481	-	711,418
Mike Maloney[(2)]	**2011**	**513,004**	**76,000**	**-**	**45,000**	**-**	**697**	**81,750**	**716,451**
	2010	268,118	-	-	24,131	-	117	-	292,366
Keith Jackson[(3)]	**2011**	**239,435**	**28,440**	**-**	**41,714**	**-**	**164**	**-**	**309,753**
Stuart Jones[(4)]	**2011**	**504,804**	**50,000**	**4,082**	**15,164**	**-**	**763**	**50,457**	**625,270**
	2010	409,048	50,000	13,234	14,287	-	163	-	486,732
Philip Smith[(5)]	**2011**	**162,177**	**-**	**-**	**18,596**	**89,898**	**-**	**-**	**270,671**
	2010	368,676	-	-	46,261	-	41,368	-	456,305
Moss Daemi[(6)]	2010	215,000	-	-	50,000	557,480	-	-	822,480
Dave Nolan[(7)]	2010	-	-	-	-	499,583	-	-	499,583
	2011	**2,462,524**	**209,940**	**4,082**	**216,307**	**281,223**	**11,782**	**280,944**	**3,466,802**
	2010	2,335,383	113,000	13,234	217,073	1,057,063	67,561	-	3,803,314

Increase in long term benefits

In accordance with the requirement of the Accounting Standards, an increase in the long term benefits reflects the increase in long service leave entitlements measured at the present value of the estimated future cash outflows to be made in respect of the key management personnel.

(1) Keith Edwards commenced with the Company on 14 October 2004 and ceased employment effective 31 May 2011. Included in the 2011 remuneration is the final payment of salary in accordance with his contract.

(2) Mike Maloney commenced with the Company on the 18 December 2009. The transactions in the above table for 2010 cover the period 18 December 2009 to 30 June 2010.

(3) Keith Jackson commenced with the Company on 13 September 2010. The transactions detailed in the above table for 2011 cover the period 13 September 2010 to 30 June 2011.

(4) Stuart Jones commenced with the Company on 1 September 2009. The transactions detailed in the above table for 2010 cover the period 1 September 2009 to 30 June 2010.

(5) Philip Smith ceased employment on 2 November 2010. The transactions detailed in the above table for 2011 cover the period 1 July 2010 to 2 November 2010. Included in the 2011 remuneration is the final payment of salary in accordance with his contract.

(6) Moss Daemi ceased employment on 31 December 2009. The transactions detailed in the above table for 2010 cover the period 1 July 2009 to 31 December 2009. Included in the 2010 remuneration is the final payment of salary in accordance with his contract.

(7) Dave Nolan ceased employment on 1 July 2009. The transactions detailed in the above table for 2010 cover the final pay on 1 July 2009. Included in the 2010 remuneration is the final payment of salary in accordance with his contract.

Amounts disclosed for remuneration of Directors and other key management personnel exclude insurance premiums paid by the Company in respect of Directors' and officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual Directors and officers. Information relating to insurance contracts is set out in this Directors' Report.

Cash bonus and performance related incentives

Bonus and performance related incentives were paid at the discretion of the Board of Directors during the 2011 financial year. Post the end of the 2011 financial year an employment program has been implemented where employees' and the Managing Director's performance will be measured against set key performance indicators and other performance measures. During the year Richard Cottee, Mike Maloney, John Ah-Cann, Stuart Jones and Keith Jackson were granted bonus payments as part of their remuneration which are disclosed in this report.

Shareholdings

Number of ordinary shares held by Directors and other key management personnel as at 30 June 2011:

	Balance 30/6/10	Received as remuneration	Options exercised	Shares purchased	Shares sold	Other	Balance 30/6/11
Directors							
Michael Fowler	4,249,122	-	-	625,000	-	-	4,874,122
Richard Cottee	-	-	-	-	-	-	-
Michael Arnett	316,667	-	-	95,001	-	-	411,668
Steven Lowden	446,500	-	-	133,950	-	-	580,450
Ian Boserio	300,000	-	-	155,000	-	-	455,000
Symon Drake-Brockman	46,673,094	-	-	5,827,075	-	-	52,500,169
John Hartwell(1)	24,000	-	-	7,200	-	-	31,200
	52,009,383	-	-	6,843,226	-	-	58,852,609
Other key management personnel							
Keith Edwards	770,725	-	-	-	-	(770,725)	-
John Ah-Cann	-	-	-	-	-	-	-
Mike Maloney	400,000	-	-	320,000	-	-	720,000
Keith Jackson(2)	-	-	-	-	-	-	-
Stuart Jones	-	-	-	-	-	-	-
Philip Smith(3)	500,000	-	-	-	(500,000)	-	-
	1,670,725	-	-	320,000	(500,000)	(770,725)	720,000

(1) John Hartwell was appointed as a Non-executive Director on 31 March 2011. The transactions detailed in the above table cover the period 31 March 2011 to 30 June 2011. The opening balance of shares held represents shares acquired by John Hartwell prior to his appointment as a Director.

(2) Keith Jackson commenced with the Company on 13 September 2010. The transactions detailed in the above table cover the period 13 September 2010 to 30 June 2011.

(3) Philip Smith ceased employment on 2 November 2010. The transactions detailed in the above table cover the period 1 July 2010 to 2 November 2010.

Options over ordinary shares

Details of Nexus share option plans are set out in Note 29 to the Financial Report. During the financial year 4,109,400 options (performance rights with zero exercise price) (2010: Nil) were issued to Directors, other key management personnel and employees. No options or performance rights were exercised by the Directors or other key management personnel during the financial year.

Vesting of the options issued in the 2011 financial year will be subject to a performance test. A proportion (between nil and 100%) of the options (as determined by the performance test) will vest at the end of the vesting period expiring on 30 June 2013 (the vesting date) with the Board having the discretion to vary the vesting conditions in certain circumstances. The options will be exercisable in the 12 month period commencing on the vesting date.

Options over ordinary shares (continued)

The performance test for the performance rights issued to Managing Director and executives will be measured by the Total Shareholder Return ("TSR") of Nexus ordinary shares relative to the TSR of a comparative group of other oil and gas companies and the ASX Energy Index over the vesting period. Vesting of the options issued will be as follows: Top quartile ranking is required for all options to vest while no options would vest if Nexus ranks in the third or fourth quartile of TSR rankings at the end of the vesting period, 50% of the options will vest at the 50th percentile with proportionate vesting to the 75th percentile.

The movement of share options held by Directors and other key management personnel during the financial year is as follows:

	Balance 30/6/10	Granted as remuneration	Options exercised in 2011	Net change Other	Balance 30/6/11	Total vested 30/6/11	Total exercisable 30/6/11	Total Un-exercisable 30/6/11
Directors								
Michael Fowler	-	-	-	-	-	-	-	-
Richard Cottee	-	2,250,000	-	-	2,250,000	-	-	2,250,000
Michael Arnett	-	-	-	-	-	-	-	-
Steven Lowden	-	-	-	-	-	-	-	-
Ian Boserio	-	-	-	-	-	-	-	-
Symon Drake-Brockman	-	-	-	-	-	-	-	-
John Hartwell(1)	-	-	-	-	-	-	-	-
	-	2,250,000	-	-	2,250,000	-	-	2,250,000
Other key management personnel								
Keith Edwards	366,700	152,900	-	(519,600)	-	-	-	-
John Ah-Cann	277,200	327,600	-	(164,102)	440,698	113,098	113,098	327,600
Mike Maloney	-	272,500	-	-	272,500	-	-	272,500
Keith Jackson(2)	-	-	-	-	-	-	-	-
Stuart Jones	-	152,900	-	-	152,900	-	-	152,900
Philip Smith(3)	298,300	-	-	(298,300)	-	-	-	-
	942,200	905,900	-	(982,002)	866,098	113,098	113,098	753,000

(1) John Hartwell was appointed as a Non-Executive Director on 31 March 2011. The transactions detailed in the above table cover the period 31 March 2011 to 30 June 2011.

(2) Keith Jackson commenced with the Company on 13 September 2010. The transactions detailed in the above table cover the period 13 September 2010 to 30 June 2011.

(3) Philip Smith ceased employment on 2 November 2010. The transactions detailed in the above table cover the period 1 July 2010 to 2 November 2010.

At 30 June 2011, 4,419,293 options (performance rights with zero exercise price) (2010: 7,052,300 options) were outstanding as part of the Nexus Energy Limited Executive Director and Employee Option Plan. The Executive Director and Employee Option Plan was approved on 25 September 2008 at a General Meeting of shareholders. Details of the Nexus Energy Limited Executive Director and Employee Option Plan are disclosed in Note 29 to the Financial Report.

As at 30 June 2011 the unissued ordinary shares of Nexus Energy Limited under option are as follows:

Grant date	Expiry and exercise date	Exercise price	Number
9 January 2009	30 June 2012	Zero	532,493
7 July 2010	30 June 2013	Zero	2,250,000
4 August 2010	30 June 2013	Zero	860,200
6 December 2010	30 June 2013	Zero	776,600
			4,419,293

During the financial year, no ordinary shares of Nexus Energy Limited were issued on the exercise of options granted under the Nexus Energy Limited Executive Director and Employee Option Plan and other Plan.

Options over ordinary shares (continued)

Subsequent to year end a total of 360,754 shares were issued upon satisfaction of vesting conditions relating to options granted on 9 January 2009. Refer to Note 33 Subsequent Events.

Non-audit services

The Board of Directors, in accordance with advice from the Audit Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to Moore Stephens for non-audit services provided during the year ended 30 June 2011:

	$
Review of prospectus (Accelerated Renounceable Rights)	16,500
Taxation services	9,800
	26,300

Auditor's independence declaration

A copy of the auditor's independence declaration for the financial year ended 30 June 2011 has been received as required under Section 307C of the Corporations Act 2001 and is included on page 36.

This Directors' Report is made in accordance with a resolution of the Board of Directors made pursuant to Section 298(2) of the Corporations Act 2001.

On behalf of the Directors:

Michael Fowler
Non-Executive Chairman

Richard Cottee
Managing Director

Dated at Melbourne this 31st day of August 2011

auditor's independence declaration

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Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Nexus Energy Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there has been:

(i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and

(ii) No contraventions of any applicable code of professional conduct in relation to the audit.

Moore Stephens

MOORE STEPHENS
Chartered Accountants

Kevin W Neville
Partner
Melbourne, 31 August 2011

corporate governance statement

The Board and management team of Nexus Energy Limited ("the Company") are committed to achieving and demonstrating the highest standard of corporate governance across the Company. The Board has established corporate governance policies and charters designed to achieve the highest standard of corporate governance. The Company policies and charters are available from the corporate governance section of the Company's website at www.nexusenergy.com.au.

A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated were in place the entire year. They comply with the ASX Corporate Governance Principles and Recommendations (including 2010 amendments) unless otherwise stated.

Principle 1: Lay solid foundations for management and oversight

Role and responsibilities of the board

The Board acts in accordance with the Company Constitution and Board Charter which describes the composition, functions and responsibilities of the Board and distinguishes such functions and responsibilities from those which have been delegated to management.

The Board is responsible for the overall corporate governance of the Company and its strategic direction, the identification and monitoring of corporate goals and policies, overseeing the Company's management and regularly reviewing performance. The Board's key objectives are to increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders and ensure the Company is properly managed.

As well as matters expressly required by law to be approved by the Board, the Board's responsibilities include:

Company direction and integrity of external reporting

- establishing and monitoring the Company's strategic and financial objectives;
- approving the budget, the business plan and compliance policies; and
- approving annual accounts, reports and other public documents.

Stakeholder interests

- within the constraints of the Corporations Act 2001 and the ASX Listing Rules, approving the issue of any shares, options, equity instruments or other securities in the Company;
- convening general meetings of the Company shareholders; and
- considering the Company's corporate governance policies.

Risk oversight and management, and culture

- setting compliance with regulatory requirements and ethical standards;
- reviewing and ratifying the risk management strategies;
- overseeing the Company's risk management and continuous disclosure obligations;
- overseeing effective internal control systems;
- encouraging a culture that promotes ethical and responsible decision-making, in compliance with legal responsibilities and transparency through effective and timely reporting; and
- approving any matters in excess of the discretion that it delegates to the Managing Director and senior management in relation to business transactions, credit transactions, risk limits and expenditure.

Principle 1: Lay solid foundations for management and oversight (continued)

Nomination, remuneration and performance

- approving the remuneration and conditions of service including financial incentives for the direct reports to the Managing Director, as recommended by the Remuneration and Performance Committee;
- establishing any incentive plan for Company officers and employees;
- assessing management's performance in achieving any strategies and budgets;
- appointing and removing the Managing Director and Company Secretary and determining his or her terms and conditions of service, including approving any financial incentives;
- evaluating the performance of the Managing Director;
- contributing to management's development of corporate strategy and performance objectives;
- satisfying itself that processes and plans are in place to maintain an orderly succession of appointments of Non-Executive Directors to the Board and an appropriate balance of skills within the Board; and
- recommending the appointment and reviewing the performance of Directors and senior management.

Delegated authority

- the Managing Director has been delegated the responsibility of the day-to-day running of the Company (except for those matters expressly reserved to the Board or senior management); and
- the Company Secretary has been delegated the responsibility of preparing for and arranging Board and Board Committee meetings, responsibility for the overall administration of the Communications Strategy and all communications by the Company with the ASX, as well as assisting the Board to achieve its corporate governance objectives.

Performance of the board, board committees, individual directors and senior management

The Board, with the assistance of the Remuneration and Performance Committee, reviews the performance and effectiveness of the Board, Board Committees and individual Directors at least annually. Each Director is required to submit to the Remuneration and Performance Committee their views on the performance and effectiveness of the Board and the Board Committees and their individual performance. The process also includes internal interviews by the Chairman with each Director with a report on recommendations and findings prepared by the Chairman.

The role of the Remuneration and Performance Committee includes the identification of those areas of governance and performance that may require an increased level of attention by the Board and recommends improvements to the Board's processes and procedures.

The Managing Director annually conducts performance reviews of members of senior management against measures appropriate to Nexus' operations and activities.

Principle 2: structure the board to add value

Composition of the board

In accordance with the Company's Constitution, there must be a minimum of three to a maximum of 12 Directors with the majority being Non-Executive Directors. The Board determines the size of the Board within those limits and annually reviews its size and composition. This includes taking into consideration that there is an appropriate number of Directors who satisfy the criteria for independence as set out in the Company's Independence of Directors Policy. A Director (other than the Managing Director) may not retain office for more than three years without submitting themselves for re-election.

As at the date of this report, the Board is comprised of seven Directors, being one Executive Director and six Non-Executive Directors. The roles of Managing Director and Chairman of the Board are held by separate individuals. The Board includes Directors who have a proper understanding of the Company's business and who can add value in the context of that business. The Nomination Committee assists the Board in identifying the appropriate skills and experience required for the Board and to identify potential new candidates for the Board.

