

NEXUS ENERGY LIMITED
ABN 68 058 818 278
2002 ANNUAL REPORT



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Contents	Page
Chairman's Report	2
Directors' Report	5
Executive Directors	10
Statement of Financial Performance	12
Statement of Financial Position	13
Statement of Cash Flows	14
Notes to the Financial Statements	15
Directors' Declaration	30
Independent Audit Report	31
Statement of Corporate Governance Principles	32
Australian Stock Exchange Additional Information	33
Shareholder Information	34
Corporate Directory	Inside Back Cover

Annual general meeting

The Annual General Meeting of Nexus Energy Limited will be held at 11am on Friday 29 November, 2002 at Latrobe Room, Le Meridien at Rialto, 495 Collins Street, Melbourne, Victoria 3000.

**We will maximise shareholder value
through low-risk oil and gas investments
which provide cash flow to
finance high-potential exploration and
development opportunities**

CHAIRMAN'S REPORT

The first year of trading as Nexus Energy Limited ("Nexus") has been challenging. The acquisition by eNTITY1 of Nexus Energy (Aust.) NL to form Nexus and the subsequent transition from an Information Technology ("IT") company to oil and gas company has required a significant transformation in the Company's management and asset focus.

Our first major project undertaken as Nexus was the exploratory drilling program in the Surat Basin of Queensland. While the initial drilling results appeared promising the program was suspended due to poor test results. The failure of the Surat program to provide commercial gas production was a major setback for Nexus which prompted a review of the Company's assets, the role of Directors and the realisation that a full time executive management team was required to take the Company forward.

Since that time we have taken strong corrective action including restructuring the Board, recruiting a full time executive team and focusing our activities entirely on oil and gas exploration and production. Effective 15 July 2002 we secured the services of Mr Ian Tchacos (Chief Executive Officer), Mr Phillip Smith (Exploration Manager) and Mr Edward Munks (Company Secretary/Commercial Manager).

With our new management team in place the Company has undertaken a thorough review of assets in order to concentrate our resources on those activities that offer the best opportunity for value growth. As a result of this review, there has been some very significant write downs in the balance sheet value of certain assets. In total Nexus has written down in excess of \$6 million from the value of exploration tenements, our remaining IT assets and rights to the Gore-Sorber™ exploration technology.

While the results of the past year's activities have been disappointing, I believe that the steps taken to restructure Nexus' Board and recruitment of an experienced oil and gas executive team has repositioned the Company with the appropriate skills and experience for growth in a buoyant industry. We are confident about Nexus' future, given the Australian oil and gas industry is enjoying resurgence in investor support fuelled by strong energy prices and exploration success.

Our long-term objective is to achieve organic growth from exploration success and cash flow self sufficiency from production and development opportunities. In order to achieve our objectives, we are pursuing a revised strategy that enables Nexus to gain access to quality assets without significant dilution of equity at the current depressed share price. Our revised strategy is discussed opposite.

Summary of activities

A summary of the Company's principal activities during the year follows:

Surat Basin exploration:

Three wells were drilled pursuant to a farmin agreement with Oil Company of Australia Limited ("OCA"), where Nexus funds 100% of up to nine wells drilled to earn 50% of OCA's interests in the licences and the extraction of any resulting petroleum. Two of the wells were gas discoveries and the third encountered oil and gas shows, but as there was no measurable flow of hydrocarbons the well was abandoned. Subsequent testing of the two gas discovery wells indicated non-commercial reserves.

Review of the ongoing exploration program indicated that future wells were not expected to yield material commercial hydrocarbons. Therefore, the work program was suspended and the farmin agreement was not concluded.

Exploration Licence PEP 162:

Following the acquisition of the GA01 seismic survey in 2001, a technical review of the permit was undertaken in early 2002 in conjunction with the interpretation of the new seismic data. This review significantly downgraded the prospectivity of the licence area as it highlighted major risks associated with reservoir quality, timing of hydrocarbon expulsion with respect to formation of structure and trap breach through late faulting.

Based on the results of the technical review the Company decided to sell its interest in the permit to avoid ongoing work program liabilities.

Gore-Sorber™ exploration surveys:

During the year, Nexus carried out a Gore-Sorber™ geochemical survey as part of the Surat exploration program. The survey results proved to be inconsistent when calibrated against the drilling results. A subsequent review of survey procedures and interpretive techniques used indicates the potential to identify geochemical signatures, which correlate to dry wells, oil wells and gas wells.

In conjunction with Gore, Nexus made an application pursuant to the Australian Commonwealth Government's AusIndustry Program for the Gore-Sorber™ Offshore Survey Implementation Program ("GOSIP R&D Project"). The submission for the funding of geo-chemical surveys and exploration drilling in an offshore marine environment enjoyed strong industry and investor support and was received positively by the Commonwealth. However, the release of funds under that program has been delayed until the first quarter of 2003, at which time we expect to resubmit our application for funding of the GOSIP R&D Project.

The limited survey results in the Surat Basin have been disappointing. However, as this technology has been successfully used in other hydrocarbon provinces around the world, we expect that by developing data acquisition techniques and interpretation skills applicable to Australian basins we can increase confidence in the technique's potential as a diagnostic oil or gas finding tool, in conjunction with other conventional methods.

Nexus is seeking opportunities for the deployment of the technique onshore in conjunction with future Nexus or third party opportunities.

Information technology interests:

Following the acquisition by eNTITY1 of Nexus Energy (Aust.) NL to form Nexus, the Company sold its interest in the Northern Territory IT business. Nexus has retained a one third interest in an IT incubator, Original IT Investments Pty Ltd ("Original IT"). Original IT was established with the principal activity of nurturing start-up enterprises in IT and telecommunications under the Commonwealth Government "Building on IT Strengths" program. Nexus is party to a deed of grant between the Commonwealth and other shareholders in Original IT Investments Pty. Ltd.

As several of the start-up enterprises or incubatees are now approaching commercial viability, Nexus is currently reviewing options for commercialising its interest in Original IT.

Revised strategy

Exploration:

Nexus has commenced the development of an Exploration Joint Venture Fund ("Exploration JV") designed to enable Company participation in a substantial program of Australian exploration over the next three years.

Nexus plans to raise between \$20 and \$25 million via the Exploration JV to drill 10 to 12 exploration wells in Australia's most prospective basins. Nexus intends to hold a substantial interest in the Exploration JV and will assume the role of operator – sourcing, evaluating and managing assets on behalf of the Exploration JV.

The formation of an Exploration JV is expected to provide substantial benefits for Nexus including the ability to:

- participate in a significant exploration program over an extended period of time
- develop a broad portfolio rather than relying on success from a limited number of opportunities (i.e. avoidance of "Gamblers Ruin")

- leverage the Company's technical and commercial skills
- maintain a technical team dedicated to the JV's activities

The Exploration JV also provides substantial benefits for the investor, including:

- direct investment in petroleum exploration opportunities generated by industry professionals
- an investment that may be tax effective
- greater control over funds invested, and therefore greater leverage over success compared to indirect investments such as company shares
- minimal overheads resulting in more money being spent on exploration activities

It is anticipated that the Company will be in a position to seek investors for the Exploration JV during the first quarter of 2003. We are currently evaluating farmin opportunities and have assembled a technical team to prepare bid documentation for acreage gazettals, which can in turn be seeded into the Exploration JV.

Production assets

Like many small Australian explorers, the Company's focus to date has been on finding the "company maker". While it is generally recognised that production assets provide the continuity of cash flow necessary to grow organically through exploration, production assets are not usually seen as a means by which a company can achieve significant value development.

However, in more risk averse markets such as the USA and (more recently) the UK, companies such as Apache, Newfield, Burlington and Venture, have achieved rapid growth by acquiring marginal or neglected fields and developing or rejuvenating those assets.

To date, this has not been a common model in Australia due to the relatively immature nature of the Australian production industry. We believe that adoption of a broader geographic focus will provide access to these undervalued production assets, and generate not only cash flow opportunities, but also significant value development through productivity enhancement, further reserves development and associated exploration.

Many mature and marginal assets remain as development opportunities due to constraints their owners may operate under. Smaller companies often lack access to the skills and financial resources needed to develop the assets, or improve their production performance. Larger companies may not possess the impetus or interest to apply the necessary resources to develop assets that lack overall materiality in comparison to the size of their business.

CHAIRMAN'S REPORT *continued*

By applying a similar funding philosophy to the Exploration JV, Nexus will identify opportunities for direct investment in production assets. We believe many investors will be attracted by the availability of a continuous cash flow stream as well as the potential for a capital gain.

Nexus intends to manage the assets on behalf of investors as well as taking an equity interest. The Company will assemble the necessary skills to source, evaluate and manage the opportunities. Nexus plans to target material production assets that can be improved by good technical and commercial management to produce a solid cash flow stream, enhanced rates of return and capital growth.

Acknowledgments

I recognise that this year has been a difficult one for shareholders. The Board of the Company has taken strong corrective measures to reposition the Company for growth. I believe we now possess the appropriate skills, strategy and focus to succeed. I would like to thank our shareholders for their support, and look forward to an exciting and pivotal year in the development of Nexus.



Neil Phillip
Chairman

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2002

The Directors present their report together with the financial report of Nexus Energy Limited ("the Company") for the year ended 30 June 2002 and the auditors' report thereon.

Directors

The Directors of the Company at any time during or since the end of the financial year are:

MR NEIL PHILIP

LLB Hons
Chairman
Non-executive Director
Appointed 1999

Former managing partner of the Darwin office of national law firm, Clayton Utz.

