A CLEAR VIEW ON DELIVERING VALUE

ANNUAL REPORT 2012

COMPANY PROFILE

Nexus Energy Limited (ASX:NXS, Nexus) is an ASX listed oil and gas exploration and production company based in Melbourne. Nexus has a clear strategy to deliver shareholder value through unlocking the value of its Crux asset, optimising value from its Longtom asset, strengthening its balance sheet and preparing for growth beyond 2014.

Nexus has an attractive portfolio of offshore production, development and exploration assets including the producing Longtom Gas Project in the Gippsland Basin, off the south-east coast of Victoria and the Crux development project in the East Browse Basin, off the coast of North West Australia.

In August 2012, Nexus, Shell and Osaka Gas executed a consolidation of agreements in relation to AC/L9, which includes the Crux project. Nexus will have a material 17% interest in this consolidated Joint Venture and a proportionate share of all LNG and liquids. The Joint Venture's intention is to position Crux as a significant hub in the East Browse Basin and to pursue the LNG and liquids development opportunities that have been created through consolidation.

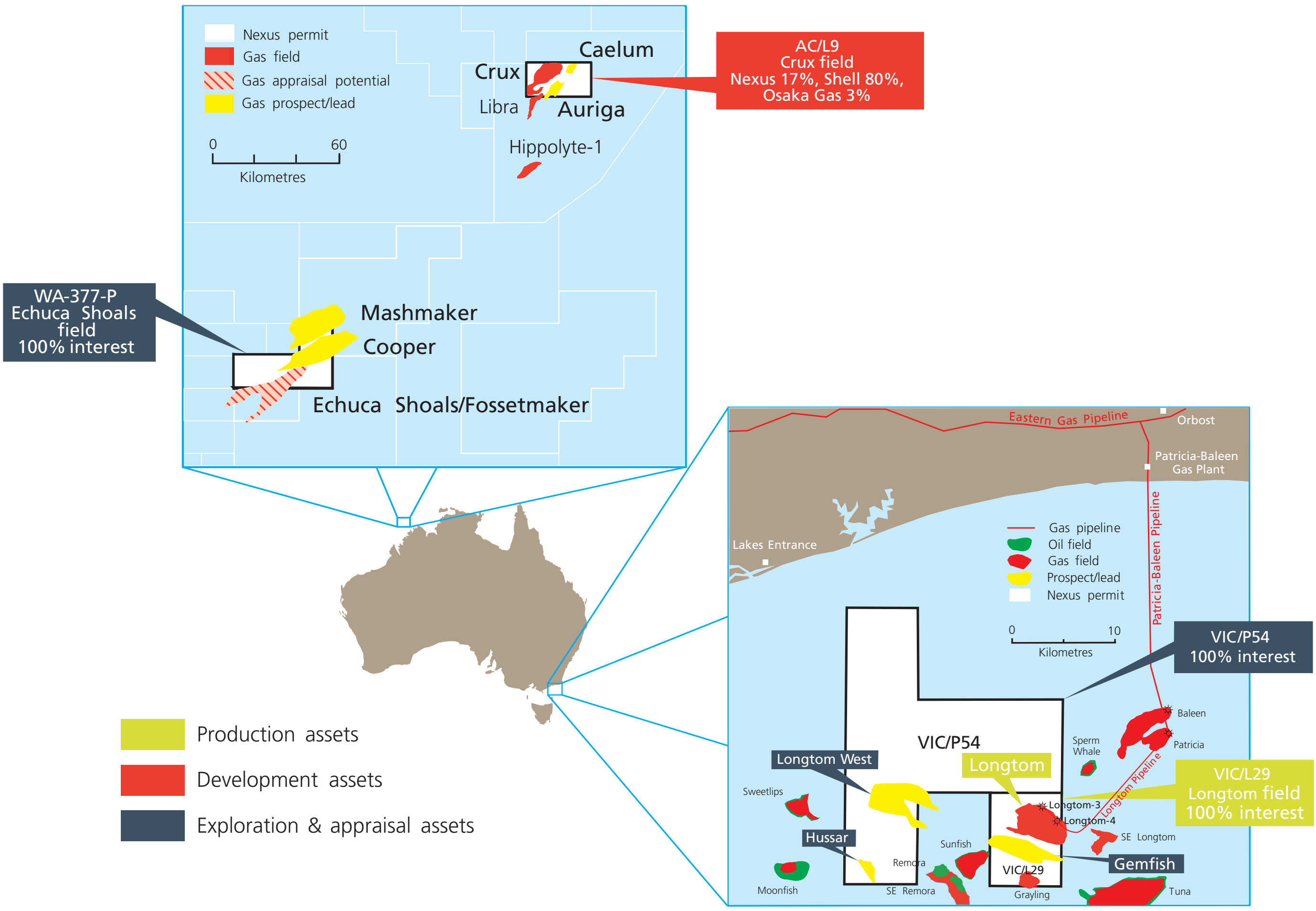
Nexus' current portfolio also supports a range of growth opportunities including the highly prospective Echuca Shoals exploration permit in the Central Browse Basin and the Gemfish prospect in the East Gippsland Basin.

Nexus Energy Limited

ABN 64 058 818 278

The Annual General Meeting of Nexus Energy Limited will be held at:

11.00am on
Thursday, 22 November 2012
River Room 1 & 2
Crown Towers
Level 1
8 Whiteman Street
Southbank Victoria 3006



Location of Nexus' assets

CONTENTS

YEAR IN BRIEF

Key events in the year were as follows:

Transformational Crux consolidation deal with Shell and Osaka Gas

– Aligned Joint Venture to realise maximum value from the development of this important resource

Refocused strategy to unlock value from Crux

Recalibration of Longtom

– Independent revised reserves report completed in April 2012

– Strategic focus on optimising value from Longtom including greater focus on next stage of development

Increased Longtom production and improved availability with production performance of 91% achieved for 2012 financial year

Planned offshore maintenance programs completed on Longtom without incident, on time and on budget

Renewal of Echuca Shoals WA-377-P exploration permit for further five years

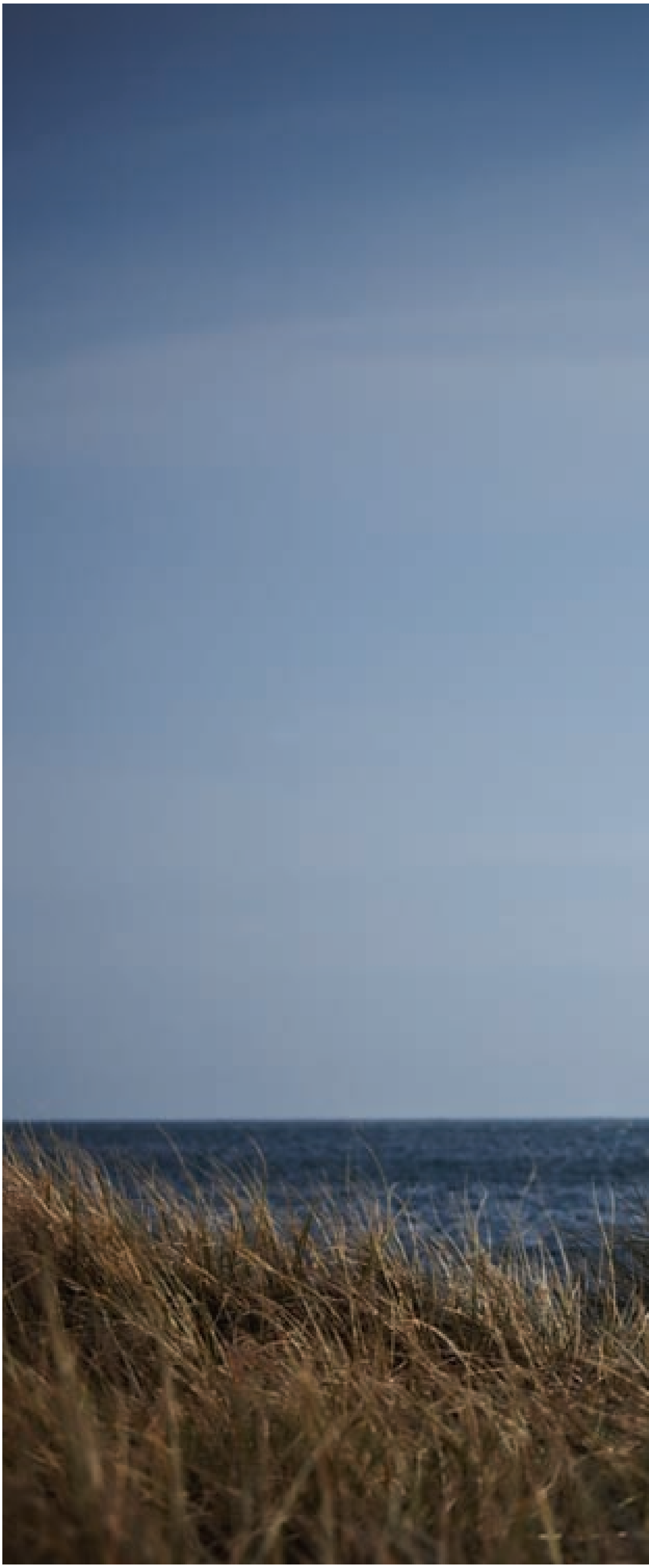
Appointment of Lucio Della Martina as Chief Executive Officer to lead the next phase

Resolution and settlement of Trident claim

Financial results reflect prudent approach to impairment of Longtom long lead items

Maintained health, safety and environmental standards

– No recordable incidents




Rob Tyler
HSEC Manager

CHAIRMAN'S REVIEW

Nexus started the 2012 financial year with some significant setbacks, namely the unexpected resignation of our former Managing Director, Richard Cottee, followed by a revised reserves report on our gas producing asset, Longtom. I can now state with conviction, that despite these setbacks, Nexus is in a much stronger position than when we started the financial year with respect to management capability, financial stability and certainty with the commercialisation strategy for the Crux asset.

After a global recruitment process, Nexus was fortunate to attract and announce the appointment of Lucio Della Martina in April this year to the role of Chief Executive Officer. Lucio brings to Nexus extensive industry knowledge and management strengths with a proven reputation for delivering projects and creating value for shareholders. I congratulate Lucio, on behalf of the Board and shareholders, for having the vision to join our Company and sharing our passion for our assets and identifying the opportunities which lie ahead.

Financial markets have been a challenge across most regions and at the time of writing the European economies continue to struggle with uncertainty and rising debt challenges, whilst the United States is showing signs of recovery. Against this backdrop, our local markets have performed poorly with economic weakness in most sectors.

That said, no excuses, we are all extremely disappointed with our past share price performance. We started the 2012 financial year at 34 cents per share and as at 30 June 2012 we were trading at 11 cents per share.

The volatility in our share price has not been helped by the recent and unexpected shareholding departure by M&G Investments. We understand that a funds management portfolio decision was made and we formed part of a sell down process. The share price effect was substantial as they traded their holding of 15.1% in Nexus in a matter of weeks. It highlighted to us the desire to have a larger spread of shareholders in the future. You may have noticed that most of the Nexus Directors acquired more shares recently as we believe in the strategic value of our assets.

From a share price perspective, I would hope we have drawn a line in the sand from the yearly low. We are near complete on a substantial transaction on the Crux asset that provides us with participation in the LNG supply chain with title to our proportionate share of the LNG and liquids. The value in this alone should prove to be worth much more than our current market capitalisation. I have confidence in the strong management under Lucio's leadership and guidance that this value will be ref ected in the Company's share price over time.

I thank all our Board members on their dedication and extra effort over the past year for contributing with devoted commitment to company matters. Particularly, the comprehensive process when the decision was made not to proceed with the Crux liquids stripping project but to pursue the higher value consolidated integrated LNG development option for Crux, with Shell as operator. The negotiation and documentation process with Shell and Osaka Gas has been extensive and was expanded during the documentation process to address the wider scope of development options being to pursue a new standalone Crux FLNG facility. On behalf of the Board, I also thank Shell and Osaka Gas for their commitment in aligning our interests and the improved development solution for Crux. We look forward to working with our Crux partners and government whilst we look to secure a Retention Lease to facilitate our new Crux project and focus on proving up more reserves in the Crux field.

Nexus remains focused on creating shareholder value, and whilst it has taken longer than expected to finalise the Crux transaction, this was required to ensure that documentation ref ected the potential for a much larger development possibility of a standalone Crux FLNG facility. With this in mind, we will also look to commercialise the Echuca Shoals asset as part of our wider Browse strategy in the future.

I am confident, under our revised and much improved management team, that we should see improved value in Nexus over the short to medium term and I thank all shareholders whom have stayed with us and those that have recently joined, for your ongoing support.

Sincerely

Michael Fowler
Chairman

Nexus Share Price Performance 1 July 2011 – 31 August 2012

Source: Australian Securities Exchange

ONE STRATEGIC DIRECTION. ONE CLEAR GOAL.

Jane Rodgers
Petroleum Geophysicist

CHIEF EXECUTIVE OFFICER'S REVIEW

It is my pleasure to deliver my first CEO review since joining the Company in May this year. We have made progress across a number of areas in the past year, however the most important is the initiation of our clear strategy to deliver value for shareholders. This involves unlocking the value of Crux, optimising value from Longtom, strengthening the balance sheet and preparing for growth in 2014 and beyond.

The two key operational and commercial events this year have been the recalibration of the Longtom reserves base and the consolidation of interests in the AC/L9 (Crux) permit with Shell and Osaka Gas. Both these events have provided a solid foundation on which to build, underpinning Nexus' strategy.

Longtom

During 2012 we have addressed operational issues at Longtom and made significant progress in preparing for the next stage of development. A number of successful initiatives implemented during the year cumulated in a second successive year of increasing production volumes and system availability. Offshore maintenance programs were completed without incident, on time and on budget as was the offshore intervention and inspection program to remedy an electrical fault.

The recalibration of the Longtom reserves base, whilst disappointing, provides the platform to commercialise the balance of reserves economically. This has been underpinned by the Gaffney Cline Associates independent review of reserves that was completed in April 2012. The deeper sub-surface knowledge gained by our team, enhanced by additional seismic interpretation and matching of production data to the reservoir model, provides us with confidence with respect to the development of the remaining reserves base and underpins the gas contract in place.

Crux

During 2012 we announced the consolidation of interests in the Crux permit with Shell and Osaka Gas. This is a transformational event for Nexus.

Following announcement in January, agreements were signed on 3 August 2012, after the close of the financial year and following FIRB approval, completion of the transaction is only subject to title registration, targeted for October.

Following completion, Nexus will have a material 17% interest in the AC/L9 permit and is entitled to its proportionate share of gas and liquids. The Joint Venture's interests are now aligned: the intention is to position Crux as a significant gas and condensate hub in the East Browse Basin with a commercial framework based on LNG development and the intention to develop Crux as a standalone LNG project, with the potential to do so using Shell's breakthrough FLNG technology. During the year we also appointed financial advisers to explore strategic options for Nexus' ownership of Crux and we will update you on this in due course.

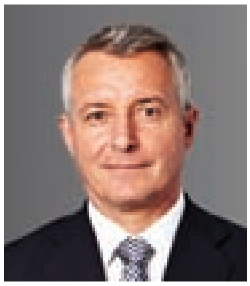
Balance Sheet

Nexus ended the year with net debt of $177 million. Cash on balance sheet was $34 million. All funding commitments were met during the year.

As part of our clear strategy to deliver shareholder value, we are currently undertaking a review of the optimal combination of funding sources to meet our funding requirements. There are a number of sources of funding available to the Company, including the restructuring of existing debt facilities, the operating cash f ows generated by the Longtom Gas Project and the potential sell-down of an interest in Crux.

Growth Beyond 2014

Our current portfolio supports an attractive range of growth opportunities. We have a proactive approach to progressing our existing identified prospects at Echuca Shoals in the Central Browse Basin and at Gemfish in the East Gippsland Basin. We have a disciplined approach to reviewing future growth opportunities beyond 2014.



Organisational Performance

In addition to the initiatives outlined we have also initiated an organisational review. The objective of this is to ensure that the processes we have in place at all levels of Nexus are conducive to the delivery of our refocused strategy. The first part of the review will focus on corporate governance: as part of this we will be reviewing the composition and structure of the Board and the governance processes used by the Board. The second part of the review will focus on the operational components of the Company including our capabilities, approach to decision-making and accountabilities. We will complete this review during the first half of the 2013 financial year and thereafter will implement any changes, putting Nexus in the best position to deliver on our strategy.

We have a clear blueprint for action and setting out clear milestones through which we will deliver on our strategy. Together with my Leadership Team, I am committed to delivering this strategy and to delivering value for all shareholders.

Lucio Della Martina
Chief Executive Officer


Margaret Hall
Principal Petroleum Engineer
ONE STRATEGIC DIRECTION. ONE CLEAR GOAL.

FINANCIAL SUMMARY

The 2012 financial year saw increased revenues from the Longtom Gas Project (Longtom), which were up 21% to $80.7 million (2011: $66.6 million). Gas production for the year increased to 17.4PJ (2011: 14.7PJ), an 18.4% increase on the 2011 production. As a result, Longtom generated a gross operating profit after amortisation of $14.5 million a significant improvement from the loss of $1.8 million reported in 2011.

The reported 2012 financial year net loss after income tax was $342.3 million, (2011: loss $39.2 million) which is the result of non-recurring items relating to Longtom impairment of $162.7 million, Crux Liquids Project long lead item impairment of $81 million and the reclassification of Petroleum Resource Rent Tax Credits (PRRT) as an unrecognised deferred tax asset of $141.6 million through the income tax expense.

The Longtom impairment of $162.7 million was the result of a Longtom field reserves audit undertaken by Gaffney, Cline & Associates which revised the important Proved and Probable (2P) reserves to 137PJs at 31 December 2011.

A further $81 million impairment was recognised in relation to the Crux Liquids Project long lead items. A process is currently underway to sell these long lead items however a prudent approach has been adopted and a full impairment taken at this stage: proceeds realised through the sale of these items would be recorded as a gain at the time of sale.

At 30 June 2012, a total of $141.6 million of PRRT credits was reclassified as an unrecognised deferred tax asset and written off through the income tax expense. In accordance with accounting standards, and as a result of the Crux consolidation agreements, the PRRT balances have been derecognised for accounting purposes as the tax balances can only be carried forward where it is probable that the balances will be utilised in future periods.

Longtom generated significant cash f ow from operations during financial year 2012 of $56 million (2011: $23 million). This cash f ow was applied to Longtom capital expenditure requirements of $8 million during the year (2011: $6 million), investment in Crux of $22 million (2011: $17 million) and debt repayments of $11 million (2011: $70 million) as well as $20 million interest payments (2011: $18 million). The sources and allocation of cash chart on page 10 provides a breakdown of the sources and uses of funds for the 12 months to 30 June 2012.

At year end Nexus had a cash balance of $33.7 million, current assets of $43.9 million and net assets of $291.1 million.