Principle 2: structure the board to add value (continued)

Recommendation 2.2 of the revised Corporate Governance Council Principles provides that the Chair should be an independent Director. The Chair of Board, Michael Fowler was appointed as an Executive Director on 28 May 2009 to provide additional support with the direct management of the Company. The Board considered that in the Company's circumstances the additional support was required and it was appropriate for the Chair to be an Executive Director and not independent. On 2 July 2011, Michael Fowler ceased the role as Executive Chairman and was appointed Non-Executive Chairman.

The skills, experience, expertise and commencement dates and period of office held by each Director is set out in the Directors' Report.

Director independence

The Company recognises the importance of independent Directors on the Board so that it can effectively review and challenge the performance of management and exercise independent judgement. The Board has determined that its composition should include a majority of independent Directors and has developed criteria for independence of Directors set out in the Company's Independence of Directors Policy. The criteria for independence are set out in the Company's Independence of Directors Policy and Recommendation 2.1 of the ASX Corporate Governance Guidelines.

The Board annually assesses the independence of each Director within the materiality thresholds taking into consideration all relevant information, facts and circumstances. An assessment of a Directors independence is also made prior to an appointment or upon a disclosure of a change in their circumstances which may affect their independence or give rise to a conflict of interest with their duties to the Company.

The Board has adopted an independence criteria and materiality thresholds to assist with the assessment of independence. The independence criteria and materiality thresholds for a Director to be not independent include:

- being employed in an executive capacity by the Company within the last three years;
- the Director and any entity or individual directly or indirectly associated with the Director holds more than 5% of Company shares; or
- the Director and any entity or individual directly or indirectly associated with the Director receives material (greater than $250,000 per annum) consulting, advisory or other fees from the Company except in the capacity as a Director.

Directors are required to keep the Board apprised of any potential conflicts of interest they may have with the interests of the Company or circumstances which may affect their independence. A Directors' declaration of interests is tabled at each Board meeting.

The Company has consultancy services agreements with Director related entities of Ian Boserio and Steven Lowden. The consultancy services provided by these Non-Executive Directors are on normal commercial terms and conditions and at market rates.

Based on the Board's assessment of independence of each Director, there are five Non-Executive Directors who satisfy the criteria for independence, being Michael Arnett, Ian Boserio, Symon Drake-Brockman, John Hartwell and Steven Lowden. Michael Fowler is not independent given that he held the position of Executive Chairman from 28 May 2009 until 2 July 2011.

Board meetings

The Board usually meets on a bi-monthly basis and, where appropriate, receives presentations from senior management who may be questioned directly by Board members on any matter including operational and commercial issues. The Board considers issues relating to continuous disclosure, risk oversight and management at every meeting.

Directors are also required to attend Board meetings for committees to which they have been appointed. The number of Board meetings held during the reporting period and each Director's attendance is set out in the Directors' Report.

Independent professional advice

Each Director, with the approval of the Chairman, can obtain independent professional advice at the Company's cost, in relation to their position while acting as a Director of the Company to help them carry out their responsibilities. Each Director has unrestricted access to all relevant Company records, information and senior management.

Principle 2: Structure the Board to add value (continued)

Board committees

The Board has established various committees to assist in carrying out its responsibilities. During the reporting year an internal review of the Board Committees was performed and it was determined that due to the size of the Organisation and specific circumstances that the committees required include the following:

- Audit Committee;
- Remuneration and Performance Committee; and
- Nomination Committee.

The Board has adopted charters setting out matters relevant to the composition, responsibilities and administration of each of these committees.

Nomination committee

The Nomination Committee's role, responsibilities, composition and membership requirements are documented in the Nomination Committee Charter. The role of the committee is to make recommendations to the Board in relation to:

- the identification of suitable candidates for nomination to the Board, Board Committees and senior management;
- succession planning for the Board and senior management;
- the appointment and re-election of Directors; and
- ensuring the skills needed are available to the Board to discharge its duties and add value to the Company.

The members of the Nomination Committee include the whole Board with Ian Boserio as Committee Chair during the reporting period. On 2 July 2011, John Hartwell was appointed as Chair of the Committee.

Nomination Committee matters were included as part of the meetings of the Board. Directors having a conflict of interest in relation to a particular item of business of the Nomination Committee must absent themselves from the Nomination Committee meeting before commencement of discussion on the topic.

The Board may consider a restructure so that the committee comprises at least three members of the Board to the Nomination Committee, but not including the Managing Director. A majority of those members will be independent Non-Executive Directors.

Principle 3: Promote ethical and responsible decision-making

Code of conduct

The Company has established a Code of Conduct which recognises the Company's commitment to business and corporate ethics and recognition of the interests of shareholders. Directors, senior management, employees and, where relevant and to the extent possible, contractors of the Company are required to comply with the Code of Conduct.

The Board recognises that it has a responsibility to shareholders, employees, clients and the community as a whole and is committed to corporate practices that reflect these responsibilities. The Company requires that senior management and employees act in a manner that reflects the highest of standards of behaviour and professionalism. It emphasises the need for honesty and integrity in all areas and in particular, in relation to legal compliance, record keeping, conflicts of interest, and confidentiality.

Restrictions on dealings in securities

Directors, senior management, employees, contractors, consultants and advisors of the Company ("Designated Persons") are restricted under the Corporations Act on applying for, acquiring or disposing of securities in or derivatives or other relevant financial products of Nexus securities ("Company Securities") if they are in possession of inside information.

The Company has established a Securities Trading Policy which sets out the circumstances in which Designated Persons may deal or trade in Company Securities with the objective that no Designated Person will contravene the requirements of the Corporations Act.

Principle 3: Promote ethical and responsible decision-making (continued)

The Securities Dealing Policy is not designed to prohibit Designated Persons from investing in Company Securities but does recognise that there may be times when Designated Persons cannot or should not invest in Company Securities. Additionally, a person in possession of inside information in relation to the Company must not deal in Company Securities or procure another person to deal in Company Securities.

The Company expressly prohibits Directors, senior management and employees from short term trading of Company Securities and trading in shares of any other entity if in possession of inside information on such entity which they acquire by virtue of their position as a Director, senior manager or employee of Nexus.

Directors, senior management and employees are not permitted to deal in Company Securities during the following Closed Periods:

- four weeks up to and including the day on which the Company's half-yearly results are announced to the ASX;
- four weeks up to and including the day on which the Company's full year results are announced to the ASX; and
- any other period determined by the Board from time to time.

A Restricted Person, who is not in possession of inside information, may trade in Company Securities during a Closed Period where there are exceptional circumstances. The individual is required to seek clearance to trade and must satisfy the Managing Director (or Chair in the case of the Managing Director) and the Company Secretary that they are in severe financial hardship or that their circumstances are otherwise exceptional.

Diversity

The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. The Company is committed to achieving employee, senior management and Board diversity. The Company is also committed to promoting a corporate culture that embraces diversity and recognises the long term value contributed by employees at all levels with diverse experiences and backgrounds. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

During the reporting period, the Company formally established a Diversity Policy with measurable objectives for achieving greater diversity across the Company that included:

- ensuring that recruitment of employees and Directors is made from a diverse pool of qualified candidates;
- setting target proportions of women or other groups of individuals within areas of the Company as follows:
  - employees – 45% of the Company's employees and consultants be women;
  - senior management – 20% of the Company's senior management be women;
  - Board – one of the Board members be a woman; and
- identifying programs that assist in the development of a broader pool of skilled and experienced Board candidates.

Privacy of information

The Company is committed to protecting the privacy and confidentiality of the information it collects and has established privacy policies applying to the use, disclosure, security and storage of the information it collects generally and the information it collects through its website. These policies apply to all Directors, senior management and employees of the Company.

Principle 4: Safeguard integrity in financial reporting

Audit committee

The Audit Committee's role, responsibilities, composition and membership requirements are documented in the Audit Committee Charter.

The primary role of the Audit Committee is to assist the Board to fulfil its corporate governance responsibilities relating to financial accounting practices, external financial reporting, financial risk management and internal control, the internal and external audit function, compliance with laws and regulations relating to these areas of responsibility and identification and development of strategies and actions to manage business risk.

Principle 4: Safeguard integrity in financial reporting (continued)

All members of the Audit Committee are Non-Executive Directors who are financially literate and have the appropriate background, skills and experience which is relevant to the operations and financial and strategic risk profile of Nexus.

The Audit Committee is chaired by Michael Arnett, who is not the Chairman of the Board, and includes Symon Drake-Brockman and Steven Lowden. Details of Director qualifications and attendance at Audit Committee meetings is set out in the Directors' Report.

External Auditors

The Company and Audit Committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and application for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

Moore Stephens was appointed as the external auditor in 2001. It is Moore Stephens Policy to rotate audit engagement partners on listed companies at least every five years. An analysis of fees paid to the external auditors, including break-down of fees for non-audit services is provided in the Directors Report to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit Committee. The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Principle 5: Make timely and balanced disclosure

Continuous disclosure policy

The Company has established a Continuous Disclosure Policy to ensure that, as a minimum, it complies with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules and achieves or exceeds best practice; provides shareholders and the market with timely, direct and equal access to information issued by the Company; and promotes investor confidence in the integrity in the Company and its securities.

To assist in determining whether information regarding the Company is, or may be, material, the Board has adopted materiality guidelines. Whether a matter is material must be considered from both a quantitative and qualitative viewpoint. Some guidance is also given to assist in identifying material contracts. The Company has also established procedures for the identification and disclosure of material information to ASX. This Continuous Disclosure Policy is administered by several key personnel within the Company.

Principle 6: Respect the rights of shareholders

Market communication

The Company is committed to effective communication with its shareholders, market participants, customers, employees, suppliers, financiers, creditors, other stakeholders and the wider community. The Company will ensure that all stakeholders, market participants and the wider community are informed of its activities and performance.

The Company has developed a Communications Strategy containing its approach and commitment to communication and will endeavour to make publicly available full information to ensure that trading in its shares takes place in an efficient, competitive, and informed market. Processes to ensure it achieves these goals have been implemented.

Principle 7: Recognise and manage risk

Risk recognition and management are viewed by the Company as integral to the Company's objectives of creating and maintaining shareholder value, and to the successful execution of the Company's strategies. The Board is responsible for the overall risk management framework and has delegated to the Audit Committee the responsibility in relation to the establishment, management and implementation of the Company's key business risks and risks systems.

Management is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system and has to report to the Audit Committee on the effectiveness of:

- the risk management and internal control system during the year, and
- the Company's management of its material business risks.

The Board of Directors encourages management accountability for the Company's financial reports, requiring the Managing Director to state in writing to the Board of Directors that:

(a) the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant Australian Accounting Standards; and

(b) that financial reports are compiled in accordance with best practise and are properly monitored using the Audit Committee and external auditors to ensure a sound system of risk management and control.

The identification and effective management of risk, including calculated risk-taking, is viewed as an essential part of the Group's approach to creating long term shareholder value. The management team under the direction of the Managing Director is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal controls.

The role of the Audit Committee is to assist the Board in managing the risks associated with Nexus' ongoing operations and prospective actions, in particular by focusing on the following activities:

- the effectiveness of the systems of internal control and risk management;
- the identification and development of strategies and actions to manage business risk; and
- the compliance by management with constraints imposed by the Board.

The Audit Committee's role, responsibilities, composition and membership requirements are documented in the Audit Committee Charter. A review of Nexus' risk management will be included as part of the meetings of the Board. Management are required to provide at each Board meeting a summary of potential issues and risks involved with current and prospective matters being undertaken by the Company.

The Board is responsible for satisfying itself that the management team has developed and implemented a sound system of risk management and internal control. Risk management matters have been included as part of the meetings of the Board during the reporting period.

Principle 8: Remunerate fairly and responsibly

Remuneration and performance committee

The Remuneration and Performance Committee's role, responsibilities, composition and membership requirements are documented in the Remuneration and Performance Committee Charter.

The primary role of the Remuneration and Performance Committee is to advise the Board on remuneration and incentive policies and practices, make specific recommendations on remuneration packages and other terms of employment for Executive Directors, other senior executives and Non-Executive Directors. The committee also provides advice and recommendations in relation to assessing the performance of individual Directors, the Board and senior management and the skills needed and available to the Board to discharge its duties and add value to the Company.

The committee also assumes responsibility for overseeing management succession planning, including the implementation of appropriate executive development programs and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.

Information on Directors and executive remuneration, including principles used to determine remuneration, are set out in the Directors' Report under the heading 'Remuneration Report'. In accordance with the Company policy, participants in equity based remuneration plans are not permitted to enter into any transaction that would limit the economic risk of options or unvested entitlements.

All members of the Remuneration and Performance Committee are Non-Executive Directors. During the reporting period the committee members were Ian Boserio (Chair), Michael Arnett and Symon Drake-Brockman. On 2 July 2011, the committee membership was changed to Ian Boserio (Chair), Michael Fowler and John Hartwell. Details of attendance at the Remuneration and Performance Committee meetings are set out in the Directors' Report.

consolidated statement of comprehensive income

for the financial year ended 30 June 2011

	Note	2011 $	2010 $
Sales revenue	3	**66,607,811**	28,551,872
Operating costs	4	**(68,450,701)**	(31,481,382)
Operating loss		**(1,842,890)**	(2,929,510)
Other revenue	3	**2,393,569**	1,794,410
Exploration expenditure expensed	5	**(8,443,993)**	(7,590,855)
Employee benefits expense		**(7,096,286)**	(12,644,313)
Depreciation and amortisation	5	**(167,051)**	(747,925)
Finance costs	5	**(37,753,676)**	(33,223,547)
Mark-to-market gain/(loss) on derivative financial instruments		**1,899,202**	3,384,922
Net foreign currency gains/(losses)		**(274,887)**	262,570
Inventory write down		**(4,065,931)**	(1,702,118)
Loss on disposal of inventory		**(368,673)**	(1,619,002)
Restoration provision expense		**(10,039,493)**	10,541,624
Gain on extinguishment of borrowings		**14,609,199**	-
Impairment of production asset	17	**(81,772,347)**	-
Other expenses		**(11,118,628)**	(6,264,623)
Loss before income tax		**(144,041,885)**	(50,738,367)
Income tax credit	6	**104,839,529**	51,769,524
Profit/(loss) for the year		**(39,202,356)**	1,031,157
Other comprehensive income			
Hedge reserve movement		**-**	240,611
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income/(loss) for the year		**(39,202,356)**	1,271,768
Basic earnings per share (cents)	8	**(3.73)**	0.12
Diluted earnings per share (cents)	8	**(3.71)**	0.12

The accompanying notes form an integral part of these financial statements.

