

**NEXUS ENERGY LIMITED
AND CONTROLLED ENTITIES
ABN 64 058 818 278**

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2003**

**NEXUS ENERGY LIMITED
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ABN 64 058 818 278**

DIRECTORS' REPORT

Your Directors submit the financial report of the economic entity for the half-year ended 31 December 2003.

Directors

The names of the directors who held office during or since the end of the half-year:

Mr Neil Philip
Mr Alastair Haydock
Mr Michael Fowler

Mr Robert Hosking
Mr Robert Boyson

Review of Operations

Corporate

During the period the company completed a series of capital raisings by way of placements to sophisticated investors that raised \$1,789,147 by the issue of 19,570,130 ordinary fully paid shares at prices ranging from 8.0 - 9.3 cents per share.

The funds raised were used for Nexus' ongoing activities in relation to the planned farmout of exploration permit VIC/P54 located in the offshore Gippsland Basin and furthering exploration activities in relation to its other permits VIC/P56 in the Gippsland Basin and NT/P66 in the Bonaparte Basin.

Exploration

In October 2003 the company acquired 320 km² of 3-D seismic data over the southern portion of petroleum exploration permit VIC/P54 in exchange for the data from exploration wells, which are planned to be drilled. The 3-D dataset was originally acquired by Esso Australia Resources Pty Ltd (Esso) and its partner BHP Billiton Petroleum (Bass Strait) Pty Ltd (BHP) in 2002 as part of the extensive Northern Margin 3-D seismic survey in the Gippsland Basin.

Obtaining this data set from Esso will satisfy the year 2 work commitment in the permit.

The cost of fulfilling this commitment through actually acquiring and processing the seismic data would be approximately \$10 million.

Geotechnical work has continued to further enhance the prospectivity of the Longtom gas accumulation in permit VIC / P54 and it also has further defined two substantial prospects within the permit with reserves potential of 80 million barrels of oil at North Grayling and 104 million barrels at Grayling. Success at either lead at these reserve levels would result in a robust stand alone development

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DIRECTORS' REPORT (Cont.)

Acreage Gazettals

Nexus is awaiting the outcomes of the bids submitted in September 2003 for the acreage gazetted in the Gippsland basin.

The company is assessing other gazettal blocks in Australia with a view to making further bids for exploration acreage in March 2004.

Production New Ventures

During the period Nexus has been evaluating and reviewing a number of Australian and International oil and gas production and development opportunities. To date none of the opportunities has satisfied the company's investment criteria.

Information Technology Interests

Original IT Investments Pty Ltd

The negotiations with the Commonwealth Government for their remaining grant funds of \$400,000 and the removal of the obligation of Nexus to provide any additional funding has been successful; with the variation to the deed being signed on the 12 February.

The deed with the Commonwealth Government expires in June 2004 at which time the shareholders will be free to deal with Original IT Investments Pty Ltd (OIT) without any Commonwealth approvals.

Currently Nexus has contributed \$887,500 to OIT.

Nexus has continued to market its investment in OIT and OIT's investment in the incubatees to potential IT investors.

This report is signed in accordance with a resolution of the Board of Directors.

Neil Philip
Director

Dated this 15th day of March 2004

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**CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003**

	Economic Entity	
	31 December 2003	31 December 2002
	\$	\$
Revenues from ordinary activities	9,385	60,381
Exploration expenses	-	109,248
Consultancy fees	(36,406)	(71,127)
Doubtful debts expense	29,167	(58,332)
Employee expenses	(295,704)	(283,375)
Directors fees and superannuation	(62,500)	(57,521)
Depreciation and amortisation expenses	(32,243)	(6,908)
Travel and accommodation expenses	(18,647)	(44,530)
Property costs	(29,167)	(24,106)
Professional Fees	(31,981)	(54,723)
Other expenses from ordinary activities	(55,593)	(71,100)
Share of net losses of associates and joint ventures accounted for using the equity method	<u>(126,203)</u>	<u>(201,309)</u>
Loss from ordinary activities before income tax expense	(649,892)	(703,402)
Income tax expense relating to ordinary activities	<u>-</u>	<u>-</u>
Net Loss from ordinary activities after income tax attributable to members of the parent entity	<u>(649,892)</u>	<u>(703,402)</u>
Total changes in equity other than those resulting from transactions with owners as owners	<u><u>(649,892)</u></u>	<u><u>(703,402)</u></u>
Basic earnings per share	(0.010)	(0.006)
Diluted earnings per share	(0.008)	(0.005)

The accompanying notes form part of this financial report.

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2003**

	Economic Entity	
	31 December 2003	30 June 2003
	\$	\$
CURRENT ASSETS		
Cash assets	1,153,298	416,373
Receivables	16,376	55,439
Other - Deposit	4,773	1,121
	<u>1,174,447</u>	<u>472,933</u>
NON-CURRENT ASSETS		
Investments accounted for using the equity method	161,166	345,703
Property, plant and equipment	75,392	103,426
Other Assets	767,439	328,184
	<u>1,003,997</u>	<u>777,313</u>
TOTAL ASSETS	<u>2,178,444</u>	<u>1,250,246</u>
CURRENT LIABILITIES		
Payables	106,128	254,834
Provisions	27,550	15,719
	<u>133,678</u>	<u>270,553</u>
TOTAL LIABILITIES	<u>133,678</u>	<u>270,553</u>
NET ASSETS	<u>2,044,766</u>	<u>979,693</u>
EQUITY		
Contributed equity	16,734,706	15,019,741
Accumulated losses	(14,689,940)	(14,040,048)
TOTAL EQUITY	<u>2,044,766</u>	<u>979,693</u>

The accompanying notes form part of this financial report.