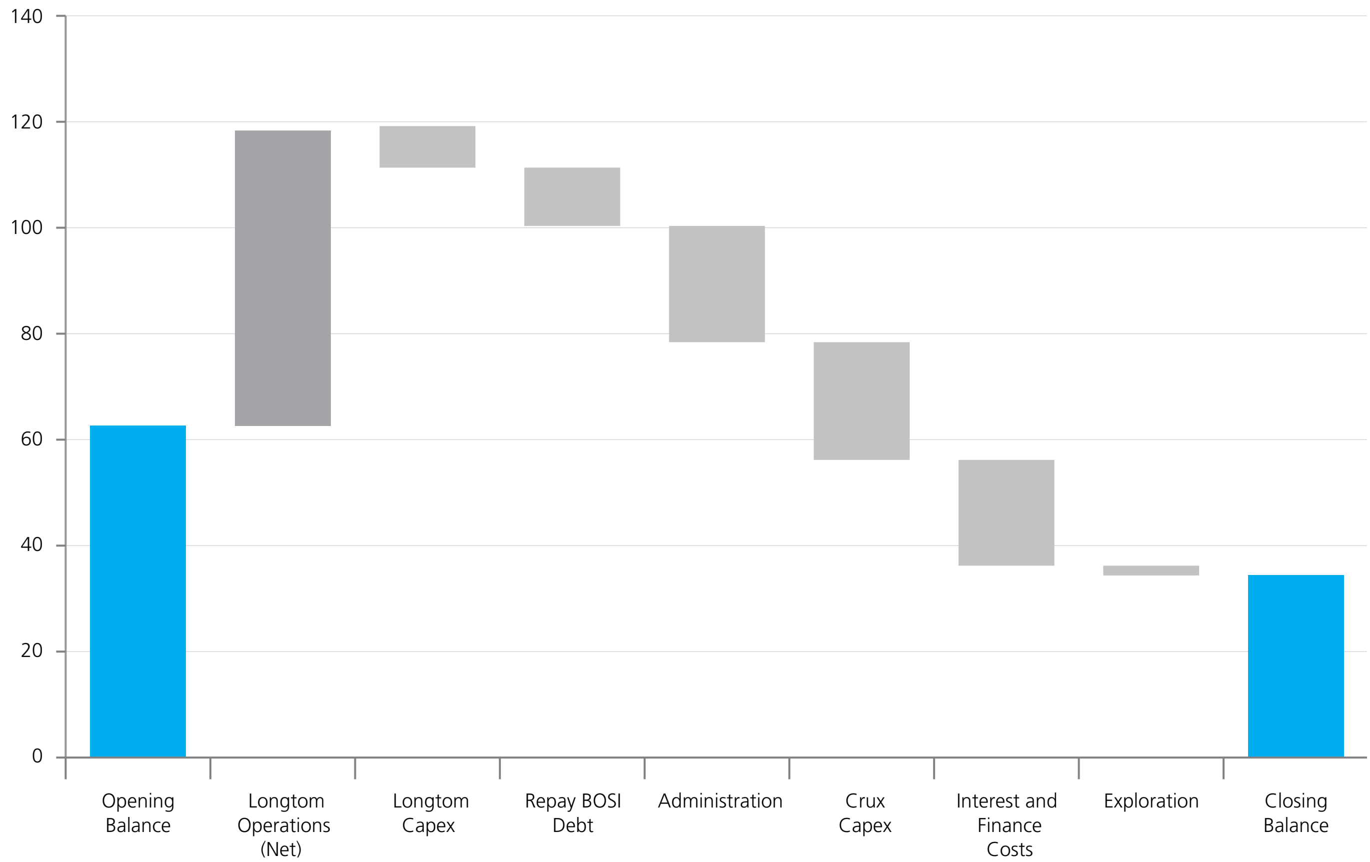

Rod Hyslop
Corporate Financial
Manager
ONE
STRATEGIC
DIRECTION.
ONE CLEAR
GOAL.

FINANCIAL SUMMARY continued

Three Year Financial Summary

Financial Year		2012	2011	2010
Revenue	A$ million	80.7	66.6	28.6
Opex	A$ million	(34.2)	(29.8)	(14.5)
Gross profit before amortisation	A$ million	46.5	36.8	14.1
Net profit/(loss) after tax	A$ million	(342.3)	(39.2)	1.0
Cash f ow from operating activities	A$ million	14.1	(10.9)	(26.1)
Cash and cash equivalents	A$ million	33.7	62.6	24.9
Total assets	A$ million	580.7	944.3	919.4
Borrowings	A$ million	210.9	212.2	290.3
Issued capital	A$ million	689.6	688.9	544.5
Total equity	A$ million	291.1	632.9	528.6
Exploration and evaluation expenditure carried forward	A$ million	11.7	10.1	16.8
Production and development expenditure carried forward	A$ million	379.0	644.1	722.2
Basic earnings per share	Cents	(25.8)	(3.7)	0.1
Issued capital	Shares	1,329.8	1,326.3	958.1

Sources and Allocation of Cash (A$ million) Financial Year 2012



HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY

Health and safety standards have been maintained during the last year with no safety incidents and no community issues presented. An external audit of the Nexus HSEC management systems was conducted in late 2011 and no significant deficiencies or non-conformances were identified. The audit identified a number of improvements and enhancements and these are being implemented.

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 work-hours and using a 12 month rolling average remained at zero for 2012. Nexus is proud of this record but is aware that there is no room for complacency in matters relating to safety and the environment. The Longtom safety case was also revised and accepted by NOPSEMA.

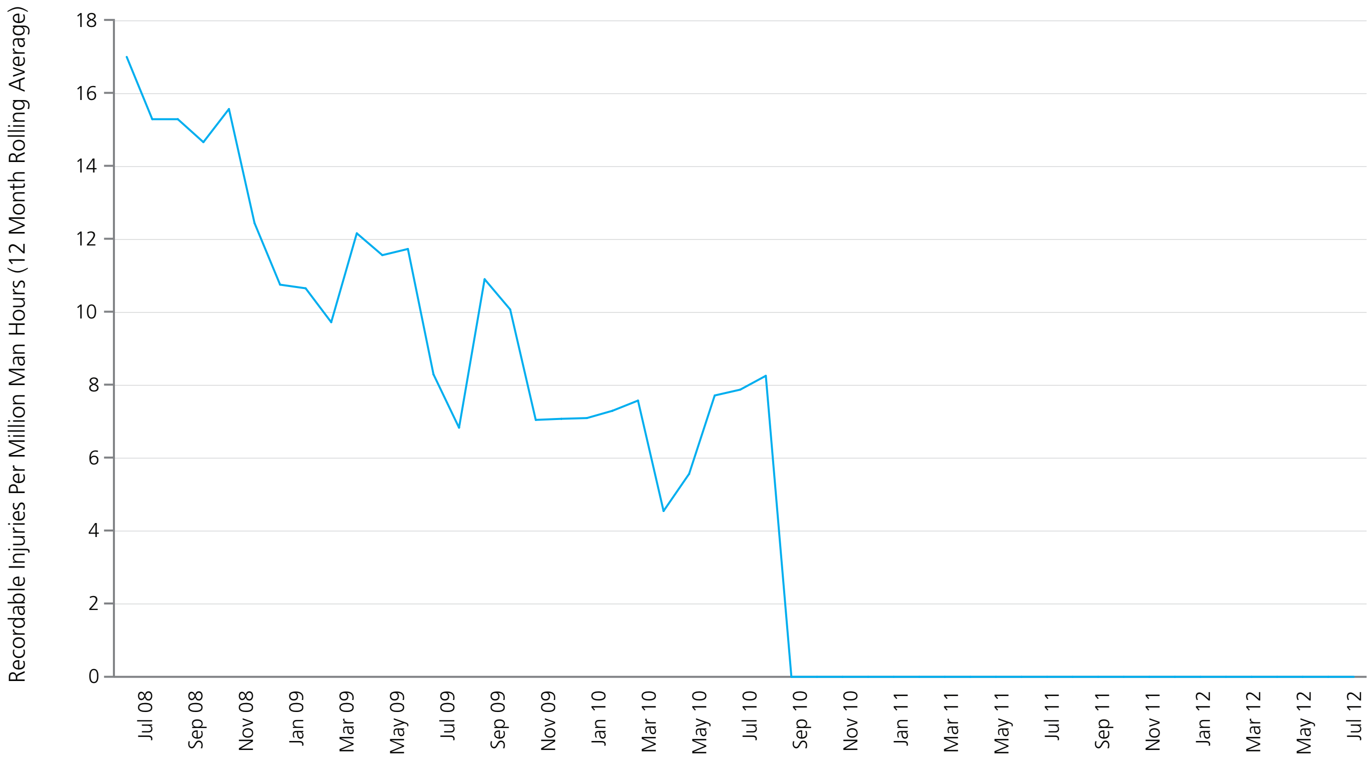
On the environmental side there have been no new incidents. An offshore campaign in April 2012 identified the location of a control line leak and operational changes were immediately implemented to stem this leak. A long term solution is underway. The environment plan for the operation of Longtom facilities was revised and accepted by the Department of Primary Industries (DPI) in August 2011. Regulatory responsibility for environment plans was transferred from DPI to NOPSEMA on 1 January 2012. The annual environment report for 2011 was submitted to NOPSEMA in March 2012 and no issues were raised. An environment plan and associated oil spill contingency plan covering the potential drilling of an additional Longtom well is under development. An EPBC referral for this campaign was submitted on 6 August 2012 and deemed not to require an environmental impact statement.

Financial Year 2013 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 further development of its assets.

Nexus continues to monitor the regulatory regimes in place that apply to the offshore oil and gas industries and will plan and schedule its activities accordingly.

Nexus Safety Performance – Total Recordable Injury Frequency Rate (TRIFR Year 2011-2012)



RESERVES, CONTINGENT AND PROSPECTIVE ESTIMATED RESOURCES

Proved Plus Probable Reserve Estimate (2P) as at 31 December 2011[1]

Gas/Condensate Field	Licence	Nexus %	Sales Gas	Condensate
Longtom	VIC/L29	100%	137PJ	1.54 MMbbls

Contingent Resource Estimate (2C) as at 31 December 2011[1]

Gas/Condensate Field	Licence	Nexus %	Sales Gas	Condensate
Longtom	VIC/L29	100%	102PJ	1.14 MMbbls

Contingent In-place Volumes, Best Estimate (P50) November 2011[2]

Gas/Condensate Field	Licence	Nexus %	Gas in Place (100% Field)	Condensate in Place (100% Field)
Crux	AC/L9	17%	2.5 Tcf	88 MMbbls

Prospective In-place Volumes, Mean Success Case Estimate Unrisked[3]

Prospect	Licence	Nexus %	Gas in Place (100% Prospect Volume)	Condensate in Place (100% Prospect Volume)
Gemfish	VIC/L29	100%	285 Bcf	13 MMbbls
Longtom West	VIC/P54	100%	245 Bcf	3 MMbbls
Auriga	AC/L9	17%	1.3 Tcf	39 MMbbls
Caelum	AC/L9	17%	1.1 Tcf	37 MMbbls
Echuca Shoals/ Fossetmaker	WA-377-P	100%	0.5 Tcf	30 MMbbls
Mashmaker	WA-377-P	100%	2.2 Tcf	132 MMbbls
Cooper	WA-377-P	100%	2.6 Tcf	156 MMbbls

Notes:

1. Longtom remaining 2P gas and liquids as at 31/12/2011 (Gaffney, Cline & Associates report April 2012).
2. Crux best estimate (P50) initially in place 100% volumes (Gaffney, Cline & Associates report November 2011). Proven and contingent resources will be assessed when development options for an integrated LNG/liquids project are further progressed.
3. Reported prospective in-place volumes are unrisked mean in-place based on Nexus in house evaluations.

ONE STRATEGIC DIRECTION. ONE CLEAR GOAL.

Adil Jabur
Petroleum Engineer

LONGTOM ASSET

Longtom Gas Production

Nexus continues to supply gas and condensate from the offshore subsea wells, Longtom-3 and Longtom-4, in the VIC/L29 Production Licence block. The gas and condensate are processed at the Santos owned Patricia-Baleen plant and the products are sold to Santos under a long term agreement.

For the 2012 financial year, the Longtom field supplied 17.4PJ of gas and some 154,000 barrels of condensate, with production reaching 68 TJ/d of gas and 650 bbl/d of condensate in the peak winter months. The performance of the wells is closely monitored and operation of the wells is optimised to achieve the key objectives of meeting gas sales nominations and managing the reservoir performance for maximum gas and liquids recovery.

The field infrastructure performed reliably last year with uptime for the year at over 90%. In August to September 2011, an inspection program was undertaken in which the pipeline and facilities were inspected with an underwater remotely operated vehicle which showed that the pipeline and facilities were in good condition and the corrosion protection anodes were working as designed. In June 2012 an electrical fault led to an interruption in production. However, an offshore intervention program was successfully carried out with production back on line prior to year end. In summary, the offshore maintenance projects were completed on time and on budget.

Longtom Future Development

A rigorous internal assessment of the remaining gas reserves within the Longtom field was completed, in conjunction with an independent review and reserves audit undertaken by Gaffney, Cline and Associates. The resultant reserves revision was underpinned by various technical studies, focused on the detailed understanding of the Longtom subsurface geology and reservoir performance, including:

- revised mapping at all reservoir levels based on reprocessed seismic data
- revised Petrel geological model for the field
- production history matching
- reservoir performance simulation
- gas resource estimates (both proven and contingent)

While the total field gas-in-place volume was marginally reduced based on the revised mapping, the pre-production estimated 2P (Proved + Probable) reserves of 350PJ sales gas has been reduced to 170PJ (this includes already produced gas). The estimated contingent 'best estimate' (2C) gas volume has increased from 71PJ to 102PJ. This is in part due to previously booked reserves being reclassified as contingent. This is an overall disappointing result and clearly ref ects the substantially more complex and faulted subsurface than assumed in the pre-production geological model.

Importantly, field infill development well opportunities were also recognised on the revised mapping. The field development strategy is currently under revision taking into account infill drilling as well as operational optimisation – the key elements are listed below.

- Infill development wells Longtom-5 and Longtom-6.
- Longtom-4 enhancement workover (open up sliding sleeve over gas bearing 400 sand).
- Inlet compressor re-stage at the Patricia-Baleen plant.

The drilling of Longtom-5 is currently in planning for late 2013. As shown on the Longtom-5 development well image, this well will target proven undeveloped gas reserves located between, but not being accessed by, the producing wells Longtom-3 and Longtom-4. The well path design is similar to the producing wells with lengthy horizontal sections to be completed within the gas bearing reservoirs.

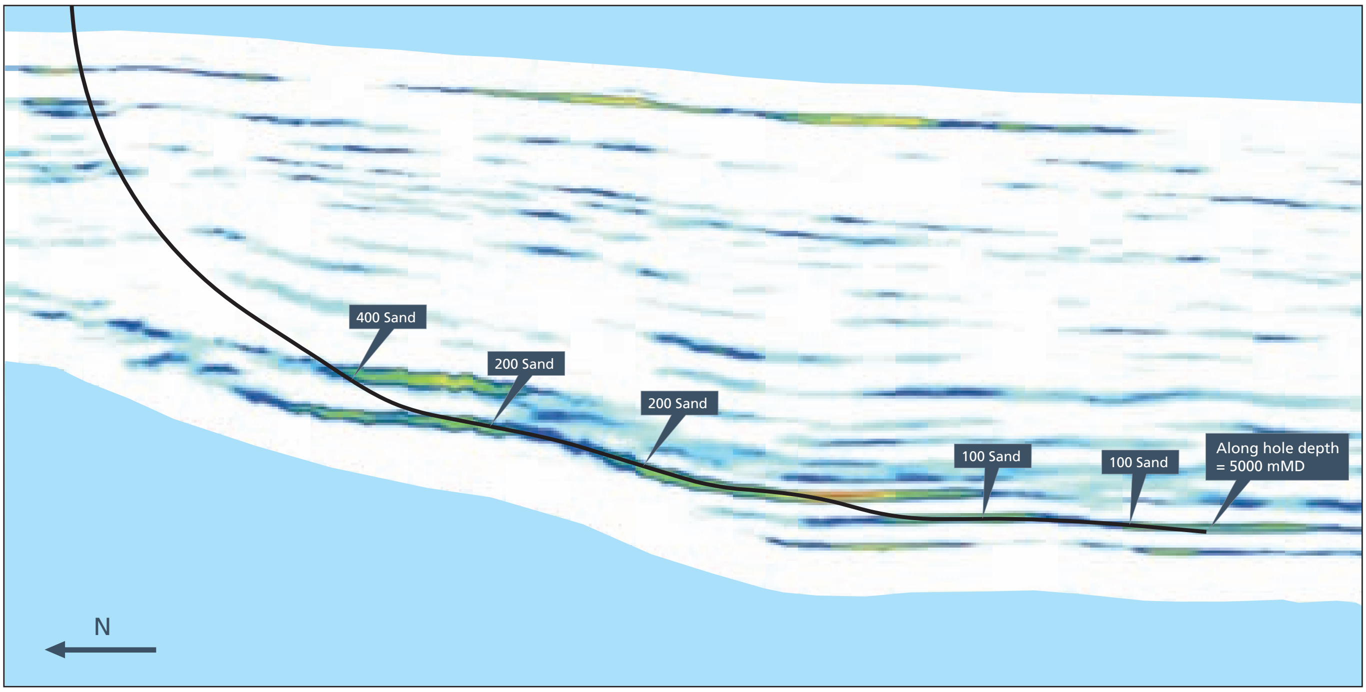
Exploration Potential

Technical studies addressed the geological risks associated with identified exploration prospects located within the Production Licence VIC/L29 and the surrounding exploration permit VIC/P54.

The Gemfish exploration prospect (formerly referred to as Longtom South), located within VIC/L29, is viewed as an exciting growth opportunity for Nexus. The estimated unrisked mean success case volume is ca 285 Bcf in place/200 Bcf recoverable for the primary target Golden Beach Subgroup sands. However, drilling initially planned for 2012 has been deferred with priority now given to the field infill drilling program, in particular the Longom-5 well. To reduce geological risk at Gemfish, seismic attribute studies sought supporting evidence for 'direct hydrocarbon indicators' at the primary target level. Work results to date have been promising with the study now being broadened in its scope looking at nearby wells and fields. Potential development scenarios in the case of a Gemfish exploration success are also under review with the aim of developing this prospective gas resource in the shortest possible time frame. The main concern being addressed is the expected significant CO_2 content (in the 15-20% range) as seen in the nearby Grayling-1A Golden Beach gas discovery well. By comparison, the Longtom field has less than 2% CO_2.

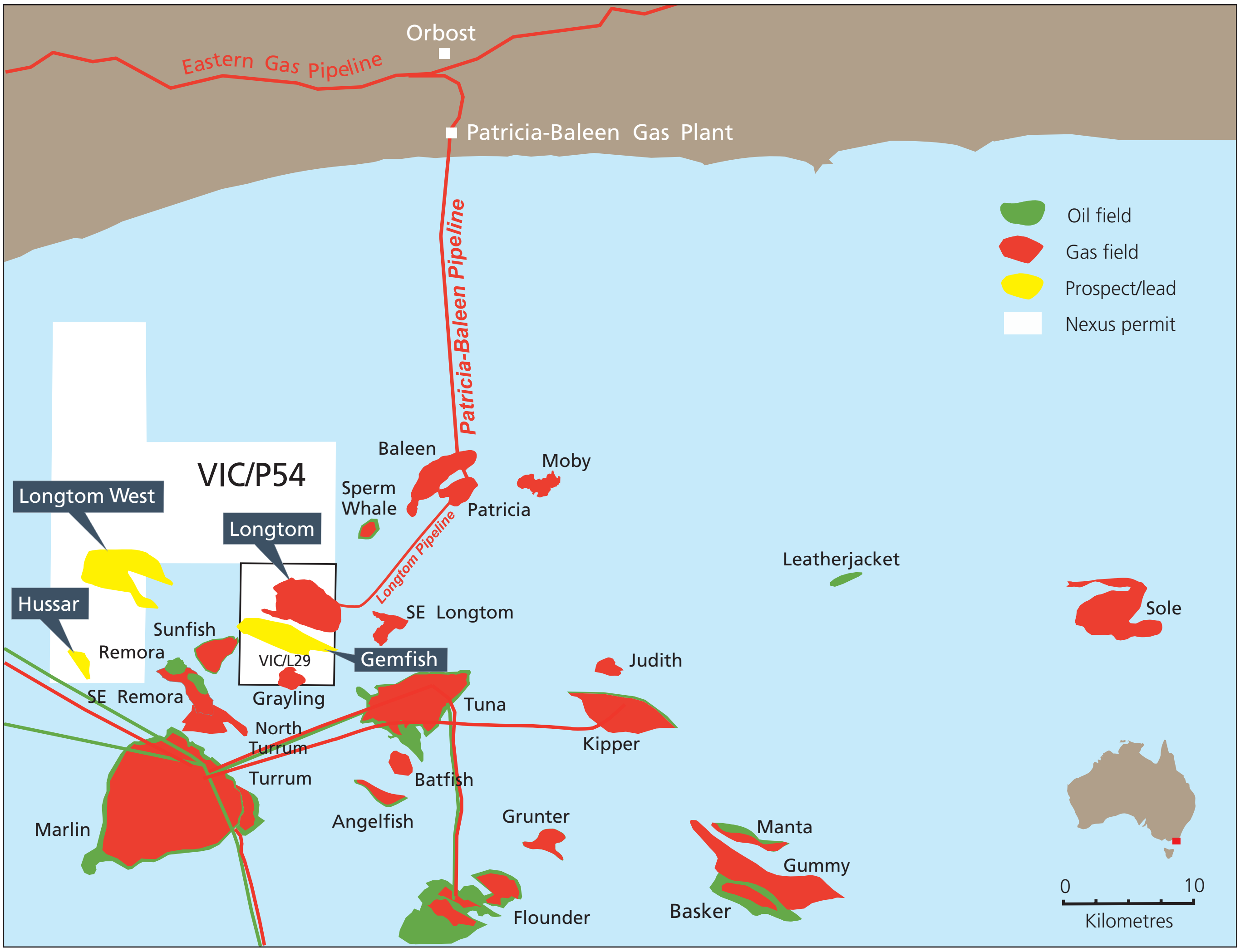
The primary geological risk for the Longtom West and Hussar prospects, and any upside potential to the Grayling-1A discovery, is structural definition. However, the Esso/BHP South East Remora-1 success at Intra Latrobe and Golden Beach levels is encouraging and has led to further analysis of the nearby Hussar prospect. Prospect definition is considered inadequate for drilling at this time due to seismic imaging problems. This is particularly so for Hussar. To address this, enhanced seismic data quality will be targeted in a seismic reprocessing project to commence during the latter half of 2012.