consolidated statement of financial position

as at 30 June 2011

	Note	**2011** **$**	2010 $
Current assets			
Cash and cash equivalents	9	**62,611,651**	24,923,857
Trade and other receivables	10	**9,062,690**	12,176,030
Inventories	11	**1,432,776**	5,499,158
Other current assets	12	**3,031,654**	618,830
Total current assets		**76,138,771**	43,217,875
Non-current assets			
Trade and other receivables	10	**6,388,670**	5,809,431
Property, plant and equipment	13	**226,030**	208,041
Deferred tax asset	6	**202,336,211**	114,067,937
Intangible assets	14	**4,523**	158,276
Exploration and evaluation assets	15	**10,140,415**	16,820,787
Development assets	16	**311,592,676**	274,226,289
Production assets	17	**332,508,009**	447,969,310
Other non-current assets	12	**25,116,258**	16,882,929
Total non-current assets		**888,312,792**	876,143,000
Total assets		**964,451,563**	919,360,875
Current liabilities			
Trade and other payables	18	**43,669,701**	11,361,482
Borrowings	19	**11,000,000**	-
Total current liabilities		**54,669,701**	11,361,482
Non-current liabilities			
Trade and other payables	18	**8,059,040**	11,562,063
Derivative financial liabilities	20	**1,654,568**	3,553,772
Borrowings	19	**201,207,219**	290,270,202
Long term provisions	21	**45,851,866**	35,824,225
Deferred tax liability	6	**20,110,221**	38,206,358
Total non-current liabilities		**276,882,914**	379,416,620
Total liabilities		**331,552,615**	390,778,102
Net assets		**632,898,948**	528,582,773
Equity			
Issued capital	22	**688,933,738**	544,505,729
Reserves	23	**7,681,094**	8,590,572
Retained profits/(accumulated losses)		**(63,715,884)**	(24,513,528)
Total equity		**632,898,948**	528,582,773

The accompanying notes form an integral part of these financial statements.

consolidated statement of changes in equity

for the financial year ended 30 June 2011

	Issued capital $	Retained profits/ (accumulated losses) $	Share based payments reserve $	Hedge reserve $	Total equity $
Balance as at 1 July 2009	469,756,885	(25,544,685)	7,624,927	(240,611)	451,596,516
Comprehensive income					
Profit for the year	-	1,031,157	-	-	1,031,157
Other comprehensive income for the year	-	-	-	240,611	240,611
Total comprehensive income for the year	-	1,031,157	-	240,611	1,271,768
Transactions with owners in their capacity as owners, and other transfers					
Shares issued less transaction costs	73,151,251	-	-	-	73,151,251
Deferred tax credit on shares issue costs	1,597,593	-	-	-	1,597,593
Share based payments expense	-	-	965,645	-	965,645
Total transactions with owners in their capacity as owners, and other transfers	74,748,844	-	965,645	-	75,714,489
Balance as at 30 June 2010	544,505,729	(24,513,528)	8,590,572	-	528,582,773
Balance at 1 July 2010	544,505,729	(24,513,528)	8,590,572	-	528,582,773
Comprehensive income					
Loss for the year	-	(39,202,356)	-	-	(39,202,356)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	(39,202,356)	-	-	(39,202,356)
Transactions with owners in their capacity as owners, and other transfers					
Shares issued less transaction costs	142,903,127	-	-	-	142,903,127
Deferred tax credit on shares issue costs	1,524,882	-	-	-	1,524,882
Share based payments credit	-	-	(909,478)	-	(909,478)
Total transactions with owners in their capacity as owners, and other transfers	144,428,009	-	(909,478)	-	143,518,531
Balance as at 30 June 2011	688,933,738	(63,715,884)	7,681,094	-	632,898,948

The accompanying notes form an integral part of these financial statements.

consolidated statement of cash flows

for the financial year ended 30 June 2011

	Note	**2011 $**	2010 $
Cash flows from operating activities			
Receipts from customers		**72,743,956**	31,895,564
Payments to suppliers and employees		**(64,385,880)**	(45,968,100)
Interest received		**1,445,724**	1,350,315
Finance costs		**(20,788,343)**	(13,340,715)
Net cash provided by/(used in) operating activities	28	**(10,984,543)**	(26,062,936)
Cash flows from investing activities			
Payments for plant and equipment and intangible assets		**(230,386)**	(47,064)
Proceeds from disposal of plant and equipment		**8,997**	4,945
Proceeds from sale of casing		**541,006**	2,540,146
Payments for exploration, development and production expenditure		**(13,011,746)**	(90,268,965)
(Payments)/proceeds for operated joint venture exploration expenditure		**-**	(174,204)
Net cash flows provided by/(used in) investing activities		**(12,692,129)**	(87,945,142)
Cash flows from financing activities			
Proceeds from issue of shares		**136,511,905**	74,516,569
Payments for transaction costs arising on share issues		**(5,063,610)**	(1,365,318)
Proceeds from borrowings		**-**	45,910,600
Repayment of borrowings		**(70,000,000)**	-
Repayment of deposit received on conditional sale of permit		**-**	(35,000,000)
Net cash flows provided by/(used in) financing activities		**61,448,295**	84,061,851
Net increase/(decrease) in cash and cash equivalents held		**37,771,623**	(29,946,227)
Cash and cash equivalents at beginning of financial year		**24,923,857**	55,376,991
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		**(83,829)**	(506,907)
Cash and cash equivalents at end of financial year	9	**62,611,651**	24,923,857

The accompanying notes form an integral part of these financial statements.

1. Statement of significant accounting policies

These consolidated financial statements and notes represent those of Nexus Energy Limited ("Company") and Subsidiaries ("Group"). The separate financial statements of the parent entity, Nexus Energy Limited, have not been presented within this financial report as permitted by amendments made to the Corporations Act 2001 effective as at 28 June 2010.

(a) Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, when relevant, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Principles of consolidation

The consolidated financial statements comprise the financial statements of Nexus Energy Limited and its Subsidiaries ("Group"). A controlled entity is any entity controlled by Nexus Energy Limited whereby Nexus Energy Limited has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities. A list of controlled entities is provided in Note 24 to the financial statements. All controlled entities have a June financial year-end.

As at the reporting date the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered or left the Group during the period, their operating results have been included/excluded from the date control was obtained or until the date control ceased. All inter-company balances and transactions between controlled entities in the Group, including any recognised profits or losses, have been eliminated on consolidation. Accounting policies of controlled entities have been changed where necessary to ensure consistencies with those policies applied by the Company.

(c) Income taxes

The income tax expense/(revenue) for the year comprises current income tax expense/(revenue) and deferred tax expense/(revenue). Petroleum resource rent tax is also accounted for as an income tax under the accounting policies described below.

Current tax

The charge for current income tax expense is based on the profit or loss for the period adjusted for any non-assessable or disallowable items. It is calculated using tax rates that have been enacted or are substantively enacted at the balance sheet date. Current tax liabilities/(assets) are therefore measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

1. Statement of significant accounting policies (continued)

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the profit or loss except where it relates to items that may be recognised directly to other comprehensive income, in which case the deferred tax is adjusted directly against other comprehensive income. Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

Tax consolidation

Nexus Energy Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime from 1 July 2003. The tax consolidated group has entered into a tax funding agreement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group. In addition, the agreement provides for the allocation of income tax liabilities between entities. In addition to its own current and deferred tax amounts, Nexus Energy Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments and bank overdrafts. Bank overdrafts, when relevant, are shown within short term borrowings in current liabilities on the statement of financial position.

(e) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is recognised in the statement of comprehensive income in other expenses.

Where trade receivables for which an impairment allowance had been recognised become uncollectable in a subsequent period they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of casing and oilfield inventory includes direct materials, direct labour and transportation costs relating to oilfield activities. Inventories are reviewed annually for obsolescence. Inventories are deemed obsolete if the net realisable value is greater than cost and if the inventories are not in proper condition for use.

1. Statement of significant accounting policies (continued)

(g) Property, plant and equipment

Plant and equipment are measured on the cost basis less depreciation and, when relevant, impairment losses. The carrying amount of plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount from these assets. A formal assessment of the recoverable amount is made when impairment indication are present. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts. An asset's carrying amount is written down to its recoverable amount if the asset carrying amount is greater than its estimated recoverable amount.

The cost of plant and equipment constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all plant and equipment is depreciated on a straight-line basis over their estimated useful lives to the Group commencing from the month following their acquisition. Leasehold improvements are depreciated over the shorter of either the unexpired portion of the lease or the estimated useful lives of the improvements. The depreciation rates used for each class of depreciable assets are:

Class of property, plant and equipment	Depreciation rates
Leasehold improvements	20%
Plant and equipment	25-50%

Asset residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals are determined by comparing proceeds with the net carrying amount. These gains and losses are included in the statement of comprehensive income.

(h) Intangibles

Computer software

Computer software is recognised at cost on acquisition. Computer software costs have a finite life and are carried at cost less accumulated amortisation and any impairment losses. Computer software costs are amortised over their useful lives ranging from two to three years.

(i) Exploration and evaluation assets

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward on the statement of financial position where rights to tenure are current and to the extent that costs are expected to be recouped through either the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves and active and significant exploration activity in, or in relation to, the area is continuing. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Impairment of assets is discussed in Note 1(o).

Accumulated costs in relation to an abandoned area are written down in full in the statement of comprehensive income during the period in which the decision to abandon the area is made. Proceeds on sale or farm-out of an area within an exploration area of interest are offset against the carrying value of the particular area involved. Where the total carrying value of an area has been recouped in this manner, the balance of the proceeds is brought to account in the statement of comprehensive income. Where the technical and commercial feasibility of a particular area of interest has been demonstrated the accumulated exploration and evaluation expenditure is reclassified to development expenditure.

1. Statement of significant accounting policies (continued)

(j) Production and development assets

Development assets are recognised at cost less any impairment losses and are accumulated in respect of each separate area of interest. Development costs related to an area of interest are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest. When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated cost in respect of that area is written down in the financial period the decision is made. Each area of interest is reviewed at the end of each reporting period and accumulated costs are written down to the extent that they will not be recoverable in the future. Impairment of assets is discussed in Note 1(o). Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, carried forward exploration and development costs are amortised on a units of production basis over the life of the area of interest according to the rate of depletion of the economically recoverable reserves.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. The amounts which are considered payable after 12 months have been classified as non-current and are measured at amortised cost using the effective interest method.

(l) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(m) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. Provision for restoration is recognised when there is a legal or constructive obligation to do so. A corresponding restoration asset amount (included in exploration and evaluation expenditure asset) is created equivalent to the amount of the provision. The amount recognised is the estimated cost of restoration, discounted to its net present value and is reassessed each year in accordance with local conditions and requirements. Changes in the estimates of restoration cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to the restoration asset. The unwinding of the discount on the restoration provision is shown separately on the face of the statement of comprehensive income.

(n) Leases

Leases of plant and equipment where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Group are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Group will obtain ownership of the asset or over the term of the lease.

Operating leases are not capitalised. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

1. Statement of significant accounting policies (continued)

(o) Impairment of assets

At the end of each reporting period, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication of impairment exists, the Group makes an estimate of recoverable amount, being the higher of the asset's fair value less costs to sell and value in use. Where the carrying amount of the asset exceeds its recoverable amount any excess is recognised as an expense in the profit or loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Cash generating units represent the lowest level of group assets for which there are separately identifiable cash flows, which are largely independent on the cash inflows from other assets or groups of assets. Non financial assets, other than goodwill that were previously impaired are reviewed for a possible reversal of the impairment at each reporting period.

(p) Interests in joint venture operations

The proportionate interests in the assets, liabilities, revenue and expenses of joint venture operation have been incorporated in the consolidated financial statements under the appropriate headings.

(q) Financial guarantees

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is measured at fair values initially and subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets; or
- the amount recognised initially less cumulative amortisation recognised in accordance with revenue recognition policies.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

(r) Financial instruments

Recognition

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value on trade date plus in the case of financial asset or financial liability not at fair value through the profit and loss, transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Financial assets at fair value through the profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirement of AASB 139 'Financial Instruments: Recognition and Measurement'. Derivatives are also recognised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are recognised in the profit or loss in the period in which they arise. Assets in this category are classified as current assets.

1. Statement of significant accounting policies (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. They are included in current assets except those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Held-to-maturity investments

These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments held by the Group are stated at amortised cost using the effective interest rate method. These assets are classified as non-current assets except those with maturities less than 12 months from the reporting date which are classified as current assets.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are recognised in other comprehensive income and included in the available-for-sale asset revaluation reserve. They are included in non-current assets unless management intends on disposing of the investment within 12 months of the reporting date.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost using the effective interest rate method, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the statement of comprehensive income unless they are designated as hedges, in which case the accounting treatment is dependent on the nature of item being hedged.

Hedging

In accordance with Australian Accounting Standard AASB 139 'Financial Instruments: Recognition and Measurement', the Company's foreign exchange contracts are considered qualifying cash flow hedges and the portion of the gain or loss that is considered to be an effective hedge is recognised directly in other comprehensive income with the ineffective portion recognised in the profit or loss.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the profit or loss.

(s) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Group's entities is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

1. Statement of significant accounting policies (continued)

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the profit or loss.

(t) Revenue

Sale of gas and condensate

The Group's operating revenue derived from the sale of condensate is brought to account after each shipment is loaded. Gas sales are recognised on production following delivery into the pipeline.

Interest

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(u) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

(v) Employee benefits

Wages and salaries, leave entitlements

An accrual is made for the Group's liability for employee benefits arising from services rendered by employees up to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In calculating the present value of future cash outflows in respect of long service leave, the probability of long service leave being taken is based on experience of employee departures and periods of service.

Retirement benefits

An accrual is made for the Group's liability for Director termination and redundancy benefits arising from services rendered by Directors in accordance with their employment contract. Director retirement benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Share based payments

Share based compensation benefits are provided to employees via the Nexus Energy Limited Executive Director and Employee Share Option Plan. The fair value of options granted are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted based on management's best estimate, for effects of non-transferability, exercise restrictions and behavioural considerations. The fair value determined at grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. The number of equity instruments expected to vest is reviewed and adjusted at the end of each reporting period.

1. Statement of significant accounting policies (continued)

(w) Goods and services tax ("GST")

Revenues, expenses, commitments and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or equity or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(x) Significant accounting estimates and judgements

In applying the Group's accounting policies, the Board and management evaluate estimates and judgements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the Group. Significant estimates and judgements made by management in the preparation for these financial statements are outlined below:

Impairment of production and development assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimates are made regarding the present value of the future cash flows. For oil and gas properties, expected future cash flow estimate is based on reserves, future production profiles, commodity prices and costs. The Group assesses impairment at the end of each reporting period by evaluating conditions specific to the Group that may lead to the impairment of production and development assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations are performed in assessing recoverable amounts and are based on the present value of future cash flows which incorporate a number of key estimates. Refer to Notes 16 and 17 for further details.

Prepayments

In determining the recoverable amount of assets, in the absence of quoted market prices, estimates are made regarding the present value of the future cash flows. For prepayments relating to prepaid toll fees, recoverability is dependent upon expected future cash flow estimates based on reserves and future production profiles.

Capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related exploration permit itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors that could affect the future recoverability include the level of economically recoverable reserves, future technological changes which could impact the cost of development, future legal changes (including changes to environmental and restoration obligations) and changes to commodity prices. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, financial results and net assets will be reduced during the financial period in which this determination is made.

