

**Maverick Drilling & Exploration  
Limited**

ABN 48 128 429 158

**Annual report  
for the year ended 30 June 2010**

# **Maverick Drilling & Exploration Limited** ABN 48 128 429 158 **Annual report – 30 June 2010**

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<b>Directors</b>	D D Henrich BSc <i>Executive Chairman</i>
	R B Clarke BCom, CA <i>Vice Chairman – Non-executive</i>
	B J Simmons Bsc <i>Executive director</i>
	L A Clarke CFP <i>Non-executive director</i>
<b>Secretary</b>	A J Crawford BCom, CA, Dip FP, Tax Agent
<b>Principal registered office in Australia</b>	Level 11 66 Eagle Street Brisbane QLD 4000 Telephone +61 7 3233 8888
<b>Principal office in the United States</b>	5526 FM 2234 Houston Texas 77053 Telephone +1 281 416 8575
<b>Share register</b>	Link Market Services Limited Level 15 324 Queen Street Brisbane QLD 4000 Telephone +61 2 8280 7111
<b>Auditor</b>	PricewaterhouseCoopers 26 Honeysuckle Drive Newcastle NSW 2300
<b>Solicitors</b>	McCullough Robertson 'Central Plaza Two' Level 11 66 Eagle Street Brisbane QLD 4000
<b>Bankers</b>	National Australia Bank Level 1 6 Chapman Street Charlestown NSW 2290
<b>Stock exchange listings</b>	Maverick Drilling & Exploration Limited shares are listed on the Australian Securities Exchange (ASX).
<b>Website address</b>	<a href="http://www.maverickdrilling.com">www.maverickdrilling.com</a>

## **DIRECTORS' REPORT**

Your directors present their report on the consolidated entity (referred to hereafter as the group) consisting of Maverick Drilling & Exploration Limited and the entities it controlled at the end of, or during, the year ended 30 June 2010.

### **DIRECTORS**

The following persons were directors of Maverick Drilling & Exploration Limited during the whole of the financial year and up to the date of this report:

D D Henrich  
R B Clarke  
B J Simmons

L A Clarke was appointed as a director on 28 October 2009 and continues in office at the date of this report.

### **PRINCIPAL ACTIVITIES**

During the year the principal continuing activities of the group consisted of:

- (a) Operator of oil and gas leases on the Blue Ridge Dome, Houston, Texas;
- (b) Low cost development of oil and gas leases; and
- (c) Shallow to mid range onshore contract oil and gas drilling in the Gulf Coast region of the United States.

In addition, the group is also involved in the identification and internal development of new oil prospects.

### **PRESENTATION CURRENCY**

Items included in the directors' report and financial statements of the group are presented in US dollars unless otherwise stated.

### **DIVIDENDS - MAVERICK DRILLING & EXPLORATION LIMITED**

No dividends were paid to members during the financial years ended 30 June 2009 or 30 June 2010.

### **REVIEW OF OPERATIONS**

Information on the operations and financial position of the group and its business strategies and prospects is set out in the review of operations on page 18 of this annual report.

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

Significant changes in the state of affairs of the group during the financial year were as follows:

Contributed equity increased by \$2,400,000 as a result of a capital raise in October 2009. The purpose of this capital raise was to initiate a development drilling program of 10 wells on the Blue Ridge Dome Leases. This 10 well drilling program was successfully executed during the period.

Maverick Drilling & Exploration Limited's conversion from a private company to a public company was gazetted by the Australian Securities and Investments Commission on 25 February 2010.

The group's lease holdings on the Blue Ridge Dome, Houston, Texas, increased by 418 acres (from 471 acres to 889 acres).

The group acquired 156 acres on the Edwards Reef Prospect, Williamson County, Texas.

The group acquired 455 acres on the Foothold Prospect, Lubbock County, Texas.

### **MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

Since 30 June 2010, Maverick Drilling & Exploration Limited has completed the following significant transactions:

#### ***Successful initial public offering***

On 25 August 2010, an allotment of 50 million shares in Maverick Drilling & Exploration Limited occurred following a successful capital raise of AUD 10,000,000 (USD 8,911,000). This offer was made under the prospectus dated 2 July 2010 and supplementary prospectus dated 29 July 2010 and was oversubscribed. Maverick Drilling & Exploration Limited shares were listed on the Australian Stock Exchange on 8 September 2010. In September 2010, RBS Morgans Limited was paid \$385,000 for lead manager and capital raising services in respect of this offer.

**MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR (continued)**

***Conversion of convertible notes and payment of outstanding interest***

On 25 August 2010 the \$14,000,000 of convertible notes on issue at 30 June 2010 converted into 98,193,287 shares under the terms of the convertible note subscription agreement. In September 2010 final payment of outstanding interest totalling \$3,080,000 will be made. \$2,794,000 of this interest is included in the balance of trade and other payables at 30 June 2010.

***Lease acquisitions – Boling Dome***

On 18 September 2010, the group acquired an oil and gas lease covering 1,625 net acres for mineral interests ranging from 25% to 100% across 5,114 acres on and flanking the Boling Dome Field, which straddles Wharton and Fort Bend counties approximately 50 miles southwest of Houston, Texas.

Boling Dome is the largest, shallow salt dome in areal extent in the Gulf Coast region. It is oval in shape and ranges five miles east-west and three miles north-south, encompassing about 5,500 acres. The Boling Dome is in the Frio formation trend; its caprock mantle of minerals is shallow, 383 feet below the surface. Oil is produced from super-caprock sands, caprock, basal Miocene sands, Heterostegina lime, Marginulina and Frio sands. Target reservoirs on this dome range from 8,000 feet in depth to as shallow as 400 feet. Salt domes in Texas, particularly those in the Frio formation trend, such as Boling Dome and Blue Ridge Dome, have been of particular geologic significance because of their mineral production. Boling Dome has characteristics comparable to other salt domes in the Frio formation trend which have been prolific producers, including Barbers Hill, Pierce Junction and Spindletop, including the structural uplift above the regional normal measured on top of the Frio formation and the area of uplift, both of which have been shown to be key determinants of the quantity of oil accumulation on piercement-type salt domes.

The primary term of the lease is two years, which can be extended based upon certain performance milestones related to drilling on the Boling Dome Field. There is no existing production involved with this acquisition.

Maverick management is familiar with the production potential of the Boling Dome Field, having drilled it as a contract driller and operated other properties unrelated to the current lease acquisition. Maverick also provides contract pumping services on other properties for operators on Boling Dome.

The acquisition of the Boling Dome acreage is consistent with Maverick's strategy of acquiring and developing low risk leases in proven oil fields similar to Blue Ridge Dome. The Boling Dome lease acquisition was funded using the lease acquisition credit facility obtained from Australia based Texoz Holdings Pty Ltd (Texoz).

***Lease acquisitions – Blue Ridge and Edwards Reef***

The group's lease holdings on the Blue Ridge Dome and Edwards Reef Prospect have increased as follows since 30 June 2010. These additional lease holdings have been paid for from working capital.

The group's lease holdings on the Blue Ridge Dome, Houston, Texas have increased by 10 acres (from 889 acres at 30 June 2010 to 899 acres at 31 August 2010).

The group's lease holdings on the Edwards Reef Prospect, Williamson County, Texas have increased by 114 acres (from 156 acres at 30 June 2010 to 270 acres at 31 August 2010).

***Special purpose credit facility***

On 16 September 2010 the group secured a conditional credit facility in the amount of up to USD 5 million for the purpose of acquiring oil and gas leases and expanding its leasehold and prospect inventory. The facility was obtained from Australia based Texoz Holdings Pty Ltd.

The facility is provided to the group with various conditions pertaining to collateral, evaluation and acceptance of lease acquisition targets by Texoz on a prospect by prospect basis. Any drawings under the facility will be non interest bearing with Texoz earning up to a 2% royalty in respect to the specific prospect. Principal repayment terms will vary but will not commence until initial drilling of the specific prospect has been undertaken. Texoz is bound by confidentiality covenants related to Maverick's strategic targets and possible acquisitions.

This facility has the potential to provide Maverick with the ability to significantly expand its leasehold inventory in both exploratory and developmental targets without impacting its original business model and drilling plans for the coming year. Texoz has entered into the facility as trustee of the Texoz Holdings Unit Trust. Mr Lee Clarke, a director of Maverick, is a minority unitholder in that trust.

***Drilling rigs***

On 26 July 2010, the final instalment of \$175,000 for the purchase of the Walker-Neer Apache 150-25 drilling rig was paid and the vendor's first ranking lien over this rig was discharged. It is expected this rig will be in operation before April 2011. On 8 September 2010, \$200,000 of the listing proceeds were used to repay the loan used to fund the first instalment of the purchase price on this rig. This amount is included in the balance of current borrowings at 30 June 2010.

**MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR (continued)**

***Drilling rigs (continued)***

On 18 August 2010 an agreement was entered into to acquire a Walker-Neer 250-40 drilling rig. The purchase of this rig was funded from working capital. It is expected this rig will be in operation by June 2011.

Following the acquisition of these two additional rigs, the group's drilling rig fleet has increased to four. When the new rigs are fully operational it will allow the group to have two rigs fully devoted to Blue Ridge.

***Work over rig***

The manufacture of an additional work over rig has been completed subsequent to 30 June 2010. This work over rig will be used on Blue Ridge along side the work over rig manufactured by the group in the 2009 year.

***30 June 2010 balance sheet adjusted for the effect of the initial public offer***

Extracts from the audited 30 June 2010 balance sheet included on page 23 of this report are shown below after being adjusted for the following initial public offer related transactions which have occurred or will occur subsequent to 30 June 2010 as if they had occurred at 30 June 2010:

- (a) \$8,911,000 of IPO proceeds received (A\$ 10,000,000).
- (b) \$385,000 used to pay RBS Morgans for lead manager and capital raising services in respect of the offer.
- (c) \$162,000 used to pay other expenses in respect of the offer.
- (d) \$14,000,000 of convertible notes converted into 98,193,287 shares.
- (e) \$3,080,000 used to pay interest in relation to the convertible notes. \$2,794,000 of this interest is included in the balance of trade and other payables at 30 June 2010.
- (f) \$200,000 used to repay the loan entered into to fund the first instalment of the purchase price on the Walker-Neer Apache 150-25 drilling rig. This amount was included in the balance of current borrowings at 30 June 2010.

Balance	Balances at 30 June 2010 USD'000	Adjustment for IPO related matters subsequent to 30 June 2010 USD'000	Pro-forma balances at 30 June 2010 USD'000
Current assets	2,779	5,084	7,863
Non-current assets	26,340	-	26,340
<b>Total assets</b>	<b>29,119</b>	<b>5,084</b>	<b>34,203</b>
Current liabilities	18,992	(16,994)	1,998
Non-current liabilities	11,668	-	11,668
<b>Total liabilities</b>	<b>30,660</b>	<b>(16,994)</b>	<b>13,666</b>
<b>Net assets</b>	<b>(1,541)</b>	<b>22,078</b>	<b>20,537</b>
<b>Total equity</b>	<b>(1,541)</b>	<b>22,078</b>	<b>20,537</b>

Except for the transactions discussed above, no other matters or circumstance have arisen since 30 June 2010 that have significantly affected, or may significantly affect:

- (a) the group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the group's state of affairs in future financial years.

**LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

Further information on likely developments in the operations of the group and the expected results of operations have not been included in this annual report because the directors believe it would be likely to result in unreasonable prejudice to the group.

**ENVIRONMENTAL REGULATION**

The Company's operations are all located in the United States in the state of Texas and are therefore not subject to any environmental regulation under either Australian commonwealth or state legislation. However, the Company is subject to extensive federal, state, local and foreign laws and regulations in Texas and the United States generally and the board has adequate systems in place for the management of its environmental requirements in Texas and is not aware of any breach of these requirements.

## INFORMATION ON DIRECTORS

**Don Durst Henrich BSc** *Executive Chairman. Age 63*

### **Experience and expertise**

Don is the president of Maverick Drilling Company (MDC) and has 35 years experience in contract drilling in Texas, Louisiana, Oklahoma, and other areas in the southwest of the United States. Don joined MDC in 1975 as vice president and was named president in 1977. He graduated from Tarleton University in 1968 with a Bachelor of Science degree in Business Administration. Don is a well known driller with extensive expertise in the United States drilling industry.

### **Other current directorships of listed entities**

None.

### **Former directorships of listed entities in last 3 years**

None.

### **Special responsibilities**

Chairman of the board.

### **Interests in shares and options**

41,900,000 ordinary shares in Maverick Drilling & Exploration Limited.

**Roger Brian Clarke BCom, CA.** *Vice Chairman – Independent non-executive director. Age 62.*

### **Experience and expertise**

Roger is the Vice Chairman of the board and has over 30 years commercial experience in the investment banking industry, with responsibilities in fund management, banking and corporate finance. He is also the chairman of the advisory board of RBS Morgans Limited, and has been involved in a significant number of initial public offerings, capital raisings and corporate transactions. Roger is the chairman of Tissue Therapies Limited and MTA Insurance Ltd and is a director of Trojan Equity Limited. His understanding of the Australian corporate finance sector brings a level of expertise that has proved pivotal in establishing the strategic investment focus of Maverick. Roger holds a Bachelor of Commerce degree and is a Chartered Accountant.

### **Other current directorships of listed entities**

Non-executive Chairman of MTA Insurance Ltd (Director since November 1996).  
Non-executive Chairman of Tissue Therapies Limited (Director since February 2004).  
Non-executive director of Trojan Equity Limited (Director since February 2005).  
Non-executive Chairman of NextDC Limited (Director since June 2010).  
Non-executive director of Lodestone Energy Limited (Director since September 2010).

### **Former directorships of listed entities in last 3 years**

Non-executive Chairman of PIPE Networks Limited (Director February 2005 to March 2010).  
Triangle Energy (Global) Ltd, formally White Sands Petroleum Ltd (Director November 2005 to December 2007).

### **Special responsibilities**

Vice Chairman.  
Member of audit and risk management committee.

### **Interests in shares and options**

4,680,000 ordinary shares in Maverick Drilling & Exploration Limited.