Longtom-5 Development Well



Longtom-5 planned well path as shown on an inversion seismic line – targeted 100, 200 and 400 gas sands clearly identified on the inversion data.

Gippsland Basin



Location of Longtom Gas Project and Gippsland Basin exploration prospects and leads.

CRUX ASSET AND BROWSE BASIN

Browse Basin

The Browse Basin is widely recognised as a highly prospective petroleum province in Australia. While still relatively under explored, at least 37 Tcf gas and 1 billion barrels of associated liquids have been discovered to date.

Given the forecast ongoing strong demand for LNG from the Asian market, oil and gas industry activity within the Browse Basin is expected to remain at a high level. This is reflected in the tightly held acreage situation with both major international and domestic companies already established in the basin. While development cost pressures remain a major factor, technological advances, such as FLNG, and the growing market for cleaner energy (i.e. gas) continue to support the focus on the Browse and there has been a high level of corporate and commercial activity over the past year.

Recent commercial transactions include the MIMI purchase of 14.7% in Woodside's Browse LNG for US$2 billion (announced in May 2012) as well as KOGAS's and Inpex's participation in Shell's Prelude Floating Liquefied Natural Gas (FLNG) project (announced in April 2012). Shell's Prelude FLNG project continued to progress towards development following FID last year. The Inpex operated Ichthys project achieved the significant milestone of FID during the year, with gas to be transported via pipeline to an LNG plant located in Darwin. The Woodside led Joint Venture has also continued to pursue the development of Browse LNG, despite of a number of issues. In addition, a new round of drilling activity is expected to commence during the latter half of 2012, focusing on proving up additional gas reserves around the ConocoPhillips operated Poseidon field.

Nexus' own interest in the Crux field is set to play an important role in the Browse Basin, as a potential new hub in the East Browse area.

Crux (AC/L9)

On 3 August 2012, Shell, Nexus and Osaka Gas executed a consolidation agreement to align the respective parties' interests in both the gas and liquids contained in the AC/L9 block. The agreement provides for an application to be made to convert the AC/L9 Production Licence to a Retention Lease.

As identified above, Nexus now occupies a strong strategic position in the Browse region as the Crux field is a major gas discovery with high liquids content, strategically located in the East Browse Basin. For this reason the new Joint Venture's intention is to commercialise the Crux resource through a standalone FLNG development, potentially pursuing a regional gas aggregation strategy to consolidate stranded local discoveries that are not economic on a standalone basis. There are a number of other options that could be considered: for example, contingency plans are being developed for sending AC/L9 gas to Shell's Prelude FLNG facility.

In addition to the main Crux discovery which currently has over 2.5 Tcf of gas and 88 MMbbl of associated condensate in-place, there is significant near field exploration upside. In particular the Auriga and Caelum prospects could bring the total Crux hub in-place resources to c.4 Tcf gas and c.100 million barrels of condensate. Nexus also holds a 100% interest in exploration permit WA-377-P, containing the known Echuca Shoals gas discovery and strategically located near the Prelude and Ichthys fields.

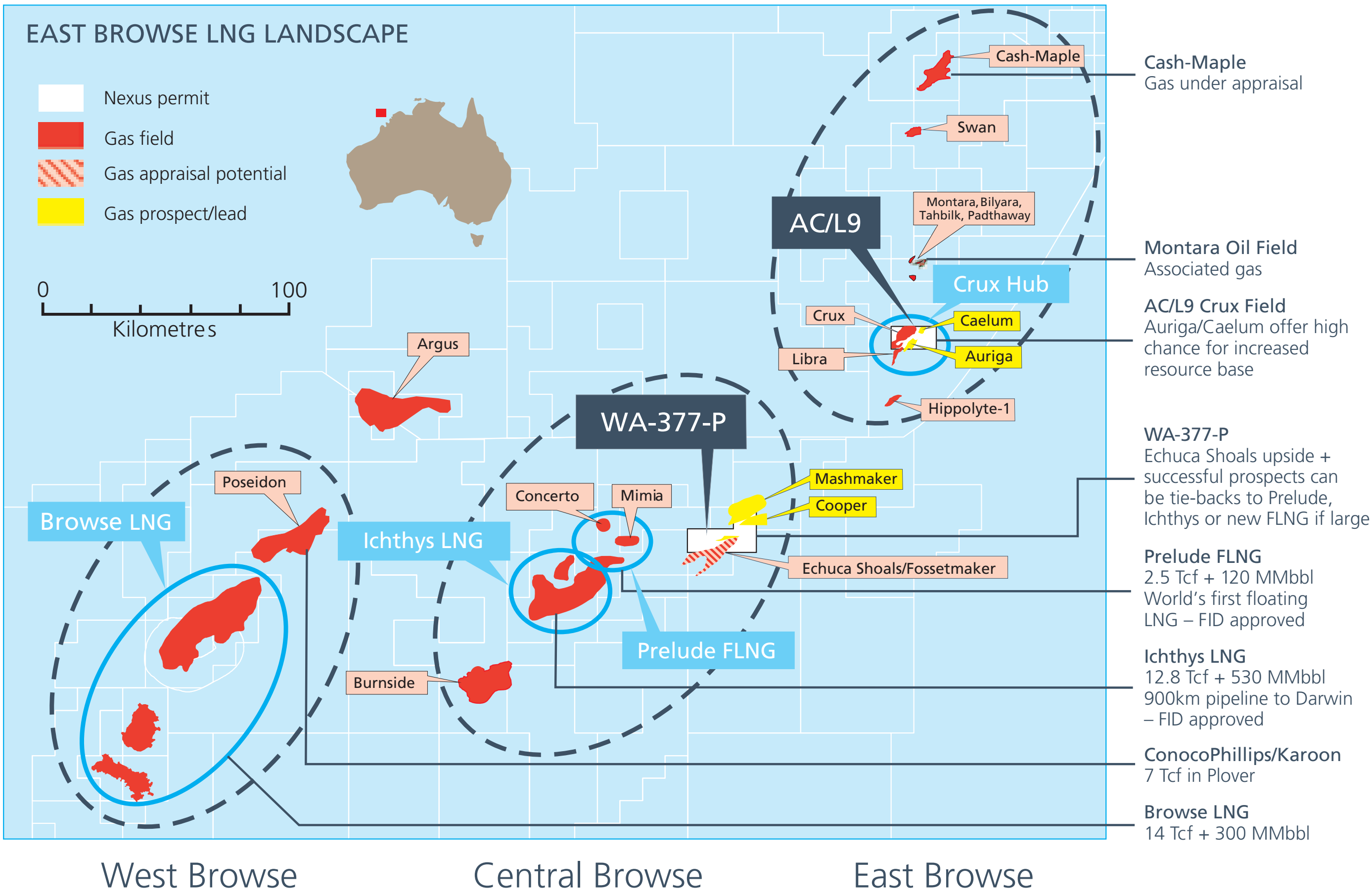
Nexus will have a material 17% interest in Crux and an option to sell 2% to Shell in the twelve months after completion for $75 million. Financial advisers have also been appointed to review Nexus' ownership of Crux to balance funding flexibility with long term exposure to the significant value in Crux.

Echuca Shoals (WA-377-P) (Nexus 100%)

The Nexus operated exploration permit WA-377-P, located in the Central Browse Basin, is in close proximity to major planned LNG developments – the Shell operated Prelude FLNG project and Inpex operated Ichthys project. In March 2012, the permit was renewed for a further five year term with one firm well commitment carried in Year 3 (i.e. well to be drilled by March 2015). The importance and value of the Echuca Shoals permit is expected to increase in line with the increased activity in the basin, particularly as other participants start to optimise their own developments and infrastructure is put in place.

Within the permit, the Echuca Shoals discovery and the undrilled prospects, Cooper and Mashmaker, offer multi-reservoir targets and a substantial combined upside volume of about 5 Tcf gas in-place unrisked. The strategic location of this prospective gas resource offers significant value in the exploration success case as either standalone developments or as tie-backs to the nearby third party LNG projects. For example, one possible development scenario for the Crux Joint Venture would see Crux gas transported via pipeline to Prelude. In this case, any discovered WA-377-P gas could be developed via a short tie in to this pipeline. Technical studies have focused on geologic risk mitigation with a view to the drilling of the most favourable exploration prospect.

Browse Basin Activity



Note: Quoted volumes for non-Nexus assets sourced from public domain information.

BROWSE BASIN: A DYNAMIC AND PROLIFIC GAS PROVINCE

BOARD OF DIRECTORS

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.

Directorships Held in Other Listed Entities
Michael Fowler has not been a director of any other Australian listed entities in the past three years.

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 Norton Rose (formally 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 New Guinea Energy Limited and NRW Holdings Limited. He was also a Director of Global Resources Corporation Limited until 9 December 2011. 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
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 Australia 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
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.

Symon Drake-Brockman
Non-Executive Director

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.

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.

LEADERSHIP TEAM

Lucio Della Martina
Chief Executive Officer

Qualifications
B.Sc Chemical Engineering M.B.A.

Experience and Expertise
Lucio Della Martina commenced with Nexus Energy Limited on 13 May 2012 as Chief Executive Officer.

Lucio has over 20 years experience in the international oil and gas industry. He has held various positions in Woodside covering gas business development, LNG marketing, supply planning and oil development.

Prior to his tenure with Woodside, Lucio spent 11 years with the Shell Group of Companies in Africa and Europe in a variety of roles covering refining technology, operations, economics, planning and international oil trading.

Lucio graduated from the University of Natal, South Africa with a Bachelor of Science (Chemical Engineering) and later completed post graduate studies in engineering at the University Politecnico di Torino in Turin, Italy and Business Administration (MBA) at Henley Management College, UK. Lucio completed the Advanced Management Program at Harvard Business School in 2008.

Susan Robutti
Chief Financial Officer
and Company Secretary

Qualifications
B. Business ACA

Experience and Expertise
Susan Robutti commenced with Nexus Energy Limited in 2006 as Company Secretary and Financial Controller and was appointed Chief Financial Officer in April 2012.

Susan 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. Susan was also actively involved with the listing of Nexus Energy Limited in 2001 and was Company Secretary at that time.

Keith Jackson
Exploration Manager

Qualifications
B.Sc Hons, M.Sc, Ph.D.

Experience and Expertise
Keith Jackson commenced with Nexus Energy Limited in September 2010 as Exploration Manager.

Keith is a Geologist by training and has over 30 years international experience in oil and gas exploration with both major corporations (including 18 years with Shell) and junior explorers. He has been actively involved in exploration campaigns within several major petroleum provinces across Australia (NW Shelf, Gippsland, Cooper/Eromanga), Canada (McKenzie Delta), Holland (North Sea), SE Asia (Malaysia, Indonesia) and Africa (Ethiopia Ogaden Rift Basin). His new ventures work has exposed him to other regions such as the Philippines and the Indian sub-continent.

Stuart Jones
General Manager Finance
and Investor Relations

Qualifications
B.Sc Mathematics (Hons)

Experience and Expertise
Stuart Jones commenced with Nexus Energy Limited in 2009 as Finance Executive and was appointed General Manager Finance and Investor Relations in 2010.

Stuart has over 20 years experience in accounting and corporate finance having worked previously in industry and with a leading UK based bank focusing on funding to the small to mid-cap resources and energy sectors on a global basis and to larger international energy projects. He has experience across equity raising, reserves based lending, project finance, asset acquisition finance and corporate M&A.

John Ah-Cann
Longtom Asset and Drilling Manager

Qualifications
B. Engineering (Hons1)

Experience and Expertise
John Ah-Cann commenced with Nexus Energy Limited in October 2007.

John has over 30 years experience in the international oil and gas industry, with both major corporations (including over 20 years with Exxon) and smaller companies (AGR Petroleum Operations and RasGas Company Ltd). He has been actively involved in drilling and upstream projects throughout the world, including the Browse, Canning, Perth, and Gippsland Basins in Australia, the Middle East, Africa, the Gulf of Mexico and S.E. Asia. He has been involved in and managed a wide spectrum of production fields and drill wells from land to deep water, low rate artificial lift fields to big bore gas wells and from sensitive urban environmental areas to frontier locations.

On joining Nexus, John managed Nexus' drilling program including the successful Crux appraisal wells, exploration wells in Browse, Bonaparte and Gippsland Basins, and the Longtom extended reach development wells. He subsequently managed the offshore installation, hook-up, and commissioning of Longtom facilities in 2009, and subsequent production, maintenance and offshore intervention programs.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

The Directors present their report of Nexus Energy Limited (Company) and subsidiaries (Group) for the financial year ended 30 June 2012 and the independent audit report thereon.

Board of Directors

The Board of Directors of the Company (Board) has 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.

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

Interests in Nexus Securities

6,837,785 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 Norton Rose (formally 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 New Guinea Energy Limited and NRW Holdings Limited. He was also a Director of Global Resources Corporation Limited until 9 December 2011. 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 Nexus Securities

1,011,668 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

Member of Remuneration and Performance Committee
Member of Nomination Committee

Interests in Nexus Securities

755,000 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 Nexus Securities

1,080,450 Ordinary Shares

Board of Directors continued

Symon Drake-Brockman

Non-Executive Director

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

Chair of Remuneration and Performance Committee
Member of the Audit Committee
Member of the Nomination Committee

Interests in Nexus Securities

48,141,286 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 Nexus Securities

250,000 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 ceased as Managing Director on 22 September 2011. Mr Cottee's previous role was as Managing Director at Queensland Gas Company (QGC) from 2002 until 2008.

Directorships Held in Other Listed Entities

Mr Cottee was Managing Director of QGC from 2002 until 2008.

Special Responsibilities

Managing Director until ceasing employment on 22 September 2011.

Interests in Nexus Securities

No interest in shares or performance rights.

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. In April 2012, Ms Robutti was appointed Chief Financial Officer and Company Secretary.

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:

Director	Board		Audit Committee		Remuneration and Performance Committee	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Aligible to Attend	Number Attended
Michael Fowler	10	10	1*	1*	1*	1*
Michael Arnett	10	10	2	2	-	-
Ian Boserio	10	10	-	-	2	2
Steven Lowden	10	8	2	2	-	-
Symon Drake-Brockman	10	8	2	2	2	2
John Hartwell	10	10	-	-	2	2
Richard Cottee	2	2	1*	1*	-	-

* Attended the Committee meetings in their capacity as Executives.

Nomination committee matters were held as required and were included as part of the meetings of the Board.

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 2012.

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 regulations 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 2012 was $342,322,906 (2011: $39,202,356). Included in the result are non-cash adjustments relating to impairment in the Crux Long Lead Items of $81,037,603, impairment in the production asset of $162,777,847, amortisation of the production asset of $31,980,025 and the expense of the Petroleum Resource Rent Tax Credits totalling $141,635,347 which forms part of the income tax expense for the year.

Statement of Financial Position

The net assets of the Group have decreased by $341,787,606 from 30 June 2011 to $291,111,342 as at 30 June 2012. The decrease in net assets is mainly attributable to Group expensing to the income tax expense the Petroleum Resource Rent Tax Credits totalling $141,635,347 and the Group recognising an impairment of $81,037,603 in relation to the Crux Long Lead Items and an impairment of $162,777,847 in relation to the Longtom production asset as well as amortisation of $31,980,025 with respect to the production asset.

Production Segment

Longtom Gas Project (Nexus 100%)

VIC/L29 – Gippsland Basin, Victoria

Longtom production results for the 2012 financial year are provided in the table below.

			Quarter End					
			Sept 2011	Dec 2011	Mar 2012	Jun 2012	Financial Year 30 June 2012	Financial Year 30 June 2011
Gas	Production	PJ	6.40	5.45	2.79	2.75	17.39	14.74
	Sales	PJ	6.20	5.33	2.71	2.67	16.91	14.37
Condensate	Production	Kbbl	58.76	46.86	25.07	23.2	153.89	136.38
	Sales	Kbbl	57.95	45.55	26.63	22.9	153.03	135.84
Total	Revenue	A$ million	29.30	24.68	13.32	13.37	80.67	66.60

Revenue for the 2012 financial year was $80,669,647 which was an increase of 21% on the 2011 financial year. The 2011 financial year result was impacted as a result of the installation of mercury removal facilities which impacted production. Gas production for the 2012 financial year amounted to 17.39PJ compared to 14.74PJ in the previous financial year.

During the 2012 financial year ongoing offshore maintenance works were performed on the Longtom field. The works related to permanently repairing the hydraulic leak and replacing the subsea control module on the Longtom HIPPS facility. Both were completed on time, on budget and with minimal impact to production. In June 2012, production was interrupted by an intermittent electrical fault. The fault was successfully identified and remedied with an offshore intervention program with production recommencing on 28 June 2012. These works were completed on time and on budget.

The Longtom field reserves audit was completed by Gaffney, Cline & Associates with their final report received on 4 April 2012. The final report has revised the important Proved and Probable (2P) reserves to 137PJs at 31 December 2011. The current 2P (Proved + Probable) reserves, under the base case, are sufficient to satisfy Nexus' obligations under the Longtom Gas Sales Agreement. The updated reserves position does not include any resources attributable to the Gemfish (previously Longtom South) prospect. The Gemfish prospect, while located in the same VIC/L29 licence area, is distinct from the developed Longtom field both in its reservoir target and structural setting.

The information in the reserves statement has been compiled by Gaffney, Cline & Associates who are qualified in accordance with ASX Listing rule 5.11 and have consented to the form and context in which this statement appears. Nexus prepares its reserves and contingent resources estimates in accordance with the definitions and guidelines set forth in the 2007 Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers (SPE).

In parallel, an extensive review of the Longtom field infill drilling opportunities (including Longtom-5) was completed by Nexus. Based on these results an update to the field development strategy was initiated. Well designs for both the Gemfish exploration prospect (formally referred to as Longtom South) and Longtom-5 have sufficiently progressed and Nexus is now investigating rig availability for a Longtom-5 campaign by the end of 2013.

Development Segment

Crux Asset (Nexus 17%*)

AC/L9 – Browse Basin, Western Australia

On 19 January 2012, a non-binding Heads of Agreements was signed with Shell Development (Australia) Pty Ltd (Shell) and Osaka Gas Crux Pty Ltd (Osaka Gas) to exclusively pursue a Shell-led integrated gas and liquids development to commercialise the Crux asset. The development was premised on processing Crux gas through Shell's Prelude FLNG facility. On 29 May 2012, Nexus announced the scope of the transaction was expanded to include additional options including an earlier standalone FLNG development.

Development Segment continued

On 3 August 2012, Nexus advised that documentation for the Crux AC/L9 new Joint Venture for a Shell-led integrated gas and liquids development to commercialise the Crux asset with Shell and Osaka Gas had been executed following Board approvals. The participating interests in the new Joint Venture in AC/L9 will be Nexus 17%, Shell 80% (operator) and Osaka Gas 3%. Completion of the transaction for the consolidation of interests for Crux will be subject to only two conditions, namely, Foreign Investment Review Board approvals (Shell and Osaka Gas) and Registration of Title.

The transaction also provides Nexus with a 12 month put option (post completion) to sell 2% of Nexus's equity interest in the new Joint Venture to Shell for $75 million. Once the transaction is completed, the new Joint Venture will undertake the process to convert the existing Production Licence (AC/L9) to a Retention Lease. This will require a detailed work program which will likely include technical studies of a range of development options, including a standalone development concept, and exploration drilling of the Auriga prospect with indicative timing of early 2014.