Chairman of the Northern Territory's Board of the Power and Water Authority.

Mr Philip has extensive experience in law and commerce in Australia and South East Asia.

MR ROBERT BOYSON

B.Sc
Non-executive Director
Appointed 10 September 2002

Mr Boyson, a Petroleum Engineer, currently has his own oil and gas engineering and consultancy business.

Mr Boyson has had a distinguished international career at Shell, BNOB and BHP Petroleum.

MR MICHAEL FOWLER

B.Bus(Acc), ASIA
Non-executive Director
Appointed April 2000

Joint Managing Director of Treasury Funds Management Ltd, a Melbourne-based wholesale funds management company.

Mr Fowler has extensive experience in the accounting and financial services industry.

Member of the Audit Committee.

MR BRIAN HANNON

BFA, FCPA, FAICD
Non-executive Director
Appointed April 2000
Resigned 2 July 2002

Managing Director of the Hannon Group of Companies.

Former Board member of the Northern Territory Government Centre for Business Innovation.

MR ALASTAIR HAYDOCK

B.Sc (Hons)
Non-executive Director
Appointed 26 July 2001

Mr Haydock is a geologist with over 30 years of international technical and managerial experience in the petroleum industry, with Petroz, Santos, Laurel Bay and Occidental Petroleum.

MR ROBERT HOSKING

Non-executive Director
Appointed 26 July 2001

Mr Hosking is a founding Director and shareholder of Nexus Energy (Aust.) NL.

Mr Hosking has experience in the petroleum and steel industries, with particular expertise gained in Europe and the Asian/Pacific Rim regions.

Member of the Audit Committee.

MR MICHAEL IACOBUCCI

ACIS, FCPA
Alternative, Non-executive Director for Michael Fowler
Appointed April 2002

Joint Managing Director of the Treasury Group of Companies, a Melbourne-based wholesale funds management company.

Mr Iacobucci has extensive experience in the financial services industry, particularly property structured finance.

MR DAWSON JOHNS

Non-executive Director
Appointed 26 July 2001
Resigned 1 July 2002

Mr Johns is the Chief Executive Officer of the Labtam group of companies.

Mr Johns was instrumental in founding a large corporate internet company.

DIRECTORS' REPORT continued

FOR THE YEAR ENDED 30 JUNE 2002

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 are:

Director	Board meetings		Audit Committee meetings	
	A	B	A	B
Mr Neil Philip	11	11	–	–
Mr Robert Boyson	–	–	–	–
Mr Michael Fowler	11	11	–	–
Mr Brian Hannon	11	9	–	–
Mr Alastair Haydock	10	9	–	–
Mr Robert Hosking	10	9	–	–
Mr Dawson Johns	10	9	–	–

A – Number of meetings held during the time the Director held office during the year.

B – Number of meetings attended.

Principal activities

The principal activities of the Company during the course of the financial year were:

- (i) the investment in energy related projects;
- (ii) the investment in an information technology company;
- (iii) the provision of information technology services to assist individuals and organisations to better organise, manipulate, manage, distribute and present their knowledge, information and data.

There were no other significant changes in the nature of the activities of the Company during the year other than disclosed in this financial report.

Review and results of operations

IT services

As a result of the unsuccessful bid to win the Northern Territory Government outsourcing work the Company had significant expenditure compared to revenue. The Company decided to divest its Information Technology Services business and focus on energy investments. The Company advised on 13 February 2002 that settlement had occurred on the disposal of the Information Technology Services business via a management buy-out. The Information Technology Services business was sold for \$1 resulting in a net loss of \$121,292. As a result of the management buy-out all "Employee Option Plan" Options were effectively cancelled.

Energy investments

In August 2001, the Company acquired Nexus Energy (Aust.) NL (formerly Bass Petroleum NL) and raised approximately \$3.4 million. The major activities undertaken were as follows:

1. Three wells were drilled in the Surat-Bowen Basin between September 2001 and October 2001 resulting in small gas discoveries.
2. Nexus Energy Limited announced on 11 February 2002 that it would not pursue further exploration in the Surat-Bowen Basin under its farmin agreement with Oil Company of Australia. This action was taken as a result of expert advice, which indicated insufficient technical and commercial incentive for Nexus Energy Limited to proceed. This resulted in a write off of \$5,406,491 in value of its tenements, capitalised exploration expenditure and Gore-Sorber technology valued at \$1 million.

The three wells drilled assisted Nexus with its interpretation of the Gore-Sorber™ survey results and future application of the technology.
3. A Research and Development ("R&D") Start Grant application for the Gore Offshore Survey Implementation Program ("GOSIP") commenced in the last quarter 2001. The application was lodged on 6 March 2002. The release of funds by the Commonwealth Government under that program has been delayed until the first quarter of 2003.

Original IT Investments Pty Ltd

Nexus Energy Limited ("Nexus") is a one third share holder in Original IT Investments Pty Ltd ("OIT"). OIT was established to develop and operate an information and technology incubator with \$5 million of funding provided by way of a grant under the Commonwealth Government's "Building on IT Strengths" ("BITS") program.

Nexus has two representatives on its Board of Directors and its fellow shareholders, the Northern Territory University and Darwin International Technology, have ongoing funding commitments to OIT. Nexus and Darwin International Technology will fund the Northern Territory University's share of financial contributions on an equal basis for the next two years by way of non-recourse loans.

Operating results

The consolidated loss of the consolidated entity for the year ended 30 June 2002 was \$8,778,698 (2001: loss \$2,923,361).

Significant changes in state of affairs

On 16 August 2001, the Company issued 42,336,317 fully paid ordinary shares and 10,999,975 options (exercise price of \$0.18) as consideration (\$5,080,358) for acquisition of 100% of the issued share capital of Nexus Energy (Aust.) NL, the total acquisition cost being \$5,369,774. Nexus Energy (Aust.) NL is an oil and gas exploration and development company.

On 16 August 2001, an additional 28,335,997 shares were placed at 12 cents per share and raised \$3,400,320, as part of this share issue 11,015,048 options were issued with an exercise price of \$0.18.

In February 2002, the Company announced that due to subcommercial gas discoveries in two wells and no measurable flow of hydrocarbons in the third well and after a review of the ongoing exploration program indicated that future wells were not expected to yield commercial hydrocarbons, it would not pursue further exploration in the Surat-Bowen Basin under its farm-in agreement with Oil Company of Australia. This decision terminated the consolidated entity's interests in the respective farm-in permits and capitalised exploration expenditure of \$6,006,249 relating to the permits was written down to a \$nil value.

In February 2002, the Company disposed of its Information Technology Services business by way of a management buy-out.

In the opinion of the Directors there were no other significant changes in the state of affairs of the consolidated entity that occurred during the year under review not included in this report or in the financial statements.

Dividends

No dividend has been paid or declared by the Company to members since the end of the previous financial year.

Issue of options to employees

On 18 October 2000, employees were issued with a number of Executive and Employee Options with an exercise price of \$0.25 each to acquire one ordinary share in the Company.

At 1 July 2001, 790,000 options were outstanding as part of the Executive and Employee Options scheme. These options expired upon the management buy-out of the Information Technology Services business on 13 February 2002.

All options granted under the Employee Share Option scheme expire on the earlier of their expiry date or termination of the employee's employment. Options may be exercised at any time by employees.

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

During the year the following options were issued;

11,015,048	Issued on 8 August 2001 as a bonus issue to shareholders on the basis of 1 option for every 4.48 shares held on 7 August 2001, with an exercise price of \$0.18 each to acquire one ordinary fully paid share in the Company; expiry date: 31 July 2004
10,999,975	Issued on 16 August 2001 pursuant to the agreement to acquire Nexus Energy (Aust.) NL with an exercise price of \$0.18 each to acquire one

ordinary fully paid share in the Company; expiry date: 31 July 2004

5,667,188	Issued on 16 August 2001 pursuant to a placement of ordinary fully paid shares, with an exercise price of \$0.18 each to acquire one ordinary fully paid share in the Company; expiry date: 31 July 2004
3,000,000	Issued on 20 August 2001 to the Directors of the Company with an exercise price of \$0.20 each to acquire one ordinary fully paid share in the Company, expiry date: 31 July 2004
14,732	Options were exercised on 10 September 2001 at \$0.18 each (\$2,652) to acquire 14,732 ordinary fully paid shares in the Company.

Environmental regulation

The consolidated entity's operations are not subject to significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Company.

Events subsequent to balance date

Since the end of the financial year the Company disposed of its 100% owned subsidiary Nexus Energy (Victoria) Pty Ltd.

Effective 15 July 2002, the Company secured the services of a full time executive team to focus its activities entirely on oil and gas exploration and development.

Likely developments

The Company will continue to pursue its policy of investing in the energy sector during the next financial year. The consolidated entity's long-term objective is to achieve organic growth from exploration and development opportunities. The Company will be pursuing a revised strategy which will enable it to gain access to quality assets without significant dilution of equity at the current depressed share price.

Further information about likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

Directors' and senior executives' emoluments Remuneration policy

The Board regularly reviews remuneration of its senior executives and Directors. This also includes responsibility for the Employee Share Option scheme. Executive remuneration levels are competitively set with regard to the level of seniority, responsibility and effectiveness in carrying out these duties. Directors' remuneration levels are competitively set to attract the most qualified and experienced Directors.