**Brad Jay Simmons BSc.** *Executive Director. Age 55.*

### **Experience and expertise**

Brad formerly founded PetroSearch Energy Corporation where he was CEO and chairman of that company until his retirement in December 2004. Previous positions held by Brad include founder and CEO of American Energy Group, Ltd, founder and CEO of Simmons Oil Company, Inc. and Simmons Drilling Company, and founder and CEO of Cottonwood Energy Development Corporation. Brad graduated from Yale University in 1979 with a Bachelor of Science Degree in Administrative Science.

### **Other current directorships of listed entities**

None.

### **Former directorships of listed entities in last 3 years**

None.

### **Special responsibilities**

Member of audit and risk management committee.

### **Interests in shares and options**

12,858,414 ordinary shares in Maverick Drilling & Exploration Limited.

**INFORMATION ON DIRECTORS (continued)**

**Lee Anthony Clarke CFP.** *Independent non-executive director.* Age 41.

**Experience and expertise**

Lee is the principal and director of a private financial advisory and wealth management firm. He has almost 20 years of financial planning and wealth management experience, advising a select group of successful private families and investors. During his career, Lee has been involved in capital raisings and initial public offerings and brings strategic knowledge of the Australian investor market. Lee is a principal member of the Financial Planning Association and a Certified Financial Planner.

**Other current directorships of listed entities**

None.

**Former directorships of listed entities in last 3 years**

None.

**Special responsibilities**

Member of audit and risk management committee.

**Interests in shares and options**

15,524,490 ordinary shares in Maverick Drilling & Exploration Limited.

**COMPANY SECRETARY**

The company secretary is Andrew James Crawford BCom, CA, Dip FP, Tax Agent. Andrew was appointed to the position of company secretary in February 2010. Andrew spent six years working for KPMG and PricewaterhouseCoopers before moving into a commercial role as the financial controller of a dynamic financial advisory firm 3 years ago. Andrew is a Chartered Accountant and Registered Tax Agent and holds a Bachelor of Commerce Degree and Diploma of Financial Services.

**MEETINGS OF DIRECTORS**

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2010 and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of non-executive directors		Meetings of audit risk management committee	
	A	B	A	B	A	B
D D Henrich	3	3	*	*	**	**
R B Clarke	3	3	0	0	0	0
B J Simmons	3	3	*	*	0	0
L A Clarke (appointed 28 October 2009)	3	3	0	0	0	0

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

\* = Not a non-executive director

\*\* = Not a member of the relevant committee

## REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

### **Principles used to determine the nature and amount of remuneration**

The objective of the group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management

The group feels it has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth
- attracts and retains high calibre executives

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution

The entire board is responsible for the review of remuneration policies and other terms of employment for executive directors, other senior executives and non-executive directors. Where necessary, the board obtains independent advice on the remuneration packages offered to potential employees.

### *Non-executive directors*

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the board. Non-executive directors abstain from any discussions regarding their own remuneration.

Aggregate remuneration to non-executive directors approved by the shareholders on 10 December 2009 is not to exceed AUD 200,000 per annum unless further approval is obtained.

Non-executive directors' base fees for the year ended 30 June 2010 were \$0. L A Clarke was granted ordinary shares in Maverick Drilling & Exploration Limited as an incentive to accept appointment and as remuneration for the period until 30 June 2011 (for further details on this incentive refer to note 23(f) of the financial report).

Non-executive directors' base fees from 1 July 2010 are AUD 60,000 per annum.

Non-executive directors do not receive incentive based remuneration. There are no provisions for any retirement benefits other than statutory requirements.

### *Executive directors*

The executive directors currently receive a fixed annual amount in relation to remuneration of \$240,000 structured as a total employment cost package which may be delivered as a combination of cash and prescribed non financial benefits at the executives' discretion. Executive directors do not currently receive incentive based remuneration.

The group intends to revisit the executive directors' remuneration when their current employment contracts cease on 1 April 2011.

### *Company secretary*

The company secretary receives remuneration based on an hourly rate for his services. No incentive payments are included.

### *Other executives*

The other executive pay and reward framework has two components:

- base pay and benefits, including superannuation, and
- short-term performance incentives.

The combination of these comprises an executive's total remuneration. The group intends to revisit the executives' remuneration during the year ending 30 June 2011.

**REMUNERATION REPORT (continued)**

**Principles used to determine the nature and amount of remuneration (continued)**

*Other executives - Base pay and benefits*

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any executives' contracts.

*Other executives - Short-term incentives*

The president of Maverick Production Company, D Rolf, receives a short-term incentive based on monthly Blue Ridge field production. The maximum annual short term incentive to D Rolf under this structure is \$60,000 per annum. The cash bonuses received by Dennis Rolf in the 2010 year relate to this short term incentive based on Blue Ridge field production. The bonuses were granted based on production for the months of April 2010, May 2010 and June 2010. The June 2010 component was paid in July 2011. D Rolf forfeited 84% of his production bonus in the 2010 year and 100% of his production bonus in the 2009 year.

The Vice President of Operations of Maverick Drilling Company, P J M Love, received cash bonuses as a short term incentive in the 2010 year. These cash bonuses were received for performance in relation to preparing the group for a successful initial public offering with payments of \$3,000 in November 2009 and \$10,000 in June 2010. These cash bonuses were discretionary and there is no written agreement in place for potential future discretionary bonuses. Due to the discretionary nature of the bonuses, no amounts were considered forfeited.

No other executive employees have received any short-term performance incentives in the 2010 and 2009 years. There are no written agreements for potential future discretionary bonuses.

**Details of remuneration**

*Amounts of remuneration*

Details of the remuneration of the directors, the key management personnel of the group (as defined in AASB 124 *Related Party Disclosures*) and the five highest paid executives of the group are set out in the following tables.

The key management personnel of the group are the directors of Maverick Drilling & Exploration Limited (see pages # to # above) and those executives that report directly to the board being:

- A J Crawford – *Company Secretary and Chief Financial Officer (services from October 2009)*
- P J M Love – *Vice President of Operations Maverick Drilling Company (services from December 2008)*
- D Rolf - *President Maverick Production Company (services from September 2008)*
- D DeCecco – *President of Maverick Rig Manufacturing Inc*
- D A Knorr – *Vice President of Maverick Rig Manufacturing Inc*

Key management personnel and other executives of the group

2010	Short-term employee benefits		Share-based payments	Total
	Cash salary and fees	Cash bonus	Ordinary shares	
Name	\$	\$	\$	\$
<i>Non-executive directors</i>				
R B Clarke	-	-	-	-
L A Clarke	-	-	60,000	60,000
<b>Sub-total non-executive directors</b>	-	-	<b>60,000</b>	<b>60,000</b>
<i>Executive directors</i>				
D D Henrich <sup>^</sup>	262,666	-	-	262,666
B J Simmons <sup>^</sup>	267,830	-	-	267,830
<i>Other key management personnel (group)</i>				
A J Crawford	65,533	-	-	65,533
P J M Love <sup>^</sup>	68,345	13,000	-	81,345
D Rolf <sup>^</sup>	129,479	9,658	-	139,137
D DeCecco	-	-	-	-
D A Knorr <sup>^</sup>	77,807	-	-	77,807
<b>Total key management personnel compensation (group)</b>	<b>871,660</b>	<b>22,658</b>	<b>60,000</b>	<b>954,318</b>

<sup>^</sup> denotes one of the 5 highest paid executives of the group, as required to be disclosed under the *Corporations Act 2001*.

**REMUNERATION REPORT (continued)**

**Details of remuneration (continued)**

*Amounts of remuneration (continued)*

*Key management personnel and other executives of the group*

2009	Short-term employee benefits		Share-based payments	Total
	Cash salary and fees	Cash bonus	Ordinary shares	
Name	\$	\$	\$	\$
<i>Non-executive directors</i>				
R B Clarke	-	-	-	-
I Fraser	-	-	-	-
<b>Sub-total non-executive directors</b>	-	-	-	-
<i>Executive directors</i>				
D D Henrich <sup>^</sup>	232,524	-	-	232,524
B J Simmons <sup>^</sup>	227,300	-	-	227,300
<i>Other key management personnel (group)</i>				
P J M Love <sup>^</sup>	44,669	-	-	44,669
D Rolf <sup>^</sup>	91,803	-	-	91,803
D DeCecco	-	-	-	-
D A Knorr <sup>^</sup>	68,120	-	-	68,120
<b>Total key management personnel compensation (group)</b>	<b>664,416</b>	-	-	<b>664,416</b>

<sup>^</sup> denotes one of the 5 highest paid executives of the group, as required to be disclosed under the *Corporations Act 2001*.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2010	2009	2010	2009	2010	2009
<b>Non-executive directors of Maverick Drilling &amp; Exploration Limited</b>						
R B Clarke	*	*	*	*	*	*
L A Clarke	100%	-	0%	-*	0%*	-
<b>Executive directors of Maverick Drilling &amp; Exploration Limited</b>						
D D Henrich	100%	100%	0%	0%	0%	0%
B J Simmons	100%	100%	0%	0%	0%	0%
<b>Other key management personnel of group</b>						
A J Crawford	100%	-	0%	-	0%	-
P J M Love	84%	100%	16%	0%	0%	0%
D Rolf	93%	100%	7%	0%	0%	0%
D DeCecco	100%	100%	0%	0%	0%	0%
D A Knorr	100%	100%	0%	0%	0%	0%

\* R B Clarke did not receive any fixed or at risk remuneration in the 2010 or 2009 year.

**Relationship between executive remuneration and group performance**

The group's executive remuneration policy since formation in November 2007 has been focused on building and retaining a team of executive employees to provide the platform for group growth following a successful initial public offering. The fixed component of remuneration set by the board considered the groups operating earnings and the consequences of the groups performance on shareholder wealth. The short-term incentive in place for D Rolf is linked to Blue Ridge field production. The board considers oil production from Blue Ridge pivotal to shareholder wealth. The discretionary short-term incentive payments to P Love were based on progress in respect of the initial public offering process. The board considered a successful initial public offering as crucial to increasing shareholder wealth.

As the company was not listed on the Australian Stock Exchange until 8 September 2010 and did not pay any dividends or return any capital to its shareholders, the consequences of group performance on shareholder wealth cannot be effectively ascertained.

**REMUNERATION REPORT (continued)**

**Service agreements**

All contracts with executive directors may be terminated early by either party with six months notice. No termination benefits are payable on early termination of an executive director's contract by the group. No other employees or directors have written employment agreements. In relation to United States employees, as Texas is an "at will" State, employment is totally subject to the will of the employer.

Name	Term of agreement	Base salary including superannuation*
D D Henrich	12 months commencing 1 April 2010	\$240,000
B J Simmons	12 months commencing 1 April 2010	\$240,000

\* Base salaries quoted are for the year ended 30 June 2010; they are reviewed annually by the board.

**Share-based compensation**

*Ordinary shares*

On 28 October 2009, L A Clarke became a director of Maverick Drilling & Exploration Limited. As an incentive to accept appointment, and as remuneration for the period until 30 June 2010, L A Clarke was issued with 1,000,000 ordinary shares in Maverick Drilling & Exploration Limited. The total value of the 1,000,000 ordinary shares at the date they were granted was \$60,000.

The board reviews all share-based compensation payments in light of limiting individual employees exposure to risk in relation to the securities being issued.

**LOANS TO DIRECTORS AND EXECUTIVES**

Information on loans to directors and executives, including amounts, interest rates and repayment terms are set out in note 23 to the financial statements.

**INSURANCE OF OFFICERS**

On 12 July 2010, Maverick Drilling & Exploration Limited paid a premium of \$80,858 to insure the directors and secretaries of the company and its controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

**PROCEEDINGS ON BEHALF OF THE COMPANY**

No proceedings have been brought or intervened in on behalf of the group with leave of the Court under section 237 of the *Corporations Act 2001*.

**NON-AUDIT SERVICES**

The group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the group are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the board of directors ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

**NON-AUDIT SERVICES (continued)**

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

	2010	2009
	\$	\$
<b>Other assurance services</b>		
PricewaterhouseCoopers Australian firm:		
Due diligence services	<u>95,252</u>	-
<b>Total remuneration for other assurance services</b>	<u>95,252</u>	-
<b>Total remuneration for non-audit services</b>	<u>95,252</u>	-

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 13.

**ROUNDING OF AMOUNTS**

The group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

**AUDITOR**

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.



D D Henrich  
Director

Houston, Texas  
27 September 2010

PricewaterhouseCoopers  
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## Auditor's Independence Declaration

As lead auditor for the audit of Maverick Drilling & Exploration Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Maverick Drilling & Exploration Limited and the entities it controlled during the period.



Darren Turner  
Partner  
PricewaterhouseCoopers

Newcastle  
27 September 2010

## **CORPORATE GOVERNANCE STATEMENT**

### **SCOPE OF RESPONSIBILITY OF THE BOARD**

Responsibility for company's proper corporate governance rests with the board. The board's guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly, in accordance with the law, in the interests of Shareholders (with a view to building sustainable value for them), employees and other stakeholders.

The board's broad function is to:

- (a) chart strategy and set financial targets for the company;
- (b) monitor the implementation and execution of strategy and performance against financial targets; and
- (c) appoint and oversee the performance of executive management and generally to take and fulfil an effective leadership role in relation to the company.

Power and authority in certain areas is specifically reserved to the board – consistent with its function as outlined above. These areas include:

- (a) the composition of the board including appointment and retirement or removal of directors;
- (b) oversight of the company including its control and accountability systems;
- (c) where appropriate, ratifying the appointment and the removal of senior executives;
- (d) reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance;
- (e) monitoring the implementation of strategy by senior executives, and ensuring appropriate resources are available;
- (f) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and sales;
- (g) approving and monitoring financial and other reporting;
- (h) performance of investment and treasury functions;
- (i) monitoring industry developments relevant to the company and its business;
- (j) developing suitable key indicators of financial performance for the company and its business;
- (k) having input in and granting final approval of corporate strategy and performance objectives developed by management;
- (l) the overall corporate governance of the company including its strategic direction and goals for management and monitoring the achievement of these goals; and
- (m) oversight of committees.