* Nexus currently holds an 85% interest in the liquids in AC/L9. Post completion, Nexus will hold a 17% participating interest in both gas and liquids interests after completion.

Exploration Segment

Echuca Shoals Gas Discovery (Nexus 100%)

WA-377-P – Browse Basin, Western Australia

On 23 March 2012, the government authority granted the renewal of the WA-377-P exploration permit for a further period of five years. The renewal work program incorporates further studies, prospect maturation and a commitment well in the third year. Geological and geophysical studies are continuing on the Echuca Shoals exploration permit (WA-377-P) favourably located near the Prelude and Ichthys developments in the Browse Basin.

Following the receipt of reprocessed seismic data in March, seismic interpretation and remapping is now underway with expected completion in the last quarter of the 2012 calendar year. The objective is to mature the prospects in the eastern permit area, namely Cooper and Mashmaker.

VIC/P54 (Nexus 100%)

Gippsland Basin, Victoria

The Longtom West prospect mapped within VIC/P54 is structurally complex with trap integrity the main geological risk. Results from the nearby Esso/BHP discovery well South East Remora-1, received late April 2012, have now been integrated into the assessment of the permit's prospectivity with a particular focus on the Hussar prospect. Both Hussar and the Longtom West prospects are structurally complex. To mitigate the structural risk of both prospects, the technical scope is being finalised to enable seismic reprocessing to commence in the last quarter of the 2012 calendar year.

Remuneration Report

The Directors of Nexus present this Remuneration Report for the year ended 30 June 2012 in accordance with Section 300A of the Corporations Act 2001. The information provided in this report has been audited as required by section 308(3C) of the Corporations Act 2001. The Remuneration Report forms part of the Directors' Report.

At the Annual General Meeting held in November 2011, 35% of the votes received from shareholders did not support the 2011 Remuneration Report. A number of concerns were raised by shareholders and stakeholder advisory groups (key stakeholders) in relation to our current remuneration practices and the disclosure of our incentive arrangements. The concerns raised were with our 'then' remuneration practices which have undergone significant improvement since 2011.

To better understand these concerns and ensure the Board's objectives were well communicated, the Board significantly increased its engagement with key stakeholders. Following the engagement process we understand that:

- we need to continue to review our remuneration practices and disclosures in the context of stakeholder and market expectations;
- it is our responsibility to better communicate the rationale and value of our remuneration strategies to our key stakeholders; and
- we need to continue to engage with our stakeholders to better align any concerns by explaining our objectives and how the remunerations outcomes each year relate to our performance and delivery of shareholder value.

The 2012 Remuneration Report has been developed to outline the value of our remuneration strategies in what we believe are now simple clear terms and provide an explanation of the link between the remuneration outcomes against the delivery of set objectives which support our strategy.

Nexus remains focused on delivering value for our shareholders. Ensuring we maintain an executive remuneration framework which aligns with this objective continues to be a key priority for the Board.

The Remuneration Report sets out remuneration information pertaining to the Company's Directors and executives who are the key management personnel of the consolidated group for the purposes of the Corporations Act 2001 and the Accounting Standards. The Directors and Executives disclosed in the Remuneration Report during the financial year are as follows:

Name	Position
Michael Fowler	Non-Executive Chairman
Michael Arnett	Non-Executive Director
Ian Boserio	Non-Executive Director
Steven Lowden	Non-Executive Director
Symon Drake-Brockman	Non-Executive Director
John Hartwell	Non-Executive Director
Richard Cottee	Managing Director until ceasing employment on 22 September 2011

Key Management Personnel	Position
Lucio Della Martina	Chief Executive Officer
John Ah-Cann	Longtom Asset Manager and Drilling Manager
Keith Jackson	Exploration Manager
Stuart Jones	General Manager Finance and Investor Relations
Susan Robutti	Chief Financial Officer and Company Secretary
Mike Maloney	Chief Operating Officer until ceasing employment on 31 March 2012

Key Developments for the Year Ended 30 June 2012

A comprehensive remuneration structure review was initiated by the Board following the 2011 Annual General Meeting (AGM) at which a vote against the adoption of the 2011 Remuneration Report was recorded.

The review included extensive key stakeholder consultation to ensure our remuneration disclosures are more transparent, better understood and most importantly, offer closer alignment of rewards, outcomes and shareholder interests. As a result of this feedback, a number of enhancements have been made to Nexus' remuneration practices.

Key actions and comments have been summarised in the table below:

Item	Nexus Key Action/Comment	Further Detail
Improved engagement with shareholder groups	The Board has significantly increased its engagement with key stakeholders to better understand their concerns. Representatives from the Board and management team met with key stakeholders over the last six months as part of this process.	N/A
Director Independence and Related Party Transactions	**Director Independence** On 22 September 2011, Richard Cottee unexpectedly resigned as Managing Director ceasing employment with the Company on that date. As a result, Michael Fowler and Ian Boserio were appointed as interim Executive Directors in the short term to work alongside the Nexus management team. The Board considered this appropriate in order to ensure the Company would continue to progress its corporate objectives while a new Chief Executive Officer could be identified and secured. Following the appointment of Lucio Della Martina as Chief Executive Officer on 13 May 2012, Michael Fowler and Ian Boserio resumed their roles as Non-Executive Directors on 4 July 2012 after an appropriate transition period.	Section 8

Key Developments for the Year Ended 30 June 2012 continued

Item	Nexus Key Action/Comment	Further Detail
Director Independence and Related Party Transactions (continued)	The Board was aware of the Corporate Governance recommendations in relation to Non-Executive Directors taking executive positions, however given the circumstances felt it necessary and appropriate to assist the Company through this critical juncture which has enabled Nexus to finalise and execute binding agreements in relation to the Crux integrated transaction with Shell and Osaka Gas.	Section 8
	Related Party Transactions In 2011, concerns were raised in relation to fees paid to Director related entities for consultancy services. The services performed during the 2011 financial year were performed at arms-length, at market rates and were considered the best option available (timing and cost effective) to assist the Company through the initiatives undertaken in 2011. Nevertheless, the Company has taken into account the concerns raised by key stakeholders and has reduced consultancy fees paid in 2012 when compared to 2011, as fully disclosed in Note 32 of this report.	Note 32
Non-Executive Directors	**Review of Governance and Remuneration** In November 2011 the Board engaged Godfrey Remuneration Group Pty Limited (GRG) to conduct an external independent review of Non-Executive Directors' fees. The findings of this review were considered by the Remuneration and Performance Committee and changes to Non-Executive Directors' fees have since been implemented. **Termination Benefits for Directors** Contractual arrangements with Non-Executive Directors provided that they were entitled to termination payments on termination or resignation. The Board acknowledges that the entitlement of each Non-Executive Director to receive a termination payment in certain circumstances is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles. Effective 30 June 2012, the Board has removed termination entitlements for Non-Executive Directors and each existing Non-Executive Director has agreed to vary his contractual arrangements to remove all termination entitlements. **Nomination Committee Fees** Effective 1 July 2012, the Board resolved to remove Directors' fees for this sub-committee.	Section 8
Chief Executive Officer remuneration package	On 13 May 2012, Lucio Della Martina commenced as Chief Executive Officer. As part of the appointment process of Mr Della Martina his salary was externally benchmarked and the Board believe the remuneration paid to Mr Della Martina is a fair reflection of the market rates for an individual of his skill set and consistent with other companies within our peer group. This process was overseen by the Remuneration and Performance Committee with a recommendation made to the Board for approval.	Section 3
Short Term Incentive (STI)	The Board believes that Nexus' incentive schemes incorporate performance measures that align with business strategy and require superior performance before payments are earned. As part of this process the Board has implemented a new structure to align Short Term Incentives (STI) with company and shareholder objectives. To further assist shareholders in understanding the link between pay and performance, we have improved the disclosure of our STI awards.	Section 4

We have structured the Remuneration Report into the following sections:

1. Executive Remuneration Policy and Framework
2. External Advisers and Consultants
3. Chief Executive Officer Remuneration
4. Key Management Personnel Remuneration
5. Linking Remuneration to Performance
6. Remuneration for Financial Year Ended 30 June 2012
7. Terms of Employment and Contracts
8. Non-Executive Directors
9. Shareholdings
10. Performance Rights over Ordinary Shares

1. Executive Remuneration Policy and Framework

Remuneration Policy

Nexus aims to remunerate Executives fairly, responsibly and competitively for their contributions to the business. In line with this objective, Nexus' policy is to position Executive total remuneration levels to those of similar sized companies. Executive pay levels are determined on a combination of external benchmarks, assessments of individual performance and internal relativities.

The key objective of the remuneration policy is to promote and recognise excellence in a way that is fair and responsible and to ensure Nexus:

- provides competitive rewards that attract, retain and motivate executives of the highest calibre;
- aligns the interests of shareholders, employees and other stakeholders with Nexus' objectives and values;
- sets demanding levels of performance which are clearly linked to an Executive's remuneration;
- benchmarks remuneration against appropriate industry groups; and
- complies with applicable legal requirements and corporate governance.

The remuneration policy is reviewed and approved annually by the Board's Remuneration and Performance Committee.

Remuneration Framework

Supporting achievement of Nexus' business objectives is the cornerstone of our approach to Executive remuneration. Through the use of market competitive remuneration linked to performance, we reward individuals for contributions to sustained company performance and delivery of shareholder value.

<table>
<tr><th colspan="3">Business Objective</th></tr>
<tr><td colspan="3">To deliver superior, sustainable and responsible wealth creation to Nexus' shareholders by focusing on company performance, achieving set objectives and financial and risk management. This focus is supported by our strong culture and values which are driven by our executive team.</td></tr>
<tr><th colspan="3">Remuneration Strategy, Objectives and Approach</th></tr>
<tr><td colspan="2">Align Executive remuneration with Nexus performance and the creation of shareholder value.</td><td>Deliver a market competitive remuneration framework to attract, motivate and retain executives of the highest calibre.</td></tr>
<tr><th colspan="3">Remuneration Elements</th></tr>
<tr><th>Base Remuneration</th><th>Short Term Incentives (STI)</th><th>Long Term Incentives (LTI)</th></tr>
<tr><td>• Comprises salary and superannuation.
• Base remuneration is reviewed annually.
• Based on the individual's experience, skills and performance and the ability to retain executives of the highest calibre.</td><td>• Annual bonus which is linked to the individual and company performance in the achievement of strategic objectives.
• Business plan objectives consistent with strategic goals.</td><td>• Equity grants tied to vesting conditions tested over a three year period.
• Vesting of Executive LTI is 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.</td></tr>
</table>

1. Executive Remuneration Policy and Framework continued

Weightings of Remuneration Components

The CEO and key management personnel remuneration structure is consistent with Nexus' remuneration policy approved by the Board of Directors. The relative weightings of the three components comprising the CEO and key management personnel remuneration are detailed as follows:

	% of Total Remuneration (Annualised)		
		Performance-based Remuneration	
	Base Remuneration	STI	LTI
Chief Executive Officer	Market Value	30% to 50% of Total Fixed Remuneration (TFR)	Up to 75% of TFR
Key Management Personnel	Market Value	Up to 25% of Total Fixed Remuneration (TFR)	Up to 25% of TFR

The market value for fixed remuneration for the CEO, key management personnel and employees is benchmarked using an industry salary survey which benchmarks similar sized companies within the oil and gas industry within Australia.

2. External Advisers and Consultants

In performing their role, the Board and the Remuneration and Performance Committee directly commission and receive information, advice and recommendations from independent external advisers. In 2012 financial year, the Remuneration and Performance Committee established a process for obtaining external advice in respect of Non-Executive Directors, CEO, key management personnel and employees.

During the year, the remuneration consultants were engaged by the Committee in accordance with the Board approved process to provide remuneration recommendations in respect of the following:

Adviser	Advice and/or Services Provided	Fees
Godfrey Remuneration Group Pty Limited (GRG)	GRG are an independent adviser engaged by Nexus to perform a review of Non-Executive Director remuneration and benchmark this against similar companies within our peer group.	$26,250
National Rewards Group (NRG)	Nexus is a member of the NRG who provided salary survey information for similar companies within our peer group.	$3,100

The Directors are satisfied that the services performed by these advisers were made free from undue influence from any members of the key management personnel.

3. Chief Executive Officer Remuneration

Lucio Della Martina commenced as Chief Executive Officer (CEO) effective on 13 May 2012. Mr Della Martina's remuneration is governed by his contract of employment which, in summary, is comprised of:

- Base Remuneration
- Short Term Incentives (STI)
- Long Term Incentives (LTI)

As part of the process of appointing the CEO, the total remuneration package was benchmarked to ensure the remuneration package was comparable with other similar size companies within the Australian oil and gas industry.

Base Remuneration

Mr Della Martina is paid a Total Fixed Remuneration (TFR) which includes the Company's contributions into his accumulated superannuation fund of at least the minimum statutory amount. Mr Della Martina may, if he wishes, salary sacrifice part of his TFR for additional superannuation contributions. Mr Della Martina's TFR is $600,000 inclusive of superannuation.

Short Term Incentives

Mr Della Martina has a maximum STI of $250,000 for the 12 month period following his appointment subject to the satisfaction of key performance indicators set by the Board. Mr Della Martina's Key Performance Indicators (KPI's) comprise a combination of strategic, financial and operational targets which have been agreed by the Board and are consistent with the Company's corporate strategy.

At the end of each financial year, the Remuneration and Performance Committee assesses the performance against KPIs set by the Board and makes a recommendation to the Board in relation to Mr Della Martina's performance and the appropriate level of STI award. The Board believes that this method of assessment provides a balanced and independent assessment of the CEO's overall performance.

As Mr Della Martina commenced with the company on 13 May 2012, no STI was paid in relation to the 30 June 2012 financial year. A full review of his performance against his KPIs will be performed as part of the 30 June 2013 financial year review.

Long Term Incentives

On commencement with the Company Mr Della Martina was granted 4,500,000 zero priced performance rights with a vesting period of three years. Vesting of the performance rights 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 will be in accordance with the following schedule:

Percentile	Proportion of Awards Vesting
Below 50th	0%
50th	50%
Between 50th and 75th	Pro rata between 50% and 100%
75th and Above	100%

There is no retesting of the performance condition. The performance rights will lapse if the performance condition is not met.

Sign on Incentive

Mr Della Martina was awarded a one off sign on incentive of shares to recognise certain rights he was giving up with his former employer. Accordingly, Nexus issued 3,000,000 fully paid ordinary shares with a face value of $660,000 at 3 April 2012. The face value has been calculated as the market value on the date of issue.

4. Key Management Personnel Remuneration

The key management personnel remuneration packages are benchmarked against Australian based oil and gas industry roles.

Base Remuneration

Salary and Superannuation	Key management personnel receive a Total Fixed Remuneration (TFR) which is the base remuneration including superannuation. The TFR is determined by the scope and responsibility of the role, skill and experience of the individual. The company makes contributions into their nominated superannuation funds of at least the minimum statutory amount. They may, if they wish, salary sacrifice part of their TFR for additional superannuation contributions.
Benefits	Key management personnel do not receive any benefits in addition to TFR.
Market Benchmark	Benchmarking of key management personnel is performed using the National Rewards Group (NRG) salary survey.

Short Term Incentives (STI)

Frequency	STI is assessed at the end of each financial year and paid annually.
Maximum STI	Up to 25% of TFR.
Performance Measures	To ensure performance is in line with the corporate objectives and to ensure their efforts are focused towards the overall benefit of the Company, 70% of their STI is linked to Company and Departmental performance. The remaining pool of 30% is based on their individual performance. The performance measures used in assessing performance include but are not limited to Company performance, health and safety, production and asset management, cost control and staff management. Individual performance is assessed against set key performance indicators within each Executive's own area of responsibility which are assessed by the CEO. The Remuneration and Performance Committee reviews STI proposals and approves the level of STI paid.

4. Key Management Personnel Remuneration continued

Short Term Incentives (STI) continued

Assessment of Performance	Individual performance is assessed by the CEO.
Payment Method	Cash.
STI Awarded in 2012	Company performance against the measures in 2012 financial year resulted in an average STI of 57% of the maximum payable to all employees.

Long Term Incentives (LTI)

Vesting Period	Three years from date of issue.
Vesting Condition	Vesting of the performance rights issued is subject to a performance test. A proportion (between nil and 100%) of the performance rights (as determined by the performance test), will vest at the end of the vesting period (the vesting date) with the Board having the discretion to vary the vesting conditions in certain circumstances. The performance rights will be exercisable in the 12 month period commencing on the vesting date. The performance test for the performance rights issued to key management personnel 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 performance rights issued will be as follows: Top quartile ranking is required for all performance rights to vest while no performance rights would vest if Nexus ranks in the third or fourth quartile of TSR rankings at the end of the vesting period, 50% of the performance rights will vest at the 50th percentile with proportionate vesting to the 75th percentile.
Vesting	Upon satisfaction of vesting conditions each performance right is convertible into one ordinary share of the Company. Once converted to shares there are no trading restrictions on the shares.
Expiry/Lapse	Performance rights that do not vest upon testing of the performance condition will lapse.
Cessation/Change of Control	Upon cessation of employment, performance rights which have not already vested will lapse and be forfeited. If cessation occurs due to death, disability or redundancy the performance rights will generally lapse and be forfeited within 30 days of ceasing employment. The Board has the discretion to vary the vesting conditions in certain circumstances. In the event of a change of control, all unexercised performance rights will vest immediately at the Board's discretion.
Hedging Policy	Consistent with the objective of creating an alignment of interests, Directors and senior Executives are not permitted to enter into margin loan agreements that provide lenders with rights over their interests in Company securities unless those securities are no longer subject to restrictions. Breaches of this policy will be subject to appropriate sanctions, which could include disciplinary action or termination of employment.

5. Linking Remuneration to Performance

Eligible employees may be entitled to receive an STI cash bonus after the conclusion of each financial year following an assessment of performance against defined individual Key Performance Indicators (KPIs), departmental objectives as well as Nexus achieving corporate goals over the financial year.

Company performance against the measures in 2012 resulted in an average STI of 57% of the maximum payable to all employees. The STI will be awarded to staff during the 2013 financial year. In assessing the performance for STI purposes the following was assessed:

Key Management (30%)

- Corporate Objectives

Departmental Goals (40%)

- Corporate Services/HR/IT/Finance
- Corporate Finance
- Exploration/Drilling

Individual Key Performance Indicators (30%)

The CEO, key management personnel and staff have an at risk component of their remuneration based on the Company's overall financial performance and shareholder returns. The Group's performance over the last two financial years has been significantly impacted by non-cash transactions such as asset impairments, Longtom amortisation and the taxation impact of Petroleum Resource Rent Tax credits (PRRT).

The following table outlines the Company's earnings and share performance since 30 June 2009.

Financial Year Ended	30 June 2009	30 June 2010	30 June 2011	30 June 2012
Longtom revenue ($)	-	28,551,872	66,607,811	80,669,647
Longtom operating profit/(loss) ($)	-	(2,929,510)	(1,842,890)	14,499,913
Profit/(loss) before income tax ($)	(87,208,414)	(50,738,367)	(144,041,885)	(283,441,405)
Profit/(loss) after income tax ($)	(50,420,139)	1,031,157	(39,202,356)	(342,322,906)
Net assets at the end of the financial year ($)	451,596,516	528,582,773	632,898,948	291,111,342
Share price at the end of the financial year ($)	0.37	0.25	0.33	0.11
Basic profit/(loss) per share (cents)	(7.82)	0.12	(3.73)	(25.8)

Refer to the Review of Operations section of this Directors' Report for further details on the Group's performance.

6. Remuneration for the Financial Year Ended 30 June 2012

Details of the remuneration of key management personnel of Nexus Energy Limited are as follows:

	Proportions of Elements of Remuneration Related to Performance		Proportions of Elements of Remuneration Not Related to Performance		
	STI % (At Risk)	LTI % (At Risk)	Salary/Fees % (Fixed)	Shares (Fixed)	Total %
Directors					
Richard Cottee[1]	-	-	100	-	100
Key Management Personnel					
Lucio Della Martina[2]	-	8	10	82	100
John Ah-Cann	7	6	87	-	100
Keith Jackson	26	1	73	-	100
Stuart Jones	-	8	92	-	100
Susan Robutti[3]	11	6	83	-	100
Mike Maloney[4]	-	5	95	-	100

1. Richard Cottee ceased employment on 22 September 2011.
2. Lucio Della Martina commenced with the Company on 13 May 2012. The transactions in the above table for 2012 cover the period 13 May 2012 to 30 June 2012. Included in his remuneration is the fair value of shares and options issued in accordance with the terms of his employment contract.
3. Susan Robutti became a member of the key management personnel effective 1 July 2011.
4. Mike Maloney ceased employment on 31 March 2012.