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003**

	Economic Entity	
	31 December 2003	31 December 2002
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	93,160	181,366
Payments to suppliers and employees	(1,095,704)	(836,964)
Interest received	29,808	44,988
	<u>(972,736)</u>	<u>(610,610)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for investments	(1,095)	(58,333)
Payment for property, plant and equipment	(4,208)	(91,576)
Loans to other entities	-	(29,167)
	<u>(5,303)</u>	<u>(179,076)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	1,789,147	-
Payments of equity raising costs	(74,183)	-
	<u>1,714,964</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>1,714,964</u>	<u>-</u>
Net increase (decrease) in cash held	736,925	(789,686)
Cash at 1 July 2003	416,373	2,610,952
Cash at 31 December 2003	<u>1,153,298</u>	<u>1,821,266</u>

The accompanying notes form part of this financial report.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003**

1. BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2003 and any public announcements made by Nexus Energy Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June 2003 annual report.

The half-year report does not include full disclosure of the type normally included in an annual financial report.

2. GOING CONCERN

On the basis of the consolidated entity's present level of operations, the Directors are of the opinion that for the next 12-month period from the date of signing the Directors declaration the consolidated entity has the ability to:

- i. famout interests in its permits for a carry in order to meet future exploration commitments, and;
- ii. raise additional capital through the issue of additional new shares to meet its working capital requirements and shortfalls in its exploration commitments.

3. DIVIDENDS

No dividend was paid or declared during the period (\$nil, 2002).

4. EVENTS SUBSEQUENT TO REPORTING DATE

Since the end of the reporting date, in the opinion of the directors, there have been no subsequent events, which would significantly effect the operations of the economic entity, the results of those operations or the state of affairs of the economic entity.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003**

5. COMMITMENTS

Operating Lease Commitments

	Economic Entity	
	31 December 2003 \$	30 June 2003 \$
Future Operating Lease rentals not provided for in the financial statements and payable:		
Within one year	3,500	3,500
Later than one year but not later than five years	-	-
Total	3,500	3,500

The company leases office space from Treasury Funds Management Ltd, which expired on the 28th February 2003. The lease is currently being rolled over on a month-by-month basis.

Capital Expenditure Commitments

	Economic Entity	
	31 December 2003 \$	30 June 2003 \$
Capital commitments for petroleum exploration permits payable:		
Not later than one year	28,154,348	5,550,000
Later than one year but not later than five years	28,700,000	50,200,000
Later than five years	-	-
Total	56,854,348	55,750,000

Capital expenditure commitments relate to work commitments pursuant to the award of petroleum exploration permits VIC/P54, VIC/P56 and NT/P66. The economic entity has a 100% interest in all three permits.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003**

6. CONTINGENT LIABILITIES

A bonus was awarded to the executive team, contingent on the company achieving a major capital raising. If the company fails to achieve a major capital raising the bonus will not be payable. The total amount of this contingent liability is \$147,440.

7. SEGMENT INFORMATION

Primary Reporting – Business Segments

	Information Technology Investments	Energy Investments	Economic Entity
2003			
Total Segment Revenue	-	9,385	9,385
Revenue from Ordinary Activities			<u>9,385</u>
Segment Result	<u>(126,203)</u>	<u>(523,689)</u>	<u>(649,892)</u>
Loss from ordinary activities before income tax expense			<u>(649,892)</u>
	Information Technology Investments	Energy Investments	Economic Entity
2002			
Total Segment Revenue	-	60,381	60,381
Revenue from Ordinary Activities			<u>60,381</u>
Segment Result	<u>(201,309)</u>	<u>(502,093)</u>	<u>(703,402)</u>
Loss from ordinary activities before income tax expense			<u>(703,402)</u>

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DIRECTORS DECLARATION

The directors of Nexus Energy Ltd declare that:

1. The financial statements and notes as set out on pages 3 to 8:
 - a) comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations; and
 - (b) give a true fair view of the economic entity's financial position as at 31 December 2003 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Neil Philip
Director

Dated this 15th day of March 2004

**INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF
NEXUS ENERGY LIMITED**

Scope

We have reviewed the financial report of Nexus Energy Limited (the company) and controlled entities for the half-year ended 31 December 2003 as set out on pages 3 to 9. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: "Interim Financial Reporting" 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 consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing and Assurance Standards applicable to review engagements. A review is limited primarily to inquiries of the consolidated entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Nexus Energy Limited and controlled entities is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the entity's consolidated financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029: "Interim Financial Reporting" 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 indicated in Note 2 to the financial report, the Directors of Nexus Energy Limited are of the opinion that the consolidated entity has the ability to farmout its interest in its permits and seek additional sources of capital in order to meet future exploration expenditure commitments and working capital requirements. If the farmouts do not occur or additional capital is not raised, there is uncertainty whether the company and the consolidated 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 in the financial report.

MOORE STEPHENS HF
Chartered Accountants

S D PITT
Partner
Melbourne, 15th March 2004