### **COMPOSITION OF THE BOARD**

The board performs its roles and function, consistent with the above statement of its overall corporate governance responsibility, in accordance with the following principles:

- (a) The Chairman is responsible for leadership of the board and for the efficient organisation and conduct of the board.
- (b) The Chairman should facilitate the effective contribution by all directors and promote constructive and respectful relations between directors and between the board and the senior executives.
- (c) The board must comprise:
  - (i) members with a broad range of experience, expertise, skills and contacts relevant to Maverick and its business;
  - (ii) no less than three directors; and
  - (iii) no more than ten directors.

### **CORPORATE GOVERNANCE CHARTER**

The board charter, the code of ethics and values and the code of conduct for transactions in securities (referred to below) form the company's corporate governance charter which has been formally adopted and can be inspected on its website at [www.maverickdrilling.com](http://www.maverickdrilling.com).

**CORPORATE GOVERNANCE CHARTER (continued)**

The board has adopted a charter (which will be reviewed and amended from time to time as the board considers appropriate) to give formal recognition to the matters outlined above. This charter sets out various other matters that are important for effective corporate governance including the following:

- (a) a detailed definition of 'independence';
- (b) a framework for the identification of candidates for appointment to the board and their selection;
- (c) a framework for individual performance review and evaluation;
- (d) proper training to be made available to directors both at the time of their appointment and on an on-going basis;
- (e) basic procedures for meetings of the board and its committees – frequency, agenda, minutes and private discussion of management issues among non-executive directors;
- (f) ethical standards and values – formalised in a detailed code of ethics and values;
- (g) dealings in securities – formalised in a detailed code for securities transactions designed to ensure fair and transparent trading by directors and senior management and their associates; and
- (h) communications with Shareholders and the market.

These initiatives, together with other matters provided for in the board's charter, are designed to institutionalise good corporate governance and, generally, to build a culture of best practice in company's own internal practices. The company is committed to achieving and maintaining high standards of conduct and has undertaken various initiatives designed to achieve this objective.

The following are tangible demonstrations of the company's corporate governance commitment.

**INDEPENDENT PROFESSIONAL ADVICE**

With the prior approval of the Chairman, which may not be unreasonably withheld or delayed, each Director has the right to seek independent legal and other professional advice concerning any aspect of the company's operations or undertakings in order to fulfil their duties and responsibilities as directors. Any costs incurred are borne by Maverick.

**CODE OF ETHICS AND VALUES**

The company has developed and adopted a detailed code of ethics and values to guide directors in the performance of their duties.

**CODE OF CONDUCT FOR TRANSACTIONS IN SECURITIES OF MAVERICK**

The company has developed and adopted a formal code of conduct for transactions in securities of the company to regulate dealings in securities by directors and senior management and their associates. This is designed to ensure fair and transparent trading in accordance with both the law and best practice.

**STANDING RULES FOR COMMITTEE**

To ensure the committees formed by the board have guidelines upon which to operate, standard rules have been adopted by the board, which can be summarised as follows:

- (a) their role is to improve the efficiency of the board through delegation of tasks;
- (b) they must report to the board following each committee meeting; and
- (c) the review and evaluation of each committee is conducted against the board charter as well as any criteria determined by the Chairman.

**AUDIT AND RISK MANAGEMENT COMMITTEE**

The purpose of this committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the company. Its current members are:

- (a) Roger Clarke;
- (b) Lee Clarke; and
- (c) Brad Simmons.

#### **AUDIT AND RISK MANAGEMENT COMMITTEE (continued)**

The committee performs a variety of functions relevant to risk management and internal and external reporting and reports to the board following each meeting. Other matters for which the committee is responsible are the following:

- (a) putting in place appropriate board and committee structure to facilitate a proper review function by the board;
- (b) monitoring the establishment of an appropriate internal control framework, including information systems, and its operation and considering improvements;
- (c) assessing corporate risk and ensuring compliance with internal controls;
- (d) overseeing business continuity planning and risk mitigation arrangements;
- (e) assessing the objectivity and performance of the internal audit function and considering enhancements;
- (f) reviewing reports on any material misappropriation, frauds and thefts from the company;
- (g) reviewing reports on the adequacy of insurance coverage;
- (h) monitoring compliance with relevant legislative and regulatory requirements (including continuous disclosure obligations) and declarations by the company's secretary in relation to those requirements;
- (i) reviewing material transactions which are not a normal part of the company's business;
- (j) reviewing the nomination, performance and independence of the external auditors, including recommendations to the board for the appointment or removal of any external auditor;
- (k) liaising with the external auditor and ensuring that the annual audit is adequate for shareholder needs and is conducted in an effective manner that is consistent with Audit and Risk Management Committee members' information and knowledge;
- (l) reviewing management processes supporting external reporting;
- (m) reviewing financial statements and other financial information distributed externally;
- (n) preparing and recommending for approval by the board the corporate governance statement for inclusion in the annual report or any other public document;
- (o) reviewing external audit reports to ensure that, where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management; and
- (p) reviewing and monitoring compliance with the code of conduct.

Meetings will be held at least three times each year. A broad agenda will be laid down for each regular meeting according to an annual cycle. The committee will invite the external auditor to attend each of its meetings.

#### **COMPLIANCE WITH ASX CORPORATE GOVERNANCE PRINCIPALS AND RECOMMENDATIONS**

##### ***Principle 1: Lay solid foundations for management and oversight***

The role of the board and delegation to management have been formalised in the company's board charter. The charter will be reviewed and amended from time to time as appropriate taking into consideration practical experience gained in operating as a listed company. The company complies with this principle of the Guidelines.

##### ***Principle 2: Structure the board to add value***

The company has a four member board comprising two non-executive directors and two executive directors. Together, the directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the company and its business.

Recommendations 2.1 and 2.2 of the Guidelines say that the majority of the board should be independent directors and that the company's chairman should be independent. Recommendation 2.4 says that the board should establish a nomination committee.

**COMPLIANCE WITH ASX CORPORATE GOVERNANCE PRINCIPALS AND RECOMMENDATIONS (continued)**

***Principle 2: Structure the board to add value (continued)***

R B Clarke and L A Clarke are the only independent, non-executive directors on the board. Accordingly, the board will not comply with recommendation 2.1 as a majority of the board will not be independent. The board believes that, given the size and nature of the company and the current composition of the board and skills and experience of each Director, it is not currently in the best interests of the company to appoint another independent director so as to comply with recommendation 2.1.

R B Clarke has a relevant interest in 2.66% of the issued capital of the Company. Notwithstanding that interest, the board considers that R B Clarke remains independent. The board will regularly assess each Director's independence.

L A Clarke has a relevant interest in 8.84% of the issued capital of the Company. Notwithstanding that interest, the board considers that L A Clarke remains independent. The board will regularly assess each Director's independence.

D D Henrich the executive Chairman, is not independent and accordingly, the board will not comply with recommendation 2.2. In situations where it would be inappropriate for D D Henrich to act as Chairman of the board, R B Clarke will act as Chairman. The board will determine when such situations arise.

The board does not comply with the Guidelines recommendation 2.4, because the board believes that a nomination committee is not warranted, given the company's size and the nature of its operations. In effect, the full board acts as the nomination committee.

***Principle 3: Promote ethical and responsible decision making***

The board charter has been incorporated into the corporate governance charter and also includes a detailed code of ethics and values and a detailed code of conduct for transactions in securities of the company.

The purpose of these codes is to guide directors in the performance of their duties and to define the circumstances in which both they and management, and their respective associates, are permitted to deal in securities. Both codes have been designed with a view to ensuring the highest ethical and professional standards, as well as compliance with legal obligations, and therefore compliance with the Guidelines.

***Principle 4: Safeguard integrity in financial reporting***

The Audit and Risk Management Committee has been established with its own charter and consists of R B Clarke, L A Clarke and B J Simmons. The Audit and Risk Management Committee complies with recommendation 4.2 of the Guidelines, which recommends that the committee have at least three members, the majority of which must be independent.

***Principles 5: Make timely and balanced disclosure***

The company's current practice on disclosure is consistent with the Guidelines. Policies and procedures for compliance with ASX Listing Rule disclosure requirements are included in the company's corporate governance charter.

***Principles 6: Respect the rights of shareholders***

The board communicates with Shareholders regularly and clearly by electronic means as well as by traditional methods. Shareholders are encouraged to attend and participate at general meetings. The company's auditor (PricewaterhouseCoopers) will attend the annual general meeting and will be available to answer Shareholders' questions. The company's policies comply with the Guidelines in relation to the rights of Shareholders.

***Principle 7: Recognise and manage risk***

The board, together with management, has established processes to identify, monitor and mitigate risk. Internal controls are monitored on a continuous basis and, wherever possible, improved. The whole issue of risk management is formalised in the company's corporate governance charter (which complies with the Guidelines in relation to risk management) and will be kept under regular review.

***Principle 8: Remunerate fairly and responsibly***

The board does not comply with best practice recommendation 8.1, because given the company's size and the nature of its operations, the board believes that a remuneration committee is not warranted.

The remuneration of the company's executive directors will be reviewed by the non-executive directors on an annual basis. The executive directors remuneration will be assessed against a number of benchmarks including current industry standards, the company's operating performance and company's share performance.

Remuneration of directors and executives is fully disclosed in the company's annual report.

## **REVIEW OF OPERATIONS**

The directors provide the following comments on the operations of the group for the financial year ended 30 June 2010.

### ***10 well drilling program and increased oil production***

The focus early in the 2010 financial year was the raising of sufficient funds to carry out a 10 well drilling program on Blue Ridge Dome to confirm Blue Ridge's economic outlook. In October 2009 \$2,400,000 was raised enabling the program to proceed. All wells drilled were successful and intersected multiple pay zones with stabilised production per well ranging from 15 to 40 BOPD. As a result, revenue from oil production increased from \$90,000 per month to \$400,000 - \$500,000 a month for the last quarter of the financial year.

The drilling program on Blue Ridge enabled the group to prove our model of low cost drilling with the potential to produce disciplined target production rates of between 20 – 30 BOPD per well over an extended period.

### ***7.8 million barrels of 1P reserves and 25.6 million barrels of 2P reserves plus increased acreage***

The 10 well drilling program also assisted in the determination by our Independent Consultant that Blue Ridge is estimated to contain 7.8 million barrels of 1P and 25.6 million barrels of 2P reserves net to the group. Given this success and the likelihood that future cash flows will be available to take advantage of opportunities that are offered, the group increased the acreage under lease at Blue Ridge by 418 acres to 889 acres during the financial year. The group also leased 156 acres on the Edwards Reef prospect and 455 acres on the Foothold prospect, both in Texas.

### ***Increased knowledge of the Blue Ridge field***

The 10 well program produced direct financial benefits but also improved knowledge of the Blue Ridge field which will be used to plan future drilling activities. Weather delays would have been mitigated by preparing drilling pads in advance. The aim is to continually enhance productivity through efficient drilling and production at Blue Ridge.

### ***Contract drilling revenues***

The success of the contract drilling business over the past year was particularly satisfying in light of poor industry conditions for most of the year. Rig utilisation was higher than anticipated and produced solid cash flow. From October 2009, the group's rigs drilled wells for external customers and also internal wells on Blue Ridge. Drilling internal wells reduces consolidated revenues and profits in the short term as these transactions are eliminated for consolidated accounting purposes. The revenue and profit benefit of future oil production from these wells is expected to substantially outweigh this initial profit reduction.

### ***Significant financial results***

Period	For the year ended 30 June 2010 USD'000	For the year ended 30 June 2009 USD'000	Change %
Revenue from continuing operations	5,569	5,801	(4)
<b>EBITDA</b>	<b>1,325</b>	<b>1,276</b>	<b>4</b>
Depreciation expense	(813)	(779)	4
Finance costs – convertible note interest	(1,866)	(1,397)	34
Finance costs – promissory note amortisation	(241)	(710)	(66)
Finance costs – other interest	(34)	(58)	(41)
Net profit before income tax	(1,629)	(1,668)	(2)
Income tax expense	(342)	(400)	(15)
Net profit after income tax	(1,971)	(2,068)	(5)
	<b>Cents</b>	<b>Cents</b>	
Basic earnings per share	(1.1)	(1.7)	(34)
Diluted earnings per share	(0.1)	(0.2)	(53)
Dividends per share	-	-	-

The directors assess the performance of the group based on a measure of EBITDA. This measure excludes all interest on convertible notes (2010: \$1,866,000. 2009:\$1,397,000) and the amortisation expense of the promissory note (2010: \$241,000. 2009:\$710,000). It also excludes other interest (2010: \$34,000. 2009: \$58,000) and depreciation on property, plant and equipment (2010: \$813,000. 2009: \$779,000).

***Significant financial results (continued)***

Group revenue was lower in the period due to the group's drilling rigs being used internally to drill wells on the Blue Ridge field rather than being contracted to external parties. These related party transactions were eliminated on consolidation which resulted in revenue of \$1,415,000 and profit of \$778,000 being eliminated from the group's results. The wells which were drilled on Blue Ridge increased field production which offset much of this revenue elimination.

Convertible note interest expense was higher in the 2010 year due to interest on the notes being calculated at a higher rate. Promissory note amortisation expense was lower in 2010 as the notes were fully amortised to face value by November 2009.

**MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

Refer to pages 3 to 5 of the directors' report for discussion of significant transactions which have occurred since 30 June 2010.

**OUTLOOK**

***Blue Ridge drilling program***

Maverick intends to drill 9 new wells on Blue Ridge from September 2010 to December 2010, 30 new wells from January 2011 to June 2011 with approximately 50 wells over an initial 12 month period. It is anticipated this drilling program will substantially enhance the group's future cash flow.

***Lease acquisitions and test wells***

In addition to the drilling program, the directors will continue to use the expertise of the group's internal geology and geosciences department to identify low risk developmental oil fields (similar to Blue Ridge) for acquisition and to pursue higher risk/higher return development opportunities within the capabilities of Maverick's drilling, exploration and production expertise. In this regard, the group intends to drill a test well on both the Edwards Reef and Foothold prospects in the next 12 months. The group also intends to complete a thorough evaluation of the Boling Dome prospect acquired in September 2010, including the development of a pilot drilling program and initial reserve estimate in the next 12 months.