6. Remuneration for the Financial Year Ended 30 June 2012 continued

Director Remuneration

		Short Term Benefits			Post Employment Benefits			Share Based Payments	
Directors	Year	Salary & Fees $	Cash Bonus $	Other $	Superannuation Contributions $	Termination Payment $	Increase/ (decrease) in Long Term Benefits $	Options $	Total $
Michael Fowler[1]	**2012**	**666,694**	-	-	**60,002**	-	-	-	**726,696**
	2011	900,000	-	-	81,000	-	1,035,603	-	2,016,603
Michael Arnett	**2012**	**137,616**	-	-	**12,385**	-	**(143,095)**	-	**6,906**
	2011	137,503	-	-	12,375	-	21,711	-	171,589
Ian Boserio[2]	**2012**	**424,173**	-	-	**38,176**	-	**(106,217)**	-	**356,132**
	2011	102,066	-	-	9,186	-	70,657	-	181,909
Steven Lowden	**2012**	**87,156**	-	-	**7,844**	-	**(106,613)**	-	**(11,613)**
	2011	102,446	-	-	9,220	-	81,481	-	193,147
Symon Drake-Brockman	**2012**	**97,205**	-	-	**8,749**	-	**(106,217)**	-	**(263)**
	2011	102,066	-	-	9,186	-	82,743	-	193,995
John Hartwell[3]	**2012**	**139,905**	-	-	**9,592**	-	**(16,482)**	-	**133,015**
	2011	19,797	-	-	1,782	-	16,482	-	38,061
Richard Cottee[4]	**2012**	**160,551**	-	-	**14,450**	**42,707**	-	**(382,500)**	**(164,792)**
	2011	605,717	350,000	-	54,514	-	-	382,500	1,392,731
	2012	**1,713,300**	-	-	**151,198**	**42,707**	**(478,624)**	**(382,500)**	**1,046,081**
	2011	1,969,595	350,000	-	177,263	-	1,308,677	382,500	4,188,035

1. Michael Fowler was appointed Executive Chairman on 22 September 2011. On 4 July 2012 he resumed the position of Non-Executive Chairman.
2. Ian Boserio was appointed Executive Director on 22 September 2011. On 4 July 2012 he resumed the position of Non-Executive Director.
3. 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.
4. Richard Cottee ceased employment on 22 September 2011. The transactions detailed in the above table for 2012 cover the period 1 July 2011 to 22 September 2011. On ceasing employment, performance rights held by Richard Cottee were forfeited.

Termination Entitlements for Directors

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. Effective 30 June 2012, the Board has approved the removal of termination entitlements for Non-Executive Directors. Accordingly, the balances of long term benefits has been reversed in the current financial year and is reflected in the Director remuneration table above.

Director Remuneration

The current maximum remuneration to Non-Executive Directors as approved by shareholders in September 2008 is $650,000 per annum. The total remuneration to Non-Executive Directors did not exceed the maximum remuneration cap. Excludes Executive Director Remuneration during the year relating to Michael Fowler, Ian Boserio and Richard Cottee.

Key Management Personnel Remuneration

		Short Term Benefits			Post-employment Benefits			Share Based Payments	
Key Management Personnel	Year	Salary, Fees & Commissions $	Cash Bonus $	Other $	Super-annuation Contributions $	Termination Payment $	Increase in Long Term Benefits $	Options $	Total $
Lucio Della Martina[1]	**2012**	**80,686**	-	**660,000**	**1,923**	-	**64**	**62,934**	**805,607**
John Ah-Cann	**2012**	**605,196**	**55,500**	-	**50,000**	-	**1,169**	**45,604**	**757,469**
	2011	605,204	55,500	-	50,000	-	10,158	98,280	819,142
Keith Jackson[2]	**2012**	**361,238**	**150,000**	-	**49,999**	-	**420**	**7,550**	**569,207**
	2011	239,435	28,440	-	41,714	-	164	-	309,753
Stuart Jones	**2012**	**504,228**	-	-	**15,775**	-	**1,312**	**44,187**	**565,502**
	2011	504,804	50,000	4,082	15,164	-	763	50,457	625,270
Susan Robutti[3]	**2012**	**405,504**	**60,000**	-	**25,000**	-	**14,950**	**29,232**	**534,686**
Mike Maloney[4]	**2012**	**333,336**	-	-	**30,000**	**385,371**	-	**37,934**	**786,641**
	2011	513,004	76,000	-	45,000	-	697	81,750	716,451
Keith Edwards[5]	2011	437,900	-	-	45,833	191,325	-	50,457	725,515
Philip Smith[6]	2011	162,177	-	-	18,596	89,898	-	-	270,671
	2012	**2,290,188**	**265,500**	**660,000**	**172,697**	**385,371**	**17,915**	**227,441**	**4,019,112**
	2011	2,462,524	209,940	4,082	216,307	281,223	11,782	280,944	3,466,802

1. Lucio Della Martina commenced with the Company on 13 May 2012. The transactions in the above table for 2012 cover the period 13 May 2012 to 30 June 2012. Included in his remuneration is the fair value of shares and performance rights issued in accordance with the terms of his employment contract.
2. 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.
3. Susan Robutti became a member of the key management personnel effective 1 July 2011. The transactions detailed above for 2012 cover the period 1 July 2011 to 30 June 2012.
4. Mike Maloney ceased employment on 31 March 2012. The transactions detailed in the above table for 2012 cover the period 1 July 2011 to 31 March 2012. Included in the 2012 remuneration is the final payment of salary in accordance with his contract.
5. Keith Edwards ceased employment effective 31 May 2011. Included in the 2011 remuneration is the final payment of salary in accordance with his contract.
6. Phillip Smith ceased employment on 2 November 2010. Included in the 2011 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.

Increase in Long Term Benefits

In accordance with the requirement of the Accounting Standards, an increase in the long term benefits reflect 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.

7. Terms of Employment and Contracts

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the Consolidated Group.

Key Management Personnel	Contract Details
Lucio Della Martina Chief Executive Officer	Three year contract expiring 15 May 2015. Three month notice period required on resignation or termination and entitled to six months Total Fixed Remuneration on resignation or termination.
John Ah-Cann Longtom Asset Manager and 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.
Keith Jackson Exploration Manager	No fixed term. Three month 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.
Stuart Jones General Manager Finance and Investor Relations	Four year contract expiring 7 August 2013. Three months Total Fixed Remuneration for the first year plus one month of Total Fixed Remuneration for each additional year of service upon redundancy.
Susan Robutti Chief Financial Officer and Company Secretary	No fixed term. 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	Ceased employment on 31 March 2012.

8. Non-Executive Directors

Non-Executive Directors receive a base fee. In addition and in recognition of the higher workloads and extra responsibilities of participating in a Board committee, if applicable they also receive a committee fee. Chairing a committee attracts a higher fee rate. Directors do not receive performance related payments and do not receive performance rights. Non-Executive Director fees are determined by the Board based on advice from independent advisers, which includes market comparison of remuneration paid to Non-Executive Directors in a comparable group of similar sized companies. In 2011 the Board engaged Godfrey Remuneration Group Pty Limited (GRG) to conduct an external review of Non-Executive Directors' fees.

The fee structure for Non-Executive directors is as follows:

Board			Committee	
Chairman	Deputy Chairman	Member	Chairman	Member
$225,000	$125,000	$75,000	$15,000	$10,000

Termination Benefits for Directors

Current contractual arrangements with Non-Executive Directors provide that they are entitled to termination payments on termination or resignation. The Board acknowledges that the entitlement of each Non-Executive Director to receive a termination payment in certain circumstances is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles. Effective 30 June 2012, the Board has removed termination entitlements for Non-Executive Directors.

Nomination Committee Fees

Effective 1 July 2012, the Board resolved to remove Director fees for this sub-committee.

9. Shareholdings

Number of ordinary shares held by Directors and other key management personnel as at 30 June 2012:

Directors	Balance 30/6/11	Received as Remuneration	Options Exercised	Shares Purchased	Shares Sold	Other	Balance 30/6/12
Michael Fowler	4,874,122	-	-	504,000	-	-	5,378,122
Michael Arnett	411,668	-	-	-	-	-	411,668
Ian Boserio	455,000	-	-	-	-	-	455,000
Steven Lowden	580,450	-	-	200,000	-	-	780,450
Symon Drake-Brockman	52,500,169	-	-	-	(4,358,883)	-	48,141,286
John Hartwell(1)	31,200	-	-	118,800	-	-	150,000
Richard Cottee	-	-	-	-	-	-	-
	58,852,609	-	-	822,800	(4,358,883)	-	55,316,526
Key Management Personnel							
Lucio Della Martina(2)	-	3,000,000	-	-	-	-	3,000,000
John Ah-Cann	-	-	113,098	-	-	-	113,098
Keith Jackson	-	-	-	-	-	-	-
Stuart Jones	-	-	-	-	-	-	-
Susan Robutti(3)	321,472	-	49,368	-	-	-	370,840
Mike Maloney(4)	720,000	-	-	100,000	-	(820,000)	-
	1,041,472	3,000,000	162,466	100,000	-	(820,000)	3,483,938

1. John Hartwell was appointed as a Non-Executive Director on 31 March 2011. The opening balance of shares held represents shares acquired prior to his appointment as a Director.
2. Lucio Della Martina was issued ordinary shares in accordance with the term of his employment contract.
3. Susan Robutti became a member of the key management personnel effective 1 July 2011. The opening balance of shares held represents shares held prior to 1 July 2011.
4. Mike Maloney ceased employment on 31 March 2012. The transactions detailed in the above table cover the period 1 July 2011 to 31 March 2012. As Mike Maloney ceased employment on 31 March 2012 his shareholding has been excluded from the balance at 30 June 2012.

10. Performance Rights Over Ordinary Shares

Details of Nexus share option plans are set out in Note 29 to the Financial Report. During the financial year 6,913,100 performance rights with zero exercise price (2011: 4,109,400) were issued to key management personnel and employees.

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

The performance test for the performance rights issued to CEO and key management personnel 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 performance rights issued will be as follows:

- Top quartile ranking is required for all performance rights to vest.
- No performance rights would vest if Nexus ranks in the third or fourth quartile of TSR rankings at the end of the vesting period.
- 50% of the performance rights will vest at the 50th percentile with proportionate vesting to the 75th percentile.

10. Performance Rights Over Ordinary Shares continued

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

Directors	Balance 30/6/11	Granted as Remuneration	Performance Rights Exercised in 2012	Forfeited	Balance 30/6/12	Total Vested 30/6/12	Total Exercisable 30/6/12	Total Un-exercisable 30/6/12
Michael Fowler	-	-	-	-	-	-	-	-
Michael Arnett	-	-	-	-	-	-	-	-
Ian Boserio	-	-	-	-	-	-	-	-
Steven Lowden	-	-	-	-	-	-	-	-
Symon Drake-Brockman	-	-	-	-	-	-	-	-
John Hartwell	-	-	-	-	-	-	-	-
Richard Cottee[(1)]	2,250,000	-	-	(2,250,000)	-	-	-	-
	2,250,000	-	-	(2,250,000)	-	-	-	-
Key Management Personnel								
Lucio Della Martina[(2)]	-	4,500,000	-	-	4,500,000	-	-	4,500,000
John Ah-Cann	440,698	347,300	(113,098)	-	674,900	-	-	674,900
Keith Jackson	-	230,000	-	-	230,000	-	-	230,000
Stuart Jones	152,900	275,600	-	-	428,500	-	-	428,500
Susan Robutti[(3)]	259,368	222,600	(49,368)	-	432,600	-	-	432,600
Mike Maloney[(4)]	272,500	288,900	-	(561,400)	-	-	-	-
	1,125,466	5,864,400	(162,466)	(561,400)	6,266,000	-	-	6,266,000

1. Richard Cottee ceased employment effective 22 September 2011. The transactions detailed in the above table cover the period 1 July 2011 to 22 September 2011.
2. Lucio Della Martina was issued performance rights in accordance with the terms of his employment contract.
3. Susan Robutti became a member of the key management personnel effective 1 July 2011. The opening balance of performance rights held represents options held prior to 1 July 2011.
4. Mike Maloney ceased employment on 31 March 2012. The transactions detailed in the above table cover the period 1 July 2011 to 31 March 2012.

At 30 June 2012, 7,551,300 performance rights with zero exercise price (2011: 4,419,293) were outstanding as part of the Nexus Energy Limited Executive Director and Employee Option Plan (refer table below). The Executive Director and Employee Option Plan was re-approved on 17 November 2011 at the Annual 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 2012 the unissued ordinary shares of Nexus Energy Limited are as follows:

Grant Date	Expiry and Exercise Date	Exercise Price	Number
4 August 2010	30 June 2013	Zero	690,500
6 December 2010	30 June 2013	Zero	466,500
19 August 2011	30 June 2014	Zero	1,894,300
3 April 2012	2 March 2015	Zero	4,500,000
			7,551,300

Performance rights holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity. During the financial year, 484,093 shares were issued on the exercise of performance rights granted under the Nexus Energy Limited Executive Director and Employee Option Plan.

Non-audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important. Details of the amounts paid or payable to the auditor (PwC) for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, 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 provision of non-audit services by the auditor, as set out below, did not compromise the auditor 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.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity:

Taxation Services	$
PwC Australian firm:	164,921
• Tax advice on Crux Integrated transaction	
• Tax compliance and other services	19,367
Total remuneration for taxation services	184,288

Auditor's Independence Declaration

A copy of the auditor's independence declaration for the financial year ended 30 June 2012 has been received as required under Section 307C of the Corporations Act 2001 and is included on page 44.

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

On behalf of the Directors:

Michael Fowler
Non-Executive Chairman
Dated at Melbourne this 11th day of September 2012

AUDITOR'S INDEPENDENCE DECLARATION

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Nexus Energy Limited for the year ended 30 June 2012 I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Nexus Energy Limited and the entities it controlled during the period.

Charles Christie
Partner
PricewaterhouseCoopers

11 September 2012
Melbourne

CORPORATE GOVERNANCE STATEMENT

The Board and management team of Nexus Energy Limited (Nexus or 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 standards of corporate governance. This is an integral part of the Board's strategy to create sustainable, long term growth for Nexus and deliver value to shareholders.

This statement provides a description of the Company's main corporate governance principles and practices. All these practices, unless otherwise stated, were in place for the entire year. These principles and practices are updated regularly to ensure compliance with the law and best practice developments in corporate governance.

The Company, as a listed entity, must comply with the Corporations Act 2001, the Australian Securities Exchange (ASX) Listing Rules and all other applicable laws and regulations applicable to listed entities in Australia. The ASX Listing Rules require the Company to report on the extent to which it has followed the Corporate Governance Recommendations contained in the ASX Corporate Governance Council's second edition of its Corporate Governance Principles and Recommendations. Unless otherwise stated below, the Company's policies and procedures comply with the ASX Corporate Governance Principles and Recommendations (including the 2010 amendments) and all other relevant laws and regulations.

Principle 1: Lay Solid Foundations for Management and Oversight

Role and Responsibilities of the Board

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 ensures the Company is properly managed. In addition, the Board is responsible for the following:

- the overall corporate governance of the Company;
- the strategic direction of the Company;
- identifying and monitoring of corporate goals and policies;
- overseeing the Company's management; and
- regularly reviewing performance.

The Board acts in accordance with the Company Constitution and Board Charter. These documents describe the composition, functions and responsibilities of the Board, and distinguish such functions and responsibilities from the management of all other aspects of the Company's business and affairs, which have been delegated to the Chief Executive Officer (CEO).

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 CEO 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 CEO, 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 CEO and Company Secretary and determining his or her terms and conditions of service, including approving any financial incentives;
- evaluating the performance of the CEO;
- 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 CEO has been delegated the responsibility of the day-to-day running of the Company (except for those matters expressly reserved to the Board or key management personnel); 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 a questionnaire which sets out their views on the performance and effectiveness of the Board, 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. A retiring Director's performance is taken into consideration by the Board when determining whether to support the Director's re-election.

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. This process is designed to facilitate improvements in Board processes and efficient and effective management of the Company.

The Remuneration and Performance Committee recommends the criteria for evaluating the performance of the CEO. The Chairman conducts the evaluation of the CEO's performance at least annually.

The CEO annually conducts performance reviews of members of the management team who report directly to him against measures appropriate to Nexus' operations and activities. In 2012, performance evaluations were conducted in accordance with Nexus' processes and procedures with the results included in the Directors' Report.

Remuneration of Individual Directors and Senior Management

In recognition of the 'first strike' vote against the 2011 Remuneration Report, there has been significant effort within the Company to implement the targeted remuneration strategy across the organisation since the last Annual General Meeting of shareholders.

Initiatives over the last 10 months include the implementation of an approved remuneration strategy by the Performance and Remuneration Committee. This strategy is based on the proposition that the Company's personnel shall be remunerated with a combination of Total Fixed Remuneration (or base pay), Long Term Incentives (LTI) to encourage loyalty and longer term alignment and Short Term Incentives (STI) to reward individual performance annually.

All new staff are employed on this basis and existing staff are being transitioned to this remuneration structure. As part of this process, the Company has:

- implemented a formalised and rigorous Short Term Incentive regime across the organisation which is measured against set corporate, departmental and individual key performance indicators for the relevant financial year;
- issued annual Long Term Incentives, all of which are performance tested;
- implemented a new Company structure as approved by the Board; and
- conducted performance reviews (half-yearly and yearly).

In 2011, the Board engaged Godfrey Remuneration Group Pty Limited (GRG) to conduct an external review of Non-Executive Directors' fees which were adjusted. Non-Executive Director fees are determined by the Board based on advice from independent advisers, which includes market comparison of remuneration paid to Non-Executive Directors in a comparable group of similar sized companies. The fee structure for Non-Executive Directors is as follows:

Board			Committee	
Chairman	Deputy Chairman	Member	Chairman	Member
$225,000	$125,000	$75,000	$15,000	$10,000

The current maximum remuneration to Non-Executive Directors as approved by shareholders in September 2008 is $650,000 per annum. This amount only includes salary, fees and superannuation and excludes Executive Director remuneration relating to Michael Fowler, Ian Boserio and Richard Cottee. The total remuneration to Non-Executive Directors did not exceed the maximum remuneration cap.

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 and a maximum of 12 Directors with the majority being Non-Executive Directors. The Board determines the number of Directors within those limits and annually reviews its composition. This includes ensuring 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 may not retain office for more than three years without submitting themselves for re-election.

As at the date of this statement, the Board is comprised of six Directors, all of them Non-Executive Directors. The Board strives to ensure that its members represent the right balance of skills, knowledge and experience in order to ensure that the Company's strategic direction is appropriate and that the Company is managed in keeping with best practice in corporate governance. The Board includes Directors who have a proper understanding of the Company's business and who can add value across a range of disciplines 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. The skills, experience, expertise and commencement dates and period of office held by each Director is set out in the Directors' Report.

Recommendation 2.2 of the revised Corporate Governance Council Principles provides that the Chair should be an Independent Director. On 22 September 2011, Richard Cottee unexpectedly resigned as Managing Director ceasing employment with the Company on that date. As a result, Michael Fowler (Chair) was appointed as interim Executive Director in the short term to work alongside the Nexus management team. On the same day, Ian Boserio was also appointed as an interim Executive Director to work alongside the Nexus management team.

The Board considered this appropriate in order to ensure the Company would continue to progress its corporate objectives while a new Chief Executive Officer could be sourced and secured. Following the appointment of Lucio Della Martina as Chief Executive Officer in May 2012, Michael Fowler resumed the role as Non-Executive Chairman on 4 July 2012 after an appropriate transition period.

The Board of Nexus was aware of the Corporate Governance recommendations in relation to Non-Executive Directors taking executive positions, however given the circumstances felt it necessary and appropriate to assist the Company through this critical juncture which has enabled Nexus to complete and execute binding agreements in relation to the Crux Integrated transaction with Shell and Osaka Gas.