DIRECTORS' REPORT continued

FOR THE YEAR ENDED 30 JUNE 2002

The Company has set share price benchmarks for the financial year ending 30 June 2003 in its remuneration policy to senior executives.

Options are also issued under the Executive and Employee Share Option scheme. Non-executive Directors do not receive any performance-related remuneration.

Directors' and senior executives' emoluments

Details of the nature and amount of each major element of the emoluments of each Director of the Company and each of the five named executive officers of the Company and the consolidated entity receiving the highest emolument are:

Director	Base emolument \$	Super contributions \$	Total \$	Options issued during year \$
Non-executive				
Mr Neil Philip	25,000	–	25,000	500,000
Mr Robert Boyson	–	–	–	–
Mr Michael Fowler	24,597	–	24,597	500,000
Mr Brian Hannon	14,850	1,188	15,038	500,000
Mr Alastair Haydock	3,804	21,202	25,006	500,000
Mr Robert Hosking	25,009	–	25,009	500,000
Mr Dawson Johns	25,184	–	25,184	500,000
Former executives				
Mr Neale Taylor	94,004	–	94,004	
Mr Graeme Sawyer	65,004	5,200	70,204	

Options

During or since the end of the financial year, the Company granted options over unissued ordinary shares to the following Directors as part of their remuneration:

Directors	Number of options granted	Exercise price	Expiry date
Mr Neil Philip	500,000	\$0.20	31 July 2004
Mr Robert Boyson	2,000,000	\$0.25	30 June 2005
Mr Robert Boyson	2,000,000	\$0.50	30 June 2005
Mr Robert Boyson	2,000,000	\$0.125	30 June 2005
Mr Michael Fowler	500,000	\$0.20	31 July 2004
Mr Brian Hannon	500,000	\$0.20	31 July 2004
Mr Alastair Haydock	500,000	\$0.20	31 July 2004
Mr Robert Hosking	500,000	\$0.20	31 July 2004
Mr Dawson Johns	500,000	\$0.20	31 July 2004

Directors' interests

The relevant interest of each Director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the Company, as notified by the Directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act, at the date of this report is as follows:

	Ordinary fully paid shares	Options
Mr Michael Fowler	10,649,916	2,377,213 exercise price 18 cents 500,000 exercise price 20 cents
Mr Robert Boyson	–	2,000,000 exercise price 12.5 cents 2,000,000 exercise price 25 cents 2,000,000 exercise price 50 cents
Mr Alastair Haydock	877,632	398,168 exercise price 18 cents 500,000 exercise price 20 cents
Mr Robert Hosking	5,037,469	1,313,765 exercise price 18 cents 500,000 exercise price 20 cents
Mr Neil Philip	4,909,495	348,214 exercise price 18 cents 500,000 exercise price 20 cents

Indemnification and insurance of officers and auditors Indemnification

The Company has agreed to indemnify the following current Directors of the company, Mr Neil Philip, Mr Michael Fowler and alternate Director Mr Michael Iacobucci; the following former Directors Mr Brian Hannon, Mr Prins Ralston and the following former alternate Director Mr Bill Earl, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has also agreed to indemnify the current Directors for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith.

During the year there have been no claims for breach of contractual obligations or any other breaches by the Directors, former Directors or alternate Directors.

Insurance premiums

During the financial year the Company paid insurance premiums in respect of Directors' and officers' liability and legal expenses insurance contracts, for current and former Directors and officers, including executive officers of the Company.

The premiums were paid in respect of the following officers of the Company:

- premiums were paid in respect of the following current Directors of the Company, Mr Neil Philip and Mr Michael Fowler
- premiums were paid in respect of Mr Brian Hannon and Mr Prins Ralston, former Directors of the Company

The insurance policies outlined above do not contain details of the premiums paid in respect of individual officers of the Company.

The Directors have not included the details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

Corporate governance

In recognising the need for the highest standards of corporate governance and accountability, the Directors of the parent entity support and have adhered to the principles of corporate governance. The consolidated entity's corporate governance statement is on pages 32–33 of this annual report.

Auditors

Moore Stephens HF continue in accordance with Section 327 of the Corporations Act.

Dated at Darwin this 15th day of October 2002.

Signed in accordance with a resolution of the Directors:



Neil Philip
Chairman

EXECUTIVES

EDWARD MUNKS (centre)

Bachelor of Business, FCPA, MAICD

Edward is the Commercial Manager and Company Secretary of the Nexus Group of Companies.

Edward has a solid finance and commercial background and over 20 years international experience in industrial and petroleum companies. He has considerable experience in a range of financial and business matters from gas marketing in Asia, equity and debt capital raisings, to restructuring of corporate enterprises.

PHILIP M SMITH (right)

Bachelor of Science (Physics) Master of Science (Geophysics)

Philip is the Exploration Manager of Nexus Energy Limited.

Philip has over 20 years international experience in the petroleum industry with involvement in all aspects of the exploration business from acreage capture, data acquisition and interpretation through to prospect generation and the appraisal and development of petroleum discoveries.

He has successfully explored for oil and gas in several offshore basins around Australia, Africa, Asia and the Middle East.

Before joining Nexus Energy Limited, Philip worked for BHP Billiton, Woodside Petroleum, Phillips Petroleum and KUFPEC in London.

IAN TCHACOS (left)

Bachelor of Mechanical Engineering Graduate Diploma in Chemical Engineering

Ian is Chief Executive Officer of the Nexus Group of Companies.

Ian is a petroleum industry professional with 20 years international experience in petroleum engineering, exploration and development operations, portfolio management, commercial negotiation, oil and gas marketing, new venture acquisitions, corporate development and energy finance. He has a proven management track record in a range of junior and mid sized oil company environments.

Ian was Managing Director of Amalgamated Scottish Oil Limited, and has also held senior management positions with Hardy Oil and Gas PLC, Emperor Bay Petroleum Pty Ltd.



2002 FINANCIAL STATEMENTS

Contents	Page
Statement of Financial Performance	12
Statement of Financial Position	13
Statement of Cash Flows	14
Notes to the Financial Statements	15
Directors' Declaration	30
Independent Audit Report	31
Statement of Corporate Governance Principles	32
Australian Stock Exchange Additional Information	33
Shareholder Information	34

	Note	Consolidated Entity		Parent Entity	
		2002 \$	2001 \$	2002 \$	2001 \$
Revenues from ordinary activities	2	842,000	1,811,013	560,272	1,811,013
Raw materials used		(318,707)	–	(6,021)	–
Write off exploration investments		(5,406,491)	–	(5,369,774)	–
Exploration expenditure written off		(599,738)	–	–	–
Doubtful debts	3	(230,846)	(10,000)	(1,643,678)	(10,000)
Deed of settlement	26	(250,000)	–	–	–
Consulting fees		(697,964)	(278,005)	(395,888)	(278,005)
Property costs		(202,256)	(298,550)	(168,456)	(298,550)
Employee benefits expenses		(583,810)	(2,300,537)	(580,810)	(2,300,537)
Loss on write off/disposal of plant and equipment		(129,272)	(110,000)	(129,272)	(110,000)
Operating lease rental expense		(128,987)	(242,023)	(128,987)	(242,023)
Depreciation and amortisation expenses	3	(119,068)	(83,753)	(11,262)	(83,753)
Borrowing costs expense		(2,599)	(264)	(2,597)	(264)
Other expenses from ordinary activities		(728,810)	(1,347,613)	(614,245)	(1,347,613)
Share for net losses of associate accounted for using the equity method	10	(222,150)	(63,629)	(222,150)	(63,629)
Loss from ordinary activities before income tax expense	3,4	(8,778,698)	(2,923,361)	(8,712,868)	(2,923,361)
Income tax (expense)/benefit relating to ordinary activities	5	–	–	–	–
Net loss from ordinary activities after income tax expense attributable to members of the parent entity		(8,778,698)	(2,923,361)	(8,712,868)	(2,923,361)
Total changes in equity other than those resulting from transactions with owners as owners	19	(8,778,698)	(2,923,361)	(8,712,868)	(2,923,361)
Basic earnings per share	7	(\$0.078)	(\$0.047)		
Diluted earning per share	7	(\$0.063)	(\$0.046)		

The statement of financial performance is to be read in conjunction with the notes to the financial statements set out on pages 15 to 29.

		Consolidated Entity		Parent Entity	
		2002 \$	2001 \$	2002 \$	2001 \$
Current Assets					
Cash assets		2,610,952	2,857,204	2,538,490	2,857,204
Receivables	8	258,201	328,871	41,478	328,871
Inventories	9	-	13,252	-	13,252
Tax assets	11	17,257	-	17,103	-
Other	14	3,745	22,892	3,745	22,892
Total current assets		2,890,155	3,222,219	2,600,816	3,222,219
Non-current Assets					
Receivables	8	-	91,668	-	91,668
Investments accounted for using the equity method	10	130,886	119,703	130,886	119,703
Property, plant and equipment	13	6,702	103,997	6,702	103,997
Other financial assets	12	-	84,598	-	84,598
Total non-current assets		137,588	399,966	137,588	399,966
Total assets		3,027,743	3,622,185	2,738,404	3,622,185
Current Liabilities					
Payables	15	546,119	570,990	190,949	570,990
Interest-bearing liabilities	16	-	3,062	-	3,062
Provisions	17	-	43,349	-	43,349
Total current liabilities		546,119	617,401	190,949	617,401
Total liabilities		546,119	617,401	190,949	617,401
Net assets		2,481,624	3,004,784	2,547,455	3,004,784
Equity					
Contributed equity	18	14,780,941	6,525,402	14,780,941	6,525,402
Accumulated losses	19	(12,299,317)	(3,520,618)	(12,233,486)	(3,520,618)
Total equity	20	2,481,624	3,004,784	2,547,455	3,004,784

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 15 to 29.