***Contract drilling***

The group intends to continue to service its existing contract drilling customers in the Gulf Coast region of the United States as it has done successfully since 1973. Contract drilling activities have been and are envisaged to continue to be profitable and a strong source of cash flow for the group.

***Overall***

The directors believe that the outlook is positive for the group over the next twelve months following the successful initial public offering which has resulted in a new capital and debt structure for the group. The group has the cash available to pursue its plans with confidence and the board expects that the group's strategy of focusing on converting reserves into cash flow will continue to deliver long-term value for our shareholders and other stakeholders.

# Maverick Drilling & Exploration Limited ABN 48 128 429 158

## Annual financial report – 30 June 2010

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These financial statements cover the consolidated entity consisting of Maverick Drilling & Exploration Limited and its subsidiaries. The financial statements are presented in US dollars.

Maverick Drilling & Exploration Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business in Australia is:

Level 11  
66 Eagle Street  
Brisbane QLD 4000

Its principal office in the United States is:

5526 FM 2234  
Houston Texas 77053

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations on pages [x] to [y] and in the directors' report on pages [x] to [y], both of which are not part of these financial statements.

The financial statements were authorised for issue by the directors on <sign date>. The directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available on our website at [www.maverickdrilling.com](http://www.maverickdrilling.com).

**Maverick Drilling & Exploration Limited**  
**Income statement**  
**For the year ended 30 June 2010**

	Notes	2010 \$'000	2009 \$'000
<b>Revenue from continuing operations</b>	4	<b>5,569</b>	5,801
Consumables and external services used		(1,181)	(1,406)
Employee benefits expense		(1,434)	(1,990)
Depletion expense		(155)	(70)
Depreciation expense		(813)	(779)
Professional fees		(442)	(272)
Insurance expense		(270)	(223)
State and local tax expense		(239)	(102)
Other expenses		(523)	(462)
Finance costs	5	<u>(2,141)</u>	<u>(2,165)</u>
<b>Profit before income tax</b>		<b>(1,629)</b>	(1,668)
Income tax expense	6	<u>(342)</u>	<u>(400)</u>
Profit from continuing operations		<u>(1,971)</u>	(2,068)
Profit from discontinued operations		<u>-</u>	<u>-</u>
<b>Profit for the year</b>		<b><u>(1,971)</u></b>	<b>(2,068)</b>
Profit is attributable to:			
Owners of Maverick Drilling & Exploration Limited		(1,971)	(2,068)
Non-controlling interests		<u>-</u>	<u>-</u>
		<b><u>(1,971)</u></b>	<b>(2,068)</b>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:</b>			
Basic earnings per share	34	(1.1)	(1.7)
Diluted earnings per share	34	(1.1)	(1.7)
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>			
Basic earnings per share	34	(1.1)	(1.7)
Diluted earnings per share	34	(1.1)	(1.7)

*The above income statement should be read in conjunction with the accompanying notes.*

**Maverick Drilling & Exploration Limited**  
**Statement of comprehensive income**  
**For the year ended 30 June 2010**

Notes	2010 \$'000	2009 \$'000
<b>Profit for the year</b>	(1,971)	(2,068)
<b>Other comprehensive income for the year, net of tax</b>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>	<u>(1,971)</u>	<u>(2,068)</u>
Total comprehensive income for the year is attributable to:		
Owners of Maverick Drilling & Exploration Limited	(1,971)	(2,068)
Non-controlling interests	<u>-</u>	<u>-</u>
	<u>(1,971)</u>	<u>(2,068)</u>

*The above statement of comprehensive income should be read in conjunction with the accompanying notes.*

**Maverick Drilling & Exploration Limited**  
**Balance sheet**  
**As at 30 June 2010**

	Notes	2010 \$'000	2009 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	785	342
Trade and other receivables	8	1,968	1,721
Inventories	9	26	-
<b>Total current assets</b>		<u>2,779</u>	<u>2,063</u>
<b>Non-current assets</b>			
Receivables	10	50	50
Property, plant and equipment	11	11,550	11,515
Oil and gas assets	12	10,980	8,662
Exploration and evaluation assets	13	148	-
Intangible assets	15	3,612	3,612
<b>Total non-current assets</b>		<u>26,340</u>	<u>23,839</u>
<b>Total assets</b>		<u>29,119</u>	<u>25,902</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	16	4,526	2,241
Borrowings	17	14,308	21,786
Current tax liabilities		158	158
<b>Total current liabilities</b>		<u>18,992</u>	<u>24,185</u>
<b>Non-current liabilities</b>			
Other payables	18	41	69
Borrowings	19	7,231	-
Deferred tax liabilities	20	4,396	4,054
<b>Total non-current liabilities</b>		<u>11,668</u>	<u>4,123</u>
<b>Total liabilities</b>		<u>30,660</u>	<u>28,308</u>
<b>Net assets</b>		<u>(1,541)</u>	<u>(2,406)</u>
<b>EQUITY</b>			
Contributed equity	21	2,942	106
Retained earnings	22	(4,483)	(2,512)
Capital and reserves attributable to owners of Maverick Drilling & Exploration Limited		(1,541)	(2,406)
Non-controlling interests		-	-
<b>Total equity</b>		<u>(1,541)</u>	<u>(2,406)</u>

*The above balance sheet should be read in conjunction with the accompanying notes.*

**Maverick Drilling & Exploration Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2010**

	<b>Attributable to owners of Maverick Drilling &amp; Exploration Limited</b>				<b>Non-controlling interests</b>	<b>Total equity</b>
	<b>Contributed equity</b>	<b>Reserves</b>	<b>Retained earnings</b>	<b>Total</b>		
Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2008</b>	106	-	(444)	(338)	-	(338)
<b>Total comprehensive income for the year</b>	-	-	(2,068)	(2,068)	-	(2,068)
<b>Balance at 30 June 2009</b>	106	-	(2,512)	(2,406)	-	(2,406)
<b>Total comprehensive income for the year</b>	-	-	(1,971)	(1,971)	-	(1,971)
<b>Transactions with owners in their capacity as owners:</b>						
Contributions of equity, net of transaction costs and tax	21	2,836	-	-	-	2,836
		2,836	-	-	-	2,836
<b>Balance at 30 June 2010</b>		<b>2,942</b>	<b>-</b>	<b>(4,483)</b>	<b>(1,541)</b>	<b>(1,541)</b>

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*

**Maverick Drilling & Exploration Limited**  
**Statement of cash flows**  
**For the year ended 30 June 2010**

	Notes	2010 \$'000	2009 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		5,819	6,582
Payments to suppliers and employees (inclusive of goods and services tax)		<u>(3,721)</u>	<u>(4,246)</u>
		2,098	2,336
Interest paid		<u>(34)</u>	<u>(712)</u>
<b>Net cash (outflow) inflow from operating activities</b>	32	<u><b>2,064</b></u>	<u>1,624</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(786)	(903)
Payments for exploration and evaluation assets		(148)	-
Payments for oil and gas assets		(2,574)	(647)
Deposits paid for property, plant and equipment		(200)	-
Loans made		(164)	(143)
Interest received		-	1
<b>Net cash (outflow) inflow from investing activities</b>		<u><b>(3,872)</b></u>	<u>(1,692)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares		2,400	-
Proceeds from borrowings		474	157
Share issue transaction costs		(460)	-
Repayment of borrowings		<u>(203)</u>	<u>(456)</u>
<b>Net cash inflow (outflow) from financing activities</b>		<u><b>2,211</b></u>	<u>(299)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>403</b>	<b>(367)</b>
Cash and cash equivalents at the beginning of the financial year		<u>342</u>	<u>709</u>
<b>Cash and cash equivalents at end of year</b>	7	<u><b>745</b></u>	<u>342</u>

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

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## 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Maverick Drilling & Exploration Limited and its subsidiaries.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

#### *Compliance with IFRS*

The consolidated financial statements of the Maverick Drilling & Exploration Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

#### *Going concern*

As at 30 June 2010, the group has a deficiency of capital of \$1,541,000, and a working capital deficiency of \$16,213,000. The group has also experienced operating losses and negative cash flows during the financial year ended on that date. Management have improved the capital position of the group after 30 June 2010 through a successful AUD 10 million capital raise with 50 million shares allotted on 25 August 2010. On allotment of the new shares, the USD 14 million of convertible notes classified as a current liability converted into ordinary shares. A consequence of the conversion of the convertible notes is that finance costs in relation to the notes will not be incurred after 25 August 2010.

The directors believe that following the initial public offer and conversion of the convertible notes the group will have sufficient working capital to continue as a going concern and will realise its assets and settle its liabilities and commitments in the normal course of business and for at least the amounts stated in the financial report.

#### *Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

#### *Financial statement presentation*

The group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

### (b) Principles of consolidation

#### *(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Maverick Drilling & Exploration Limited ("company" or "parent entity") as at 30 June 2010 and the results of all subsidiaries for the year then ended. Maverick Drilling & Exploration Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group (refer to note 1(h)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

## 1 Summary of significant accounting policies (continued)

### (b) Principles of consolidation (continued)

#### (i) Subsidiaries (continued)

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statements, statements of comprehensive income and balance sheets respectively.

#### (ii) Joint ventures

Jointly controlled assets

The proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in note 29.

#### (iii) Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Maverick Drilling & Exploration Limited.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

### (c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Maverick Drilling & Exploration Limited board of directors.

### (d) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US dollars, which is Maverick Drilling & Exploration Limited's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

#### (iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

## 1 Summary of significant accounting policies (continued)

### (d) Foreign currency translation (continued)

#### (iii) Group companies (continued)

- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

### (e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

#### (i) Sale of oil

Revenue from the sale of oil is recognised when the significant risks and rewards of ownership have transferred to the buyer and can be measured reliably. These significant risks and rewards are considered transferred when the crude buyer collects the oil from the field.

#### (ii) Contract drilling services

Contract drilling revenue is recognised as services are rendered in line with the terms of the drilling contract in place.

#### (iii) Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

### (f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that

## 1 Summary of significant accounting policies (continued)

### (f) Income tax (continued)

future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### (i) Investment allowance

Companies within the group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

#### (ii) Tax consolidation registration

Maverick Drilling & Exploration USA Inc is the head entity for United States tax consolidation purposes. The United States entities included in this tax consolidated group are Maverick Drilling Company, Maverick Production Company, Inc and Maverick Rig Manufacturing, Inc.

### (g) Leases

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are measured at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

### (h) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

## 1 Summary of significant accounting policies (continued)

### (h) Business combinations (continued)

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

#### *Change in accounting policy*

A revised AASB 3 *Business Combinations* became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

If the group recognises previous acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the group's net profit after tax.

The changes were implemented prospectively from 1 July 2009 and have not affected the group.

### (i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group's of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### (j) Cash and cash equivalents

For the purpose of presentation in the statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

### (k) Trade receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

## 1 Summary of significant accounting policies (continued)

### (k) Trade receivables (continued)

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

### (l) Inventories

#### (i) *Drilling and well equipment*

Drilling and well equipment in inventories is stated at the lower of cost and net realisable value. Costs of drilling and well equipment are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### (m) Investments and other financial assets

#### **Classification**

The group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

#### (i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held-for-trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets.

#### (ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 8) and receivables (note 10) in the balance sheets.

#### (iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. If the group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

#### (iv) *Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

#### **Financial assets - reclassification**

The group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

## 1 Summary of significant accounting policies (continued)

### (m) Investments and other financial assets (continued)

#### **Recognition and derecognition**

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

#### **Subsequent measurement**

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 2.

#### **Impairment**

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity and recognised in the profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

If there is evidence of impairment for any of the group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

### (n) Property, plant and equipment

Land and buildings are measured at historical cost less accumulated depreciation on buildings, less any impairment losses recognised.

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

The carrying amount of buildings, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate portion of fixed and variable costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the economic entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

## **1 Summary of significant accounting policies (continued)**

### **(n) Property, plant and equipment (continued)**

The depreciable amount of all fixed assets is depreciated over their useful life to Maverick commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates are as follows:

Asset	Depreciation rate
- Buildings	39 years
- Drilling rigs and drilling equipment	7 - 14 years
- Rig manufacturing machinery	3 – 20 years
- Motor vehicles	5 years
- Furniture, fittings and office equipment	7 years

### **(o) Exploration and evaluation assets**

Exploration and evaluation expenditures are accounted for under the successful efforts method. Exploration licence acquisition costs for established areas are initially capitalised except for new unexplored areas which are expensed as incurred. For exploration wells, costs directly associated with the drilling of wells are initially capitalised pending evaluation of whether potentially economic reserves of hydrocarbons have been discovered.

Costs are expensed where the well does not result in the successful discovery of potentially economically recoverable hydrocarbons.

All other exploration and evaluation expenditures including directly attributable general administration costs, geological and geophysical costs and new venture activity expenditures are charged as expenses in the income statement as incurred, except where:

- (i) The expenditure relates to an exploration discovery that:
  - (A) at balance date, an assessment of the existence or otherwise of economically recoverable reserves is not yet complete; or where
  - (B) a decision on additional major capital expenditure is pending; or
  - (C) additional exploration wells or appraisal work is underway or planned.
- (ii) The expenditure relates to a discovery well and it is expected that the expenditure will be recouped by future exploitation or sale.

When an oil or gas field has been approved for development, the accumulated exploration and evaluation costs are transferred to 'Oil and gas assets – Assets in development'.

### **(p) Oil and gas assets**

#### *(i) Assets in development*

The costs of oil and gas assets in development are separately accounted for and include past exploration and evaluation costs, development drilling and other subsurface expenditure, surface plant and equipment and any associated land and buildings. When the committed development expenditure programs are completed and production commences, these costs are subject to amortisation and the accumulated costs are transferred to 'Oil and gas assets – Producing assets'.

#### *(ii) Producing assets*

The costs of oil and gas assets in production are separately accounted for and include past exploration and evaluation costs, past development costs and the ongoing costs of continuing to develop reserves for production and to expand or replace plant and equipment and any associated land and buildings. These costs are subject to amortisation. Where asset costs incurred in relation to a producing field are under evaluation and appraisal, those costs will be continually reviewed for recoupment of those costs by future exploitation. When a determination has been made that those expenditures will not be recouped and/or no further appraisal will be undertaken, they will be written off.