Principle 2: Structure the Board to Add Value continued

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 in keeping with Recommendation 2.1 of the ASX Corporate Governance Guidelines. Essentially, a Director's independence is assessed by reference to whether a Director is a Non-Executive Director (rather than a member of senior management), and whether they have any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the exercise of independent judgement.

The Board annually assesses the independence of each Director within appropriate materiality thresholds taking into consideration all relevant information, facts and circumstances. An assessment of a Director's 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 independence criteria and materiality thresholds to assist with the assessment of a Director's independence. The independence criteria and materiality thresholds for a Director to lack the requisite independence 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 have or may have with the interests of the Company or circumstances which may affect their independence. A Director's declaration of interests is tabled at each Board meeting. A Director who has an actual or possible conflict of interest is not provided with the section of the Board paper relating to the relevant subject matter, and he must withdraw himself from any meetings or discussions for the period during which the relevant subject matter is considered. Minutes relating to matters in respect of which a Director is considered to have a conflict of interest will not be provided to that Director (though general material may be provided in broad terms to ensure the Director is adequately informed as to the matter's progress).

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. In 2011, concerns were raised in relation to fees paid to Director related entities for consultancy services. The services performed to 2011 were performed at arms-length, at market rates and were considered the best option available to assist the Company through the initiatives undertaken in 2011. Consultancy fees paid in 2012 have reduced when compared to 2011 and are fully disclosed in Note 30 of this Annual Report.

Based on the Board's assessment of the independence of each Director, there are four Non-Executive Directors who satisfy the criteria for independence being Michael Arnett, Symon Drake-Brockman, John Hartwell and Steven Lowden. Michael Fowler and Ian Boserio are not independent given that they held the executive positions from 22 September 2011 until 4 July 2012.

Board Meetings

The Board usually meets on a bi-monthly basis and where appropriate, receives presentations from senior manager who may be questioned directly by the Board members on any matter including operational and commercial issues. The Chairman sets the agenda for each meeting in consultation with the CEO and Company Secretary. A Director may also request matters to be included in the agenda. The Board considers issues relating to continuous disclosure, risk oversight and management at every meeting. Typically, the agenda for Board meetings will also include the following:

- acceptance of the minutes of the previous Board meeting;
- the investor relations report;
- a report from the CEO including various matters including (but not limited to) legal, commercial and business development matters;
- the CFO's report on finance and cash flow;
- human resources; and
- updates regarding the Company's assets.

The Company Secretary oversees the preparation of the papers submitted to the Board at each meeting, with input provided by senior management and other relevant personnel including the members of the Finance, Human Resources and Legal functions. Board papers are circulated in both electronic and hard copy form prior to Board meetings. Where appropriate, the Board may receive presentations from senior management who may be questioned directly by Board members on any matter including operational and commercial issues. Directors are also entitled to request additional information if they consider necessary to ensure informed decision-making.

Susan Robutti, the CFO and Company Secretary, attends all Board meetings. In her capacity as CFO and Company Secretary, she is responsible for ensuring that Board procedures are adhered to and that governance matters are addressed.

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.

Board Committees

Under the Company's Constitution and the Board Charter, the Board may delegate its authority and responsibilities to various committees which are designed to consider and provide guidance to the Board on specific issues. This allows Directors to focus time and attention on particular issues that are relevant to the Company's management. The Board has established the following committees to assist in carrying out its responsibilities:

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

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

Remuneration and Performance Committee

All members of the Remuneration and Performance Committee are Non-Executive Directors. On 2 July 2011, the committee membership was changed to Ian Boserio (Chair), Michael Fowler and John Hartwell. Following the appointment of Michael Fowler and Ian Boserio as Executive Directors on 22 September 2011, the composition of the committee was changed to Symon Drake-Brockman (Chair), Ian Boserio and John Hartwell. Details of attendance at the Remuneration and Performance Committee meetings are set out in the Directors' Report.

The role of the Remuneration and Performance Committee is to assist the Board in establishing human resources and remuneration practices and policies which enable the Company to attract, retain and incentivise high calibre employees who will achieve high standards in their respective roles and create value for shareholders. This committee is also responsible for ensuring that employees are remunerated:

- fairly and responsibly;
- in keeping with the individual, departmental and Company performance; and
- in keeping with prevalent market conditions.

Nomination Committee

The Nomination Committee's membership includes all members of the Board and Nomination Committee meetings are conducted as part of regular meetings of the Board. John Hartwell was appointed as Chair of the committee on 2 July 2011 and continues to act in that capacity.

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.

If a Director has a conflict of interest in relation to a particular item of business of the Nomination Committee, he must absent himself from the Nomination Committee meeting before commencement of discussion on the topic.

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.

Failure to comply with the Code of Conduct constitutes a serious breach of Company policy and may result in disciplinary action. All breaches are required to be recorded.

Restrictions on Dealings in Securities

Directors, senior management, employees, contractors, consultants and advisers of the Company (Designated Persons) are restricted under the Corporations Act from 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. This policy is administered by the Company Secretary.

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 CEO (or Chairman in the case of the CEO) 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 continued to pursue the measurable objectives for achieving greater diversity across the Company, such as:

- 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;
  - key management personnel – 20% of the Company's senior management be women;
  - Board – one of the Board members be a woman; and
- identifying program that assist in the development of a broader pool of skilled and experienced Board candidates.

The following table shows the proportional representation of men and women at various levels with the Nexus workforce as at 30 June 2012 and 30 June 2011.

	2012		2011	
Board	**No. Staff**	**Percentage**	No. Staff	Percentage
Male	**6**	**100%**	6	100%
Female	-	-	-	-
Key Management Personnel				
Male	**4**	**80%**	4	100%
Female	**1**	**20%**	-	-
Staff				
Male	**10**	**53%**	10	48%
Female	**9**	**47%**	11	52%

During 2012, the percentage of female staff numbers across key management personnel and staff were in accordance with the Company's diversity policy targets. The focus for 2013 is to continue to promote diversity within the organisation.

Privacy of Information

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

Principle 4: Safeguard Integrity in Financial Reporting

Safeguarding integrity in financial reporting is part of the remit of the Audit Committee. Specifically, the committee is responsible for assisting 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.

Audit Committee

The Audit Committee is chaired by Michael Arnett, who is not the Chairman of the Board, and includes Symon Drake-Brockman and Steven Lowden. All members of the Audit Committee are Non-Executive Directors who are financially literate and have the appropriate background, skills and experience relevant to the operations and financial and strategic risk profile of Nexus. Details of Director qualifications and attendance at Audit Committee meetings is set out in the Director's Report.

The role and responsibilities of the Audit Committee are detailed in the Audit Committee Charter. The role of this committee is to assist the Board in ensuring it meets its oversight responsibilities with respect to financial reporting, legal and regulatory compliance, risk management and audit functions.

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.

PricewaterhouseCoopers (PwC) were appointed as the external auditor at the Annual General Meeting on 17 November 2011. It is PwC's 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 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.

CORPORATE GOVERNANCE STATEMENT continued

Principle 5: Make Timely and Balanced Disclosure

Continuous Disclosure Policy

The Company recognises that shareholders, as the ultimate owners of the Company, are entitled to be provided with timely, relevant and accurate information in respect of the Company and its operations. Similarly, potential investors are entitled to be able to make informed investment decisions based on high quality information.

Accordingly, the Company has an established Continuous Disclosure Policy. This policy ensures that, as a minimum, the Company:

- complies with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules;
- meets best practice standards;
- provides shareholders and the market with timely, direct and equal access to information issued by the Company; and
- promotes and maintains investor confidence in the integrity in the Company and its securities.

The policy is aligned with the ASX Listing Rules on trading policies, as well as with other relevant ASX guidelines. The policy also requires that all information released to the market be posted on the Company's website promptly following any release.

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. The Continuous Disclosure Policy is administered by the Company Secretary.

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.

The Board of Directors encourages management accountability for the Company's financial reports by requiring the CEO and the CFO to state in writing to the Board of Directors that:

- 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
- that financial reports are compiled in accordance with best practice and are properly monitored by 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 CEO – 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 is 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's 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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Note	2012 $	2011 $
Sales revenue	3	80,669,647	66,607,811
Operating costs	4	(66,169,734)	(68,450,701)
Operating profit/(loss)		14,499,913	(1,842,890)
Other revenue	3	3,985,727	2,393,569
Exploration expenditure expensed	5	(321,695)	(8,443,993)
Employee benefits expense		(6,749,565)	(7,096,286)
Depreciation and amortisation	5	(98,446)	(167,051)
Finance costs	5	(32,777,312)	(37,753,676)
Mark-to-market gain/(loss) on derivative financial instruments		565,455	1,899,202
Net foreign currency gains/(losses)		1,002,836	(274,887)
Inventory write down		(1,903,244)	(4,065,931)
Loss on disposal of inventory		(6,455,602)	(368,673)
Restoration provision expense		(1,609,436)	(10,039,493)
Gain on extinguishment of borrowings		-	14,609,199
Impairment of development asset – Long Lead Items (LLI)	16	(81,037,603)	-
Impairment of production asset	17	(162,777,847)	(81,772,347)
Other expenses		(9,764,586)	(11,118,628)
Loss before income tax		(283,441,405)	(144,041,885)
Income tax (expense)/credit	6	(58,881,501)	104,839,529
Loss for the year attributable to the owners of Nexus Energy Limited		(342,322,906)	(39,202,356)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of Nexus Energy Limited		(342,322,906)	(39,202,356)
Basic earnings per share (cents)	8	(25.8)	(3.7)
Diluted earnings per share (cents)	8	(25.8)	(3.7)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Note	2012 $	2011 $
Current assets			
Cash and cash equivalents	9	**33,653,460**	62,611,651
Trade and other receivables	10	**7,820,278**	9,062,690
Inventories	11	**14,580**	1,432,776
Other current assets	12	**2,452,553**	3,031,654
Total current assets		**43,940,871**	76,138,771
Non-current assets			
Trade and other receivables	10	**-**	6,388,670
Property, plant and equipment	13	**241,178**	226,030
Deferred tax asset	6	**123,344,489**	182,225,990
Intangible assets	14	**27,351**	4,523
Exploration and evaluation assets	15	**11,655,088**	10,140,415
Development assets	16	**233,630,985**	311,592,676
Production assets	17	**145,383,940**	332,508,009
Other non-current assets	12	**22,467,226**	25,116,258
Total non-current assets		**536,750,257**	868,202,571
Total assets		**580,691,128**	944,341,342
Current liabilities			
Trade and other payables	18	**27,092,989**	43,669,701
Borrowings	19	**43,488,768**	11,000,000
Total current liabilities		**70,581,757**	54,669,701
Non-current liabilities			
Trade and other payables	18	**3,021,040**	8,059,040
Derivative financial liabilities	20	**1,089,113**	1,654,568
Borrowings	19	**167,412,338**	201,207,219
Long term provisions	21	**47,475,538**	45,851,866
Total non-current liabilities		**218,998,029**	256,772,693
Total liabilities		**289,579,786**	311,442,394
Net assets		**291,111,342**	632,898,948
Equity			
Issued capital	22	**689,593,738**	688,933,738
Reserves	23	**7,556,394**	7,681,094
Retained profits/(accumulated losses)		**(406,038,790)**	(63,715,884)
Total equity		**291,111,342**	632,898,948

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Issued Capital $	Retained Profits/ (Accumulated Losses) $	Share Based Payments Reserve $	Total Equity $
Balance as at 1 July 2010	544,505,729	(24,513,528)	8,590,572	528,582,773
Comprehensive income				
Profit 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 expense	-	-	(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
Balance at 1 July 2011	688,933,738	(63,715,884)	7,681,094	632,898,948
Comprehensive income				
Loss for the year	-	(342,322,906)	-	(342,322,906)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	(342,322,906)	-	(342,322,906)
Transactions with owners in their capacity as owners, and other transfers				
Shares issued less transaction costs	660,000	-	-	660,000
Share based payments expense	-	-	(124,700)	(124,700)
Total transactions with owners in their capacity as owners, and other transfers	660,000	-	(124,700)	535,300
Balance as at 30 June 2012	689,593,738	(406,038,790)	7,556,394	291,111,342

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Receipts from customers		92,378,252	72,743,956
Payments to suppliers and employees		(58,350,391)	(64,385,880)
Interest received		2,524,536	1,445,724
Finance costs		(22,492,112)	(20,788,343)
Net cash provided by/(used in) operating activities	28	14,060,285	(10,984,543)
Cash flows from investing activities			
Payments for plant and equipment and intangible assets		(138,657)	(230,386)
Proceeds from disposal of plant and equipment		-	8,997
Proceeds from sale of casing		5,045,582	541,006
Payments for exploration, development and production expenditure		(36,949,418)	(13,011,746)
Net cash flows used in investing activities		(32,042,493)	(12,692,129)
Cash flows from financing activities			
Proceeds from issue of shares		-	136,511,905
Payments for transaction costs arising on share issues		(19,341)	(5,063,610)
Repayment of borrowings		(11,000,000)	(70,000,000)
Net cash flows (used in)/provided by financing activities		(11,019,341)	61,448,295
Net (decrease)/increase in cash and cash equivalents held		(29,001,549)	37,771,623
Cash and cash equivalents at beginning of financial year		62,611,651	24,923,857
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		43,358	(83,829)
Cash and cash equivalents at end of financial year	9	33,653,460	62,611,651

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

1. Statement of Significant Accounting Policies

Nexus Energy Limited (Company) is a public company limited by shares and is listed on the ASX.

The financial statements and notes represent those of Nexus Energy Limited and Subsidiaries (Group). The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

The general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Nexus Energy Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The consolidated financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

New and Amended Standards Adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Historical Cost Convention

These financial statements have been prepared on an accrual basis under the historical cost convention as modified, when relevant by the revaluation of selected financial assets and liabilities for which the fair value basis of accounting has been applied.

Early Adoption of Standards

The group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

Going Concern

At 30 June 2012, the Consolidated Group current liabilities exceed its current assets by $26,640,886 which is mainly the result of the current portion of the senior subordinated notes (as disclosed in Note 19) due in January 2013. On the basis of the present level of operations and after consideration of the Group's ability to:

- complete the transaction with Shell and Osaka Gas for the integrated gas and liquids development at Crux;
- sell down an interest in the Crux JV and/or exercise the put option (also refer to Note 33);
- farm out an interest in exploration permits to meet future commitments; and/or
- continue to work with lenders ensuring ongoing compliance with lending facilities and review events (also refer to Note 19).

the Directors are of the opinion that for the next 12 month period from the date of signing the Directors' Declaration the Group and Company will have sufficient liquidity to meet their existing commitments and accordingly present these consolidated financial statements on a going concern basis.

(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/(revenue) 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.

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. 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 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 indicators 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 life ranging from two to three years. Amortisation is calculated on a straight-line basis over periods of generally two 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.

(j) Production and Development Assets

Production and 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 a decision is made 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 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.

(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.

1. Statement of Significant Accounting Policies continued

(q) Financial Guarantees continued

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.

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 the item being hedged.

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.

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.

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 Note 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 was made together with the associated production or development assets in the same area of interest (Note 16 and Note 17).

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 on the basis they will be applied against future taxable profits. The majority of the deferred tax asset relates to carried forward losses. At 30 June 2012 the carried forward tax losses totalled $130,841,554. The majority of these losses are expected to be utilised on completion of the integrated transaction with Shell and Osaka Gas during the 2013 financial year. Refer to Note 33 Subsequent Events.

PRRT applies to all the Group's Australian petroleum projects in offshore areas under the Petroleum Resource Rent Tax Assessment Act 1987, other than some specific production licences. PRRT is assessed on a project basis or production licence area and will be levied on the taxable profits of a relevant petroleum project at a rate of 40%. Certain specified undeducted expenditures are eligible for compounding. The expenditures can be compounded annually at set rates and the compounded amount can be deducted against assessable receipts in future financial years. The Group estimates that at 30 June 2012 it has incurred compounded carried forward undeducted PRRT expenditure in excess of accounting carrying values amounting to $679,831,726 (2011: $Nil). The resulting deferred tax asset calculated at an effective tax rate of 28%, that has not been recognised in the consolidated financial statements, was $190,352,883 (2011: $Nil).

In order for the Group to utilise undeducted expenditures for PRRT purposes from previous financial years, it will be required to substantiate eligible expenditure in relation to respective Australian offshore permits since the date of their granting to the Group. Any amount that the Group is not able to substantiate will not be able to be utilised against assessable receipts in future financial years. Interests in undeducted PRRT expenditure can be transferred between projects within the Group or to other third parties on acquisitions of interests in the Group's Australian offshore permits.

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 – Parent Entity	2012 $	2011 $
Assets		
Current assets	**129,690,041**	60,614,505
Total assets	**474,256,718**	596,721,682
Liabilities		
Current liabilities	**1,394,321**	3,413,628
Total liabilities	**33,157,220**	131,673,706
Equity		
Issued capital	**689,593,838**	688,933,738
Share based payments reserve	**7,556,394**	7,681,094
Accumulated losses	**(256,050,734)**	(231,566,856)
Total equity	**441,099,498**	465,047,976
Statement of Comprehensive Income – Parent Entity		
Total loss for the year	**(24,483,878)**	(81,112,417)
Total comprehensive loss for the year	**(24,483,878)**	(81,112,417)

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.

	2012 $	2011 $
3. Revenue		
Sale of gas and condensate	**80,669,647**	66,607,811
	80,669,647	66,607,811
Other revenue		
Interest income on cash and cash equivalents	**2,524,536**	1,445,724
Services revenue from joint venture operations	**235,276**	432,271
Rental income on sub-lease	**1,225,915**	515,574
	3,985,727	2,393,569
4. Operating Costs		
Production costs	**31,766,718**	27,945,409
Royalty expense	**2,422,991**	1,933,924
Amortisation of production asset	**31,980,025**	38,571,368
Total operating costs	**66,169,734**	68,450,701

5. Profit/(Loss) For The Year

	2012 $	2011 $
Profit/(loss) before income tax includes the following expense items:		
Exploration and evaluation expenditure expensed	**321,695**	8,443,993
Rental expense on operating leases – minimum lease payments	**1,952,922**	1,972,583
Impairment of development asset – Long Lead Items	**81,037,603**	-
Impairment of production asset	**162,777,847**	81,772,347
Finance costs:		
– interest expense on bank loans	**10,997,082**	20,075,093
– interest expense on senior subordinated notes	**21,739,111**	17,629,843
– other	**41,119**	48,740
Total finance costs	**32,777,312**	37,753,676
Depreciation and amortisation:		
– plant and equipment	**36,588**	54,520
– leasehold improvements	**45,529**	42,332
– software	**16,329**	70,199
Total depreciation and amortisation	**98,446**	167,051

6. Income Tax

(a) Income Tax Recognised in Profit and Loss

	2012 $	2011 $
Tax expense/(income) comprises:		
Deferred income tax	**(82,753,846)**	(43,346,379)
Deferred tax – petroleum resource rent tax (net of income tax benefits)	**141,635,347**	(61,787,792)
Recognition of temporary differences and tax losses not previously brought to account	**-**	294,642
	58,881,501	(104,839,529)
The prima facie tax on loss before income tax is reconciled to income tax as follows:		
Prima facie tax receivable on the profit/(loss) before income tax calculated at the Australian tax rate of 30% (2011: 30%)	**(85,032,421)**	(43,212,566)
Add/(less) tax effect of:		
Share based payments expense	**37,410**	(272,843)
Temporary differences and tax losses not previously brought to account	**-**	294,642
Other non deductible items	**2,241,165**	139,030
Income tax expense/(income)	**(82,753,846)**	(43,051,737)
Petroleum resource rent tax (net of income tax benefits)	**141,635,347**	(61,787,792)
Total tax expense/(income)	**58,881,501**	(104,839,529)

(b) Income Tax Recognised Directly in Equity

	2012 $	2011 $
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:		
Deferred tax		
Unclaimed equity raising costs	**-**	1,524,882
Total income tax recognised directly in equity	**-**	1,524,882

6. Income Tax continued

(c) Deferred Tax Balances

Deferred tax balances arise from the following:

2012	Opening Balance $	Charged to Income $	Charged to Equity $	Closing Balance $
Temporary differences				
Exploration, development and production assets	(93,282,015)	71,686,579	-	(21,595,436)
Petroleum resource rent tax	141,635,347	(141,635,347)	-	-
Provisions and accruals	14,012,585	519,204	-	14,531,789
Unclaimed takeover costs	356,407	(176,082)	-	180,325
Unclaimed equity raising costs	2,508,853	(948,169)	-	1,560,684
Senior subordinated notes	419,035	212,358	-	631,393
Inventory	3,474,681	570,973	-	4,045,654
Other	(3,667,845)	(3,183,629)	-	(6,851,474)
	65,457,048	(72,954,113)	-	(7,497,065)
Unused tax losses and credits:				
Tax losses	116,768,942	14,072,612	-	130,841,554
	182,225,990	(58,881,501)	-	123,344,489
Presented in the statement of financial position as follows:				
Deferred tax asset				123,344,489

2011	Opening Balance $	Charged to Income $	Charged to Equity $	Closing Balance $
Temporary differences				
Exploration, development and production assets	(119,087,302)	25,805,287	-	(93,282,015)
Petroleum resource rent tax	79,847,555	61,787,792	-	141,635,347
Provisions and accruals	10,970,899	3,041,686	-	14,012,585
Unclaimed takeover costs	744,059	(387,652)	-	356,407
Unclaimed equity raising costs	2,048,672	(1,064,701)	1,524,882	2,508,853
Senior subordinated notes	2,871,493	(2,452,458)	-	419,035
Inventory	2,254,902	1,219,779	-	3,474,681
Other	(3,471,969)	(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				182,225,990

	2012 $	2011 $
(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:		
Capital tax losses	90,400,692	90,400,692
Potential net tax benefit at Australian tax rate of 30%	27,120,207	27,120,207
Petroleum resource rent tax credits	679,831,726	-
Potential net tax benefit at effective tax rate of 28%	190,352,883	-

	2012 $	2011 $

7. Dividends

There were no ordinary dividends declared or paid during the financial year by the Company (2011: $Nil).