	Note	Consolidated Entity		Parent Entity	
		2002 \$	2001 \$	2002 \$	2001 \$
Cash flows from operating activities					
Receipts from customers		865,402	1,840,916	795,690	1,840,916
Payments to suppliers and employees		(3,833,893)	(4,512,266)	(2,422,163)	(4,512,266)
Tax paid		(17,257)	–	(17,103)	–
Interest received		144,023	197,010	142,220	197,010
Borrowing costs		(2,599)	(264)	(2,597)	(264)
Net cash flows used in operating activities	23(b)	(2,844,324)	(2,474,604)	(1,503,953)	(2,474,604)
Cash flows from investing activities					
Purchase of investments		(233,333)	(183,333)	(233,333)	(183,333)
Payment for business assets		(204,818)	(36,708)	(204,818)	(36,708)
Purchase of property, plant and equipment		(21,882)	(207,811)	(21,882)	(207,811)
Loans to related parties		–	–	(1,412,833)	–
Loans to other entities		(114,014)	(91,668)	(114,014)	(91,668)
Net cash flows used in investing activities		(574,047)	(519,520)	(1,986,880)	(519,520)
Cash flows from financing activities					
Proceeds from issue of ordinary shares		3,175,181	5,328,900	3,175,181	5,328,900
Proceeds from borrowings		–	46,550	–	46,550
Repayment of borrowings		(3,062)	(43,488)	(3,062)	(43,488)
Dividends paid		–	–	–	–
Net cash flows from financing activities		3,172,119	5,331,962	3,172,119	5,331,962
Net increase in cash held		(246,252)	2,337,838	(318,714)	2,337,838
Cash at the beginning of the year		2,857,204	519,366	2,857,204	519,366
Cash at the end of the year	23(a)	2,610,952	2,857,204	2,538,490	2,857,204

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 15 to 29.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act. It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied and, except where there is a change in accounting policy, are consistent with those of the previous year.

b) Principles of consolidation

The consolidated accounts of the consolidated entity comprise the accounts of the parent entity, Nexus Energy Limited and its controlled entities Nexus Energy (Aust.) NL and Nexus Energy (Victoria) Pty Ltd. Information on the controlled entities are contained in Note 30. All intercompany balances and transactions between the parent entity and controlled entities have been eliminated.

c) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Rendering of services

Revenue from rendering services is recognised in the period in which the service is provided, having regard to the stage of completion of the contract.

Interest revenue

Interest revenue is recognised as it accrues.

d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

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.

e) Income tax

The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax. Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effects of capital losses are not recorded unless realisation is virtually certain.

f) Acquisition of assets

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Expenditure (including that on internally generated assets other than research and development costs) is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

g) Non-current assets

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount.

h) Receivables

Trade debtors

Trade debtors to be settled within 60 days are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

i) Inventories

Inventories are carried at the lower of cost and net realisable value.

j) Investments

Associates

Investments in unlisted shares of associates are carried at the lower of cost and recoverable amount.

Controlled entities

Investments in controlled entities are valued in the parent entity's accounts at cost less, where appropriate, a provision for diminution in value where the annual review by Directors has determined that cost is in excess of the recoverable amount from these assets.

k) Operating leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

l) Property, plant and equipment

Depreciation and amortisation

All assets have limited useful lives and are depreciated/amortised using either the straight line or diminishing value methods over their estimated useful lives.

The depreciation/amortisation rates and methods are reviewed annually to determine the most appropriate method.

The depreciation/amortisation rates used for each class of asset, for the current and previous years, are as follows:

Plant and equipment	20 – 50%
Leasehold improvements	33 – 63%

Assets are depreciated or amortised from the date of acquisition.

m) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 60 days.

n) Employee entitlements

Annual leave

The provisions for employee entitlements to annual leave represent present obligations resulting from employees' services provided up to the balance date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates and include related on-costs.

Superannuation funds

Contributions to employee superannuation funds are charged against income as incurred.

o) Cash and cash equivalents

Cash and cash equivalents includes deposits held at call with a bank or financial institution and highly liquid investments with short periods to maturity which are readily convertible to cash on hand at the consolidated entity's option and are subject to insignificant risk of changes in value.

p) Going concern

On the basis of the consolidated entity's present level of operations, the Directors are of the opinion that the consolidated entity has sufficient cash resources to meet its financial obligations for the next 12-month period from the date of signing the Directors' declaration. Additional future funding will need to be sought for exploration activities undertaken by the consolidated entity to meet its financial obligations for the period after 12 months from signing the Directors' declaration.

Consolidated Entity		Parent Entity	
2002	2001	2002	2001
\$	\$	\$	\$

2. REVENUE FROM ORDINARY ACTIVITIES

Rendering of services revenue from operating activities	606,455	1,540,479	326,530	1,540,479
Other revenues from operating activities:				
Interest	144,023	197,010	142,220	197,010
Rent	26,833	60,770	26,833	60,770
Other	64,688	12,754	64,688	12,754
Other revenue from outside operating activities:				
Gross proceeds from sale of non-current assets	1	–	1	–
Total other revenues	235,545	270,534	233,742	270,534
Total revenue from ordinary activities	842,000	1,811,013	560,272	1,811,013

	Consolidated Entity		Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
3. LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE				
Loss from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:				
Depreciation of plant and equipment	11,262	39,674	11,262	39,674
Amortisation of:				
– Leasehold improvements	–	21,031	–	21,031
– Deferred expenditure	107,806	23,048	–	23,048
Total depreciation and amortisation	119,068	83,753	11,262	83,753
Operating lease rental expense	128,987	242,023	128,987	242,023
Doubtful Debts				
– Trade	25,163	10,000	25,163	10,000
– Wholly owned subsidiary	–	–	1,412,833	–
– Northern Territory University	205,683	–	205,683	–
4. AUDITORS' REMUNERATION				
Audit services	43,650	44,000	33,000	44,000
Other services	12,200	53,256	5,000	53,256
	55,850	97,256	38,000	97,256
5. TAXATION				
(a) Income tax expense				
Prima facie income tax expense/(benefit) calculated at 30% (2001: 34%) on the profit from ordinary activities	(2,633,609)	(993,943)	(2,613,860)	(993,943)
Increase in income tax expense due to:				
Non-deductible write off of capital assets	1,689,493	–	1,678,475	–
Non-deductible depreciation and amortisation	32,342	–	–	–
Other non-deductible items	168,488	7,621	518,839	7,621
Current year losses not brought to account	743,286	986,322	416,546	986,322
Income tax expense attributable to ordinary activities	–	–	–	–
The potential future income tax benefit arising from tax losses and timing differences has not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond any reasonable doubt.				
Tax losses carried forward at a rate of 30% (2001: 30%)	2,258,177	934,650	1,351,196	934,650
Timing differences	82,711	47,111	84,811	47,111
	2,340,888	981,761	1,436,007	981,761

The potential future income tax benefit will only be obtained if:

- (i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the Company continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

	Consolidated Entity		Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$

6. DIVIDENDS

There were no ordinary dividends proposed/paid during the year ended 30 June 2002 by the Company.

Dividend franking account

Balance of franking account	1,642	1,642	1,642	1,642
			2002	2001

7. EARNINGS PER SHARE

Earnings used in the calculation of basic and dilutive earnings per share			(\$8,778,698)	(\$2,923,361)
(a) Basic loss per share			(\$0.078)	(\$0.047)
(b) Diluted loss per share			(\$0.063)	(\$0.046)
(c) Weighted average number of ordinary shares used in the calculation of basic earnings per share			112,550,490	62,312,225
(d) Weighted average number of ordinary shares outstanding during the year used in calculating diluted earnings per share.			140,057,638	62,883,622

Potential ordinary shares

Options outstanding at 30 June 2002 are considered to be potential ordinary shares for the purposes of determining diluted earnings per share.

	Consolidated Entity		Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$

8. RECEIVABLES

<i>Current</i>				
Trade debtors	242,035	324,072	25,312	324,072
Less: Provision for doubtful trade debts	(18,846)	(10,000)	(18,846)	(10,000)
	223,189	314,072	6,466	314,072
Other debtors	35,012	14,799	35,012	14,799
Total current receivable	258,201	328,871	41,478	328,871
<i>Non-current</i>				
Unsecured loans – Northern Territory University	205,682	91,668	205,682	91,668
Less: provision for doubtful debts	(205,682)	–	(205,682)	–
Nexus Energy (Aust.) NL	–	–	1,412,833	–
Less: provision for doubtful debts	–	–	(1,412,833)	–
Total non-current receivables	–	91,668	–	91,668

9. INVENTORIES

<i>Current</i>				
Work in Progress at cost	–	13,252	–	13,252

Consolidated Entity		Parent Entity	
2002	2001	2002	2001
\$	\$	\$	\$

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Movements in carrying amount of investments

Carrying amount of investments in associate at the beginning of the financial year	119,703	–	119,703	–
Investments in associate acquired during the year	233,333	183,332	233,333	183,332
Share of associate's net loss	(222,150)	(63,629)	(222,150)	(63,629)
Carrying amount of investments in associate at end of the financial year	130,886	119,703	130,886	119,703

Commitments

Share of associate's operating lease commitments payable:

Within one year	39,893	46,905	39,893	46,905
One year or later and no later than five years	76,681	108,861	76,681	108,861
	116,574	155,766	116,574	155,766

The Company has a 33.3% equity interest in Original IT Pty Limited ("Original IT"), an incubator company with the principal activity of nurturing start-up enterprises with innovative information technology and telecommunications products and concepts. The balance date of Original IT is 30 June.