#### *(iii) Amortisation of oil and gas assets*

Costs in relation to producing assets are amortised on a production output basis. In relation to the Blue Ridge Dome field, exploration and development costs, along with any future expenditure necessary to develop the assumed reserves, are amortised over the remaining estimated economic life of the fields. Producing assets under evaluation and appraisal are not subject to amortisation until such time as the evaluation and appraisal stage is complete.

## 1 Summary of significant accounting policies (continued)

### (p) Oil and gas assets (continued)

#### (iv) Restoration costs

Site restoration costs are capitalised within the cost of the associated assets and the provision is stated in the balance sheet at total estimated present value. These costs are estimated and based on judgements and assumptions regarding removal dates, future environmental legislation and technologies. Over time, the liability is increased for the change in the present value based on a risk adjusted pre-tax discount rate appropriate to the risks inherent in the liability. The costs of restoration are brought to account in the profit and loss through depreciation of the associated assets over the economic life of the projects with which these costs are associated. The unwinding of the discount is recorded as an accretion charge within finance costs.

#### (v) Reserves

The estimated reserves are management assessments and take into consideration reviews by an independent third party, Energy Recovery Concepts, LLC, as well as other assumptions, interpretations and assessments. These include assumptions regarding commodity prices, exchange rates, discount rates, future production and transportation costs, and interpretations of geological and geophysical models to make assessments of the quality of reservoirs and their anticipated recoveries. Reserves estimation conforms with guidelines prepared by the Society of Petroleum Engineers.

### (q) Intangible assets

#### (i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

### (r) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### (s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the notes.

Borrowings are removed from the balance sheets when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

## 1 Summary of significant accounting policies (continued)

### (t) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

### (u) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### (v) Employee benefits

#### (i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Any liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

#### (ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### (iii) Employment relationships

For the 30 June 2010 and 30 June 2009 periods the group does not have any liabilities for annual leave, accumulating sick leave or long service leave in respect of any of its employees. The Australian parent entity directors and company secretary do not accrue any such benefits for their roles. All United States employees are employed under the laws of Texas. Under these laws the group does not have any pension or health care obligations in relation to any of its Texas employees.

#### (iv) Share-based payments

Share-based compensation has been provided through the issue of ordinary shares in Maverick Drilling & Exploration Limited. The total amount to be expensed is determined by reference to the fair value of ordinary shares at the time they are issued.

### (w) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

### (x) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the reporting period.

## 1 Summary of significant accounting policies (continued)

### (y) Earnings per share

#### (i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year (note 34).

#### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### (z) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheets.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

### (aa) Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

### (ab) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

#### (i) AASB 2009-8 *Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions [AASB2]* (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity - or a cash-settled transaction. The group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. There will be no impact on the group's financial statements.

#### (ii) AASB 2009-10 *Amendments to Australian Accounting Standards - Classification of Rights Issues [AASB 132]* (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The group will apply the amended standard from 1 July 2010. As the group has not made any such rights issues, the amendment will not have any effect on the group's financial statements.

#### (iii) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The group is yet to assess its full impact. The group has not yet decided when to adopt AASB 9.

## 1 Summary of significant accounting policies (continued)

### (ab) New accounting standards and interpretations (continued)

(iv) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. As the group is not a government related entity there will be no impact on the group's or financial statements.

(v) AASB Interpretation 19 *Extinguishing financial liabilities with equity instruments* and AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19* (effective from 1 January 2011)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The group will apply the interpretation from 1 July 2010. It is not expected to have any impact on the group's financial statements.

(vi) AASB 2009-14 *Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement* (effective from 1 January 2011)

In December 2009, the AASB made an amendment to Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The group does not have a defined benefit scheme. The amendment is therefore not expected to have any impact on the group's. The group intends to apply the amendment from 1 July 2011.

### (ac) Parent entity financial information

The financial information for the parent entity, Maverick Drilling & Exploration Limited, disclosed in note 33 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) *Investments in subsidiaries*

Investments in subsidiaries are accounted for at cost in the financial statements of Maverick Drilling & Exploration Limited.

## 2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### *(i) Estimated impairment of goodwill*

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(q). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 15 for details of these assumptions and the potential impact of changes to the assumptions.

### *(ii) Income taxes*

The group is subject to income taxes in Australia and the United States. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The group estimates its tax liabilities based on the group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

### *(iii) Estimates of reserve quantities*

The estimated quantities of 1P and 2P hydrocarbon reserves reported by Maverick are integral to the calculation of depletion and depreciation expense and to assessments of possible impairment of assets. Estimated reserve quantities are based upon interpretations of geological and geophysical models and assessments of the technical feasibility and commercial viability of producing the reserves. These assessments require assumptions to be made regarding future development and production costs, commodity prices, exchange rates and fiscal regimes. The estimates of reserves may change from period to period as the economic assumptions used to estimate the reserves can change from period to period, and as additional geological data is generated during the course of operations. Reserves estimates are prepared in accordance with Maverick's policies and procedures for reserves estimation which conform to guidelines prepared by the Society of Petroleum Engineers.

### *(iv) Exploration and evaluation*

The group's policy for exploration and evaluation expenditure is discussed in policy note 1(o). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, particularly in relation to the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

### *(v) Provision for restoration*

The group estimates the future removal and restoration costs of oil wells and related assets at the time of installation of the assets. In most instances the removal of these assets will occur many years in the future. The estimate of future removal costs therefore requires management to make judgements regarding the removal date, future environmental legislation, the extent of restoration activities required and future removal technologies.

### *(vi) Impairment of oil and gas assets*

The group assesses whether oil and gas assets are impaired on a semi-annual basis. This requires an estimation of the recoverable amount of the cash-generating unit to which the assets belong.

### 3 Segment information

#### (a) Description of segments

Management has determined the group's operating segments based on the reports reviewed by the board to make strategic decisions.

The board considers the business from both a product and a geographic perspective and has identified two reportable segments. The first as an operator of oil leases on the Blue Ridge Dome and the second as a shallow to mid range onshore contract oil and gas driller in the Gulf Coast region of the United States.

#### (b) Segment information provided to the board

The segment information provided to the board for the reportable segments for the year ended 30 June 2010 is as follows:

30 June 2010	Operator of oil leases \$'000	Contract oil and gas driller \$'000	Total \$'000
Total segment revenue	2,856	4,128	6,984
Inter-segment revenue	-	(1,415)	(1,415)
<b>Revenue from external customers</b>	<b>2,856</b>	<b>2,713</b>	<b>5,569</b>
<b>Adjusted EBITDA</b>	<b>1978</b>	<b>687</b>	<b>2,665</b>
Depreciation expense	-	(770)	(770)
Income tax expense	(182)	(673)	(855)
<b>Total segment assets</b>	<b>13,715</b>	<b>15,508</b>	<b>29,223</b>
Total assets includes:			
Additions to non-current assets (other than financial assets and deferred tax)	3,244	848	4,092
<b>Total segment liabilities</b>	<b>3,769</b>	<b>1,546</b>	<b>5,315</b>

The segment information provided to the board for the reportable segments for the year ended 30 June 2009 is as follows:

30 June 2009	Operator of oil leases \$'000	Contract oil and gas driller \$'000	Total \$'000
Total segment revenue	1,172	4,732	5,904
Inter-segment revenue	-	(104)	(104)
<b>Revenue from external customers</b>	<b>1,172</b>	<b>4,628</b>	<b>5,800</b>
<b>Adjusted EBITDA</b>	<b>569</b>	<b>1,037</b>	<b>1,606</b>
Depreciation expense	-	(736)	(736)
Income tax expense	(194)	(319)	(513)
<b>Total segment assets</b>	<b>9,748</b>	<b>14,345</b>	<b>24,093</b>
Total assets includes:			
Additions to non-current assets (other than financial assets and deferred tax)	213	1,149	1,362
<b>Total segment liabilities</b>	<b>2,605</b>	<b>901</b>	<b>3,506</b>

### 3 Segment information (continued)

**(c) Other segment information**

*(i) Segment revenue*

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the board is measured in a manner consistent with that in the income statements.

Revenues from external customers are derived from the sale of oil to the crude oil gatherer and the provision of contract drilling services to customers in the Gulf Cost Region of the United States.

Segment revenue reconciles to total revenue from continuing operations as follows:

	2010 \$'000	2009 \$'000
<b>Total segment revenue</b>	<b>6,984</b>	5,904
Inter-segment eliminations	<b>(1,415)</b>	(104)
Interest revenue	-	1
<b>Total revenue from continuing operations (note 4)</b>	<b>5,569</b>	5,801

The parent entity is domiciled in Australia. No revenue is generated from customers in Australia. The group generates all of its revenue from external customers in the United States.

\$2,714,000 of the revenue included in the operator of oil leases segment is from one external customer. The group does however have the ability to select from a number of other customers to purchase the oil produced from the Blue Ridge Dome.

The following amounts of income in the contract oil and gas driller segment are derived from specific customers:

- \$1,183,000 (2009: \$2,133,000) from customer A
- \$0 (2009: \$897,000) from customer B

*(ii) Adjusted EBITDA*

The board assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as penalties. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the treasury function, which manages the cash position of the group.

A reconciliation of adjusted EBITDA to operating profit before income tax is provided as follows:

	2010 \$'000	2009 \$'000
<b>Adjusted EBITDA</b>	<b>2,665</b>	1,606
Inter-segment eliminations	<b>(778)</b>	(57)
Interest revenue	-	1
Depreciation	<b>(813)</b>	(779)
Finance costs	<b>(2,141)</b>	(2,165)
Employee benefits expense	<b>(60)</b>	-
Professional fees	<b>(142)</b>	(78)
State taxes	-	(38)
Other expenses	<b>(360)</b>	(158)
<b>Profit before income tax from continuing operations</b>	<b>(1,629)</b>	(1,668)

### 3 Segment information (continued)

#### (c) Other segment information (continued)

##### (iii) Segment assets

The amounts provided to the board with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Cash reserves held by the parent are not considered to be segment assets but rather managed by the treasury function.

Reportable segments' assets are reconciled to total assets as follows:

	2010 \$'000	2009 \$'000
<b>Segment assets</b>	<b>29,223</b>	24,093
Inter-segment eliminations	<b>(4,864)</b>	(2,834)
Unallocated:		
Cash and cash equivalents	189	45
Trade and other receivables	70	54
Property, plant and equipment	889	932
Goodwill	<b>3,612</b>	3,612
<b>Total assets as per the balance sheet</b>	<b><u>29,119</u></b>	<u>25,902</u>

All of the group's non-current assets are located in the United States.

##### (iv) Segment liabilities

The amounts provided to the board with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The group's borrowings and deferred tax liabilities are not considered to be segment liabilities but rather managed by the treasury function.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2010 \$'000	2009 \$'000
<b>Segment liabilities</b>	<b>5,315</b>	3,506
Inter-segment eliminations	<b>(3,507)</b>	(2,255)
Unallocated:		
Trade and other payables	3,098	1,086
Current tax liabilities	158	158
Current borrowings	14,000	21,759
Non-current borrowings	7,200	-
Deferred tax liabilities	<b>4,396</b>	4,054
<b>Total liabilities as per the balance sheet</b>	<b><u>30,660</u></b>	<u>28,308</u>

#### 4 Revenue

	2010 \$'000	2009 \$'000
<b>From continuing operations</b>		
<i>Sales revenue</i>		
Sale of goods	2,855	1,067
Services	<u>2,714</u>	<u>4,733</u>
	<u>5,569</u>	<u>5,800</u>
<i>Other revenue</i>		
Interest from financial assets not at fair value through profit or loss	-	1
	<u>5,569</u>	<u>5,801</u>

#### 5 Expenses

	2010 \$'000	2009 \$'000
<b>Profit before income tax includes the following specific expenses:</b>		
<i>Finance costs</i>		
Amortisation of promissory note under the effective interest method	241	710
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss – charged on convertible notes	1,866	1,397
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss – charged on other liabilities	<u>34</u>	<u>58</u>
Finance costs expensed	<u>2,141</u>	<u>2,165</u>
<i>Foreign exchange gains and losses</i>		
Net foreign exchange losses recognised in other expenses	<u>18</u>	21
Net foreign exchange losses recognised in profit before income tax for the year (as either income or expense)	<u>18</u>	<u>21</u>

## 6 Income tax expense

	2010 \$'000	2009 \$'000
<b>(a) Income tax expense</b>		
Current tax	-	191
Deferred tax	<u>342</u>	<u>209</u>
	<u>342</u>	<u>400</u>
Income tax expense is attributable to:		
Profit from continuing operations	<u>342</u>	400
Aggregate income tax expense	<u>342</u>	<u>400</u>
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 14)	(57)	463
(Decrease) increase in deferred tax liabilities (note 20)	<u>399</u>	<u>(254)</u>
	<u>342</u>	<u>209</u>
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit from continuing operations before income tax expense	<u>(1,629)</u>	<u>(1,668)</u>
Tax at the Australian tax rate of 30% (2009 year - 30%)	(489)	(500)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses – convertible note interest	72	213
Non-deductible expenses – promissory note amortisation	560	419
Non-deductible expenses – other	100	36
Non-deductible expenses – penalties	<u>67</u>	<u>39</u>
	310	207
Difference in overseas tax rates	<u>32</u>	193
Income tax expense	<u>342</u>	<u>400</u>

**7 Current assets - Cash and cash equivalents**

	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and in hand	<b>600</b>	315
Deposits at call	<b>185</b>	27
	<b><u>785</u></b>	<u>342</u>

**(a) Reconciliation to cash at the end of the year**

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Balances as above	<b>785</b>	342
Bank overdrafts (note 17)	<b>(40)</b>	-
Balances per statement of cash flows	<b><u>745</u></b>	<u>342</u>

**(b) Risk exposure**

The group's and the parent entity's exposure to interest rate risk is discussed in note 30. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

## 8 Current assets - Trade and other receivables

	2010 \$'000	2009 \$'000
Trade receivables	<u>705</u>	<u>766</u>
	<u>705</u>	<u>766</u>
Accrued income	144	334
Loans to related parties	294	143
Deposits paid	200	-
Prepayments	113	65
Amount receivable from joint venture asset partner	286	204
Other (c)	<u>226</u>	<u>209</u>
	<u>1,968</u>	<u>1,721</u>

Further information relating to loans to related parties is set out in note 27.