	2012 $	2011 $
Dividend franking account		
Balance of franking account	-	-

8. Earnings Per Share

	2012 $	2011 $
Loss used to calculate basic and dilutive loss per share	(342,322,906)	(39,202,356)
(a) Basic profit/(loss) per share (cents)	(25.8)	(3.7)
(b) Diluted profit/(loss) per share (cents)	(25.8)	(3.7)
Weighted average number of ordinary shares outstanding during the financial year used in calculating basic profit/(loss) per ordinary share	1,327,464,036	1,050,468,609
Weighted average number of dilutive options outstanding	-	5,954,914
Weighted average number of anti-dilutive options outstanding	31,884,058	33,583,354
Weighted average number of ordinary shares outstanding during the financial year used in calculating diluted profit/(loss) per share (excluding anti-dilutive options outstanding)	1,327,464,036	1,056,423,523

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

	2012 $	2011 $
Cash at bank and on hand	4,173,305	12,230,201
Bank deposits at call	23,250,391	45,200,116
Restricted bank deposits	6,229,764	5,181,334
Total cash and cash equivalents	33,653,460	62,611,651

(a) Cash at Bank and On Hand

Cash at bank and on hand balance attracted an interest rate of 3.3% as at 30 June 2012 (30 June 2011: 4.15%). 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 2012 was 4.2% (30 June 2011: 5.24%). 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 2012 was 3.64% (30 June 2011: 4.15%). 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.

10. Trade and Other Receivables

	2012 $	2011 $
Current		
Trade and other receivables	7,820,278	9,392,211
Provision for impairment	-	(329,521)
Total current trade and other receivables	7,820,278	9,062,690
Non-current		
Trade and other receivables	-	6,388,670
Total non-current trade and other receivables	-	6,388,670

(a) Past Due But Not Impaired

The ageing of these receivables is as follows:

	2012 $	2011 $
Greater than three months	-	6,388,670
	-	6,388,670

(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

	2012 $	2011 $
Current		
Casing and oilfield inventory, at cost	10,069,430	9,584,382
Inventory held for resale	3,430,665	3,430,665
Less: provision for obsolescence	(13,485,515)	(11,582,271)
Total current inventories	14,580	1,432,776

12. Other Assets

	2012 $	2011 $
Current		
Prepayments – prepaid toll fees and insurance	2,452,553	3,031,654
Total current other assets	2,452,553	3,031,654
Non-current		
Prepayments – prepaid toll fees	22,467,226	25,116,258
Total non-current other assets	22,467,226	25,116,258

	2012 $	2011 $

13. Property, Plant and Equipment

Plant and equipment		
At cost	**1,011,341**	915,171
Accumulated depreciation	**(939,192)**	(902,604)
Total plant and equipment	**72,149**	12,567
Leasehold improvements		
At cost	**227,781**	226,686
Accumulated depreciation	**(58,752)**	(13,223)
Total leasehold improvements	**169,029**	213,463
Total property, plant and equipment, at net book value	**241,178**	226,030

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	**12,567**	75,175
Additions	**96,170**	10,002
Disposals	**-**	(239,781)
Write back of accumulated depreciation on disposal of assets	**-**	221,691
Depreciation expense	**(36,588)**	(54,520)
Net carrying amount at end of financial year	**72,149**	12,567
Leasehold improvements		
Balance at beginning of financial year	**213,463**	132,866
Additions	**1,095**	226,686
Disposals	**-**	(326,789)
Write back of accumulated depreciation on disposal of assets	**-**	223,032
Depreciation expense	**(45,529)**	(42,332)
Net carrying amount at end of financial year	**169,029**	213,463

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

14. Intangible Assets

Computer software		
At cost	**1,381,986**	1,342,829
Accumulated amortisation	**(1,354,635)**	(1,338,306)
Total intangibles, at net book value	**27,351**	4,523

Reconciliation

Reconciliation of the carrying amount for computer software is set out below:

Balance at beginning of financial year	**4,523**	158,276
Additions	**39,157**	11,426
Disposals	**-**	(294,485)
Amortisation expense	**(16,329)**	(70,199)
Write back of accumulated amortisation on disposal of assets	**-**	199,505
Net carrying amount at end of financial year	**27,351**	4,523

Intangible assets have finite lives. The amortisation expense for intangible assets is included under depreciation and amortisation expense per the statement of comprehensive income. Amortisation is calculated on a straight-line basis over periods generally over two years.

	2012 $	2011 $
15. Exploration and Evaluation Assets		
At cost	**11,655,088**	10,140,415
Balance at 30 June	**11,655,088**	10,140,415
Reconciliation		
Balance at beginning of financial year	**10,140,415**	16,820,787
Additions – expenditure incurred	**1,836,368**	1,763,621
Expenditure incurred expensed to the statement of comprehensive income	**(321,695)**	(8,443,993)
Balance at end of financial year	**11,655,088**	10,140,415

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 (2011: VIC/P54 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 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.

16. Development Assets

	2012 $	2011 $
At cost	**314,668,588**	311,592,676
Impairment	**(81,037,603)**	-
Balance at 30 June	**233,630,985**	311,592,676
Reconciliation		
Balance at beginning of financial year	**311,592,676**	274,226,289
Additions – expenditure incurred	**3,075,912**	37,366,387
Impairment of Long Lead Items (LLI)	**(81,037,603)**	-
Balance at end of financial year	**233,630,985**	311,592,676

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.

An impairment loss of $81,037,603 has been recognised on the above development asset. The impairment relates to the write down of the liquids development Long Lead Items (LLIs) down to a zero written down value. The LLIs were acquired as part of the liquids development project and a process is currently underway to sell these LLIs. Proceeds received on disposal of these LLIs will result in a gain on disposal.

As disclosed in Note: 33 Subsequent Events, the Company has finalised and executed documentation for a Shell-led integrated development of AC/L9.

	2012 $	2011 $

17. Production Assets

At cost	**477,442,108**	469,808,305
Accumulated amortisation	**(87,507,974)**	(55,527,949)
Impairment	**(244,550,194)**	(81,772,347)
Balance at 30 June	**145,383,940**	332,508,009
Reconciliation		
Balance at beginning of financial year	**332,508,009**	447,969,310
Additions – expenditure incurred	**7,633,803**	4,882,414
Impairment	**(162,777,847)**	(81,772,347)
Amortisation charge for the year	**(31,980,025)**	(38,571,368)
Balance at end of financial year	**145,383,940**	332,508,009

The production assets relate to the Longtom Gas Project (VIC/L29).

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$103.7 per barrel and based on the Brent Forward Curve for crude oil;
- discount rates – the post-tax discount rate applied to cash flow projections is 10%; and
- reserves – 2P 170PJ less production to 30 June 2012. Production forecast through to 2021.

An impairment loss of $162,777,847 has been recognised on the above production assets during the year. For this purpose, the Longtom gas field and its supporting infrastructure assets as a whole is 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 were a reduction in the recoverable 2P reserves and an increase in the contingent reserves following an independent reserves assessment at 31 December 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:

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

would result in an increase in the impairment of $39,322,650.

18. Trade and Other Payables

Current (unsecured)		
Trade payables	**658,977**	328,155
Sundry payables and accrued expenditure	**26,434,012**	43,341,546
Total current trade and other payables	**27,092,989**	43,669,701
Non-current (unsecured)		
Deferred revenue	**3,021,040**	8,059,040
Total non-current trade and other payables	**3,021,040**	8,059,040

		2012 $	2011 $
19. Borrowings			
Current			
Bank loan (secured)	(a)	**10,000,000**	11,000,000
Senior subordinated notes (unsecured)	(b)	**33,488,768**	-
		43,488,768	11,000,000
Non-current			
Bank loan (secured)	(a)	**71,280,084**	81,336,981
Senior subordinated notes (unsecured)	(b)	**96,132,254**	119,870,238
Total long term borrowings		**167,412,338**	201,207,219

(a) Bank Loan

The Company has a senior project financing facility in relation to the Company's Longtom gas asset with scheduled quarterly principal repayments and a final maturity in June 2016 unless repaid earlier. The Company also has a $60 million senior secured letter of credit facility that remains undrawn.

Interest on the project financing facility continues to be charged at the Reuters BBSY 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 2012 the interest rate was 7.54% including the payment in kind (30 June 2011: 8.88%).

As is typical of project financing facilities, the loan is subject to standard financial covenants, cover ratios as well as review events and events of default. Due to evolving commercial imperatives driven by revised Longtom reserves levels and entering into a Crux Joint Operating Agreement with Shell Development Australia (SDA) Ltd the Company has received waivers in respect of its commercial covenants and management is engaged co-operatively with the lender in reflecting the strategic direction of the Company in the project financing facility documentation and at the date of this report, the Group is satisfied that the facility will continue to be in place.

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 2012 was $181,395,737 (30 June 2011: $453,446,006). The assets provided as security mainly relate to the Longtom production asset, prepayments and cash.

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

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.

(b) Senior Subordinated Notes

The Company has two series of senior unsecured notes, the original 2013 notes issued in January 2008 and the 2017 notes arising out of the notes exchange offer completed in August 2010.

2013 Notes

The 2013 notes which did not participate in the exchange offer in August 2010 and 31,844,058 warrants remain in place and are due in January 2013. The 2013 notes carry a semi-annual coupon of 6 months BBSW plus a margin of 5.5%. Unless previously redeemed, the 2013 notes will be redeemed at their principal amount on maturity. As at 30 June 2012 the interest rate payable on the 2013 notes was 9.82% (2011: 10.48%). The net proceeds received from the issue of the 2013 notes were allocated to a liability and an equity component. The accounting interest charge for the year on the original 2013 notes is calculated by applying an effective interest rate of 15.87% on the liability component. The 2013 notes are subordinated to the Company's obligation in respect of the Group's existing senior project financing facility. The 2013 notes agreement includes covenants typical for a facility of this nature; the Group was compliant with its covenants throughout the financial year and as at 30 June 2012. 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.

2017 Notes

The 2017 notes include two tranches, Tranche A which are due in 2017 and Tranche B which are due in January 2013. The Tranche A notes carry a semi-annual coupon fixed at 8.5% payable in arrears and the Tranche B notes do not incur interest. The Tranche A interest rate steps up to 13% from July 2014 until the maturity date. The accounting interest charge for the year is calculated by applying an effective interest rate of 19.31% on the liability component. The 2017 notes are subordinated to the Company's obligation in respect of the Group's existing senior project financing facility. The 2017 notes agreement includes covenants typical for a facility of this nature; the Group was compliant with its covenants throughout the financial year and as at 30 June 2012.

(c) Risk Exposures

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

20. Derivative Financial Liabilities

	2012 $	2011 $
Non-current		
Interest rate swap contract carried at fair value through profit and loss	**1,089,113**	1,654,568
Total non-current other financial liabilities	**1,089,113**	1,654,568

(a) Risk Exposures

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

21. Provisions

	2012 $	2011 $
Long term		
Employee benefits	**129,273**	115,037
Restoration provision	**47,346,265**	45,736,829
Total long term provisions	**47,475,538**	45,851,866

	Long Term Employee Benefits $	Restoration Provision $
Balance at beginning of financial year	115,037	45,736,829
Increase in the discounted amount arising because of time and the effect of any change in discount rate	14,236	1,609,436
Balance at end of financial year	129,273	47,346,265

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 have 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 2012.

	2012 Number	2011 Number	2012 $	2011 $

22. Issued Capital

Share capital	2012 Number	2011 Number	2012 $	2011 $
Ordinary shares, fully paid	**1,329,821,159**	1,326,337,066	**670,833,204**	670,173,204

Other equity securities	2012 $	2011 $
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
	689,593,738	688,933,738

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

Movements in Ordinary Share Capital 30 June 2010 to 30 June 2012

Details		Number of Shares	Issue Price	$
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
9 August 2011	Employee options vested	360,754	$0.00	-
21 November 2011	Employee options vested	123,339	$0.00	-
3 April 2012	Shares issued(2)	3,000,000	$0.22	660,000
30 June 2012	Closing balance	1,329,821,159		670,833,204

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.
2. The shares were issued to Lucio Della Martina as a sign on incentive in accordance with his employment contract. 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 1,329,821,159 (2011: 1,326,337,066) 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.

Employee Share Option Plan

Information relating to the employee share scheme, including details of shares issued under the scheme is set out in Note 29.

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. These requirements have been satisfied in 2012 and 2011. 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.

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.

24. Controlled Entities

Name	Country of Incorporation	Percentage of Equity and Voting Interests Held 2012 %	2011 %
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

25. Financial Risk Management

The Group's activities expose it to a variety of financial risks; market risks: (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates and foreign exchange.

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.

Details of the significant accounting policies and methods adopted, including the criterion for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in Note 1.

25. Financial Risk Management continued

The Group holds the following financial instruments:

	2012 $	2011 $
Financial assets		
Cash and cash equivalents	**33,653,460**	62,611,651
Trade and other receivables	**7,820,278**	15,451,360
	41,473,738	78,063,011
Financial liabilities		
Trade and other payables	**30,114,029**	51,728,741
Borrowings	**210,901,106**	212,207,219
Derivative financial instruments	**1,089,113**	1,654,568
	242,104,248	265,590,528

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 counterparty 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. At 30 June 2012 none of the group debtors are past due or impaired.

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the contract to meet their obligations. The credit risk exposure to the interest rate swap 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 and assets including interest payments:

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
Financial assets								
Cash and cash equivalents	**33,653,460**	62,611,651	**-**	-	**-**	-	**33,653,460**	62,611,651
Trade and other receivables	**7,820,278**	9,062,690	**-**	6,388,670	**-**	-	**7,820,278**	15,451,360
Total anticipated inflows	**41,473,738**	71,674,341	**-**	6,388,670	**-**	-	**41,473,738**	78,063,011
Financial liabilities								
Trade and other payables	**27,092,989**	51,728,741	**3,021,040**	-	**-**	-	**30,114,029**	51,728,741
Interest rate swap	**-**	-	**1,089,113**	-	**-**	1,654,568	**1,089,113**	1,654,568
Bank loans	**18,840,948**	21,526,789	**85,753,922**	106,472,189	**-**	356,443	**104,594,870**	128,355,421
Senior subordinated notes	**38,734,093**	10,102,696	**159,353,348**	135,644,879	**-**	62,644,497	**198,087,441**	208,392,072
Total anticipated outflows	**84,668,030**	83,358,226	**249,217,423**	242,117,068	**-**	64,655,508	**333,885,453**	390,130,802

The above table does not include the future net cash inflows generated from the Longtom production asset.

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:

2012	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	4.07	9,553,304	24,100,156	-	-	33,653,460
Trade and other receivables	-	-	-	-	7,820,278	7,820,278
Total financial assets		9,553,304	24,100,156	-	7,820,278	41,473,738
Financial liabilities						
Trade and other payables	-	-	-	-	30,114,029	30,114,029
Bank loans	8.27	54,758,978	26,521,106	-	-	81,280,084
Subordinated notes – 2013	10.19	19,313,493	-	-	-	19,313,493
Subordinated notes – 2017	8.50	-	14,175,275	96,132,254	-	110,307,529
Interest rate swaps	-	1,089,113	-	-	-	1,089,113
Total financial liabilities		75,161,584	40,696,381	96,132,254	31,176,712	242,104,248

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	49,813,532	42,523,449	-	-	92,336,981
Subordinated notes – 2013	10.56	18,557,936	-	-	-	18,557,936
Subordinated notes – 2017	8.50	-	-	101,312,302		101,312,302
Interest rate swaps	-	1,654,568	-	-	-	1,654,568
Total financial liabilities		70,026,036	42,523,449	101,312,302	51,728,741	265,590,528

Interest Rate Swaps

The Group had an interest rate swap in place at 30 June 2012 to provide protection against interest rate fluctuations on Longtom project finance borrowings. The swap is based on current notional total debt balance of $26,521,106 (2011: 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

	2012 $	2011 $
Change in profit		
Increase interest rate by 1%	**(2,109,011)**	(2,122,072)
Decrease interest rate by 1%	**2,109,011**	2,122,072

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. As at 30 June 2012 the USD cash balance is $3,741,505. 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.

	2012 $	2011 $
Change in profit		
– Improvement in AUD to USD by 10%	**374,151**	18,070
– Decline in AUD to USD by 10%	**(374,151)**	(18,070)

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.

	Note	2012 Net Carrying Value	2012 Net Fair Value	2011 Net Carrying Value	2011 Net Fair Value
Financial assets					
Cash and cash equivalents	(i)	**33,653,460**	**33,653,460**	62,611,651	62,611,651
Trade and other receivables	(i)	**7,820,278**	**7,820,278**	15,451,360	15,160,693
Total financial assets		**41,473,738**	**41,473,738**	78,063,011	77,772,344
Financial liabilities					
Trade and other payables	(i)	**30,114,029**	**30,114,029**	51,728,741	51,728,741
Borrowings					
Bank loans	(ii)	**81,280,084**	**97,723,819**	92,336,981	109,142,810
Senior subordinated notes	(ii)	**129,621,022**	**183,947,916**	119,870,238	117,195,377
Total financial liabilities		**241,015,135**	**311,785,764**	263,935,960	278,066,928

(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.

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).

2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities				
Financial liabilities at fair value through the profit or loss:				
– Financial liabilities – Interest rate swap	-	1,089,113	-	1,089,113
	-	1,089,113	-	1,089,113

2011	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities at fair value through the profit or loss:				
– Financial liabilities – Interest rate swap	-	1,654,568	-	1,654,568
	-	1,654,568	-	1,654,568

Included in level 2 is the fair value of the interest rate swap contracts in place at 30 June 2011 and 30 June 2012.

26. Joint Operations

The Group has an interest in the following joint operation as at 30 June 2012:

Petroleum Exploration Permit/Licence	Unincorporated Interest 2012 %	2011 %	Principal Activities	Operator of Joint Venture Operation
AC/L9	**85***	85	Oil and gas exploration	Nexus Energy WA Pty Ltd

* Nexus currently holds an 85% interest in the liquids AC/L9. Post completion, Nexus will hold a 17% participating interest in both the gas and liquids interest after consolidation of the various parties. Refer to Note 33: Subsequent Events.