In addition, exploration and evaluation expenditure is carried forward on the basis that exploration and evaluation activities in the areas of interest have not at the end of the reporting period reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing. To the extent it is determined in the future this capitalised expenditure should be written off in the statement of comprehensive income, financial results and net assets will be reduced during the financial period in which this determination is made. Information on the reasonable existence or otherwise of economically recoverable reserves is progressively gained through geological analysis and interpretation, drilling activity and prospect evaluation during a normal permit term. A reasonable assessment of the existence or otherwise of economically recoverable reserves can generally only be made, therefore, at the conclusion of those exploration and evaluation activities. The Group's accounting policy for exploration and evaluation expenditure is set out in Note 1(i). The carrying amount of exploration and evaluation assets and the assumptions used in the estimate of recoverable amount is disclosed in Note 15. The estimate of recoverable amounts were made together with the associated production or development assets in the same area of interest (Note 16 and Note 17).

1. Statement of significant accounting policies (continued)

Share based payments

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the binomial options pricing model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit and loss and other comprehensive income.

Restoration provisions

The Group estimates the future removal costs of offshore equipment at the time of installation and reviews these assessments every five years. The removal of these assets will occur many years in the future. This therefore requires management to make judgements regarding removal method, future legislation, reclamation activities required, engineering methodology for estimating costs, future removal technologies and discount rates to determine the present value of the cash flows. For more detail regarding the policy in respect of provisions for restoration refer to Note 1(m). The carrying amount of the provision for restoration is disclosed in Note 21.

Income tax

The Group is subject to income taxes in Australia. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax balances in the financial period in which such determination is made. The Group recognises deferred tax assets on tax losses carried forward and petroleum resource rent tax credits on the basis they will be applied against future taxable profits.

Estimates on reserve quantities

The estimated quantities of proven plus probable reserves are integral to the calculation of amortisation expense and the assessment of possible impairment of assets. Estimated reserve quantities are based upon interpretations of geological and geophysical models and assessments of technical feasibility and commercial viability of producing the reserves. These estimates require assumptions to be made regarding future development and production costs, commodity prices and exchange rates. The estimates of reserves may change from period to period, and as additional geological data is generated during the course of the operations. Reserve estimates are prepared in accordance with guidelines prepared by the Society of Petroleum Engineers.

2. Parent information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with the accounting standards.

Statement of financial position	2011 $	2010 $
Assets		
Current assets	**60,614,505**	24,360,256
Total assets	**596,721,682**	541,187,765
Liabilities		
Current liabilities	**3,413,628**	934,919
Total liabilities	**131,673,605**	138,545,901
Equity		
Issued capital	**688,933,738**	544,505,729
Share based payments reserve	**7,681,094**	8,590,572
Retained profits/(accumulated losses)	**(231,566,755)**	(150,454,437)
Total equity	**465,048,077**	402,641,864

Statement of comprehensive income		
Total profit/(loss) for the year	**(81,112,417)**	(20,615,689)
Total comprehensive income/(loss) for the year	**(81,112,417)**	(20,615,689)

Guarantees and contingent liabilities

Refer to Note 19 for details of guarantees provided by the parent entity in relation to the Group's Bank Loan. Refer to Note 34 for details of bank guarantees in relation to leased offices.

Contractual commitments

Refer to Note 27 for details of contractual commitments.

	2011 $	2010 $
3. Revenue		
Sale of gas and condensate	**66,607,811**	28,551,872
	66,607,811	28,551,872
Other revenue		
Interest income on cash and cash equivalents	**1,445,724**	1,350,315
Services revenue from joint venture operations	**432,271**	444,095
Rental income on sub-lease	**515,574**	-
	2,393,569	1,794,410
4. Operating costs		
Production costs	**27,945,409**	13,700,480
Royalty expense	**1,933,924**	824,322
Amortisation of production asset	**38,571,368**	16,956,580
Total operating costs	**68,450,701**	31,481,382

	2011 $	2010 $
5. Profit/(loss) for the year		
Profit/(loss) before income tax includes the following expense items:		
Exploration and evaluation expenditure expensed	**8,443,993**	7,590,855
Finance costs:		
- interest expense on bank loans	**20,075,093**	12,886,351
- interest expense on senior subordinated notes	**17,629,843**	20,189,506
- other	**48,740**	147,690
Total finance costs	**37,753,676**	33,223,547
Depreciation and amortisation:		
- plant and equipment	**54,520**	270,693
- leasehold improvements	**42,332**	28,090
- software	**70,199**	449,142
Total depreciation and amortisation	**167,051**	747,925
Rental expense on operating leases – minimum lease payments	**1,972,583**	1,538,064

6. Income tax

(a) Income tax recognised in profit and loss

	2011	2010
Tax expense/(income) comprises:		
Deferred income tax	**(43,346,379)**	(14,954,686)
Deferred tax – petroleum resource rent tax (net of income tax benefits)	**(61,787,792)**	(36,814,838)
Recognition of temporary differences and tax losses not previously brought to account	**294,642**	-
	(104,839,529)	(51,769,524)

	2011	2010
The prima facie tax on profit/(loss) before income tax is reconciled to income tax as follows:		
Prima facie tax payable on the profit/(loss) before income tax calculated at the Australian tax rate of 30% (2010: 30%)	**(43,212,566)**	(15,221,510)
Add tax effect of:		
Under/(over) provided in prior year	**-**	(113,814)
Share based payments expense	**(272,843)**	289,693
Temporary differences and tax losses not previously brought to account	**294,642**	-
Other non deductible items	**139,030**	90,945
Income tax expense/(income)	**(43,051,737)**	(14,954,686)
Petroleum resource rent tax (net of income tax benefits)	**(61,787,792)**	(36,814,838)
Total tax expense (income)	**(104,839,529)**	(51,769,524)
Applicable weighted average effective tax rate/(tax benefit)	**(73%)**	(102%)

The increase in the weighted average effective tax rate/(tax benefit) is the result of the tax benefits on the deferred tax balances and tax benefit on the Group's PRRT credits. Included in tax expense (income) is tax income of $61,787,792 (net of income tax) which arises principally on augmentation of the Group's PRRT credits relating to exploration and development costs incurred up to 30 June 2011.

	2011 $	2010 $

6. Income tax (continued)

(b) Income tax recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit and or loss but directly debited or credited to equity:

	2011 $	2010 $
Deferred tax		
Unclaimed equity raising costs	**1,524,882**	1,597,593
Total income tax recognised directly in equity	**1,524,882**	1,597,593

(c) Deferred tax balances

Deferred tax balances arise from the following:

2011	Opening balance $	Charged to income $	Charged to equity $	Closing balance $
Temporary differences				
Exploration, development and production assets	(119,087,301)	25,805,287	-	(93,282,015)
Petroleum resource rent tax	114,067,937	88,268,274	-	202,336,211
Petroleum resource rent tax – income tax benefit	(34,220,382)	(26,480,482)	-	(60,700,864)
Provisions and accruals	10,970,900	3,041,686	-	14,012,585
Unclaimed takeover costs	744,059	(387,652)	-	356,407
Unclaimed equity raising costs	2,048,671	(1,064,701)	1,524,882	2,508,853
Senior subordinated notes	2,871,493	(2,452,458)	-	419,585
Inventory	2,254,902	1,219,779	-	3,474,681
Other	(3,471,970)	(195,876)	-	(3,667,845)
	(23,821,691)	87,753,857	1,524,882	65,457,048
Unused tax losses and credits:				
Tax losses	99,683,270	17,085,672	-	116,768,942
	75,861,579	104,839,529	1,524,882	182,225,990
Presented in the statement of financial position as follows:				
Deferred tax asset				202,336,211
Deferred tax liability				(20,110,221)
				182,225,990

6. Income tax (continued)

2010	Opening balance $	Charged to income $	Charged to equity $	Closing balance $
Temporary differences				
Exploration, development and production assets	(115,872,570)	(3,214,731)	-	(119,087,301)
Petroleum resource rent tax	61,475,312	52,592,625	-	114,067,937
Petroleum resource rent tax – income tax benefit	(18,442,595)	(15,777,787)	-	(34,220,382)
Provisions and accruals	14,210,227	(3,239,327)	-	10,970,900
Unclaimed takeover costs	1,325,371	(581,312)	-	744,059
Unclaimed equity raising costs	1,343,376	(892,298)	1,597,593	2,048,671
Senior subordinated notes	347,619	2,523,874	-	2,871,493
Inventory	1,703,564	551,338	-	2,254,902
Other	(4,998,405)	1,526,435	-	(3,471,970)
	(58,908,101)	33,488,817	1,597,593	(23,821,691)
Unused tax losses and credits:				
Tax losses	81,402,563	18,280,707	-	99,683,270
	22,494,462	51,769,524	1,597,593	75,861,579
Presented in the statement of financial position as follows:				
Deferred tax asset				114,067,937
Deferred tax liability				(38,206,358)
				75,861,579

	2011 $	2010 $
(d) Unrecognised deferred tax assets		
A deferred tax asset has not been recognised in the statement of financial position as the benefits of which will only be realised if the conditions for deductibility set out in Note 1 occur:		
Tax losses:		
- capital losses	**90,400,692**	90,400,692
Potential net tax benefit at Australian tax rate of 30%	**27,120,207**	27,120,207

7. Dividends

There were no ordinary dividends declared or paid during the financial year by the Company (2010: $Nil).

	2011	2010
Dividend franking account		
Balance of franking account	**-**	-

	2011 $	2010 $
8. Earnings per share		
Profit/(loss) used to calculate basic and dilutive profit/(loss) per share	**(39,202,356)**	1,031,157
(a) Basic profit/(loss) per share (cents)	**(3.73)**	0.12
(b) Diluted profit/(loss) per share (cents)	**(3.71)**	0.12
Weighted average number of ordinary shares outstanding during the financial year used in calculating basic profit/(loss) per ordinary share	**1,050,468,609**	872,376,078
Weighted average number of dilutive options outstanding	**5,954,914**	4,939,565
Weighted average number of anti-dilutive options outstanding	**33,583,354**	35,103,984
Weighted average number of ordinary shares outstanding during the financial year used in calculating diluted profit/(loss) per share (excluding anti-dilutive options outstanding)	**1,056,423,523**	877,315,643

Potential ordinary shares

Options outstanding at the end of the financial year are considered to be potential ordinary shares and have been included in the determination of diluted profit/(loss) per share to the extent to which they are dilutive. The options have not been included in the determination of basic profit/(loss) per share.

9. Cash and cash equivalents

	2011 $	2010 $
Cash at bank and on hand	**12,230,201**	17,840,240
Bank deposits at call	**45,200,116**	1,307,471
Restricted bank deposits	**5,181,334**	5,776,146
Total cash and cash equivalents	**62,611,651**	24,923,857

(a) Cash at bank and on hand

Cash at bank and on hand balance attracted an interest rate of 4.15% as at 30 June 2011 (30 June 2010: 3.05%). The non-interest bearing amounts are disclosed at Note 25.

(b) Bank deposits at call

The weighted average interest rate on bank deposits at call as at 30 June 2011 was 5.24% (30 June 2010: 3.15%). These term deposits have a maturity of less than 60 days.

(c) Restricted bank deposits

The weighted average interest rate on restricted bank deposits as at 30 June 2011 was 4.15% (30 June 2010: 3.39%). Refer to Note 19 for further details.

(d) Effective interest rates

Information concerning the Group's exposure to interest rate changes on cash and cash equivalents is set out in Note 25.

	2011 $	2010 $
10. Trade and other receivables		
Current		
Trade and other receivables	**9,392,211**	12,505,551
Provision for impairment	**(329,521)**	(329,521)
Total current trade and other receivables	**9,062,690**	12,176,030
Non-current		
Trade and other receivables	**6,388,670**	5,809,431
Provision for impairment	**-**	-
Total non-current trade and other receivables	**6,388,670**	5,809,431

(a) Past due but not impaired

The ageing of these receivables is as follows:		
One to three months	**-**	-
Greater than three months	**6,388,670**	5,809,431
	6,388,670	5,809,431

(b) Trade debtors

Trade debtors are due for settlement no more than 30 days from the date of recognition. Collectability of trade debtors is reviewed on an ongoing basis.

(c) Foreign exchange, interest rate and credit risk

Information concerning the Company and the Group's exposure to interest rate changes, foreign exchange and credit risk on both current and non-current receivables is set out in Note 25. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

11. Inventories

Current		
Casing and oilfield inventory, at cost	**9,584,382**	9,584,832
Inventory held for resale	**3,430,665**	3,430,665
Less: provision for obsolescence	**(11,582,271)**	(7,516,339)
Total current inventories	**1,432,776**	5,499,158

12. Other assets

Current		
Prepayments – prepaid toll fees and insurance	**3,031,654**	618,830
Total current other assets	**3,031,654**	618,830
Non-current		
Prepayments – prepaid toll fees	**25,116,258**	16,882,929
Total non-current other assets	**25,116,258**	16,882,929

	2011 $	2010 $
13. Property, plant and equipment		
Plant and equipment		
At cost	**915,171**	1,210,312
Accumulated depreciation	**(902,604)**	(1,135,137)
Total plant and equipment	**12,567**	75,175
Leasehold improvements		
At cost	**226,686**	326,789
Accumulated depreciation	**(13,223)**	(193,923)
Total leasehold improvements	**213,463**	132,866
Total property, plant and equipment, at net book value	**226,030**	208,041
Reconciliations		
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:		
Plant and equipment		
Balance at beginning of financial year	**75,175**	340,870
Additions	**10,002**	9,306
Disposals	**(239,781)**	(15,413)
Write back of accumulated depreciation on disposal of assets	**221,691**	11,105
Depreciation expense	**(54,520)**	(270,693)
Net carrying amount at end of financial year	**12,567**	75,175
Leasehold improvements		
Balance at beginning of financial year	**132,866**	160,956
Additions	**226,686**	-
Disposals	**(326,789)**	-
Write back of accumulated depreciation on disposal of assets	**223,032**	-
Depreciation expense	**(42,332)**	(28,090)
Net carrying amount at end of financial year	**213,463**	132,866

For details of non-current assets pledged as security by the Consolidated Group refer to Note 19.

	2011 **$**	2010 $
14. Intangible assets		
Computer software		
At cost	**1,342,829**	1,709,071
Accumulated amortisation	**(1,338,306)**	(1,550,795)
Total intangibles, at net book value	**4,523**	158,276
Reconciliation		
Reconciliation of the carrying amount for computer software is set out below:		
Balance at beginning of financial year	**158,276**	569,829
Additions	**11,426**	37,757
Disposals	**(294,485)**	(1,350)
Amortisation expense	**(70,199)**	(449,142)
Write back of accumulated amortisation on disposal of assets	**199,505**	1,182
Net carrying amount at end of financial year	**4,523**	158,276

Intangible assets have finite lives. The amortisation expense for intangible assets is included under depreciation and amortisation expense per the statement of comprehensive income.