### (a) Impaired receivables

None of the current receivables are impaired.

### (b) Past due but not impaired

As at 30 June 2010, trade receivables of \$259,000 (30 June 2009 - \$673,000) were past due but not impaired. These relate to number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2010 \$'000	2009 \$'000
Up to 3 months	259	540
3 to 6 months	-	-
Over 6 months	<u>-</u>	<u>133</u>
	<u>259</u>	<u>673</u>

The other classes within trade and other receivables do not contain past due balances. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The group does not hold any collateral in relation to these receivables.

### (c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the group.

### (d) Foreign exchange and interest rate risk

Information about the group's and the parent entity's exposure to exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 30.

### (e) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to note 27 for more information on the risk management policy of the group and the credit quality of the entity's trade receivables.

**9 Current assets - Inventories**

	2010 \$'000	2009 \$'000
Well equipment	<u>26</u>	<u>-</u>
	<u>26</u>	<u>-</u>

**(a) Inventory expense**

No write-downs of inventories occurred during the year ended 30 June 2010 or 30 June 2009.

**10 Non-current assets - Receivables**

	2010 \$'000	2009 \$'000
Deposits	<u>50</u>	<u>50</u>
	<u>50</u>	<u>50</u>

**(a) Impaired receivables and receivables past due**

None of the non-current receivables are impaired or past due but not impaired.

**(b) Fair values**

The fair values and carrying values of non-current receivables are as follows:

	2010		2009	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Deposits	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>
	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>

Deposits relate to an amount held by First Lockhart National Bank as security against a blanket letter of credit in favour of the Railroad Commission of Texas for \$50,000. This deposit will be required for the period which the group performs production operations in the jurisdiction of the Railroad Commission of Texas.

**(c) Risk exposure**

Information about the group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 30. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above.

## 11 Non-current assets - Property, plant and equipment

	Freehold land and buildings \$'000	Drilling rigs and machinery \$'000	Motor vehicles \$'000	Furniture, fittings and equipment \$'000	Total \$'000
<b>At 1 July 2008</b>					
Cost	1,162	10,145	232	46	11,585
Accumulated depreciation	(3)	(409)	(25)	(3)	(440)
Net book amount	1,159	9,736	207	43	11,145
<b>Year ended 30 June 2009</b>					
Opening net book amount	1,159	9,736	207	43	11,145
Additions	-	1,109	40	-	1,149
Depreciation charge	(5)	(716)	(51)	(7)	(779)
Closing net book amount	1,154	10,129	196	36	11,515
<b>At 30 June 2009</b>					
Cost	1,162	11,254	272	46	12,734
Accumulated depreciation	(8)	(1,125)	(76)	(10)	(1,219)
Net book amount	1,154	10,129	196	36	11,515
<b>Year ended 30 June 2010</b>					
Opening net book amount	1,154	10,129	196	36	11,515
Additions	-	827	8	13	848
Depreciation charge	(5)	(743)	(56)	(9)	(813)
Closing net book amount	1,149	10,213	148	40	11,550
<b>At 30 June 2010</b>					
Cost	1,162	12,081	280	59	13,582
Accumulated depreciation	(13)	(1,868)	(132)	(19)	(2,032)
Net book amount	1,149	10,213	148	40	11,550

### (a) Assets in the course of construction

The carrying amounts of the assets disclosed above include the following amounts recognised in relation to property, plant and equipment which are in the course of construction:

	2010 \$'000	2009 \$'000	1 July 2008 \$'000
Drilling rigs and machinery	2,149	1,470	668
Total assets in the course of construction	2,149	1,470	668

### (b) Non-current assets pledged as security

Refer to note 17 for information on non-current assets pledged as security by the group.

**12 Non-current assets - Oil and gas assets**

	2010 \$'000	2009 \$'000
<b>Cost</b>		
Opening balance at 1 July	8,779	8,553
Additions	<u>2,473</u>	<u>226</u>
Closing balance at 30 June	<u>11,252</u>	<u>8,779</u>
<b>Accumulated depletion</b>		
Opening balance at 1 July	117	47
Depletion	<u>155</u>	<u>70</u>
Closing balance at 30 June	<u>272</u>	<u>117</u>
<b>Net book amount</b>		
At 1 July	<u>8,662</u>	<u>8,506</u>
At 30 June	<u>10,980</u>	<u>8,662</u>

**13 Non-current assets - Exploration and evaluation assets**

	2010 \$'000	2009 \$'000
Opening balance at 1 July	-	-
Additions	<u>148</u>	<u>-</u>
Closing balance at 30 June	<u>148</u>	<u>-</u>

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

#### 14 Non-current assets - Deferred tax assets

	2010 \$'000	2009 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Tax losses	79	-
Trade and other payables	147	174
Current borrowings	14	9
Total deferred tax assets	<u>240</u>	<u>183</u>
Set-off of deferred tax liabilities pursuant to set-off provisions (note 20)	<u>(240)</u>	<u>(183)</u>
Net deferred tax assets	<u>-</u>	<u>-</u>
Deferred tax assets expected to be recovered within 12 months	240	183
Deferred tax assets expected to be recovered after more than 12 months	<u>-</u>	<u>-</u>
	<u>240</u>	<u>183</u>

Movements	Tax losses \$'000	Trade and other payables \$'000	Borrowings \$'000	Total \$'000
<b>At 1 July 2008</b>	419	218	9	646
(Charged)/credited - to profit or loss	(419)	(44)	-	(463)
<b>At 30 June 2009</b>	-	174	9	183
(Charged)/credited - to profit or loss	79	(27)	5	57
<b>At 30 June 2010</b>	79	147	14	240

#### 15 Non-current assets - Intangible assets

	2010 \$'000	2009 \$'000
Opening balance at 1 July	<u>3,612</u>	3,612
Opening balance at 30 June	<u>3,612</u>	3,612

The entire balance of intangible assets relates to goodwill calculated on the acquisition of Maverick Drilling Company, Maverick Production Company, Inc., Maverick Rig Manufacturing, Inc. and Maverick Hydrocarbons, Inc. on 20 November 2007.

##### (a) Impairment tests for goodwill

The group's goodwill balance is allocated to its two operating segments.

The recoverable amount has been determined on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a ten-year period.

## 16 Current liabilities - Trade and other payables

	2010 \$'000	2009 \$'000
Trade payables	595	494
Convertible note interest payable	2,794	928
State and federal taxes payable	1,109	791
Other payables	28	28
	<u>4,526</u>	<u>2,241</u>

### (a) Risk exposure

Details of the group's exposure to risks arising from current and non-current trade and other payables are set out in note 30.

## 17 Current liabilities – Borrowings

	2010 \$'000	2009 \$'000
<b>Secured</b>		
Bank overdrafts	40	-
Convertible notes (c)	14,000	14,000
Promissory notes (d)	-	7,759
Loans from related parties*	200	-
Other loans	26	-
Total secured current borrowings	<u>14,266</u>	<u>21,759</u>
<b>Unsecured</b>		
Other	42	27
Total unsecured current borrowings	<u>42</u>	<u>27</u>
Total current borrowings	<u>14,308</u>	<u>21,786</u>

\*Further information relating to loans to related parties is set out in note 23.

### (a) Security and fair value disclosures

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided below.

### (b) Risk exposures

Details of the group's exposure to risks arising from current and non-current borrowings are set out in note 30.

### (c) Convertible notes

The parent entity issued 70,000,000 convertible notes for \$14 million on 21 November 2007 to be converted upon the occurrence of certain events (including listing on ASX) or redeemed on the maturity date of 1 November 2009. The Convertible Notes attracted an interest rate of 10% per annum which was payable in arrears on 1 May and 1 November annually. The parent last paid interest on the convertible notes on 1 November 2008.

The terms of the Convertible Notes were subsequently varied to:

- Extend the maturity date of the Convertible Notes to 1 November 2010;
- Increase the interest rate to 12% per annum for all outstanding and future interest amounts; and
- Extend the interest payment date to the earlier of 30 September 2010 and the date that is 5 trading days after the date on which Shares are allotted under the Offer.

## 17 Current liabilities – Borrowings (continued)

### (c) Convertible notes (continued)

Under the terms of the Convertible Note Subscription Agreement, the convertible notes automatically convert to shares on the allotment of shares under any prospectus issued by Maverick for an initial public offering. The issue price of the shares issued under the convertible notes is the lower of USD 0.20 or 80% of their issue price.

On 25 August 2010, the 70,000,000 convertible notes were converted into equity in Maverick Drilling & Exploration Limited shares at US 0.142576 per share.

	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
Face value of convertible notes issued	<u>14,000</u>	<u>14,000</u>
Interest expense on convertible notes issued	<u>1,866</u>	<u>1,397</u>
<b>Carrying value of convertible notes</b>		
Current liability	<u>14,000</u>	<u>14,000</u>
Total liability	<u>14,000</u>	<u>14,000</u>

### (d) Promissory notes

The parent entity issued 40,000,000 promissory notes for \$8 million on 21 November 2007 as part of the consideration to acquire all of the shares in Maverick Drilling Company, Maverick Production Company, Inc. and Maverick Hydrocarbons, Inc. and 25% of the shares in Maverick Rig Manufacturing, Inc. (Maverick Drilling Company held the remaining 75% of the Maverick Rig Manufacturing, Inc. shares).

On 7 September 2009 the promissory note holders agreed to extend the maturity date of the promissory notes to 1 November 2010.

In December 2009, the parent entity and Amanterra, Ltd entered into a debt to equity conversion deed under which all promissory notes held by Amanterra, Ltd were cancelled, and Amanterra, Ltd was issued 10,000,000 shares in satisfaction of the USD 800,000 otherwise owing on the promissory notes held by Amanterra, Ltd.

On 31 March 2010 the remaining promissory note holders agreed to extend the maturity date of the promissory notes from 1 November 2010 to 1 November 2011.

The parent also agreed to begin repaying a portion of the liability under the promissory notes to the extent that its short term deposits and cash at bank (excluding any proceeds raised under the prospectus dated 2 July 2010) generated from operating revenue derived in the ordinary course of business exceeds \$2 million. The directors may suspend repayments on the promissory notes where the parent anticipates future liabilities or opportunities. Following this extension and change in repayment terms, the promissory note balance has been moved from current to non-current.

As part of the amendments to the promissory notes, the parent entity agreed not to dispose of any material assets in Maverick Drilling Company without the consent of Don Henrich. That obligation, however, is subject to either approval by Maverick's shareholders in accordance with sections 217 to 227 of the Corporations Act or Maverick receiving advice that shareholder approval is not required on the basis that it satisfies the test in section 210 of the Corporations Act.

	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
Face value of promissory notes issued	<u>7,200</u>	<u>8,000</u>
Amortised cost of promissory notes issued	<u>7,200</u>	<u>7,759</u>
Amortisation expense of promissory notes issued	<u>241</u>	<u>710</u>
<b>Carrying value of promissory notes</b>		
Current liability	-	7,759
Non-current liability	<u>7,200</u>	<u>-</u>
Total liability	<u>7,200</u>	<u>7,759</u>

## 17 Current liabilities – Borrowings (continued)

### (e) Secured liabilities and assets pledged as security

The total secured liabilities (current and non-current) are as follows:

	2010 \$'000	2009 \$'000
Convertible notes	14,000	14,000
Promissory notes	7,200	7,759
Loans from related parties	200	-
Other loans	56	-
Total secured liabilities	<u>21,456</u>	<u>21,786</u>

The parent entity's obligations under the convertible notes are secured by a fixed and floating charge granted by the parent entity over all of its assets in favour of a Security Trustee on behalf of the convertible note holders, which ranks behind the security given to the Promissory Note Holders.

The charge will be released when the convertible notes convert to shares and the accrued interest on the convertible notes is repaid.

The parent entity's obligation to repay the promissory notes is secured by a charge over all the shares in Maverick Drilling Company.

Upon redemption of the promissory notes by the parent entity the security is extinguished.

The loans from related parties relate to the loan from R B Clarke to Maverick Drilling Company to finance the first instalment of the purchase price on a Walker-Neer Apache 150-25 drilling rig. Maverick Drilling Company has given R B Clarke a second ranking lien over the Walker-Neer Apache 150-25 drilling rig to secure the repayment of the loan.

Other secured loans relate to an instalment sale contract over machinery acquired by Maverick Drilling Company.

Based on the above, all of the assets of the group are pledged as security for current and non-current borrowings. Total assets pledged at 30 June 2010 totalled \$29,119,000 (30 June 2009 \$25,902,000).

### (f) Fair value

The carrying amounts and fair values of current and non-current borrowings at the end of reporting period are:

Group	2010		2009	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<i>Non-traded financial liabilities</i>				
Bank overdraft	40	40	-	-
Convertible notes	14,000	14,000	14,000	14,000
Promissory notes	7,200	6,341	7,759	7,759
Loans from related parties	200	200	-	-
Other loans	99	99	27	27
	<u>21,539</u>	<u>20,680</u>	<u>21,786</u>	<u>21,786</u>

None of the group's borrowings are readily traded on organised markets in standardised form.

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values of non-current borrowings are based on cash flows discounted using a borrowing rate of 10% (2009 – 10%).

**18 Non-current liabilities - Other payables**

	2010 \$'000	2009 \$'000
Other payables	<u>41</u>	<u>69</u>
	<u>41</u>	<u>69</u>

**(a) Risk exposure**

Details of the group's exposure to risks arising from current and non-current trade and other payables are set out in note 30.

**19 Non-current liabilities - Borrowings**

	2010 \$'000	2009 \$'000
<b>Secured</b>		
Promissory notes (a)	7,200	-
Other loans	<u>31</u>	-
Total secured non-current borrowings	<u>7,231</u>	-
Total non-current borrowings	<u>7,231</u>	-

**(a) Promissory notes**

Information about the promissory notes is provided in note 17.

**(b) Secured liabilities and assets pledged as security**

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowing is provided in note 17.

**(c) Risk exposures**

Details of the group's exposure to risks arising from current and non-current borrowings are set out in note 30.