Original IT has been granted \$5 million by the Commonwealth Government to operate the incubator over a four-year period. Under the incubator program, the Company, together with its two other equity partners will make pro-rata contributions to Original IT to augment the Commonwealth funding.

The Northern Territory University ("NTU") has a similar shareholding in Original IT, however, under the consortium agreement, the NTU can elect for its required contributions to be paid by the other consortium members on its behalf. This election was made by the NTU, and the contributions in this respect are disclosed at Note 8 as unsecured loans.

11. TAX ASSETS

Withholding tax paid	17,257	–	17,103	–
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12. OTHER FINANCIAL ASSETS

Non-current

Unlisted Investments at cost				
Investment in subsidiary companies at cost	–	84,598	5,369,764	84,598
Provision for diminution in value	–	–	(5,369,764)	–
	–	84,598	–	84,598

	Consolidated Entity		Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
13. PROPERTY, PLANT AND EQUIPMENT				
Plant and equipment				
<i>At cost</i>	7,659	141,930	7,659	141,930
<i>Accumulated depreciation</i>	(957)	(50,396)	(957)	(50,396)
	6,702	91,534	6,702	91,534
Leasehold improvements				
<i>At capitalised cost</i>	-	42,492	-	42,492
<i>Accumulated amortisation</i>	-	(30,029)	-	(30,029)
	-	12,463	-	12,463
Total property, plant and equipment net book value	6,702	103,997	6,702	103,997
Reconciliations				
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:				
<i>Plant and equipment</i>				
Carrying amount at beginning of year	91,534	38,880	91,534	38,880
Additions	21,882	202,329	21,882	202,329
Disposals	(95,452)	(110,000)	(95,452)	(110,000)
Depreciation	(11,262)	(39,675)	(11,262)	(39,675)
Carrying amount at end of year	6,702	91,534	6,702	91,534
<i>Leasehold improvements</i>				
Carrying amount at beginning of year	12,463	28,010	12,463	28,010
Additions	-	5,484	-	5,484
Disposals	(12,463)	-	(12,463)	-
Amortisation	-	(21,031)	-	(21,031)
Carrying amount at end of year	-	12,463	-	12,463
14. OTHER				
<i>Current</i>				
Prepayments	3,745	22,892	3,745	22,892
<i>Non-current</i>				
Deferred software development expenditure	-	28,295	-	28,295
Accumulated amortisation	-	(28,295)	-	(28,295)
	-	-	-	-
15. PAYABLES				
<i>Current</i>				
Trade creditors	448,672	171,061	111,353	171,061
Other creditors and accruals	97,447	399,929	79,596	399,929
	546,119	570,990	190,949	570,990

	Note	Consolidated Entity		Parent Entity	
		2002	2001	2002	2001
		\$	\$	\$	\$
16. INTEREST-BEARING LIABILITIES					
<i>Current</i>					
Loans		-	3,062	-	3,062
17. PROVISIONS					
<i>Non-current</i>					
Employee entitlements		-	35,828	-	35,828
Fringe benefits tax		-	7,521	-	7,521
		-	43,349	-	43,349
Number of employees at year end		-	18	-	18
18. CONTRIBUTED EQUITY					
Issued and paid-up share capital					
120,035,346 (69,348,300, 2001) fully paid ordinary shares				17,485,723	7,650,002
Less: equity raising costs				(1,352,391)	(1,124,600)
				16,133,332	6,525,402
<i>Movements in share capital</i>					
Balance at the beginning of the financial year				6,525,402	1,107,654
Shares issued					
65,340,302 fully paid ordinary shares				-	6,450,000
(20,000,000) cancelled fully paid ordinary shares				-	-
70,687,046 fully paid ordinary shares				8,483,330	-
Less:					
Equity raising costs				(227,791)	(1,032,252)
				14,780,941	6,525,402
Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.					
In the event of winding up of the Company, ordinary shareholders rank after all other creditors and are fully entitled to any proceeds of liquidation.					
19. ACCUMULATED LOSSES					
(Accumulated losses) retained profits at beginning of year		(3,520,618)	(597,257)	(3,520,618)	(597,257)
Net loss		(8,778,699)	(2,923,361)	(8,712,868)	(2,923,361)
Accumulated losses at end of year		(12,299,317)	(3,520,618)	(12,233,486)	(3,520,618)
20. TOTAL EQUITY RECONCILIATION					
Total equity at beginning of year		3,004,784	510,397	3,004,784	510,397
Net loss recognised in the statement of financial performance		(8,778,699)	(2,923,361)	(8,712,868)	(2,923,361)
Contributions of equity	15	8,255,539	5,417,748	8,255,539	5,417,748
		2,481,624	3,004,784	2,547,455	3,004,784

21. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

a) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

b) Net fair values

The net fair values of listed investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the consolidated entity intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

c) Interest rate risk

Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Note	Weighted average interest rate %	Floating interest rate \$	Fixed interest maturing in 1 year or less \$	Non-interest-bearing \$	Total
2002						
<i>Financial assets</i>						
Cash		4.8	2,610,612	–	340	2,610,952
Receivables			–	–	258,201	258,201
			2,610,612	–	258,541	2,869,153
<i>Financial liabilities</i>						
Payables			–	–	546,119	546,119
Loans			–	–	–	–
Provisions			–	–	–	–
			–	–	546,119	546,119
2001						
<i>Financial assets</i>						
Cash	23	4.8	156,702	2,700,000	502	2,857,204
Receivables	8		–	–	420,539	420,539
			156,702	2,700,000	421,041	3,277,743
<i>Financial liabilities</i>						
Payables	15		–	–	570,990	570,990
Loans	16	5.1	–	3,062	–	3,062
Provisions	17		–	–	35,828	35,828
			–	3,062	606,818	609,880

Consolidated Entity		Parent Entity	
2002	2001	2002	2001
\$	\$	\$	\$

22. COMMITMENTS

Investment contribution and loan commitments

Future equity investment contribution and loan commitments not provided for in the financial statements and payable:

Within one year	350,000	350,000	350,000	350,000
Later than one year but not later than five years	325,001	700,000	325,001	700,000
	675,001	1,050,000	675,001	1,050,000

Note 1. The loan commitment of \$225,000, to the Northern Territory University as part of the funding arrangements of Original IT Investments Pty Ltd ("OIT"), expires in the financial year ending 30 June 2004.

Note 2. The equity funding commitment of \$450,001 to OIT expires in the financial year ending 30 June 2004.

Operating lease commitments

Future operating lease rentals not provided for in the financial statements and payable:

Within one year	28,000	241,837	28,000	241,837
Later than one year but not later than five years	-	96,740	-	96,740
	28,000	338,577	28,000	338,577

Licence commitments

Licence fees payable as follows:

Within one year	-	96,062	-	96,062
Later than one year but not later than five years	-	55,716	-	55,716
	-	151,778	-	151,778

Finance lease commitments

The consolidated entity does not have any finance leases at balance date.

Capital expenditure commitments

The consolidated entity does not have any capital expenditure commitments at balance date.

In the prior year the Company leased property under non-cancellable operating leases expiring from one to two years and plant and equipment under non-cancellable operating leases expiring from one to three years. Leases generally provide the Company with a right of renewal at which time all terms are renegotiated. An accrual has been included in the financial statements to pay out these existing operating leases.

The Company leases office space from Treasury Funds Management Ltd which expires at the end of February 2003.

	Consolidated Entity		Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
23. NOTES TO THE STATEMENT OF CASH FLOWS				
(a) Reconciliation of cash				
For the purposes of the statement of cash flows, cash includes cash on hand and at bank, short-term deposits and short-term commercial bills. Cash as at the end of the financial year as shown in the statement of cash flows is as disclosed in the statement of financial position as "Cash Assets".				
(b) Reconciliation of loss from ordinary activities after income tax to net cash provided by operating activities				
Loss from ordinary activities after income tax	(8,778,698)	(2,923,361)	(8,712,868)	(2,923,361)
Add/(less) non-cash items				
Loss on write off/disposal of non-current assets	84,595	110,000	84,595	110,000
Write off of exploration investments	5,406,491	–	5,369,774	–
Amortisation	107,808	44,080	–	44,080
Depreciation	11,262	39,674	11,262	39,674
Doubtful debts expense	230,846	–	1,643,678	–
Write down in investments accounted for using the equity method	222,150	63,629	222,150	63,629
Net cash used in operating activities before change in assets and liabilities	(2,715,546)	(2,665,978)	(1,381,409)	(2,665,978)
Change in assets and liabilities				
Decrease/(Increase) in inventories	13,252	5,498	13,252	5,498
Decrease/(Increase) in receivables and prepayments	70,670	(87,557)	306,542	(87,557)
Decrease/(Increase) in tax refundable	(17,257)	–	(17,103)	–
(Decrease)/Increase in payables	(152,094)	277,437	(381,886)	277,437
(Decrease)/Increase in provisions	(43,349)	(4,004)	(43,349)	(4,004)
Net cash used in operating activities	(2,844,324)	(2,474,604)	(1,503,953)	(2,474,604)

Non-cash finance and investing activities

The Company issued 42,336,317 fully paid ordinary shares and 10,999,975 options (exercise price of \$0.18) as consideration (\$5,080,358) for acquisition of 100% of the issued share capital of Nexus Energy (Aust.) NL. The amount of cash acquired at the transaction date was \$85,832. The amounts of other assets and liabilities acquired are as follows:

Investments	\$6,600,000
Receivables	\$25,590
Payables and provisions	\$277,622

	Consolidated Entity		Parent Entity	
	2002	2001	2002	2001
24. DIRECTORS' REMUNERATION				
The number of Directors of the Company whose income from the Company falls within the following bands:				
\$ 0 – \$9,999	–	3	–	3
\$10,000 – \$19,999	1	–	1	–
\$20,000 – \$29,000	5	–	5	–
\$50,000 – \$59,999	–	3	–	3
\$390,000 – \$399,999	–	1	–	1
Total income paid or payable, or otherwise made available, to all Directors of the Company from the Company	\$140,834	\$550,523	\$140,834	\$550,523

Also, refer Note 26.