15. Exploration and evaluation assets

At cost	**10,140,415**	16,820,787
Balance at 30 June	**10,140,415**	16,820,787
Reconciliation		
Balance at beginning of financial year	**16,820,787**	31,110,098
Additions – expenditure incurred	**1,763,621**	2,631,836
Transfer to development and production assets	**-**	(9,330,292)
Expenditure incurred expensed to the statement of comprehensive income	**(8,443,993)**	(7,590,855)
Balance at end of financial year	**10,140,415**	16,820,787

Exploration and evaluation expenditure carried forward relates to the areas of interest in the exploration phase for petroleum exploration permits VIC/P54 and WA-377-P (2010: VIC/P54, WA-368-P, WA-424-P and WA-377-P). The expenditure is carried forward on the basis that exploration and evaluation expenditure activities in the areas have not reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant activity in, or in relation to, the areas is continuing.

The ultimate recovery of capitalised exploration and evaluation expenditure is dependent on the successful development and commercial exploitation or the commercial sale of the relevant areas of interest.

	2011 $	2010 $
16. Development assets		
At cost	**311,592,676**	274,226,289
Balance at 30 June	**311,592,676**	274,226,289
Reconciliation		
Balance at beginning of financial year	**274,226,289**	655,613,294
Additions – expenditure incurred	**37,366,387**	6,083,948
Transfer to production asset	**-**	(387,470,953)
Balance at end of financial year	**311,592,676**	274,226,289

The development expenditure carried forward relates to the Crux asset (AC/L9). The expenditure is carried forward to the extent that it is expected to be recouped either through sale or successful exploitation of the area of interest. When production commences the accumulated costs are transferred to production assets.

The asset valuations are based on a proved and probable (2P) reserve production profile and various estimates and assumptions. The key assumptions used in the cash flow projections include the following:

- oil price – starting at a price of US$112 per barrel and based on the Brent Forward Curve for crude oil;
- exchange rates – USD/AUD exchange rate of 1.06 in 2012 and based on the forward rate thereafter; and
- discount rates – the post-tax discount rate applied to cash flow projections is 10%.

The cash flow has been projected over ten years which is the Build, Own and Operate production profile with a FID targeted for end of 2011 calendar year.

No impairment has been recorded at 30 June 2011 (2010: Nil).

Asset valuations based on cash flow projections use a range of assumptions that are subject to change. Accordingly, the recoverable amount of the development asset is sensitive to reasonable possible changes in key assumptions. Sensitivity analysis has been performed applying the following possible changes in key assumptions:

- reserves – 10% decrease in reserves;
- oil price – 10% decrease in oil price; and
- post tax discount rate – 1% increase in post tax discount rate.

The net effect of these changes does not result in impairment in the value of the asset at 30 June 2011.

	2011 $	2010 $
17. Production assets		
At cost	**469,808,305**	464,925,890
Accumulated amortisation	**(55,527,949)**	(16,956,580)
Impairment	**(81,772,347)**	-
Balance at 30 June	**332,508,009**	447,969,310
Reconciliation		
Balance at beginning of financial year	**447,969,310**	-
Additions – expenditure incurred	**4,882,414**	68,124,645
Transfer from development assets	**-**	387,470,953
Transfer from exploration expenditure	**-**	9,330,292
Impairment	**(81,772,347)**	-
Amortisation charge for the year	**(38,571,368)**	(16,956,580)
Balance at end of financial year	**332,508,009**	447,969,310

The production assets relate to the Longtom gas project (VIC/L29) which commenced production in April 2009.

The asset valuations are based on a proved and probable (2P) reserve production profile and various estimates and assumptions. The key assumptions used in the cash flow projections include the following:

- oil price – starting at a price of US$112 per barrel and based on the Brent Forward Curve for crude oil;
- exchange rates – USD/AUD exchange rate of 1.06 in 2012 and based on the forward rate thereafter;
- discount rates – the post-tax discount rate applied to cash flow projections is 14%; and
- reserves – 2P 350PJ production profile.

An impairment loss of $81,772,347 has been recognised on the above production assets during the year. For this purpose, Longtom gas field and its supporting infrastructure assets as a whole are considered as the cash generating unit which represents the smallest identifiable group of assets that work together and generate cash inflows that are largely independent of the cash inflows from other groups of assets. For the purpose of assessing impairment, the recoverable amount of the cash generating unit was estimated as its value-in-use. The circumstances that led to the recognition of this impairment loss was a change to the pre-tax discount rate to 14% as a result of risks associated with the subsurface geology and the reservoir distribution.

As previously reported, monitoring of reservoir pressure data has indicated that the gas reservoir distribution is likely more complex than the pre-production interpretation. Additionally, interpretation and mapping of the reprocessed field wide 3D seismic database has delineated a more complex subsurface faulting pattern. The reservoir pressure and seismic studies are being collated into the forward plan for the field development that will include an updated reserves report. As a result of these risks it has been determined that a discount rate of 14% be applied to the asset at 30 June 2011. There has been no change to the 2P reserves assumption at 30 June 2011.

Asset valuations based on cash flow projections use a range of assumptions that are subject to change. Accordingly, the recoverable amount of the production asset is sensitive to reasonable possible changes in key assumptions. Sensitivity analysis has been performed applying the following possible changes in key assumptions:

- Reserves – 10% decrease in reserves would result in an increase in the impairment of $29,507,748.
- Oil price – 10% decrease in oil price would result in an increase in the impairment of $8,920,830.
- Post tax discount rate – 1% increase in post tax discount rate would result in an increase in the impairment of $17,238,347.

		2011 $	2010 $
18. Trade and other payables			
Current (unsecured)			
Trade payables		**328,155**	910,450
Sundry payables and accrued expenditure		**43,341,546**	10,451,032
Total current trade and other payables		**43,669,701**	11,361,482
Non-current (unsecured)			
Deferred revenue		**8,059,040**	11,562,063
Total non-current trade and other payables		**8,059,040**	11,562,063

19. Borrowings

Current			
Bank loan (secured)	(a)	**11,000,000**	-
		11,000,000	-
Non-current			
Bank loan (secured)	(a)	**81,336,981**	160,000,000
Senior subordinated notes (unsecured)	(b)	**119,870,238**	130,270,202
Total long term borrowings		**201,207,219**	290,270,202

(a) Bank loan

The Company restructured its existing Longtom senior debt facility repaying $70 million of the $160 million principal outstanding on the original facility from funds raised through an accelerated renounceable entitlement offer completed in May 2011. A fixed and sculpted repayment profile for the remaining $90 million was agreed under the terms of the facility restructure with scheduled principal repayments commencing in September 2011 and maturing in June 2016 unless repaid earlier. As part of the restructure the existing $60 million senior secured letter of credit facility remains in place and is undrawn.

Interest continues to be charged at the Reuters BBSW bid rate on the first date of the funding period (three months) plus a margin of 3.5%. Interest is payable on the last day of each funding period. A 0.5% payment in kind is capitalised and added to the principal outstanding each funding period. As at 30 June 2011 the interest rate was 8.88% including the payment in kind (30 June 2010: 8.43%).

As is typical of project lending facilities, the loan is subject to standard financial covenants, loan life cover ratios and debt service cover ratios as well as review events. The covenants were satisfied and no review events subsisted during the period ending 30 June 2011 and subsequent to year end.

The Group has provided the following as security to BOS International (Australia) Limited:

(i) fixed and floating charge over the assets of Nexus Energy Aust. NL, Nexus Energy VIC/P54 Pty Ltd and Nexus Energy Corporate Pty Ltd. The carrying amount of assets given as security as at 30 June 2011 was $453,446,006 (30 June 2010: $533,207,744);

(ii) mortgage over the issued capital in Nexus Energy Aust. NL, Nexus Energy VIC/P54 Pty Ltd, and Nexus Energy Corporate Pty Ltd; and

(iii) parental guarantee from Nexus Energy Limited.

As part of the requirements of the facility the Company is required to maintain a interest reserve account equal to the amount of cash interest to be payable by the Company during the succeeding six months from the commencement of each funding period.

19. Borrowings (continued)

(b) Senior subordinated notes

On 3 August 2010, the Company completed the Exchange Offer with acceptance by 86.27% of its $110 million Unsecured Senior Subordinated Notes due 2013 ("Existing Notes") for New Unsecured Senior Subordinated Notes ("New Notes") and Nexus ordinary shares in accordance with the exchange offer announced on 15 July 2010 ("Exchange Offer"). Pursuant to the Exchange Offer, 30,195,455 ordinary shares of the Company were issued to the holders of the New Notes on 3 August 2010. The shares issued to New Note holders as a result of accepting the Exchange Offer were subject to a six month escrow period during which the shares may not be traded. The escrow period on these shares expired on 3 February 2011.

The terms of the Exchange Offer provided for the exchange of Existing Notes for (i) New Notes, Tranche A which are due in 2017 and Tranche B which are due in 2013, and (ii) Nexus ordinary shares. The New Note holders agreed to forgo the interest payments that were due in July 2010 and January 2011. The interest charge for the year is calculated by applying an effective interest rate of 19.31% on the liability component.

A review and valuation of the New Unsecured Senior Subordinated Notes was undertaken for the half year ended 31 December 2010. Upon review of the Exchange Offer and in accordance with accounting standards, the Exchange Offer was deemed to be an extinguishment of debt, with the gain on extinguishment recorded in the statement of comprehensive income. The gain on extinguishment of debt is equal to the difference between the carrying amount of the Existing Notes and the fair value of the New Notes at the date of the exchange. A gain on extinguishment of financial liabilities of $14.6 million has been taken to the statement of comprehensive income. Under the terms of the Notes the Group's gearing ratio must not exceed 55%. The Group was compliant with this covenant as at 30 June 2011.

The Existing Notes and 31,844,058 Warrants remain in place and are due in January 2013. The Notes carry a semi-annual coupon of six months BBSW plus a margin of 550 bps. Unless previously redeemed, the Notes will be redeemed at their principal amount on maturity. As at 30 June 2011 the interest rate payable on the Notes was 10.48% (2010: 10.12%). The net proceeds received from the issue of the Notes have been allocated to a liability and an equity component. The accounting interest charge for the year on the Existing Notes is calculated by applying an effective interest rate of 15.87% on the liability component. The Notes are subordinated to the Company's obligation in respect of the Group's existing senior debt facility. The Notes will also be subordinated to similar future senior debt facilities, and are not convertible into Nexus Energy Limited shares. Under the terms of the Notes the Group's gearing ratio (total liabilities to total assets) must not exceed 55%. The Group was compliant with this covenant as at 30 June 2011.

Each Warrant provides the option to subscribe for one Nexus Energy Limited share at an exercise price of $2.02. The Warrants will expire in January 2013 in the absence of earlier termination.

(c) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in Note 25.

	2011 $	2010 $
20. Derivative financial liabilites		
Non-current		
Interest rate swap contract carried at fair value through profit and loss	**1,654,568**	3,553,772
Total non-current other financial liabilities	**1,654,568**	3,553,772

(a) Risk exposures

Details of the Group's exposure to risks arising from foreign currency forward contracts and interest rate swap contracts are set out in Note 25.

21. Provisions

	2011 $	2010 $
Long term		
Employee benefits	**115,037**	126,889
Restoration	**45,736,829**	35,697,336
Total long term provisions	**45,851,866**	35,824,225

	Long term employee benefits $	**Restoration provision $**
Balance at beginning of financial year	126,889	35,697,336
Amounts used	(11,852)	-
Increase in the discounted amount arising because of time and the effect of any change in discount rate	-	10,039,493
Balance at end of financial year	115,037	45,736,829

Provision for employee benefits

A provision has been recognised for employee entitlements relating to long service leave. The measurement and recognition criteria relating to employee benefits has been included in Note 1(v).

Restoration provision

The restoration provision represents the Group's estimated present value of costs relating to future site restoration, removal and rehabilitation activities. The measurement and recognition criteria relating to the restoration provision has been included in Note 1(m). The significant movement in the restoration provision is the result of adjusting the provision to its present value at 30 June 2011.

	2011 Number	2010 Number	2011 $	2010 $
22. Issued capital				
Share capital				
Ordinary shares, fully paid	**1,326,337,066**	958,061,849	**670,173,204**	525,745,195
Other equity securities				
Value of warrants – senior subordinated notes (unsecured)			**19,305,120**	19,305,120
Deferred tax liability on transaction costs			**233,394**	233,394
Transaction costs incurred in issuing equity instruments			**(777,980)**	(777,980)
			18,760,534	18,760,534
			688,933,738	544,505,729

There was no movement in other equity securities during the year.

Movements in ordinary share capital 30 June 2009 to 30 June 2011

Details		Number of shares	Issue price	$
30 June 2009	Closing balance	645,350,183		450,996,351
8 September 2009	Institutional placement	96,800,000	$0.32	30,976,000
21 October 2009	Rights issue	197,911,666	$0.22	43,540,566
13 November 2009	Rights issue	18,000,000	$0.22	3,960,000
	Add: Deferred tax credit balance recognised directly in equity			1,597,593
	Less: transaction costs on share issue			(5,325,315)
30 June 2010	Closing balance	958,061,849		525,745,195
3 August 2010	Subordinated Notes Exchange offer(1)	30,195,455	$0.38	11,474,273
3 November 2010	Placement	32,000,000	$0.44	14,080,000
24 April 2011	Rights issue	142,204,941	$0.40	56,881,976
25 May 2011	Rights issue	163,874,821	$0.40	65,549,929
	Add: Deferred tax credit balance recognised directly in equity			1,524,882
	Less: transaction costs on share issue			(5,083,051)
30 June 2011	Closing balance	1,326,337,066		670,173,204

(1) The shares were issued as part of the Exchange Offer of the Unsecured Subordinated Notes in exchange for existing notes. No cash consideration was received. The issue price represents the fair value of the shares at the date of granting.

The Company has authorised share capital amounting to 1,326,337,066 (2010: 958,061,849) ordinary shares of no par value. Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings, on a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

Warrants

The Company issued 31,884,058 warrants during the financial year ending 30 June 2008. The warrants expire on 15 January 2013 with an exercise price of $2.02.

The warrant holders do not participate in dividends or any other distribution or right declared and have no voting rights. On winding up of the Company the warrant holders have the option to convert to ordinary shares at an exercise price of $2.02 and would assume the same rights as an ordinary shareholder.

22. Issued capital (continued)

Capital management

The Board of Directors controls the capital of the Group in order to maintain debt within levels specified in financial covenants and to ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities which are supported by financial assets. The Group is required under certain borrowing covenants to maintain shareholders' funds of at least $130,000,000 and not to exceed a project gearing ratio (defined for this purpose as total liabilities to total assets) of 55%. These requirements have been satisfied in 2011 and 2010.

The Group's capital is managed by maintaining adequate banking facilities, monitoring future rolling cash flows and adjusting its capital structure as required to meet business objectives. There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. The strategy is to ensure the Group remains in compliance with its borrowing covenants and ensure the Group can continue as a going concern.