**20 Non-current liabilities - Deferred tax liabilities**

2010  
\$'000

2009  
\$'000

The balance comprises temporary differences attributable to:

Trade and other receivables	333	401
Property, plant and equipment	2,788	3,002
Oil and gas assets	1,515	834
Total deferred tax liabilities	<u>4,636</u>	<u>4,237</u>
Set-off of deferred tax liabilities pursuant to set-off provisions (note 14)	<u>(240)</u>	<u>(183)</u>
Net deferred tax liabilities	<u>4,396</u>	<u>4,054</u>
Deferred tax liabilities expected to be settled within 12 months	333	401
Deferred tax liabilities expected to be settled after more than 12 months	<u>4,303</u>	<u>3,836</u>
	<u>4,636</u>	<u>4,237</u>

Movements	Trade and other receivables \$'000	Property, plant and equipment \$'000	Oil and gas assets \$'000	Total \$'000
<b>At 1 July 2008</b>	660	3,120	711	4,491
Charged/(credited) - to profit or loss	(259)	(118)	123	(254)
<b>At 30 June 2009</b>	401	3,002	834	4,237
Charged/(credited) - to profit or loss	(68)	(214)	681	399
<b>At 30 June 2010</b>	333	2,788	1,515	4,636

## 21 Contributed equity

	Notes	2010 Shares	2009 Shares	2010 \$'000	2009 \$'000
<b>(a) Share capital</b>					
Ordinary shares	(b)				
Fully paid		<u>175,650,000</u>	121,500,000	<u>2,942</u>	106
		<b>175,650,000</b>	121,500,000	<b>2,942</b>	106

### (b) Movements in ordinary share capital:

Date	Details	Notes	Number of shares	Issue price	\$'000
1 July 2008	Opening balance		<u>121,500,000</u>		106
30 June 2009	Balance		121,500,000		106
	October 2009 placement	(d)	40,000,000	\$0.06	2,400
	October 2009 placement costs	(e)	3,000,000	\$0.06	180
	October 2009 directors fees paid	(f)	1,000,000	\$0.06	60
	December 2009 debt to equity conversion	(g)	10,000,000	\$0.08	800
	May 2009 payment to suppliers with ordinary shares	(h)	150,000	\$0.23	35
	Less: Transaction costs arising on share issue				<u>(639)</u>
30 June 2010	Balance		<u>175,650,000</u>		<u>2,942</u>

### (c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and on a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

### (d) October 2009 placement

Contributed equity increased by \$2,400,000 (40,000,000 ordinary shares) as a result of a placement to institutional and sophisticated investors. The purpose of this placement was to initiate a developmental drilling program of 10 wells on the Blue Ridge Dome Leases.

### (e) October 2009 placement costs

Lee Clarke & Co managed the parent entity's placement to institutional and sophisticated investors. For those services a nominee of L A Clarke was issued 3,000,000 ordinary shares.

### (f) October 2009 directors fees paid

On 28 October 2009, L A Clarke became a director of Maverick Drilling & Exploration Limited. As an incentive to accept appointment, and as remuneration for the period until 30 June 2010, L A Clarke was issued with 1,000,000 ordinary shares.

### (g) December 2009 debt to equity conversion

In December 2009, the parent and Amanterra, Ltd, an entity controlled by B J Simmons, entered into a debt to equity conversion deed under which all promissory notes held by Amanterra, Ltd were cancelled, and Amanterra, Ltd was issued 10,000,000 ordinary shares in satisfaction of the USD 800,000 otherwise owing on the promissory notes held by Amanterra, Ltd.

## 21 Contributed equity (continued)

### (h) May 2010 payment to suppliers with ordinary shares

Contributed equity increased by \$34,875 (150,000 ordinary shares) as a result of payments to suppliers in equity for services rendered to 30 April 2010.

### (i) Capital risk management

Management controls the capital of the company in order to maintain a good debt to equity ratio, provide the shareholders with adequate return and to ensure that the company can fund its operations and continue as a going concern.

The company's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital ratio requirements; however the convertible note terms limited the group's ability to source additional finance and enter into transactions involving existing assets.

Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

During the 2010 and 2009 years, the group did not have any specific strategy in respect of gearing ratios. The gearing ratios at 30 June 2010 and 30 June 2009 were as follows:

	Notes	2010 \$'000	2009 \$'000
Total borrowings	17, 19	21,539	21,786
Less: cash and cash equivalents	7	<u>(785)</u>	<u>(342)</u>
Net debt		20,754	21,444
Total equity		<u>(1,541)</u>	<u>(2,406)</u>
Total capital		<u>19,213</u>	<u>19,038</u>
<b>Gearing ratio</b>		<b>108 %</b>	<b>113 %</b>

## 22 Reserves and retained earnings

	2010 \$'000	2009 \$'000
<b>(a) Retained earnings</b>		
Movements in retained earnings were as follows:		
Balance 1 July	(2,512)	(444)
Net profit for the year	<u>(1,971)</u>	<u>(2,068)</u>
Balance 30 June	<u>(4,483)</u>	<u>(2,512)</u>

There were no non-controlling interests in the group.

## 23 Key management personnel disclosures

### (a) Key management personnel compensation

	2010 \$	2009 \$
Short-term employee benefits	894,318	664,416
Share-based payments	<u>60,000</u>	<u>-</u>
	<u>954,318</u>	<u>664,416</u>

Detailed remuneration disclosures are provided in the remuneration report on pages 8 to 11.

### (b) Equity instrument disclosures relating to key management personnel

#### (i) Ordinary shares provided as remuneration

Details of ordinary shares provided as remuneration and can be found in the remuneration report on pages 8 to 11.

#### (ii) Share holdings

The numbers of shares in the company held during the financial year by each director of Maverick Drilling & Exploration Limited and other key management personnel of the group, including their personally related parties, are set out below.

2010				
Name	Balance at the start of the year	Net acquisitions and disposals during the year	Shares provided as remuneration	Balance at the end of the year
<b>Directors of Maverick Drilling &amp; Exploration Limited</b>				
<b>Ordinary shares</b>				
D D Henrich	51,900,000	(10,000,000)	-	41,900,000
R B Clarke	2,030,000	2,650,000	-	4,680,000
B J Simmons	38,000,000	(25,141,586)	-	12,858,414
L A Clarke	-	14,524,490	1,000,000	15,524,490
<b>Other key management personnel of the group</b>				
<b>Ordinary shares</b>				
A J Crawford	-	200,000	-	200,000
P J M Love	470,000	2,825,000	-	3,295,000
D DeCecco	3,500,000	(800,000)	-	2,700,000
D A Knorr	-	1,000,000	-	1,000,000

2009				
Name	Balance at the start of the year	Net acquisitions and disposals during the year	Shares provided as remuneration	Balance at the end of the year
<b>Directors of Maverick Drilling &amp; Exploration Limited</b>				
<b>Ordinary shares</b>				
D D Henrich	51,900,000	-	-	51,900,000
R B Clarke	2,030,000	-	-	2,030,000
B J Simmons	38,000,000	-	-	38,000,000
<b>Other key management personnel of the group</b>				
<b>Ordinary shares</b>				
P J M Love	470,000	-	-	470,000
D DeCecco	3,500,000	-	-	3,500,000

## 23 Key management personnel disclosures (continued)

### (c) Debt instrument disclosures relating to key management personnel

#### (i) Convertible note holdings

The numbers of convertible notes held during the financial year by each director of Maverick Drilling & Exploration Limited and other key management personnel of the group, including their personally related parties, are set out below.

2010	Balance at the start of the year	Acquisitions during the year	Disposals during the year	Balance at the end of the year
Name				
<b>Directors of Maverick Drilling &amp; Exploration Limited</b>				
<b>Convertible notes with \$0.20 face value</b>				
D D Henrich	6,602,295	-	-	6,602,295
R B Clarke	400,000	-	-	400,000
L A Clarke	925,000	-	-	925,000

2009	Balance at the start of the year	Acquisitions during the year	Disposals during the year	Balance at the end of the year
Name				
<b>Directors of Maverick Drilling &amp; Exploration Limited</b>				
<b>Convertible notes with \$0.20 face value</b>				
D D Henrich	6,602,295	-	-	6,602,295
R B Clarke	400,000	-	-	400,000
L A Clarke	925,000	-	-	925,000

#### (ii) Promissory note holdings

The numbers of promissory notes held during the financial year by each director of Maverick Drilling & Exploration Limited and other key management personnel of the group, including their personally related parties, are set out below.

2010	Balance at the start of the year	Net acquisitions and disposals during the year	Conversion into equity	Balance at the end of the year
Name				
<b>Directors of Maverick Drilling &amp; Exploration Limited</b>				
<b>Promissory notes with \$0.20 face value</b>				
D D Henrich	36,000,000	-	-	36,000,000
B J Simmons*	4,000,000	-	(4,000,000)	-

2009	Balance at the start of the year	Net acquisitions and disposals during the year	Conversion into equity	Balance at the end of the year
Name				
<b>Directors of Maverick Drilling &amp; Exploration Limited</b>				
<b>Promissory notes with \$0.20 face value</b>				
D D Henrich	36,000,000	-	-	36,000,000
B J Simmons	4,000,000	-	-	4,000,000

\* Refer to note 21(g) for details of the conversion of B J Simmons interest in promissory notes into equity.

## 23 Key management personnel disclosures (continued)

### (d) Loans to key management personnel

Details of loans made to directors of Maverick Drilling & Exploration Limited and other key management personnel of the group, including their personally related parties, are set out below.

	Balance at the start of the year \$	Net draw downs and repayments during the year \$	Balance at the end of the year \$
<b>D D Henrich - 2010</b>	<b>143</b>	<b>151</b>	<b>294</b>
D D Henrich - 2009	(25)	168	143

The loan to D D Henrich is unsecured and no interest has been paid or is payable in relation to this loan. No write-downs or allowances for doubtful receivables have been recognised in relation to this unsecured loan.

There were no loans to other individuals within the group during the 30 June 2010 or 30 June 2009 periods.

### (e) Loans from key management personnel

On 7 May 2010, R B Clarke entered into a loan agreement with Maverick Drilling Company under which R B Clarke agreed to loan Maverick Drilling Company an amount of \$200,000 to finance the first instalment of the purchase price on a Walker-Neer Apache 150-25 drilling rig. Maverick Drilling Company has given R B Clarke a second ranking lien over the Walker-Neer Apache 150-25 drilling rig to secure the repayment of the loan. The loan accrues interest at 9% per annum and is repayable out of the listing proceeds. The first instalment on the Walker-Neer Apache 150-25 drilling rig was paid on 7 May 2010 with a further instalment of USD 175,000 due by 31 July 2010, which was paid on 26 July 2010. The vendor of the rig has a first ranking lien to secure the final instalment of the purchase price.

There were no other loans from directors, key management personnel or other employees to the business during the 30 June 2010 or 30 June 2009 years.

### (f) Other transactions with key management personnel

#### (i) Directors of Maverick Drilling & Exploration Limited

A director, L A Clarke, is a director and ultimate beneficiary of Lee Clarke & Co. Lee Clarke & Co managed the parent entity's placement to institutional and sophisticated investors in October 2009. For those services a nominee of L A Clarke was issued 3,000,000 ordinary shares in the parent entity (valued at \$180,000). The contract for these services was entered into before L A Clarke became a director of the parent entity and the contract was based on normal commercial terms and conditions.

A director, R B Clarke, is the Chairman of the Advisory Board of RBS Morgans Limited. RBS Morgans Limited has acted as the lead manager of the initial public offering of the parent entity. Remuneration for these services is as follows: \$50,000 and a capital raising fee of 3% of the funds raised pursuant to the initial public offer (excluding any funds raised from convertible note holders). There is a bonus payment of \$50,000 if the total funds raised under the offer exceed \$7,500,000 and a further bonus payment of \$50,000 (an aggregate overall bonus payment of \$100,000) if the total fund raised under the offer exceed \$10,000,000. These fees are payable at completion of the offer. The offer period commenced on 2 July 2010. The contract for these services was based on normal commercial terms and conditions.

A director, L A Clarke, is the director and ultimate beneficiary of Lee Clarke Pty Limited. Lee Clarke Pty Limited employees A J Crawford the company secretary and chief financial officer of the parent entity. A J Crawford's services to the parent entity are charged on an hourly rate by Lee Clarke Pty Limited. Lee Clarke Pty Limited then remunerates A J Crawford. The total charges from Lee Clarke Pty Limited to the parent entity are disclosed as remuneration of A J Crawford in the remuneration report on pages 8 to 11 and in note 23. The agreement for these services was based on normal commercial terms and conditions.

## 23 Key management personnel disclosures (continued)

### (g) Other transactions with key management personnel (continued)

#### (ii) Other Key Management Personnel of Maverick Drilling & Exploration Limited

An executive, D DeCecco, is the principal of Mobile Equipment Services. Mobile Equipment Services provides all services, including procurement of parts, for the construction and maintenance of rigs from Maverick Rig Manufacturing's plant in Oklahoma. During the year ended 30 June 2010, Mobile Equipment Services continued work on a mid depth drilling rig and commenced work on a workover rig. During the 2009 year, Mobile Equipment Services continued work on a mid depth drilling rig and completed work on a workover rig. The agreement for these services was based on normal commercial terms and conditions.

Aggregate amounts of each of the above types of other transactions with key management personnel of Maverick Drilling & Exploration Limited:

	2010	2009
	\$	\$
<b>Amounts recognised as expense</b>		
Consultants	<u>65,533</u>	-
	<u>65,533</u>	-
<b>Amounts recognised as property, plant and equipment</b>		
Construction of drilling and work over rigs	<u>647,084</u>	1,067,403
	<u>647,084</u>	<u>1,067,403</u>
<b>Amounts recognised directly in equity</b>		
Transaction costs arising on share issue	<u>180,000</u>	-
	<u>180,000</u>	-

Aggregate amounts of assets at the end of the reporting period relating to the above types of other transactions with key management personnel of the group:

	2010	2009
	\$	\$
Non-current assets	<u>2,382,825</u>	<u>1,735,742</u>

Aggregate amounts payable to key management personnel of the group at the end of the reporting period relating to the above types of other transactions:

	2010	2009
	\$	\$
Current liabilities	<u>329,270</u>	<u>266,907</u>

## 24 Remuneration of auditors

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

	2010 \$	2009 \$
<b>(a) PricewaterhouseCoopers Australia</b>		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	63,923	35,797
Other assurance services		
Due diligence services	<u>95,252</u>	<u>-</u>
Total remuneration for audit and other assurance services	<u>159,175</u>	<u>35,797</u>
<b>Total auditors' remuneration</b>	<u>159,175</u>	<u>35,797</u>

## 25 Contingencies

### (a) Contingent liabilities

The parent entity and group had no contingent liabilities at 30 June 2010.