Directors' income includes amounts paid by the Company during the year to indemnify Directors, and an allocation of insurance premiums paid by the Company in respect of Directors' and officers' liabilities and legal expenses insurance contracts, in accordance with common commercial practice.

	Consolidated Entity		Parent Entity	
	2002	2001	2002	2001

25. EXECUTIVE REMUNERATION

The number of executive officers of the Company whose remuneration from the Company falls within the following bands:

\$130,000 – \$139,999	–	2	–	2
\$250,000 – \$259,999	–	1	–	1

Total income in respect of the year received or due and receivable, from the Company, by executive officers of the Company whose income is \$100,000 or more	\$–	\$524,696	\$–	\$524,696
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Executive officers are those officers involved in the strategic direction, general management, or control of business at a company or operating division level. Executives' remuneration includes amounts paid by the Company during the year to indemnify executives, and an allocation of insurance premiums paid by the Company in respect of Directors' and officers' liabilities and legal expenses insurance contracts, in accordance with common commercial practice.

26. RELATED PARTIES

Directors

The names of each person holding the position of Director during the financial year are Messrs M P Fowler, B D Hannon (resigned 2 July 2002), N R Philip, M Iacobucci (alternate to M P Fowler), Mr D Johns (resigned 2 July 2002), Mr R Hosking and Mr A Haydock.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving Directors' interests subsisting at year end.

Details of Directors' remuneration are set out in Note 24.

Directors' holding of shares

The Directors' and their Director-related entities' interests in ordinary shares and options of the Company at balance date are set out below:

		2002 Fully paid ordinary shares	2001 Fully paid ordinary shares	2002 Options	2001 Options
Mr Robert Boyson	Appointed 10 Sept 2002	–	–	6,000,000	–
Mr Michael Fowler		10,649,916	10,649,916	2,877,213	–
Mr Brian Hannon	Resigned 2 July 2002	2,822,524	2,822,524	1,129,987	–
Mr Alistair Haydock		877,632	–	898,168	–
Mr Robert Hosking		5,037,469	–	1,813,765	–
Mr Dawson Johns	Resigned 2 July 2002	13,638,902	–	2,286,865	–
Mr Neil Philip		4,909,495	7,962,453	848,214	–
Mr Prins Ralston	Resigned 15 May 2001	–	13,004,946	–	–
		37,935,938	34,439,839	15,854,212	–

Note:

Mr Hosking's shares and options are held in Ropat Nominees Pty Ltd.

Mr Fowler's shares and options are held in Treasury Investments Pty Ltd and Tess Aust. Pty Ltd.

Mr Hannon's shares and options are held in Brian D Hannon Superfund and BDH Nominees Pty Ltd.

Mr Johns' shares and options are held in Labtam Management Pty Ltd.

Mr Philip's shares and options are held in N&S Superfund, Mossday Pty Ltd and by Suzanne Philip.

	2002 No. of shares	2001 No. of shares	2002 No. of options	2001 No. of options
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26. RELATED PARTIES continued

Directors' transactions in shares

During the year the following transactions in shares and options with Director or Directed-related entities took place:

Securities acquired	-	88,317,210	-	-
Securities issued	19,554,003	-	10,679,410	-
Securities cancelled	(3,052,958)	-	-	-
Securities sold	(197,493)	-	(5,198)	-

Other transactions with the Company

During the year, a Director, Mr N R Phillip, had an interest as a partner in the law firm Clayton Utz. This firm renders legal services to the Company in the ordinary course of business. The value of transactions during the year was for the Darwin office: \$86,026; Perth office: \$18,863 (total 2001: \$300,651).

During the year, a Director, Mr B Hannon, had an interest in the firm Hannon Group Management Services Pty Ltd. The Company rendered consultancy services to the Company in the ordinary course of business. The value of transactions during the year was \$23,700 (2001: \$NIL).

During the year, a Director, Mr A Haydock, provided technical exploration and management consulting services to the Company in the ordinary course of business. The value of transactions during the year was \$106,230 (2001: \$NIL).

During the year, a Director, Mr R Hosking, had an interest in Ropat Nominees Pty Ltd which provided management consulting services to the Company in the ordinary course of business. The value of transactions during the year was \$170,607 (2001: \$NIL).

During the year, a Director, Mr R Boyson, had an interest in Boyson Consulting Pty Ltd which provided technical and management consulting services to the Company in the ordinary course of business. The value of transactions during the year was \$120,858 (2001: \$NIL).

During the year, a Director, Mr M P Fowler, had an interest in Treasury Funds Management Limited. This company provides consulting and management services to the Company in the ordinary course of business. The value of transactions during the year was \$418,329 (2001: \$453,714).

During the year, a Director, Mr M P Fowler, had an interest in Treasury Management Services. This company provides management services and office space to the Company in the ordinary course of business. The value of transactions during the year was \$13,316 (2001: \$NIL).

During the year, a Director, Mr D Johns, had an interest in Labtam Management Pty Ltd. The Company entered into an agreement with Labtam and Oil Company of Australia (OCA) whereby Labtam financed \$2.28 million of expenditure on a farm-in agreement to drill a number of wells in the Surat Basin. This amount was fully expended. Pursuant to a decision to terminate the farm-in agreement with OCA, a deed of settlement was completed whereby the Company agreed to pay \$250,000 to Labtam for final settlement to close an agreement between Labtam and Nexus.

	Consolidated Entity		Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$

Loans to related entities

Non-current

Controlled entities

- Nexus Energy (Aust.) NL	-	-	1,412,833	-
- Less provision for doubtful debts	-	-	(1,412,833)	-
	-	-	-	-

27. CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities that are likely to have a material effect on the results of the consolidated entity except as disclosed in the financial statements.

28. EVENTS SUBSEQUENT TO BALANCE DATE

On 2 July 2002, Mr Dawson Johns and Mr Brian Hannon both resigned as Directors of the Company.

On 5 July 2002, the Company announced the appointments of the new executive team of Mr Ian Tchacos as Chief Executive Officer, Mr Edward Munks as Commercial Manager and Company Secretary and Mr Philip Smith as Exploration Manager.

On 9 September 2002, Mr Robert Boyson was appointed as a Non-executive Director.

During September 2002, the Company sold its 100% owned subsidiary Nexus Energy (Victoria) Pty Ltd.

29. DISCONTINUING OPERATION

On 27 November 2001, the group announced that due to the group's Information Services segment running at a loss due to the lack of growth opportunities in the Northern Territory Information Technology market, that the Company would dispose of this segment in the form of a management buy-out.

The Company advised on 13 February 2002 that settlement had occurred on the disposal of the Information Technology Services business. The Information Technology Services business was sold for \$1 resulting in a net loss of \$121,292. As a result of the Management buy-out all "Employee Option Plan" options were effectively cancelled. Given the Company's decision to focus on oil and gas the Company is reviewing options to commercialise its interest in Original IT in the near future.

Financial information relating to the discontinuing operation of the reporting period to the date of disposal is set out below. Further information is set out in Note 31 – Segment Information.

	2002 \$	2001 \$
Revenue from ordinary activities, excluding the sale of the division	418,052	1,811,013
Revenue from the sale of the division	1	–
Total revenue from ordinary activities	418,053	1,811,013
Expenses from ordinary activities, excluding the carrying amount of assets of the division sold	(1,520,001)	(4,734,374)
Carrying amount of net assets of the division sold	(129,272)	–
Total expenses of ordinary activities	(1,649,273)	(4,734,374)
Loss from ordinary activities before income tax	(1,231,220)	(2,923,361)
Income tax expense	–	–
Net loss	(1,231,220)	(2,923,361)
Carrying amount of assets and liabilities:		
Cash assets	–	2,857,204
Receivables	–	420,539
Other	–	22,892
Property, plant and equipment	–	103,997
Investments	130,886	119,703
Inventories	–	13,252
Total assets	130,886	3,537,587
Payables	–	570,990
Provisions	–	43,349
Interest-bearing liabilities	–	3,062
Total liabilities	–	617,401
Net assets	130,886	2,920,186
Cash flow information:		
Net cash flow from ordinary activities	(1,211,799)	(2,474,604)
Net cash inflow (outflow) from investing activities	(360,229)	(482,812)
Net cash (outflow) from financing activities	(3,062)	5,331,962
Net increase in cash generated by the division	(1,575,090)	2,374,546
Details of the sale of the division are as follows:		
Consideration received or receivable:		
Cash	1	
Carrying amount of net assets sold	129,273	
Loss on sale before income tax	(129,272)	
Income tax expense	–	
Loss on sale after income tax expense	(129,272)	

Name	Country of incorporation	Percentage of equity interest held by the Consolidated entity		Investment		Contribution to Group profit	
		2002 %	2001 %	2002 \$	2001 \$	2002 \$	2001 \$
30. CONTROLLED ENTITIES							
Nexus Energy (Aust.) NL	Australia	100%	–	5,369,774	–	(7,447,074)	–
Provision for diminution of value			–	(5,369,774)	–	–	–
Nexus Energy (Victoria) Pty Ltd	Australia	100%	–	10,933	–	–	–

Note: As at 30 June 2002 Nexus Energy (Victoria) Pty Ltd was a 100% owned subsidiary of Nexus Energy (Aust.) NL.