	2011 $	2010 $
Total assets	**964,451,563**	919,360,875
Total liabilities	**331,552,615**	390,778,102
Total equity	**632,898,948**	528,582,773
Project gearing ratio	**35%**	42%

23. Reserves

Share based payments reserve

The share based payment reserve is used to recognise the fair value of options and shares granted under the Executive Director and Employee Share Option Plan.

Hedge reserve

The hedge reserve is used to recognise the fair value of foreign exchange contracts yet to be exercised as at the end of the reporting period. Amounts are recognised in profit and loss when the associated hedge transaction affects the profit and loss.

24. Controlled entities

Name	Country of incorporation	Percentage of equity and voting interests held 2011 %	2010 %	Date of de-registration
Parent entity				
Nexus Energy Limited	Australia			
Subsidiaries				
Nexus Energy Aust. NL	Australia	**100**	100	
Nexus Energy VICP54 Pty Ltd	Australia	**100**	100	
Nexus Energy Services Pty Ltd	Australia	**100**	100	
Nexus Energy WA Pty Ltd	Australia	**100**	100	
Nexus Energy Corporate Pty Ltd	Australia	**100**	100	
Nexus Energy NTP66 Pty Ltd	Australia	**100**	100	
Nexus Energy VICP56 Pty Ltd	Australia	**100**	100	
Nexus Energy WA377P Pty Ltd	Australia	**100**	100	
Nexus Energy NV Pty Ltd	Australia	**100**	100	
Nexus IT Investments Pty Ltd	Australia	**-**	100	26 January 2011
Nexus Energy ACP41 Pty Ltd	Australia	**-**	100	26 January 2011
Nexus Energy (Bass Strait) Pty Ltd	Australia	**-**	100	26 January 2011
Shelf Investment Pty Ltd	Australia	**-**	100	26 January 2011
Nexus Energy VICP49 Pty Ltd	Australia	**-**	100	26 January 2011
Nexus Energy WA368P Pty Ltd	Australia	**-**	100	10 February 2011

Nexus Energy VICP54 Pty Ltd is a wholly-owned subsidiary of Nexus Energy Aust. NL.

The subsidiaries which were de-registered during the year were dormant entities.

25. Financial risk management

The Group has exposure to credit risk, liquidity risk and market risk consisting of interest rate risk and foreign currency risk.

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit Committee which is responsible for developing and monitoring risk management policies. Risk management policies are established to identify the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group does not enter into or trade in derivative financial instruments for speculative purposes. The use of financial instruments and the overall risk management strategy of the Group is governed by the Board of Directors and is primarily focused on ensuring that the Group is able to finance its business plans.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and derivative instruments. Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group.

To minimise credit risk, the Group trades with recognised, creditworthy third parties. The Group has a single customer which is Santos for the sale of gas and condensate under a gas sale agreement. Receivable balances are monitored on an ongoing basis with the result being that the Group's exposure to bad debts is not significant.

25. Financial risk management (continued)

Credit risk for derivative financial instruments arises from the potential failure by counter-parties to the contract to meet their obligations. The credit risk exposure to forward exchange contracts and interest rate swaps is the net fair value of these contracts as discussed below.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meets its financial obligations as they fall due. The Group manages liquidity risk through the preparation and maintenance of rolling forecast cash flows and ensuring that adequate borrowing facilities are maintained. Emphasis is placed on ensuring there is sufficient funding in place to meet the ongoing requirements of the Group's exploration and development activities.

The following table illustrates the contractual maturities of the Group's financial liabilities including interest payments:

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
Financial assets								
Cash and cash equivalents	**62,611,651**	24,923,857	**-**	-	**-**	-	**62,611,651**	24,923,857
Trade and other receivables	**9,062,690**	12,176,030	**6,388,670**	5,809,431	**-**	-	**15,451,360**	17,985,461
Other assets	**3,031,654**	618,830	**25,116,258**	16,882,929	**-**	-	**28,147,912**	17,501,759
Total anticipated outflows	**74,705,995**	37,718,717	**31,504,928**	22,692,360	**-**	-	**106,210,923**	60,411,077
Financial liabilities								
Trade and other payables	**51,728,741**	22,923,545	-	-	**-**	-	**51,728,741**	22,923,545
Interest rate swap	**-**	-	-	-	**1,654,568**	3,553,772	**1,654,568**	3,553,772
Bank loans	**21,526,789**	28,046,004	**106,472,189**	169,172,314	**356,443**	4,060,215	**128,355,421**	201,278,533
Senior subordinated notes	**10,102,696**	14,360,892	**135,644,879**	156,962,815	**62,644,497**	-	**208,392,072**	171,323,707
Total anticipated outflows	**83,358,226**	65,330,441	**242,117,068**	326,135,129	**64,655,508**	7,613,987	**390,130,802**	399,079,557

The above table does not include the future revenues generated from the Longtom production asset.

25. Financial risk management (continued)

Market risk

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the weighted average interest rate for classes of financial assets and financial liabilities, is set out below:

2011	Weighted average interest rate %	Floating interest rate $	Fixed interest maturing in 1 year or less $	Fixed interest maturing between 1 and 5 years $	Non-interest bearing $	Total $
Financial assets						
Cash and cash equivalents	4.52	16,552,691	46,058,960	-	-	62,611,651
Trade and other receivables	-	-	-	-	15,451,360	15,451,360
Total financial assets		16,552,691	46,058,960	-	15,451,360	78,063,011
Financial liabilities						
Trade and other payables	-	-	-	-	51,728,741	51,728,741
Bank loans	8.43	92,336,981	-	-	-	92,336,981
Subordinated notes	17.43	119,870,238	-	-	-	119,870,238
Interest rate swaps	-	1,654,568	-	-	-	1,654,568
Total financial liabilities		213,861,788	-	-	51,728,741	265,590,528

2010	Weighted average interest rate %	Floating interest rate $	Fixed interest maturing in 1 year or less $	Fixed interest maturing between 1 and 5 years $	Non-interest bearing $	Total $
Financial assets						
Cash and cash equivalents	3.06	23,616,386	1,307,471	-	-	24,923,857
Trade and other receivables	-	-	-	-	17,985,461	17,985,461
Total financial assets		23,616,386	1,307,471	-	17,985,461	42,909,318
Financial liabilities						
Trade and other payables	-	-	-	-	22,923,545	22,923,545
Bank loans	7.26	160,000,000	-	-	-	160,000,000
Subordinated notes	15.87	130,270,202	-	-	-	130,270,202
Interest rate swaps	-	3,553,772	-	-	-	3,553,772
Total financial liabilities		293,823,974	-	-	22,923,545	316,747,519

Interest rate swaps

The Group had an interest rate swap in place at 30 June 2011 to provide protection against interest rate fluctuations on Longtom project finance borrowings. The swap is based on a current notional total debt balance of $42,523,449. The swap commenced on 2 January 2009 and expires on 1 July 2014. The notional total debt balance declines throughout the life of the instrument. The contract requires settlement of net interest receivable or payable quarterly based on the Group paying a fixed rate of 7.68% and receiving the floating rate. The contracts do not satisfy the requirements for hedge accounting and have been recognised at fair value through the profit and loss.

Based on the average balance of debt during the year, if interest rates increased or decreased by 1% the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows. Note there is no effect on profit or equity for borrowings capitalised as part of the Group's exploration and development activities.

25. Financial risk management (continued)

	2011 $	2010 $
Change in profit		
Increase interest rate by 1%	**(2,122,072)**	(2,902,702)
Decrease interest rate by 1%	**2,122,072**	2,902,702
Change in equity		
Increase interest rate by 1%	**(2,122,072)**	(2,902,702)
Decrease interest rate by 1%	**2,122,072**	2,902,702

Foreign exchange risk

The Group is exposed to fluctuations in foreign currencies arising from the purchase of goods and services in currencies other than Australian dollars. The main foreign currency exposure is to United States dollars. The Group manages foreign exchange risk by monitoring forecast cash flows in currencies other than Australian dollars and maintaining certain cash balances in United States dollars.

Foreign currency sensitivity analysis

The Group is mainly exposed to US dollars. The following table details the Group's sensitivity to a 10% increase or decrease in the Australian dollar against the US dollar. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% change in the exchange rate.

	2011 $	2010 $
Change in profit		
- Improvement in AUD to USD by 10%	**18,070**	109,697
- Decline in AUD to USD by 10%	**(18,070)**	(109,697)
Change in equity		
- Improvement in AUD to USD by 10%	**18,070**	109,697
- Decline in AUD to USD by 10%	**(18,070)**	(109,697)

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position.

Fair values derived may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgement and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments which are carried at amortised cost (i.e. term receivables, held-to-maturity assets, loan liabilities) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the Group.

25. Financial risk management (continued)

	Note	2011 Net carrying value	2011 Net fair value	2010 Net carrying value	2010 Net fair value
Financial assets					
Cash and cash equivalents	(i)	62,611,651	62,611,651	24,923,857	24,923,857
Trade and other receivables	(i)	15,451,360	15,160,693	17,985,461	17,470,204
Total financial assets		78,063,011	77,772,344	42,909,318	42,394,061
Financial liabilities					
Trade and other payables	(i)	51,728,741	51,728,741	22,923,545	22,923,545
Borrowings					
Bank loans	(ii)	92,336,981	109,142,810	160,000,000	175,800,179
Senior subordinated notes	(iii)	119,870,238	117,195,377	130,270,202	150,384,085
Total financial liabilities		263,935,960	278,066,928	313,193,747	349,107,809

(i) Cash and cash equivalents, trade and other receivables and trade and other payables are short term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for annual leave, which is outside the scope of AASB 139.

(ii) Fair value models are determined using a discounted cash flow model incorporating current commercial borrowing rates. As disclosed in Note 19 the Company restructured its existing Longtom senior debt facility repaying $70 million of the $160 million principal outstanding on the original facility from funds raised through an accelerated renounceable entitlement offer completed in May 2011. A fixed and sculpted repayment profile for the remaining $90 million was agreed under the terms of the facility restructure with scheduled principal repayments commencing in September 2011 and maturing in June 2016 unless repaid earlier. The net fair value for the 2010 comparative is based on the loan agreement in place at 30 June 2010 and does not reflect the revised terms under the restructured senior debt facility.

(iii) Fair value models are determined using a discounted cash flow model incorporating current commercial borrowing rates. As disclosed in Note 19, on 3 August 2010 the Company completed the Exchange Offer with acceptance by 86.27% of its $110 million Unsecured Senior Subordinated Notes due 2013 (“Existing Notes”) for New Unsecured Senior Subordinated Notes (“New Notes”). The net fair value for the 2010 comparative reflects the Unsecured Senior Subordinated Notes in place at the end of the 2010 financial year and does not include the impact of the exchange offer completed in August 2010.

Financial instruments measured at fair value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset and liability that are not based on observable market data (unobservable inputs) (Level 3).

25. Financial risk management (continued)

2011	Level 1	Level 2	Level 3	Total
Financial assets				
Prepayments	-	28,147,912	-	28,147,912
Financial liabilities				
Financial liabilities at fair value through the profit or loss:				
- Financial liabilities – interest rate swap	-	1,654,568	-	1,654,568
- Borrowings – senior subordinated notes	-	119,870,238	-	119,870,238
	-	149,672,718	-	149,672,718

2010	Level 1	Level 2	Level 3	Total
Financial assets				
Prepayments	-	17,501,759	-	17,501,759
Financial liabilities				
Financial liabilities at fair value through the profit or loss:				
- Financial liabilities – interest rate swap	-	3,553,772	-	3,553,772
- Borrowings – senior subordinated notes	-	130,270,202	-	130,270,202
	-	151,325,733	-	151,325,733

Included in Level 2 are the fair value of the interest rate swap contracts and the senior subordinated notes in place at 30 June 2010 and 30 June 2011.

26. Joint operations

The Group has an interest in the following joint operations as at 30 June 2011:

Petroleum exploration permit/licence	Unincorporated interest 2011 %	2010 %	Principal activities	Operator of joint venture operation
WA-368-P	**0**(1)	50	Oil and gas exploration	Nexus Energy Services Pty Ltd
AC/L9	**85**	85	Oil and gas exploration	Nexus Energy WA Pty Ltd

(1) The exploration permit for WA-368-P was cancelled by the government Joint Authority on 21 March 2011. Nexus will now proceed to negotiate a 'Good Standing Agreement' with the government authority.

26. Joint operations (continued)

The following amounts represent the Group's share of assets employed in joint venture operations. The amounts are included in the statement of financial position, in accordance with the accounting policy described in Note 1(q), under the following classifications:

	2011 $	2010 $
Cash and cash equivalents	**135**	9,420
Receivables	**6,419,095**	6,086,854
Inventories	**2,736,603**	2,044,117
Total current assets	**9,155,833**	8,140,391
Exploration and evaluation expenditure carried forward	**162,350,522**	159,133,985
Total non-current assets	**162,350,522**	159,133,985
Share of assets employed in joint venture operations	**171,506,355**	167,274,376

Contingent liabilities in respect of joint venture operations are detailed in Note 34. Exploration expenditure commitments and capital commitments in respect of joint venture operations are detailed in Note 27.

27. Commitments

(a) Capital expenditure commitments

Contracts for capital expenditure in relation to assets which are not provided for in the financial statements:

(i) Drilling and completions		
Not later than one year	**-**	-
Later than one year but not later than five years	**-**	8,917,048
	-	8,917,048
(ii) Development project		
Not later than one year	**11,172,645**	2,821,874
Later than one year but not later than five years	**-**	34,154,688
	11,172,645	36,976,562
Total capital expenditure commitments	**11,172,645**	45,893,610
The above commitments include exploration and development expenditure commitments relating to joint venture operations:		
Not later than one year	**-**	1,173,296
Later than one year but not later than five years	**-**	34,154,688
Total joint venture operation development expenditure commitments	**-**	35,327,984

(b) Operating lease rental commitments

Non-cancellable operating lease rentals not provided for in the financial statements and payable:

Not later than one year	**1,733,562**	1,296,416
Later than one year but not later than five years	**7,349,509**	6,859,079
Later than five years	**5,376,541**	3,904,892
Total operating lease rental commitments	**14,459,612**	12,060,387

27. Commitments (continued)

The Company has a five year lease on software that expires October 2011. Fees are paid annually in advance.

The Company has a photocopier lease with a primary five year term that expires during August 2013. Lease payments are made monthly in advance.

The Company has an office lease for Level 8 Freshwater Place Southbank with a ten year term that expires in January 2019. Rent is payable monthly in advance.

Non-cancellable operating lease rentals not provided for in the financial statements and receivable:

	2011 $	2010 $
Not later than one year	**812,636**	196,109
Later than one year but not later than five years	**5,085,573**	858,168
Later than five years	**3,248,250**	-
Total operating lease rental commitments	**9,146,459**	1,054,277

The Company has sub-let level 9 Freshwater Place Southbank to a third party on a five year term that commenced in March 2010.