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

	2012 $	2011 $
Cash and cash equivalents	**23,517**	135
Receivables	**1,510,996**	6,419,095
Inventories	**3,219,532**	2,736,603
Total current assets	**4,754,045**	9,155,833
Exploration and evaluation expenditure carried forward	**150,769,640**	162,350,522
Total non-current assets	**150,769,640**	162,350,522
Share of assets employed in joint venture operations	**155,523,685**	171,506,355

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:

	2012 $	2011 $
(i) Development Project		
Not later than one year	-	11,172,645
Later than one year but not later than five years	-	-
Total capital expenditure commitments	-	11,172,645

(b) Operating Lease Rental Commitments

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

	2012 $	2011 $
Not later than one year	**1,573,917**	1,733,562
Later than one year but not later than five years	**6,732,750**	7,349,509
Later than five years	**2,968,003**	5,376,541
Total operating lease rental commitments	**11,274,670**	14,459,612

The Company has a photocopier lease with a primary 3-year term that expires during February 2015. Lease payments are made monthly in advance.

The Company has an office lease for Level 8 Freshwater Place Southbank with a 10-year term that expires in January 2019. Rent is payable monthly in advance.

The Company has an office lease for Level 23 530 Collins Street Melbourne with an 8-year term that expires in February 2019. Rent is payable monthly in advance.

	2012 $	2011 $
Non-cancellable operating lease rentals not provided for in the financial statements and receivable:		
Not later than one year	980,096	812,636
Later than one year but not later than five years	4,328,418	5,085,573
Later than five years	1,906,329	3,248,250
Total operating lease rental commitments	7,214,843	9,146,459

The company has sub-let level 8 Freshwater Place Southbank to a third party expiring in January 2019.

(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 (2011: VIC/P54 and WA-377-P).		
Not later than one year	1,050,000	1,052,000
Later than one year but not later than five years	40,300,000	750,000
Later than five years	-	-
Total exploration expenditure commitments	41,350,000	1,802,000

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

28. Notes to the Cash Flow Statements

(a) Reconciliation of Loss After Income Tax to Cash Flow from Operations

Loss after income tax	(342,322,906)	(39,202,356)
Add/(subtract) non-cash items		
Depreciation of plant and equipment and amortisation of computer software	98,446	167,051
Amortisation of Longtom production asset	31,980,025	38,571,369
Inventory write-down	1,903,244	4,065,931
Doubtful debts expense	(329,521)	-
Loss on sale of inventory	6,455,602	368,673
Share based payments expensed	(124,700)	(909,478)
Net unrealised foreign currency losses/(gains)	(43,359)	83,829
Gain on extinguishment of financial liabilities	-	(14,609,199)
Impairment of development asset – Long Lead Items (LLIs)	81,037,603	-
Impairment of production asset	162,777,847	81,772,347
Deferred tax on equity raising costs included in income tax expense	-	1,524,882
Finance lease and interest expense repayments	9,693,886	18,020,487
Shares issued for no consideration	660,000	-
Items classified as investing/financing activities:		
Gain on disposal of plant and equipment	(187,552)	(9,361)
Exploration and evaluation expenditure expensed	321,695	8,443,993
Net foreign currency (gains)/losses	(910,021)	62,865

28. Notes to the Cash Flow Statements continued

	2012 $	2011 $
Change in operating assets and liabilities:		
(Increase)/decrease in assets		
Trade and other receivables – current	**1,242,412**	2,997,116
Trade and other receivables – non-current	**6,388,670**	-
Other assets – current	**1,997,297**	(2,469,304)
Deferred tax asset	**58,881,501**	(106,364,411)
Other assets – non current	**2,649,033**	(8,233,329)
Increase/(decrease) in liabilities:		
Trade and other payables – current	**(4,129,134)**	108,938
Trade and other payables – non current	**(5,038,000)**	(3,503,023)
Financial liabilities – non current	**(565,455)**	(1,899,204)
Long term provisions	**1,623,672**	10,027,641
Net cash used in operating activities	**14,060,285**	(10,984,543)

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. Performance rights expire not more than five years after they are granted and the exercise price of performance rights, issued during the financial year, is determined by the Directors. If there is a change of control of the Company, all unexercised performance rights will become immediately exercisable. Performance rights granted under the ESOP carry no dividend or voting rights. When exercisable, each performance right is convertible into one ordinary share of the Company.

Vesting of the performance rights issued in the 2012 financial year will be subject to a performance test. A proportion (between nil and 100%) of the performance rights (as determined by the performance test), will vest at the end of the vesting period expiring on 30 June 2014 and 30 June 2015 (the vesting date) with the Board having the discretion to vary the vesting conditions in certain circumstances. The performance rights will be exercisable in the 12 month period commencing on the vesting date. The performance test for the performance rights issued to the Chief Executive Officer and key management personnel 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 performance rights issued will be as follows: Top quartile ranking is required for all performance rights 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 performance rights will vest at the 50th percentile with proportionate vesting to the 75th percentile.

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

	2012		2011	
	Number	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
Balance at beginning of financial year	**4,419,293**	**0.00**	7,052,300	0.74
Granted during the financial year	**6,913,100**	**0.00**	4,109,400	0.00
Exercised during the financial year	**(484,093)**	**0.00**	-	-
Forfeited during the financial year	**(3,297,000)**	**0.00**	-	-
Expired during the financial year	-	-	(6,742,407)	0.00
Balance at end of financial year	**7,551,300**	**0.00**	4,419,293	0.00
Exercisable at end of financial year	-	**0.00**	532,493	0.00

The Executive Director and Employee Share Option Plan performance rights outstanding as at 30 June 2012 had a weighted average exercise price of nil (2011: nil) with a weighted average remaining contractual life of 1,101 days (2011: 1,063 days). Details of ESOP options outstanding at the end of the financial year:

Grant Date	Expiry and Exercise Date	Exercise Price	Number
4 August 2010	30 June 2013	Zero	690,500
6 December 2010	30 June 2013	Zero	466,500
19 August 2011	30 June 2014	Zero	1,894,300
3 April 2012	2 March 2015	Zero	4,500,000
			7,551,300

Fair Value of Performance Rights

During the 2012 financial year 6,913,100 unlisted performance rights 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 2014 and 30 June 2015 respectively. Also during the 2012 financial year a total of 3,297,000 performance rights were forfeited as a result of employee resignations. At 30 June 2012 a total of $124,700 was expensed to the statement of comprehensive income (2011: $909,478).

The weighted average fair value of the Executive Director and ESOP performance rights granted during the 2012 financial year was $0.20. The fair value of each performance right granted during the 2012 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 performance rights, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the performance right, 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 performance right. The Company has applied the following assumptions and inputs:

Weighted average exercise price	Zero (2011: Zero)
Weighted average life of options	1,101 days (2011: 1,063 days)
Weighted average share price	$0.20 (2011: $0.30)
Expected share price volatility	70% (2011: 70%)
Risk-free interest rate	3.04% (2011: 5.4%)

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. 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 2012, 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 2012, 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.

30. Segment Reporting continued

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 to 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 reset 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.

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 2012	Production $	Development $	Exploration $	Other $	Total $
Revenue					
Sale of gas and condensate	80,669,647	-	-	-	80,669,647
Total segment revenue	80,669,647	-	-	-	80,669,647
Reconciliation of segment revenue to group revenue					
Total group revenue	80,669,647	1,356,505	104,686	-	82,130,838
Segment net profit/(loss) before tax	14,499,913	(5,099,098)	(217,009)	-	9,183,806
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	-	-	-	(98,446)	(98,446)
• Inventory write downs	-	(1,903,244)	-	-	(1,903,244)
• Finance costs	(10,997,082)	-	-	(21,780,230)	(32,777,312)
• Restoration expense	(1,286,564)	(322,872)	-	-	(1,609,436)
• Mark-to-market adjustment on derivative financial instruments	565,455	-	-	-	565,455
• Impairment of development asset	-	(81,037,603)	-	-	(81,037,603)
• Impairment of production asset	(162,777,847)	-	-	-	(162,777,847)
Unallocated items:					
• Interest and other revenue					2,524,536
• Employee benefits expense					(6,749,565)
• Foreign exchange movements					1,002,836
• Other					(9,764,585)
Net profit/(loss) before tax					(283,441,405)

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)

30. Segment Reporting continued

Year Ended 30 June 2011	Production $	Development $	Exploration $	Other $	Total $
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 expense	(8,523,766)	(1,515,727)	-	-	(10,039,493)
• Mark-to-market adjustment on derivative financial instruments	1,899,202	-	-	-	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)

Segment Assets

Year Ended 30 June 2012	Production $	Development $	Exploration $	Total $
Segment assets	175,712,923	235,144,444	11,660,022	422,517,389
Segment assets increased for the period:				
• Capitalised costs	7,633,802	3,075,912	1,836,368	12,546,082
Reconciliation of segment assets to Group assets				
Unallocated items:				
• Other assets				34,801,899
• Deferred tax assets				123,344,489
• Intangibles				27,351
Total Group assets				580,691,128

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				182,225,990
• Intangibles				4,523
Total Group assets				944,341,342

Segment Liabilities

Year Ended 30 June 2012	Production $	Development $	Exploration $	Total $
Segment liabilities	124,245,729	25,266,337	-	149,512,066
Reconciliation of segment liabilities to Group assets:				
Unallocated items:				
• Other liabilities				140,067,720
Total Group liabilities				289,579,786

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:				
• Other liabilities				124,621,981
Total Group liabilities				311,442,394

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 $80,669,647 (2011: $66,607,811). The Group has a gas sale agreement with Santos for the supply of gas and condensate.

31. Auditor's Remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity and non-related audit firms:

	2012 $	2011 $
PwC Australia		
Auditing and review of financial statements	**193,500**	-
Tax advice on Crux Integrated transaction	**164,921**	-
Taxation compliance and other services	**19,367**	17,500
Total remuneration of PwC Australia	**377,788**	17,500
Non-PwC audit firms		
Auditing and review of financial statements – Moore Stephens	**23,115**	220,000
Total remuneration of non-PwC audit firms	**23,115**	220,000
Total auditors' remuneration	**400,903**	237,500

32. 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

During the year fees were paid to Ian Boserio Oil & Gas Consultants which is a Director related entity of Ian Boserio. The value of transactions during the 2012 financial year was $15,000 (2011: $126,180). In addition a total of $2,745 was paid for reimbursement of expenses. These transactions were made on normal commercial terms and conditions and at market rates.

During the year fees were paid to Palmer Investments which is a Director related entity of Steven Lowden. During the period a total of $104,250 in consultancy fees was paid to Palmer Investments (2011: $187,500). In addition a total of $500 was paid for reimbursement of expenses. Included in the current year fees paid to Palmer investments, a total of $56,250, related to services performed during the 2011 financial year which were invoiced and paid during the current financial year. These transactions were made on normal commercial terms and conditions and at market rates.

During the financial year no consulting fees were paid to Mayburys Pty Ltd which is a Director related entity of Michael Arnett (2011: $63,000). A total of $2,745 was paid for reimbursement of expenses.

During the financial year no consulting fees were paid to Ridge End Capital Ltd which is a Director related entity of Symon Drake-Brockman (2011: $73,500).

33. Subsequent Events

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

Crux AC/L9

On 19 January 2012, a non-binding Heads of Agreement was signed with Shell Development (Australia) Pty Ltd (Shell) and Osaka Gas Crux Pty Ltd (Osaka Gas) to exclusively pursue a Shell-led integrated gas and liquids development to commercialise the Crux asset. The development was premised on processing Crux gas through Shell's prelude FLNG facility. On 29 May 2012, Nexus announced the scope of the transaction was expanded to include additional options including an earlier standalone FLNG development.

On 3 August 2012, Nexus advised that documentation for the Crux AC/L9 new Joint Venture for a Shell-led integrated gas and liquids development to commercialise the Crux asset with Shell and Osaka Gas has been executed following Board approvals. The participating interests in the new Joint Venture in AC/L9 will be Nexus 17%, Shell 80% (operator) and Osaka Gas 3%.

Completion of the transaction for the consolidation of interests for Crux will be subject to only two conditions, namely, Foreign Investment Review Board approvals (Shell and Osaka Gas) and Registration of Title. Nexus' 17% participating interest enables Nexus monetisation of part of its equity stake to strengthen the balance sheet and to meet the Company's funding requirements.

The transaction also provide Nexus with a 12 month put option (post completion) to sell 2% of Nexus' equity interest in the new Joint Venture to Shell for $75 million. Once the transaction is completed, the new Joint Venture will undertake the process to convert the existing Production Licence (AC/L9) to a Retention Lease. This will require a detailed work program which will include technical studies of a range of development options, including a standalone development concept, and exploration drilling of the Auriga prospect targeted for early 2014. Nexus is now in discussions with a number of interested parties who have expressed interest in acquiring an interest in the asset.

Financial Report

The Financial Report was authorised for issue on 11 September 2012.

34. Contingent Liabilities and Contingent Assets

Contingent Liabilities

The Group had contingent liabilities as at 30 June 2012 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 (2011: $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.

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 cash backed bank guarantee of $728,563 to Australand in relation to the leased offices at Level 8 Freshwater Place Southbank. A bank guarantee of $271,188 is also in place for the leased offices at Level 23, 530 Collins Street. 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. In July 2012, the parties have agreed to settle this matter with Nexus making a final payment to Trident in the amount of $550,000. The Trident matter is now closed.

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 are 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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 'Financial Instruments', 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)' (effective for annual reporting periods beginning on or after 1 January 2013).

AASB 9 'Financial Instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess AASB 9's full impact. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the financial year ending 30 June 2014.

AASB 1053 'Application of Tiers of Australian Accounting Standards' and AASB 2010-2 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements' (effective 1 July 2013).

On 30 June 2010, the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Nexus Energy Ltd is listed on the ASX, as such it is ineligible to adopt these two new Australian Accounting Standards. As a consequence, there will be no impact on the consolidated financial statements.

AASB 10 'Consolidated Financial Statements', AASB 11 'Joint Arrangements', AASB 12 'Disclosure of Interests in Other Entities', revised AASB 127 'Separate Financial Statements', AASB 128 'Investments in Associates and Joint Ventures' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards' (effective 1 January 2013).

During August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. AASB 10 replaces all of the guidance on control and consolidation in AASB 127 'Consolidated and Separate Financial Statements', and Interpretation 12 'Consolidation – Special Purpose Entities'. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. The Group does not expect the new standard to have any impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. The Group has considered the impact of AASB 11, as it is a participant in joint venture operations. Currently, the Group does not expect this standard to have any impact on its consolidated financial statements.

AASB 12 sets out the required disclosures for entities reporting under the above two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the consolidated financial statements.

AASB 127 is renamed 'Separate Financial Statements' and is now a standard dealing solely with separate financial statements. Application of this standard by the Group will not affect any of the amounts recognised in the consolidated financial statements.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a partial disposal concept. Application of this standard by the Group will not affect any of the amounts recognised in the consolidated financial statements. The Group does not intend to adopt the relevant new standards before their operative date, which means that they would first be applied in the financial year ending 30 June 2014.

AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13' (effective 1 January 2013).

AASB 13 was released during September 2011. AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. The Group does not use fair value measurements extensively. It is therefore unlikely that the new rules will have a significant impact on any of the amounts recognised in the consolidated financial statements or disclosed in the notes to the consolidated financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the financial year ending 30 June 2014.

AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income' (effective 1 July 2012).

During September 2011, the AASB made an amendment to AASB 101 'Presentation of Financial Statements'. The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. It will not affect the measurement of any of the items recognised in the statement of comprehensive income. The Group will adopt the new standard from 1 July 2012.

AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements' (effective 1 July 2013).

During July 2011, the AASB decided to remove the individual key management personnel disclosure requirements from AASB 124 'Related Party Disclosures', to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act 2001. While this will reduce the disclosures that are currently required in the notes to the consolidated financial statements, it will not affect any of the amounts recognised in the consolidated financial statements. The amendments apply from 1 July 2013 and cannot be adopted early.

AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle' (effective for annual reporting periods beginning on or after 1 January 2013).

During June 2012, the AASB approved a number of amendments to Australian Accounting Standards as a result of the 2009-11 annual improvements project. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the financial year ending 30 June 2014.

There are no other Australian Accounting Standards that are not yet effective and that are expected to have a material impact on the Group in the current or future financial years and on foreseeable future transactions.

DIRECTORS' DECLARATION

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

In the Directors' opinion:

(a) the financial statements and notes as set out on pages 54 to 93, are in accordance with the Corporations Act 2001 including:

i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

ii. giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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

Michael Fowler
Non-Executive Chairman
Dated at Melbourne this 11th day of September 2012

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of Nexus Energy Limited

Report on the financial report

We have audited the accompanying financial report of Nexus Energy Limited (the company), which comprises the balance sheet as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Nexus Energy Limited Group (the consolidated entity). The consolidated entity comprises Nexus Energy Limited and the entities it controlled at the year's end.

Directors' responsibility for the financial report

The directors of the company 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 Note1, the directors also state, in accordance with Accounting Standard 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgement, 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Independence

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

Auditor's 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 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 30 to 42 of the directors' report for the year ended 30 June 2012. The directors of the company 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.

Auditor's opinion

In our opinion, the remuneration report of Nexus Energy Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Charles Christie
Partner

11 September 2012

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange limited Listing Rules and not disclosed elsewhere in this report is set our below. The information was applicable as at 8 October 2012.

Distribution of Shareholding

Size of Shareholding	Number of Holders	Number of Shares
Less than 1,000	1,057	364,478
1,001 to 5,000	2,145	6,412,947
5,001 to 10,000	1,582	12,432,106
10,001 to 100,000	4,368	153,384,396
100,001 to 9,999,999,999	1,001	1,157,227,232
Total	**10,153**	**1,329,821,159**

Substantial Shareholders

Shareholder	Number of Shares
Credit Suisse Holdings (Australia) Limited	160,532,133

Top 20 Shareholders

Name of Shareholders	Number of Shares	% of Issued Capital
HSBC Custody Nominees (Australia) Limited	159,196,786	11.97
CS Fourth Nominees Pty Ltd	118,964,291	8.95
National Nominees Limited	102,763,436	7.73
JP Morgan Nominees Australia Limited	55,185,679	4.15
Citicorp Nominees Pty Limited	55,144,655	4.15
JP Morgan Nominees Australia Limited	53,305,083	4.01
Anchorage Nominees (Qld) Pty Ltd	24,390,070	1.83
Bond Street Custodians Limited	20,651,506	1.55
Lujeta Pty Ltd	13,300,000	1.00
VBS Investments Pty Ltd	13,176,500	0.99
ABN AMRO Clearing Sydney Nominees Pty Ltd	13,072,035	0.98
Hotlake Pty Ltd	13,053,445	0.98
Cullen Holdings Pty Ltd	12,450,250	0.94
BT Portfolio Services Limited	10,228,100	0.77
Keong Lim Pty Limited	8,889,209	0.67
P & J Watt Pty Ltd	8,499,087	0.64
HSBC Custody Nominees (Australia) Limited	8,033,216	0.60
BDH Nominees Pty Ltd	7,640,663	0.57
BT Portfolio Services Limited	6,666,600	0.50
Tess Aust Pty Ltd	6,651,511	0.50
Total	711,262,122	53.49

ASX ADDITIONAL INFORMATION continued

Issued Capital

Type		Number of Securities on Issue	Number of Holders
Fully paid ordinary shares		1,329,821,159	10,153
Employee share options			
exercisable at	Zero	935,900	15
	Zero	1,449,400	16
	Zero	4,500,000	1
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) is set out below:

Type	Number Warrants	% of Issued Warrants
HSBC Custody Nominees	7,681,158	24.09

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

* Nexus currently holds an 85% interest in the liquids in AC/L9. Post completion, Nexus will hold a 17% participating interest in both the gas and liquids interest after consolidation of the various parties.

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 is 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
DPI	Department of Primary Industries
ELOC	Equity line of credit
EPBC	referral under the Environmental Protection and Biodiversity Conservation Act
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
FIRB	Foreign Investment Review Board
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)
GCA	Gaffney Cline & Associates
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

GLOSSARY OF TERMS continued

km	kilometre
km²	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
mMD	meters measured depth
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
NOPSEMA	National Offshore Petroleum Safety and Environmental Management Authority
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
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, CEO & CFO

Michael Fowler
Non-Executive Chairman

Lucio Della Martina
Chief Executive Officer

Michael Arnett
Non-Executive Director

Steven Lowden
Non-Executive Director

Ian Boserio
Non-Executive Director

Symon Drake-Brockman
Non-Executive Director

John Hartwell
Non-Executive Director

Susan Robutti
Chief Financial Officer

Company Secretary

Susan Robutti

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Stock Exchange Listing

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

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ENERGY