In June 2001, the Company commenced acquisition procedures for investing in Nexus Energy (Aust.) NL. The transaction was completed on 16 August 2001 by the issue of 42,336,317 fully paid ordinary shares and 10,999,975 options (exercise price \$0.18) as consideration (\$5,080,358) for the acquisition of 100% of the issued capital of Nexus Energy (Aust.) NL. An additional \$289,416 was spent prior to the share and option issue on due diligence activities.

31. SEGMENT REPORTING

Business segments

The consolidated entity comprises the following main business segments, based on the consolidated entity's management reporting system:

Provision of Information Technology ("IT") services. This segment provides IT services throughout the Northern Territory and is disclosed as a discontinuing operation in Note 29. The Company retains a one third interest in an IT incubator, Original IT Investments Pty Ltd ("Original IT"). Original IT was established with the principal activity of nurturing start-up enterprises in IT and telecommunications under the Commonwealth Government "Building on IT Strengths" program. Nexus is party to a deed of grant between the Commonwealth and other shareholders in Original IT Investments Pty Ltd.

Investment in energy related projects. This segment is involved in the exploration of petroleum in the Surat basin Queensland and in the Gippsland basin in Victoria.

	IT services	Energy investments	Consolidated
Primary Reporting – Business Segments			
2002			
External Revenue	418,053	279,925	697,978
Other Segments	–	–	–
Total Revenue	418,053	279,925	697,978
Share of net losses of equity accounted associates	(222,150)	–	(222,150)
Total Segment Revenue	195,903	279,925	475,828
Unallocated revenue			144,022
Revenue from ordinary activities			619,850
Segment Result	(1,231,220)	(7,447,074)	(8,678,294)
Unallocated expenses net of unallocated revenue			(100,404)
Loss from ordinary activities before income tax expense			(8,778,698)
Income tax expense	–	–	–
Loss from ordinary activities after income tax expense			(8,778,698)
Assets			
Segment assets	130,886	2,896,857	3,027,743
Total assets			3,027,743
Segment liabilities	–	546,119	546,119
Total liabilities			546,119
Other			
Investments accounted for using the equity method	130,886	–	130,886
Acquisitions of non-current segment assets	12,882	5,406,491	5,419,373
Depreciation and amortisation of segment assets	10,305	108,793	119,098
Other non-cash segment expenses	360,118	5,406,491	5,766,609

	IT services	Energy investments	Consolidated
Primary Reporting – Business Segments			
2001			
External Revenue	1,811,013	–	1,811,013
Other Segments	–	–	–
Total Revenue	1,811,013	–	1,811,013
Share of net losses of equity accounted associates	(63,629)	–	(63,629)
Revenue from ordinary activities			1,747,384
Segment Result	(2,923,361)	–	(2,923,361)
Loss from ordinary activities before income tax expense			(2,923,361)
Income tax expense	–	–	–
Loss from ordinary activities after income tax expense			(2,923,361)
Assets			
Segment assets	3,537,587	84,598	3,622,185
Total assets			3,622,185
Liabilities			
Segment liabilities	617,401	–	617,401
Total liabilities			617,401
Other			
Investments accounted for using the equity method	119,703	–	119,703
Acquisitions of non-current segment assets	202,329	84,598	286,927
Depreciation and amortisation of segment assets	83,753	–	83,753
Other non-cash segment expenses	120,000	–	120,000

Secondary reporting – geographical segments

The consolidated entity operates in one geographical segment being Australia.

Inter-segment transfers

Segment revenues, expenses and result include transfers between segments. The prices charged on inter-segment transactions are the same as those charged for similar goods to parties outside of the economic entity at an arm's length. These transfers are eliminated on consolidation.

In accordance with a resolution of the Directors of Nexus Energy Limited, I state that:

(1) In the opinion of the Directors:

(a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2002 and of their performance for the year ended on that date; and

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

(2) In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 30 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board.

Dated at Melbourne this 15th day of October 2002.

Signed in accordance with a resolution of the Directors:



Neil Robertson Philip

Director and Chairman

Scope

We have audited the financial report of Nexus Energy Limited for the financial year ended 30 June 2002 as set out on pages 12 to 30.

The financial report includes the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year. The Company's Directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the financial report of Nexus Energy Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2002 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Inherent uncertainty regarding continuation as a going concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1(p), there is significant uncertainty whether the entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Moore Stephens HF

Kevin Neville
Partner

15 October 2002

The Statement of Corporate Governance Principles establishes the framework for how the Board oversees the Company and performs its functions on behalf of shareholders.

Board of Directors

The Board is elected by shareholders to represent all shareholders. It is a Director's responsibility, in all decisions he or she is called upon to make concerning the consolidated entity's affairs, to conscientiously weigh the interests of shareholders in light of the circumstances and to consider the effects of such decisions on the interests of all shareholders.

Role of the Board

The Board is to oversee and direct the management of the Company with a view to optimising Company performance and to increase shareholder wealth by:

- defining and monitoring the strategic direction of the Company
- defining policies and procedures to ensure the Company operates within the legal, ethical and social requirements of its environment
- establishing control and accountability systems within the consolidated entity's operations to conform to the legal requirements and the expectations of shareholders and other stakeholders
- defining and monitoring the management of an effective risk assessment strategy
- driving Company performance
- reviewing and monitoring the management and Company performance
- appointing and appraising the Chief Executive Officer/Managing Director and any other Executive Directors and ensuring that there are adequate plans and procedures for succession planning

Composition of the Board

The Board of Directors is to be constituted by six members, with a majority of Non-executive Directors. At this relatively early stage of the development of the Company the Board is comprised of people who understand the consolidated entity's business in depth and who are prepared to be actively involved in the Company and work closely with management.

The Board's composition will be reviewed from time to time having regard to the growth of the consolidated entity's business with a view to having a majority of Independent Directors.

"An unrelated or Independent Director is one who is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act with a view to the best interests of the Company, and excludes, in particular, substantial shareholders, advisers, significant customers and suppliers, and executives."

Chairman of the Board

The Chairman of the Board shall be an Independent Director or Non-executive Director.

Meeting schedule

The Board schedules meetings at least every two months with additional committee meetings if and when required, to discuss technical and specific matters.

Relationship of Board with management

The management of the day-to-day business of the Company is to be conducted by or under the supervision of the Chief Executive Officer as designated by the Board of Directors, which has clearly defined the limits of management's responsibilities.

The Board will develop and approve the corporate objectives, which the Chief Executive Officer is responsible for implementing.

The Board will adopt appropriate structures and procedures to ensure that the Board functions independently of management.

Board Committees

The Board may establish appropriate Committees to assist in its role. The Board has established the following Committee:

- Audit Committee

Composition of Committees

A Committee will be chaired by a Non-executive Director appointed by the Board and will be comprised of a majority of Directors.

Other members, as appointed by the Chairman of the Committee, may comprise Directors, senior executives and/or external professionals who possess skills and expertise suitable for carrying out the functions of the Committee

Audit Committee

The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and the appropriate ethical standards for the management of the economic entity.

It also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in financial statements.

The Audit Committee presently consists of:

Mr M Fowler

Mr R Hosking

Mr E Munks

The responsibilities of the Audit Committee include:

- liaising with external auditors and ensuring that the annual and half yearly statutory audits are conducted in an effective manner
- reviewing internal controls and recommending improvements
- the review of the half year financial statements prior to lodgement of these documents with the Australian Stock Exchange, and any significant adjustments required as a result of the audit
- to review the draft financial statements and the audit report and to make the necessary recommendations to the Board for approval of the financial statements
- to review treasury recommendations and make necessary recommendations to the Board for approval
- to review and report on any special reviews deemed necessary by the Board

The Committee reports to the full Board after each Committee Meeting and relevant papers and minutes are provided to all Directors.

Internal control

The Board acknowledges that it is responsible for the overall internal control framework. To assist in discharging this responsibility the Company has an established internal framework, this can be described as follows:

- Financial reporting – there is a comprehensive budgeting system with an annual budget approved by the Directors. Monthly actual results are reported against budget and revised forecasts for the year. A revised budget is prepared half yearly and approved by the Directors
- Functional specialty reporting – the Company has identified a number of key areas which are subject to regular reporting to the Board such as treasury, legal and self insurance matters
- Investment appraisal – the Company has clearly defined guidelines for capital expenditure. These include annual budgets and review procedures
- Surplus funds – a policy of conservative and secure investment of surplus funds is applied

Advice to Directors

Subject to the approval of the Board, an individual Director may engage an outside adviser at the expense of the Company in appropriate circumstances.