(c) Exploration expenditure commitments

Exploration expenditure commitments are estimates for work commitments pursuant to the award of petroleum exploration permits VIC/P54 and WA-377-P (2010: WA-368-P, VIC/P54, WA-377-P and WA-424-P).

	2011 $	2010 $
Not later than one year	**1,052,000**	17,475,000
Later than one year but not later than five years	**750,000**	200,000
Later than five years	**-**	-
Total exploration expenditure commitments	**1,802,000**	17,675,000

The above commitments include exploration expenditure commitments relating to joint venture operations:

	2011 $	2010 $
Not later than one year	**-**	2,600,000
Later than one year but not later than five years	**-**	-
Later than five years	**-**	-
Total joint venture operation exploration expenditure commitments	**-**	2,600,000

Estimates for future exploration expenditure commitments are based on estimated well and seismic costs which will change as actual drilling locations and seismic surveys are organised and are determined in current dollars on an undiscounted basis.

Where exploration expenditure included in this category relates to an existing contract for expenditure as at 30 June 2011, the amount will be included in both categories (a) and (c) above.

	2011 $	2010 $
28. Notes to the cash flow statements		
(a) Reconciliation of profit/(loss) after income tax to cash flow from operations		
Profit/(loss) after income tax	**(39,202,356)**	1,031,157
Add/(subtract) non-cash items		
Depreciation of plant and equipment and amortisation of computer software	**167,051**	747,925
Amortisation of Longtom production asset	**38,571,369**	16,956,580
Inventory write-down	**4,065,931**	1,702,118
Loss on sale of inventory	**368,673**	1,619,002
Share based payments expensed	**(909,478)**	965,645
Net unrealised foreign currency losses (gains)	**83,829**	506,905
Gain on extinguishment of financial liabilities	**(14,609,199)**	-
Impairment of production asset	**81,772,347**	-
Deferred tax on equity raising costs included in income tax expense	**1,524,882**	1,597,593
Finance lease and interest expense repayments	**18,020,487**	19,363,334
Items classified as investing/financing activities		
(Gain)/loss on disposal of plant and equipment	**(9,361)**	(469)
Exploration and evaluation expenditure expensed	**8,443,993**	7,590,855
Net foreign currency losses (gains)	**62,865**	(550,208)
Change in operating assets and liabilities:		
(Increase)/decrease in assets		
Trade and other receivables – current	**2,997,116**	(10,646,754)
Other assets – current	**(2,469,304)**	(456,431)
Other financial assets – non-current	**-**	58,137
Deferred tax asset	**(88,268,274)**	(52,592,625)
Other assets – non-current	**(8,233,329)**	(16,882,929)
Increase/(decrease) in liabilities		
Trade and other payables – current	**108,938**	6,064,015
Trade and other payables – non-current	**(3,503,023)**	11,562,063
Financial liabilities – non-current	**(1,899,204)**	(3,384,922)
Long term provisions	**10,027,641**	(10,539,435)
Deferred tax liability	**(18,096,137)**	(774,492)
Net cash used in operating activities	**(10,984,543)**	(26,062,936)

29. Share based payments

Executive director and employee share option plan

The Company has an Executive Director and Employee Share Option Plan ("ESOP") which was approved by shareholders in September 2008. Options expire not more than five years after they are granted and the exercise price of options, issued during the financial year, is determined by the Directors. If there is a change of control of the Company, all unexercised options will become immediately exercisable. Options granted under the ESOP carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company.

29. Share based payments (continued)

Vesting of the options issued in the 2011 financial year will be subject to a performance test. A proportion (between nil and 100%) of the options (as determined by the performance test), will vest at the end of the vesting period expiring on 30 June 2013 (the vesting date) with the Board having the discretion to vary the vesting conditions in certain circumstances. The options will be exercisable in the 12 month period commencing on the vesting date. The performance test for the performance rights issued to the executives will be measured by the Total Shareholder Return ("TSR") of Nexus ordinary shares relative to the TSR of a comparative group of other oil and gas companies and the ASX Energy Index over the vesting period. Vesting of the options issued will be as follows: Top quartile ranking is required for all options to vest while no options would vest if Nexus ranks in the third or fourth quartile of TSR rankings at the end of the vesting period, 50% of the options will vest at the 50th percentile with proportionate vesting to the 75th percentile.

The following reconciles the outstanding share options granted under the ESOP at the beginning and end of the financial year:

	2011		2010	
	Number	**Weighted average exercise price $**	Number	Weighted average exercise price $
Balance at beginning of financial year	**7,052,300**	**0.74**	8,461,600	0.67
Granted during the financial year	**4,109,400**	**0.00**	-	-
Exercised during the financial year	**-**	**-**	-	-
Forfeited during the financial year	**-**	**-**	-	-
Expired during the financial year	**(6,742,407)**	**0.00**	(1,409,300)	0.00
Balance at end of financial year	**4,419,293**	**0.00**	7,052,300	0.74
Exercisable at end of financial year	**532,493**	**0.00**	-	-

The Executive Director and Employee Share Option Plan options outstanding as at 30 June 2011 had a weighted average exercise price of nil (2010: $0.74) with a weighted average remaining contractual life of 1,063 days (2010: 761 days). Details of ESOP options outstanding at the end of the financial year:

Grant date	Expiry and exercise date	Exercise price	Number
9 January 2009	30 June 2012	Zero	532,493
7 July 2010	30 June 2013	Zero	2,250,000
4 August 2010	30 June 2013	Zero	860,200
6 December 2010	30 June 2013	Zero	776,600
			4,419,293

Fair value of options

During the 2011 financial year 4,109,400 unlisted employee options were issued, pursuant to the Nexus Energy Limited Executive Director and Employee Option Plan, with a zero exercise price and vesting date of 30 June 2013. Also during the 2011 financial year a total of 6,742,407 options expired as a result of employee resignations. At 30 June 2011 a total of $909,478 was credited to the statement of comprehensive income (2010: $707,895 expensed).

29. Share based payments (continued)

The weighted average fair value of the Executive Director and ESOP options granted during the 2011 financial year was $0.30. The fair value of each option granted during the 2011 financial year was estimated on grant date using the binomial option pricing model. The binomial option pricing model takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The Company has applied the following assumptions and inputs:

Weighted average exercise price	Zero (2010: $0.74)
Weighted average life of options	1,063 days (2010: 761 days)
Weighted average share price	$0.30 (2010: $0.46)
Expected share price volatility	70% (2010: 70%)
Risk-free interest rate	5.4% (2010: 5.1%)

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future trends, which may not eventuate.

30. Related party disclosures

Directors and key management personnel

Remuneration disclosures required by AASB 124 Related Party Disclosures are disclosed in the Remuneration Report section of the Directors' Report. These disclosures have been audited.

Subsidiaries

Interests in subsidiaries are set out in Note 24. The ultimate parent entity Nexus Energy Limited exercises control over the subsidiaries in the Group.

Other related parties

On 10 November 2009, an agreement for consultancy services was executed with Ian Boserio Oil & Gas Consultants which is a Director related entity of Ian Boserio. The value of transactions during the 2011 financial year was $126,180 (2010: $129,192). These transactions were made on normal commercial terms and conditions and at market rates.

On 5 January 2010, an agreement for consultancy services was executed with Palmer Investments which is a Director related entity of Steven Lowden. During the period a total of $187,500 in consultancy fees were paid to Palmer Investments (2010: $120,000). In addition to the consultancy fees a total of $55,646 was paid for reimbursement of expenses. These transactions were made on normal commercial terms and conditions and at market rates.

During the financial year $63,000 in consulting fees were paid to Mayburys Pty Ltd which is a Director related entity of Michael Arnett. In addition to the consultancy fees a total of $1,286 was paid for reimbursement of expenses. These transactions were made on normal commercial terms and conditions and at market rates.

During the financial year $73,500 in consulting fees were paid to Ridge End Capital Ltd which is a Director related entity of Symon Drake-Brockman. These transactions were made on normal commercial terms and conditions and at market rates.

31. Segment reporting

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The operating segments identified by management are based on assets in production, development and exploration.

Types of products and services by segment

(a) Production

The production segment relates to the sale of gas and condensate. At 30 June 2011, the Longtom asset is reported in this segment which has a sale agreement with Santos for the sale of gas and condensate.

(b) Development

The development segment holds assets which have confirmed resources and are currently in development phase. At 30 June 2011, the Crux asset is reported in this segment.

(c) Exploration

The exploration segment holds assets which are currently in exploration and evaluation phase. All remaining assets and permits are reported in this segment.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

Inter-segment transactions

An internally determined transfer price is set for all inter-entity sales. This price is re-set quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation for the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' activity within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings (with the exception of asset specific project financing) and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

31. Segment reporting (continued)

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- derivatives;
- net gains/(losses) on disposal of available-for-sale investments;
- impairment of assets and other non-recurring items of revenue or expense;
- income tax expense;
- deferred tax assets and liabilities;
- current tax liabilities;
- other financial liabilities;
- intangible assets;
- general and administration expenditure;
- net foreign currency gains/(losses);
- share issues and related expenses; and
- retirement benefit obligations.

Segment performance

Year ended 30 June 2011	Production $	Development $	Exploration $	Other $	Total $
Revenue					
Sale of gas and condensate	66,607,811	-	-	-	66,607,811
Total segment revenue	66,607,811	-	-	-	66,607,811
Reconciliation of segment revenue to group revenue					
Total group revenue	66,607,811	899,066	48,777	-	67,555,654
Segment net profit/(loss) before tax	(1,842,890)	533,693	(8,398,516)	-	(9,707,713)
Reconciliation of segment result to group net profit/(loss) before tax					
Amounts not included in segment result but reviewed by the Board:					
- Depreciation and amortisation	-	-	-	(167,051)	(167,051)
- Inventory write downs	(3,413,764)	(623,803)	(28,364)	-	(4,065,931)
- Finance costs	(20,075,093)	-	-	(17,678,583)	(37,753,676)
- Restoration provision benefits	(8,523,766)	(1,515,727)	-	-	(10,039,493)
- Mark-to-market adjustment on derivative financial instruments	1,899,204	-	-	-	1,899,202
- Gain on extinguishment of financial liabilities	-	-	-	14,609,199	14,609,199
- Impairment of production asset	(81,772,347)	-	-	-	(81,772,347)
Unallocated items:					
- Interest and other revenue					1,445,724
- Employee benefits expense					(7,096,286)
- Foreign exchange movements					(274,887)
- Other					(11,118,626)
Net profit/(loss) before tax					(144,041,885)

31. Segment reporting (continued)

Segment performance

Year ended 30 June 2010	Production $	Development $	Exploration $	Other $	Total $
Revenue					
Sale of gas and condensate	28,551,872	-	-	-	28,551,872
Total segment revenue	28,551,872	-	-	-	28,551,872
Reconciliation of segment revenue to group revenue					
Total group revenue	28,551,872	-	-	-	28,551,872
Segment net profit/(loss) before tax	(2,929,511)	(1,539,912)	(7,162,402)	-	(11,631,825)
Reconciliation of segment result to group net profit/(loss) before tax					
Amounts not included in segment result but reviewed by the Board:					
Depreciation and amortisation	-	-	-	(747,925)	(747,925)
- Inventory write downs	-	(1,698,267)	(3,851)	-	(1,702,118)
- Finance costs	(12,886,351)	-	-	(20,337,196)	(33,223,547)
- Restoration provision benefits	9,097,848	1,443,776	-	-	10,541,624
- Mark-to-market adjustment on derivative financial instruments	3,384,922	-	-	-	3,384,922
Unallocated items:					
- Interest and other revenue					1,350,315
- Employee benefits expense					(12,644,313)
- Foreign exchange movements					262,570
- Other					(6,328,070)
Net profit/(loss) before tax					(50,738,367)

Segment assets

Year ended 30 June 2011	Production $	Development $	Exploration $	Total $
Segment assets	368,748,415	319,401,794	10,131,077	698,281,286
Segment assets increased for the period:				
- Capitalised costs	4,882,414	37,366,387	1,763,621	44,012,422
Reconciliation of segment assets to group assets				
Unallocated items:				
- Other assets				63,829,543
- Deferred tax assets				202,336,211
- Intangibles				4,523
Total group assets				964,451,563

31. Segment reporting (continued)

Segment assets

Year ended 30 June 2010	Production $	Development $	Exploration $	Total $
Segment assets	476,420,569	285,521,360	17,461,341	779,403,270
Segment assets increased for the period:				
- Capitalised costs	68,124,646	6,083,949	2,631,836	76,840,431
Reconciliation of segment assets to group assets				
Unallocated items:				
- Other assets				25,731,392
- Deferred tax assets				114,067,937
- Intangibles				158,276
Total group assets				919,360,875

Segment liabilities

Year ended 30 June 2011	Production $	Development $	Exploration $	Total $
Segment liabilities	143,618,295	43,200,468	1,650	186,820,413
Reconciliation of segment liabilities to group assets:				
Unallocated items:				
- Deferred tax liability				20,110,221
- Other liabilities				124,621,981
Total group liabilities				331,552,615

Segment liabilities

Year ended 30 June 2010	Production $	Development $	Exploration $	Total $
Segment liabilities	211,433,105	9,803,164	7,664	221,243,933
Reconciliation of segment liabilities to group assets:				
Unallocated items:				
- Deferred tax liability				38,206,358
- Other liabilities				131,327,811
Total group liabilities				390,778,102

Major customers

The Group supplies gas and condensate to a single supplier in the production segment which accounts for 100% of the Group's external revenue $66,607,811 (2010: $28,551,872). The Group has a gas sale agreement with Santos for the supply of gas and condensate.

	2011 $	2010 $
32. Auditor's remuneration		
Remuneration of the auditor of the Group for:		
Auditing or reviewing the financial report	**220,000**	182,050
Other services	**26,300**	5,010
Total auditor's remuneration	**246,300**	187,060

33. Subsequent events

Since the end of the financial year the following events have occurred:

Director and executive appointments

Michael Fowler ceased the role as Executive Chairman and was appointed to the Board as a Non-Executive Chairman on 2 July 2011. On 1 July 2011 Mike Maloney was appointed Chief Operating Officer. He previously held the position of Crux Asset Manager & GM Operations, Engineering & Commercial.

Appointment of McDermott for Crux Liquids Project

In July 2011 following the completion of the engineering and strategy review a contract was executed with McDermott Asia Pacific Pte. Ltd to provide project development engineering services for the Crux liquids project.

Issue of performance rights

In August 2011, 2,413,100 performance rights were issued to employees.

Issue of shares

In August 2011, 360,754 shares were issued upon satisfaction of vesting conditions relating to options granted on 9 January 2009.

Sedco Forex International

On 6 July 2011, Sedco Forex International Inc (Sedco) issued Federal Court proceedings against Nexus Energy Limited (Nexus), and its wholly owned subsidiary, Nexus Energy WA Pty Ltd (NEWA). Refer to Note 34 for further details.

Financial report

The financial report was authorised for issue on 31 August 2011.

34. Contingent liabilities and contingent assets

Contingent liabilities

The Group had contingent liabilities as at 30 June 2011 that may become payable in respect of:

Letter of credit provided by subsidiaries

The subsidiaries Nexus Energy Aust. NL and Nexus Energy VICP54 Pty Ltd have entered into an agreement to supply raw gas to Santos Offshore Pty Ltd (Santos). As security for the supply of raw gas, Santos has access to a letter of credit capped at $60,000,000 (2010: $60,000,000). The letter of credit has been provided on behalf of the Group by BOS International (Australia) Limited. Should the subsidiaries not meet their obligations under the agreement to supply raw gas, Santos may at this time have access to draw on the letter of credit. The letter of credit amortises on agreed formula once cumulative production from the Longtom facility exceeds 82.5PJ down to a nil balance after 150PJ has been produced. Under the new facility terms Nexus is required to provide incremental cash cover for the security on a quarterly basis starting in July 2014. Cash backing for the security continues to a maximum of $16,000,000 after which it is reduced on formula as a result of production amortisation.

34. Contingent liabilities and contingent assets (continued)

Joint venture arrangements

In accordance with normal oil and gas industry practice, the Group has entered into joint venture operations with other parties for the purpose of exploring and developing its permit interests. If a participant to a joint venture operation defaults and does not contribute its share of joint venture operation obligations, then the other joint venturers are liable to meet those obligations. In this event, the interest in the permit held by the defaulting participant may be redistributed to the remaining joint venturers. At the date of this report no participant in joint venture operations had defaulted.

Bank Guarantee

Nexus Energy Limited as parent entity has provided a bank guarantee of $577,656 to Australand in relation to the leased offices at Level 8, Freshwater Place, Southbank. A bank guarantee of $281,188 is also in place for the leased offices at Level 23, 530 Collins Street, Melbourne. These bank guarantees will be in place for the term of the leases.

Litigation

T-D Joint Venture

In 2007, Nexus entered into an offshore installation contract with T-D Joint Venture Pty Ltd ("TDJV") in relation to the Longtom Gas Project. TDJV was placed into liquidation in December 2009. TDJV's liquidators and Nexus Energy Corporate Pty Ltd have communicated about good faith settlement negotiations to resolve both parties' claims. In March 2011, the Federal Court proceeding issued by Trident Australasia Pty Ltd (Trident), who formed part of the TDJV contractor consortium, was settled except for project management costs totalling $1,271,414 which the parties agreed to resolve by way of arbitration, scheduled to occur in late 2011.

Sedco Forex International

On 6 July 2011, Sedco Forex International Inc (Sedco) issued Federal Court proceedings against Nexus Energy Limited (Nexus), and its wholly owned subsidiary, Nexus Energy WA Pty Ltd (NEWA). Sedco seeks damages against NEWA based on an alleged breach and repudiation of a contract relating to the charter of the Transocean Legend drilling rig and has lodged a claim for the amount of $67,173,680. Sedco also claims against Nexus and NEWA based on alleged misleading and deceptive conduct. Nexus and NEWA strenuously deny the claims by Sedco. The information currently available indicates that Sedco was not itself able to perform the contract and was not therefore entitled to terminate it. Prior to termination, Nexus expressed concerns about the Transocean Legend's maintenance and safety. Nexus and NEWA consider that Sedco unlawfully terminated the contract so it could use the Transocean Legend to fulfil another contract. Nexus and NEWA will be vigorously defending Sedco's claim.

35. Company details

Nexus Energy Limited is a publicly listed company limited by shares and is listed in Australia on the ASX. It is incorporated and domiciled in Australia. The registered office of Nexus Energy Limited and the principal place of business is Level 23, 530 Collins Street, Melbourne, Victoria 3000.

36. New accounting standards for application in future periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013)

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011)

This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a 'related party' to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Group.

AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013)

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

36. New accounting standards for application in future periods (continued)

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (i.e. full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

AASB 2010-2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific "RDR" disclosures.

AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011)

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Group.

AASB 2009-14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011)

This Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

This Standard is not expected to impact the Group.

AASB 2010-4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011)

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the Notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Group.

36. New accounting standards for application in future periods (continued)

AASB 2010-5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011)

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

AASB 2010-6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011)

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the Group.

AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to annual reporting periods beginning on or after 1 January 2013)

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to annual reporting periods beginning on or after 1 January 2012)

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the Group.

36. New accounting standards for application in future periods (continued)

AASB 2010-9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to annual reporting periods beginning on or after 1 July 2011)

This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.

The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

Furthermore, the amendments brought in by this Standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.

This Standard is not expected to impact the Group.

AASB 2010-10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009–11 & AASB 2010–7] (applies to annual reporting periods beginning on or after 1 January 2013)

This Standard makes amendments to AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

[The amendments to AASB 2009-11 will only affect early adopters of AASB 2009-11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010-7.]

This Standard is not expected to impact the Group.

directors' declaration

for the financial year ended 30 June 2011

The Directors of the Company declare that:

1. The financial statements and Notes, as set out on pages 45 to 93, are in accordance with the Corporations Act 2001 and:
   (a) comply with Accounting Standards, which as stated in accounting policy Note 1 to the financial statements constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
   (b) give a true and fair view of the Group's financial position as at 30 June 2011 and of the performance for the financial year ended on that date;
2. the Chairman and the Managing Director have declared that:
   (a) the financial records of the Group for the financial year have been properly maintained in accordance with s286 of the Corporations Act 2001;
   (b) the financial statements and notes for the financial year comply with Accounting Standards; and
   (c) the financial statements and notes for the financial year give a true and fair view; and
3. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This Directors' Declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Directors:

Michael Fowler
Non-Executive Chairman

Richard Cottee
Managing Director

Dated at Melbourne this 31st day of August 2011

MOORE STEPHENS
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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NEXUS ENERGY LIMITED

We have audited the accompanying financial report of Nexus Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of Nexus Energy Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

Opinion

In our opinion:

(a) the financial report of Nexus Energy Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Significant Uncertainty Regarding Accounting Estimates

Without qualification to the conclusion expressed above, we draw your attention to Note 1(x) - significant accounting estimates and judgements on prepayments and Note 17 - production assets in the financial statements. The impairment analysis performed on the production asset and the prepayment for prepaid toll fees is based upon cash flow projections that use a range of assumptions and accounting estimates which are subject to change. The recoverable amount of the production asset and the prepayment for prepaid toll fees is sensitive to reasonable possible changes in key assumptions.

Notwithstanding the directors' belief that the production asset and the prepayment for prepaid toll fees are fully recoverable, this matter indicates the existence of a material uncertainty should key assumptions change which may cast doubt on whether the consolidated entity will realise the value of the production asset and prepayment for prepaid toll fees at the amounts disclosed in the financial statements.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 28 to 35 of the directors report for the year ended 30 June 2011. The directors of Nexus Energy Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Nexus Energy Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

MOORE STEPHENS
Chartered Accountants

Kevin W Neville
Partner
Melbourne, 31 August 2011

ASX additional information

Additional information required by the Australian Securities Exchange Limited listing rules and not disclosed elsewhere in this report is set our below. The information was applicable as at 19 September 2011.

Distribution of shareholding

The number of shareholders by size of holding is set out below:

Size of shareholding	Number of holders	Number of shares
Less than 1,000	1,101	397,569
1,001 to 5,000	2,296	6,772,047
5,001 to 10,000	1,735	13,509,879
10,001 to 100,000	4,520	150,377,419
More than 100,000	743	1,155,640,906
Total	10,395	1,326,697,820

There were 1,657 shareholders of less than a marketable parcel of ordinary shares.

Substantial shareholders

Shareholder	Number of shares
Credit Suisse Holdings (Australia) Limited	132,329,872
M&G Investment Funds	190,841,391
Total	323,171,263

Top 20 shareholders

Size of shareholding	Number of shares	% of issued capital
HSBC Custody Nominees (Australia) Limited	382,948,275	28.86
JP Morgan Nominees Australia Limited	161,632,891	12.18
National Nominees Limited	74,417,464	5.61
HSBC Custody Nominees (Australia) Limited	64,695,721	4.88
Citicorp Nominees Pty Limited	62,476,426	4.71
Credit Suisse Securities (Europe) Ltd	41,255,000	3.11
JP Morgan Nominees Australia Limited	22,879,353	1.72
VBS Investments Pty Ltd	13,176,500	0.99
Lujeta Pty Ltd	11,300,000	0.85
CS Fourth Nominees Pty Ltd	9,405,586	0.71
P & J Watt Pty Ltd	8,499,087	0.64
BDH Nominees Pty Ltd	7,640,663	0.58
Queensland Investment Corporation	7,204,267	0.54
Mr BD Hannon and Mrs AI Hannon	6,333,334	0.48
Sun Hung Kai Investment Services Ltd	6,000,000	0.45
Robhar Pty Ltd	5,188,584	0.39
Tess Aust Pty Ltd	4,687,848	0.35
Mr MJ Hannon and Mrs EU Hannon	4,398,712	0.33
Hotlake Pty Ltd	4,223,797	0.32
Keong Lim Pty Limited	3,967,847	0.30
Total	902,331,355	68.01

Issued capital

Type		Number of securities on issue	Number of holders
Fully paid ordinary shares		1,326,697,820	10,395
Employee share options			
Exercisable at	Zero	123,339	5
	Zero	3,110,200	5
	Zero	2,413,100	23
	Zero	732,200	17
Convertible warrants			
Exercisable at	$2.02	31,844,058	18

Substantial warrant holders

A list of substantial warrant holders (who held 20% or more of the issued warrants) are set out below:

Type	Number warrants	% of issued warrants
Citicorp Nominees Pty Ltd	8,695,652	27.27
Total	8,695,652	27.27

Voting rights

Ordinary shares

On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Schedule of title

Title	Basin	Interest %
VIC/L29 (Longtom)	Gippsland	100
AC/L9 (Crux)	Browse	85
WA-377-P (Echuca Shoals)	Browse	100
VIC/P54	Gippsland	100

Other information

Nexus Energy Limited is incorporated and domiciled in Australia and is a publicly listed company limited by shares.

The name of the Company Secretary is Susan Robutti.

The address of the principal registered office in Australia is Level 23, 530 Collins Street, Melbourne, Victoria 3000.
Telephone (03) 9600 2500.

Register of securities are held at Computershare Investor Services Pty Ltd, Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067 Australia. Telephone 1300 850 505.

glossary of terms

2D	two-dimensional (seismic)
2P	proved and probable reserves
3D	three-dimensional (seismic)
$ or cents	units of Australian currency
AIFRS	Australian International Financial Reporting Standards
appraisal well	a well drilled to evaluate the size or quality of a hydrocarbon discovery
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
bbl	barrel of oil or condensate (equivalent to 159 litres)
bbl/d	barrel of oil or condensate per day
Bcf	billion cubic feet of natural gas
boe	barrel of oil equivalent
capex	capital expenditure
condensate	light hydrocarbon compounds that condense into liquid at surface temperatures and pressures, generally produced with natural gas
contingent resources	as defined by the SPE/WPC/AAPG Petroleum Resources Management System are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but which are not yet considered mature enough for commercial development due to technological or business hurdles
ELOC	Equity line of credit
exploration	the process of identifying prospective hydrocarbon regions and structures, mainly by reference to regional and specific geochemical, geological and geophysical surveys
farm-in/farm-out	the commercial arrangement in which an incoming participant earns an interest in a permit by funding a proportion of the exploration costs
FEED	front end engineering and design
FID	final investment decision
field	an area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature or stratigraphic condition
FLNG	floating liquefied natural gas
FPSO	floating production storage and offloading vessel
gas in place ("GIP")/ oil in place ("OIP")	an estimated measure of the total amount of gas (or oil) contained in a reservoir and, as such, a higher figure than recoverable gas (or oil)
Group or Consolidation	Nexus Energy Limited and its subsidiaries
GSA	Gas Sales Agreement
GST	Australian Goods and Services Tax
HSEC	health, safety, environment and community
hydrocarbon	organic compounds of carbon and hydrogen including natural gas, liquefied petroleum gas, crude oil and condensate
Joint Authority	decision making body responsible for the administration of the Offshore Petroleum Act 2006, comprised of the relevant State/Territory Minister and the Commonwealth Minister
km	kilometre
km^2	square kilometres
KPI	key performance indicator
lead	a potential petroleum trap which has been identified but has not been adequately defined

LNG	liquefied natural gas
LOI	Letter of Intent
MM	million
Nexus, Nexus Energy and Company	Nexus Energy Limited
operator	one of the companies in a joint venture which has been appointed to carry out all operations on behalf of the other joint venture participant/s
permit	a hydrocarbon tenement, lease, licence or block
PJ	petajoules
probable	means in respect of reserves, those additional reserves which analysis of geoscience and engineering data indicate are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves
prospect	a geological or geophysical anomaly that has been surveyed and defined, usually by seismic data, to the degree that its configuration is fairly well established, and on which further exploration such as drilling can be recommended
proved	means in respect of reserves, those quantities of oil and gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods and government regulations. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate
reserves	quantities of economically recoverable hydrocarbons
reservoir	a porous and permeable rock formation to store and transmit fluids such as gas, oil and water
rig	equipment used for drilling a well
risk	an expression of uncertainty relating to the presence of principal geological factors controlling hydrocarbon accumulation
Santos	Santos Offshore Pty Ltd
scf	standard cubic feet of gas
seismic survey	a type of geophysical survey where the travel times of artificially created seismic waves are measured as they are reflected in a near-vertical sense back to the surface from subsurface boundaries. This data is typically used to determine the depths to the tops of stratigraphic units and in making subsurface structural contour maps and ultimately in delineating prospective structures
spud	to start drilling a well
structure	a geological formation of sedimentary rocks which, if sealed could form a potential trap for storage of hydrocarbons
sub-sea well	a well with a wellhead installed on the sea floor and controlled remotely
Tcf	trillion cubic feet of gas
TJ/d	terrajoules per day
tpa	tonnes per annum
US$	United States dollars
WTI	West Texas Intermediate, a type of crude oil used as a benchmark in oil pricing

corporate directory

Directors

Michael Fowler
Executive Chairman

Michael Arnett
Non-Executive Director
and Deputy Chairman

Ian Boserio
Executive Director

Steven Lowden
Non-Executive Director

Symon Drake-Brockman
Non-Executive Director

John Hartwell
Non-Executive Director

Company secretary

Susan Robutti

Registered & principal office

Level 23, 530 Collins Street
Melbourne Victoria 3000
Tel: (03) 9660 2500
Fax: (03) 9654 9303
email: nexus@nxs.com.au
website: www.nexusenergy.com.au

Auditors

Moore Stephens
Level 10, 530 Collins Street
Melbourne Victoria 3000

Bankers

Australia and New Zealand Banking Group Limited
91 William Street
Melbourne Victoria 3000

Share registry

Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford Victoria 3067
Tel: (03) 9415 5000
Website: www.computershare.com.au

Securities exchange listing

The Company is listed on the
Australian Securities Exchange Limited
Home exchange is Perth
ASX Code: NXS

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