Fair dealings and related party transactions

A Director, or entities in which a Director has a significant interest and/or influence, who enters into a transaction with the Company must make full disclosure of all material elements of the transaction to the Chairman, or, if the Director involved is the Chairman, to the Board.

In addition, the following contracts with Directors, or entities in which Directors have a significant interest and/or influence, must be approved by the Audit and Compliance Review Committee in advance of committing to the Company:

- contracts for the supply of goods and/or services which extend beyond one year, or where the total value of goods and/or services supplied under the contract will, in any one year, exceed \$25,000
- all agreements to lease and/or leases of property
- all agreements for acquisition or disposal of property except by way of public auction

Any Director who is a member of the Audit and Compliance Review Committee and who has a significant interest and/or influence in relation to a contract to be approved by the Committee must absent himself from the meeting and not participate in any vote to approve such contract.

Disclosure of information

The Company has an objective of honest and open disclosure of information in dealing with stakeholders, subject to appropriate commercial considerations associated with competitive and sensitive information. Such disclosure may, in appropriate circumstances, exceed statutory requirements.

Share dealings

The Board of Directors has adopted a policy and procedure on dealing in Company securities by Directors and senior management, which provides that Directors and any employee who from time to time possess information that is inside information should never deal in the Company's securities.

It also provides guidance on the periods when securities can be dealt.

Ethical standards

The Directors, senior executives and employees are required to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity.

Environment

The Company has an environmental policy and is committed to conducting all its activities in an environmentally responsible manner.

The role of shareholders

The Board aims to ensure that all shareholders are informed of all major developments affecting the consolidated entity's state of affairs. Information is communicated to the shareholders as follows:

- The annual report is distributed to all shareholders. The Board ensures that the annual report includes relevant information about the operations of the consolidated entity during the year, changes in the state of affairs of the consolidated entity and other disclosures required by the Corporations Law
- Half yearly financial statements prepared in accordance with the requirements of the Corporations Law are subject to an Audit Review. The financial statements are sent to any shareholder who requests them
- Proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders

Risk assessment and management

As part of the consolidated entity's strategy to implement an integrated framework of control, the Board continually identifies and monitors the key business and financial risks which could jeopardise the consolidated entity achieving its objectives. The Board is continually developing appropriate controls which would effectively manage those risks.

ADDITIONAL INFORMATION REQUIRED FOR LISTED COMPANIES

Schedule of Interest

As at 30 September 2002

The permits and petroleum leases in which Nexus Energy (Aust.) NL will earn a participating interest by completing a farmin agreement with Santos Ltd and its subsidiaries are:

Surat/Bowen Basin, onshore Queensland

Permits and Petroleum Leases

Nexus to earn %

ATP 212P, PL 30, PL 56, PL 74	Up to 7.50
ATP 470P – Redcap Block	5.00
PL 21, PL 22, PL 27, PL 64	6.25

The interests to be earned by Nexus Energy (Aust.) NL do not include any interests in existing producing wells.

Shareholdings (as at 30 September 2002)
Substantial shareholders

The number of shares held by substantial shareholders are:

	Fully paid ordinary shares	Options expiry 31 July 2004 exercise price \$0.18
Labtam Management Limited	13,638,902	595,622
Treasury Investments Pty Ltd	10,649,916	2,377,213

Twenty largest shareholders

Name of holder	Number of ordinary shares held	Percentage of shares held
Labtam Management Limited	13,638,902	11.36
Treasury Investments Pty Ltd	10,649,916	8.87
Ropat Nominees Pty Ltd	5,003,435	4.17
Namberry Way Pty Ltd	4,084,355	3.40
Ms Suzanne Philip	3,349,495	2.79
Mr Brian Dennis Hannon & Mrs Angelina Irene Hannon (Brian D Hannon Super Fund)	2,502,524	2.08
Mr Christopher Osborne Haslam	2,258,183	1.88
Commonwealth Custodial Services Limited	2,000,000	1.67
Beck Corporation Pty Ltd	2,000,000	1.67
Mr Michael John Hannon & Mrs Elisabeth Ulrike Hannon (Michael J Hannon S/F A/C)	1,662,521	1.39
Petroleum Ventures Pty Ltd	1,652,774	1.38
Willona Pty Ltd (WAJ Boerkamp Trading A/C)	1,600,000	1.33
Mrs Theona Mitaros	1,589,435	1.32
Neil Robertson Philip & Suzanne Joan Philip (N & S Super Fund A/C)	1,560,000	1.30
IPEX ITG Pty Ltd	1,348,300	1.12
Douglas Benson Spong & Mara Spong	1,276,630	1.06
Viv Taylor Medical Pty Ltd	1,276,630	1.06
Telefront Pty Ltd	1,200,000	1.00
Mr Bruce Kruttschnitt (Kruttschnitt – Fuchs Family A/C)	1,143,344	0.95
Jemaya Pty Ltd	1,088,012	0.91
Total	60,884,456	50.71
Total shares on issue	120,035,346	100.00

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out above.

Twenty largest quoted option holders (options expiring 31 July 2004, exercisable at \$0.18)

Name of holder	Number of ordinary shares held	Percentage of shares held
Treasury Investments Pty Ltd	2,377,213	8.59
Mrs Liliana Teofilova	875,335	3.16
Mr Christopher Osborne Haslam	751,138	2.71
Ms Suzanne Philip	747,655	2.70
Labtam Management Pty Ltd	595,622	2.15
Ropat Nominees Pty Ltd	583,113	2.11
Mr Brian Dennis Hannon & Mrs Angelina Irene Hannon (Brian D Hannon Super Fund)	558,599	2.02
Mr Christopher Haslam	546,586	1.98
Douglas Benson Spong & Mara Spong	427,926	1.55
Viv Taylor Medical Pty Ltd	427,926	1.55
John Purser & Susan Purser	424,095	1.53
Namberry Way Pty Ltd	416,666	1.51
Commonwealth Custodial Services Ltd	400,000	1.45
Mr Michael John Hannon & Mrs Elisabeth Ulrike Hannon (Michael J Hannon Super Fund A/C)	371,098	1.34
Ms Theona Mitaros	354,784	1.28
Neil Robertson Philip & Suzanne Joan Philip (N & S Super Fund A/C)	348,214	1.26
Ipex ITG Pty Ltd	300,959	1.09
Mr John Alan Hinkins & Mrs Lorraine Violet Hinkins (Hinkins Super Fund A/C)	300,000	1.08
Echo Beach Trading Pty Ltd	285,283	1.02
Mrs Georgie Featherby (Featherby Family A/C)	282,917	1.02
Total	11,375,129	41.11
Total options on issue	27,667,479	100.00

Distribution of shareholdings

Number of holders by size of holdings at 30 September 2002 were as follows:

	Ordinary fully paid shares	Quoted options expiry 31/7/04 exercisable @ 18¢	Director options expiry 31/7/04 exercisable @ 20¢	Director options expiry 30/6/05 exercisable @ 12.5¢	Director options expiry 30/6/05 exercisable @ 25¢	Director options expiry 30/6/05 exercisable @ 50¢
1 – 5,000	41	279	–	–	–	–
5,001 – 10,000	125	71	–	–	–	–
10,001 – 100,000	279	155	–	–	–	–
100,001 and above	163	49	6	1	1	1
Total	608	534	6	1	1	1

Issued capital

(a) At 30 September 2002, the following securities in the parent entity were on issue:

	Number of securities issued	Number of holders
Fully paid ordinary shares – Quoted	106,171,714	603
Fully paid ordinary shares	13,863,632	5
Options Exercisable at \$0.18 by 31 July 2004 – Quoted	27,667,479	539
Director Options Exercisable at \$0.20 by 31 July 2004	3,000,000	6
Director Options Exercisable at \$0.125 by 30 June 2005	2,000,000	1
Director Options Exercisable at \$0.25 by 30 June 2005	2,000,000	1
Director Options Exercisable at \$0.50 by 30 June 2005	2,000,000	1

(b) At 30 September 2002, 208 shareholders held less than a marketable parcel of fully paid ordinary shares and 501 option holders held less than a marketable parcel of options.

Voting rights

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.

CORPORATE DIRECTORY

Directors

Mr N Philip – Chairman

Mr R Boyson

Mr M Fowler

Mr A Haydock

Mr R Hosking

Company Secretary

Mr E Munks

Audit Committee

Mr M Fowler

Mr R Hosking

Mr E Munks

Auditors

Moore Stephens HF

Level 14, 607 Bourke Street

MELBOURNE VIC 3000

Telephone: (03) 9614 4444

Facsimile: (03) 9614 6039

Bankers

National Australia Bank Limited

271 Collins Street

MELBOURNE VIC 3000

Telephone: (03) 9659 7600

Facsimile: (03) 9659 7902

Registered Office and Head Office

Level 7, 50 Market Street

MELBOURNE VIC 3000

Telephone: (03) 9620 0320

Facsimile: (03) 9620 5822

Email: nexus@nxs.com.au

Website: www.nexus.com.au

Location of Share Registry

Computershare Investor Services Pty Ltd

Reserve Bank Building

Level 2, 45 St George's Terrace

PERTH WA 6000

Stock Exchange

The Company is listed on the Australian Stock Exchange.

The Home Exchange is Perth, Western Australia.

Other Information

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