### (b) Contingent assets

The parent entity and group had no contingent assets at 30 June 2010.

## 26 Commitments

### (a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	2010 \$'000	2009 \$'000
<i>Property, plant and equipment</i>		
Payable:		
Within one year	175	-
Later than one year but not later than five years	-	-
Later than five years	<u>-</u>	<u>-</u>
	<u>175</u>	<u>-</u>
 <i>Oil and gas assets</i>		
Payable:		
Within one year	3,000	800
Later than one year but not later than five years	14,600	8,200
Later than five years	<u>40,600</u>	<u>9,400</u>
	<u>58,200</u>	<u>18,400</u>

The oil and gas asset commitments relate to the minimum drilling requirements set out in the oil and gas leases held at 30 June 2010 and 30 June 2009.

## 27 Related party transactions

### (a) Parent entities

The parent entity within the group is Maverick Drilling & Exploration Limited.

### (b) Subsidiaries

Interests in subsidiaries are set out in note 28.

### (c) Key management personnel

Disclosures relating to key management personnel are set out in note 23.

### (d) Transactions with related parties

Disclosures in relation to key management personnel have been presented in note 23. All other related parties of the group are wholly owned subsidiaries of the parent. As a result there are no additional transactions to disclose as all transactions between subsidiaries and the parent have been eliminated on consolidation.

### (e) Outstanding balances arising from sales/purchases of goods and services

Disclosures in relation to key management personnel have been presented in note 23. All other related parties of the group are wholly owned subsidiaries of the parent. As a result there are no additional balances outstanding to be disclosed as all balances between subsidiaries and the parent have been eliminated on consolidation.

### (f) Loans to/from related parties

Disclosures in relation to key management personnel have been presented in note 23. All other related parties of the group are wholly owned subsidiaries of the parent. As a result there are no additional loans to be disclosed as all loans between subsidiaries and the parent have been eliminated on consolidation.

### (g) Guarantees

The consolidated group has not provided any guarantees in respect of any related parties.

### (h) Terms and conditions

Terms and conditions in relation to key management personnel transactions have been presented in note 23.

All other related parties of the group are wholly owned subsidiaries of the parent. As a result there are no additional terms to be disclosed as all transactions between subsidiaries and the parent have been eliminated on consolidation.

## 28 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding *	
			2010 %	2009 %
Maverick Drilling & Exploration USA, Inc.	United States	Ordinary	100	100
Maverick Drilling Company	United States	Ordinary	100	100
Maverick Production Company, Inc.	United States	Ordinary	100	100
Maverick Hydrocarbons, Inc.	United States	Ordinary	-**	100
Maverick Rig Manufacturing, Inc.	United States	Ordinary	100	100
Maverick Drilling Services Pty Ltd	Australia	Ordinary	100***	-

\* The proportion of ownership interest is equal to the proportion of voting power held.

\*\* Maverick Hydrocarbons, Inc. was dissolved on 10 December 2009.

\*\*\* Maverick Drilling Services Pty Ltd was incorporated on 5 May 2010.

## 29 Interests in joint ventures

### (a) Jointly controlled assets

A subsidiary, Maverick Production Company, Inc., has a joint venture partner on the Zivley and Cloverleaf leases on the Blue Ridge Dome, Houston Texas. This joint venture partner was inherited when Maverick Production Company purchased the leases in November 2007. Maverick Production Company has a 90% working interest in each of these leases with an unrelated party having a 10% working interest in each of these leases. The group's interests in the assets employed in the joint venture are included in the consolidated balance sheet, in accordance with the accounting policy described in note 1(b), under the following classifications:

	2010 \$'000	2009 \$'000
<b>Non-current assets</b>		
Oil and gas properties	<u>5,793</u>	<u>5,073</u>
Total non-current assets	<u>5,793</u>	<u>5,073</u>
Share of assets employed in joint venture	<u>5,793</u>	<u>5,073</u>

For capital expenditure commitments relating to the Zivley and Cloverleaf Blue Ridge Dome leases refer to note 26.

### 30 Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. Risk management is carried out by executive directors and management. The group does not hedge any risk exposures with derivative financial instruments. The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

The group holds the following financial instruments:

	2010 \$'000	2009 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	785	342
Trade and other receivables	<u>2,018</u>	<u>1,771</u>
	<u>2,803</u>	<u>2,113</u>
<b>Financial liabilities</b>		
Trade and other payables	4,567	2,310
Borrowings	21,539	21,786
Current tax liabilities	<u>158</u>	<u>158</u>
	<u>26,264</u>	<u>24,254</u>

#### (a) Market risk

##### (i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar / Australian dollar exchange rate.

Foreign exchange risk arises when future commercial transactions and recognised financial assets and financial liabilities are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. As the functional and presentation currency of all entities within the group is US dollars, the foreign exchange risk relates to assets and liabilities denominated in Australian dollars.

The group does not hedge its foreign exchange risk exposure.

The group's exposure to Australian dollar foreign currency risk at the end of the reporting period, expressed in US dollars, was as follows:

	30 June 2010 \$'000	30 June 2009 \$'000
Cash and cash equivalents	3	18
Trade and other receivables	16	-
Trade and other payables	(178)	(64)

##### Group sensitivity

Based on the financial instruments held at 30 June 2010 had the US dollar weakened/ strengthened by 10% against the Australian dollar with all other variables held constant, the group's post-tax profit for the year would have been \$14,000 lower/\$18,000 higher (2009 - \$4,000 lower/\$5,000 higher), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table. Profit is more sensitive to movements in the Australian dollar/US dollar exchange rates in 2010 than 2009 because of the increased amount of AUD dollar denominated payables. The group did not have exposure to any other foreign currencies in the 2010 or 2009 years.

##### (ii) Cash flow and fair value interest rate risk

At 30 June 2010 and 30 June 2009 the group had no variable rate borrowings that exposed the group to cash flow interest rate risk. All short and long term fixed rate borrowings of the group are carried at amortised cost and therefore do not expose the group to fair value interest rate risk. On this basis all short and long term borrowings are not subject to interest rate risk as defined in AASB 7.

### 30 Financial risk management (continued)

#### (b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, credit exposures to customers including outstanding receivables and committed transactions, as well as from other receivables outside the normal course of operations. Credit risk is assessed by executive directors and management based on past experience and other factors.

Details on cash and cash equivalents and trade and other receivables subject to credit risk is included below:

	2010 \$'000	2009 \$'000
<b>Cash at bank and cash equivalents</b>		
Allegiance Bank Texas	267	5
National Australia Bank	3	18
First-Lockhart National Bank	93	51
Wells Fargo	237	241
Lawyers' trust account	185	27
	785	342

The directors are comfortable with the credit quality of the above financial institutions and lawyers based on their past dealings with these parties.

#### Trade receivables and accrued income

*Counterparties without external credit rating \**

Group 1	849	1,100
<b>Total trade receivables and accrued income</b>	<b>849</b>	<b>1,100</b>

\* Group 1 - existing customers (more than 6 months) with no defaults in the past.

#### Other items disclosed as part of trade and other receivables

Deposit paid on Walker-Neer 150-25 rig	200	-
Deposit paid to the Texas Railroad Commission	50	50
Other	919	621
	<b>2,018</b>	<b>1,771</b>

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet obligations when due. At the reporting date the group held deposits at call of \$785,000 (2009 - \$342,000) that are expected to readily generate cash inflows for managing liquidity risk.

Management monitors the group's cash and cash equivalents (note 7) on the basis of expected cash flows. In addition, the group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these.

#### *Financing arrangements*

The group had no undrawn borrowing facilities at 30 June 2010 or 30 June 2009.

#### *Maturities of financial liabilities*

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities.

Note that the group has no derivative financial instruments.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

### 30 Financial risk management (continued)

#### (c) Liquidity risk (continued)

Contractual maturities of financial liabilities at 30 June 2010	Less than 6 months \$'000	6 - 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying Amount (assets)/ liabilities \$'000
<b>Non-derivatives</b>							
Trade payables	4,512	14	27	14	-	4,567	4,567
Borrowings*	14,295	13	7,225	6	-	21,539	21,539
Current tax liabilities	219	-	-	-	-	219	219
<b>Total non-derivatives</b>	<b>19,026</b>	<b>27</b>	<b>7,252</b>	<b>20</b>	<b>-</b>	<b>26,325</b>	<b>26,325</b>
<b>Group - at 30 June 2009</b>							
<b>Non-derivatives</b>							
Trade payables	2,227	14	27	42	-	2,310	2,310
Borrowings*	21,786	-	-	-	-	21,786	21,786
Current tax liabilities	216	-	-	-	-	216	216
<b>Total non-derivatives</b>	<b>24,229</b>	<b>14</b>	<b>27</b>	<b>42</b>	<b>-</b>	<b>24,312</b>	<b>24,312</b>

\* Borrowings include convertible notes and promissory notes. At 30 June 2009 these were disclosed as current less than 6 months as they were due for repayment in November 2009. The note terms were subsequently amended as discussed in note 17.

### 31 Events occurring after the reporting period

Since 30 June 2010, Maverick Drilling & Exploration Limited has completed the following significant transactions:

#### (a) Successful initial public offering

On 25 August 2010, an allotment of 50 million shares in Maverick Drilling & Exploration Limited occurred following a successful capital raise of AUD 10,000,000 (USD 8,911,000). This offer was made under the prospectus dated 2 July 2010 and supplementary prospectus dated 29 July 2010 and was oversubscribed. Maverick Drilling & Exploration Limited shares were listed on the Australian Stock Exchange on 8 September 2010. In September 2010, RBS Morgans Limited was paid \$385,000 for lead manager and capital raising services in respect of this offer.

#### (b) Conversion of convertible notes and payment of outstanding interest

On 25 August 2010 the \$14,000,000 of convertible notes on issue at 30 June 2010 converted into 98,193,287 shares under the terms of the convertible note subscription agreement. In September 2010 final payment of outstanding interest totalling \$3,080,000 will be made. \$2,794,000 of this interest is included in the balance of trade and other payables at 30 June 2010.

#### (c) Lease acquisitions – Boling Dome

On 18 September 2010, the group acquired an oil and gas lease covering 1,625 net acres for mineral interests ranging from 25% to 100% across 5,114 acres on and flanking the Boling Dome Field, which straddles Wharton and Fort Bend counties approximately 50 miles southwest of Houston, Texas.

Boling Dome is the largest, shallow salt dome in areal extent in the Gulf Coast region. It is oval in shape and ranges five miles east-west and three miles north-south, encompassing about 5,500 acres. The Boling Dome is in the Frio formation trend; its caprock mantle of minerals is shallow, 383 feet below the surface. Oil is produced from super-caprock sands, caprock, basal Miocene sands, Heterostegina lime, Marginulina and Frio sands. Target reservoirs on this dome range from 8,000 feet in depth to as shallow as 400 feet. Salt domes in Texas, particularly those in the Frio formation trend, such as Boling Dome and Blue Ridge Dome, have been of particular geologic significance because of their mineral production.

## 31 Events occurring after the reporting period (continued)

### (c) Lease acquisitions – Boling Dome (continued)

Boling Dome has characteristics comparable to other salt domes in the Frio formation trend which have been prolific producers, including Barbers Hill, Pierce Junction and Spindletop, including the structural uplift above the regional normal measured on top of the Frio formation and the area of uplift, both of which have been shown to be key determinants of the quantity of oil accumulation on piercement-type salt domes.

The primary term of the lease is two years, which can be extended based upon certain performance milestones related to drilling on the Boling Dome Field. There is no existing production involved with this acquisition.

Maverick management is familiar with the production potential of the Boling Dome Field, having drilled it as a contract driller and operated other properties unrelated to the current lease acquisition. Maverick also provides contract pumping services on other properties for operators on Boling Dome.

The acquisition of the Boling Dome acreage is consistent with Maverick's strategy of acquiring and developing low risk leases in proven oil fields similar to Blue Ridge Dome. The Boling Dome lease acquisition was funded using the lease acquisition credit facility obtained from Australia based Texoz Holdings Pty Ltd (Texoz).

### (d) Lease acquisitions – Blue Ridge and Edwards Reef

The group's lease holdings on the Blue Ridge Dome and Edwards Reef Prospect have increased as follows since 30 June 2010. These additional lease holdings have been paid for from working capital.

The group's lease holdings on the Blue Ridge Dome, Houston, Texas have increased by 10 acres (from 889 acres at 30 June 2010 to 899 acres at 31 August 2010).

The group's lease holdings on the Edwards Reef Prospect, Williamson County, Texas have increased by 114 acres (from 156 acres at 30 June 2010 to 270 acres at 31 August 2010).

### (e) Special purpose credit facility

On 16 September 2010 the group secured a conditional credit facility in the amount of up to USD 5 million for the purpose of acquiring oil and gas leases and expanding its leasehold and prospect inventory. The facility was obtained from Australia based Texoz Holdings Pty Ltd.

The facility is provided to the group with various conditions pertaining to collateral, evaluation and acceptance of lease acquisition targets by Texoz on a prospect by prospect basis. Any drawings under the facility will be non interest bearing with Texoz earning up to a 2% royalty in respect to the specific prospect. Principal repayment terms will vary but will not commence until initial drilling of the specific prospect has been undertaken. Texoz is bound by confidentiality covenants related to Maverick's strategic targets and possible acquisitions.

This facility has the potential to provide Maverick with the ability to significantly expand its leasehold inventory in both exploratory and developmental targets without impacting its original business model and drilling plans for the coming year. Texoz has entered into the facility as trustee of the Texoz Holdings Unit Trust. Mr Lee Clarke, a director of Maverick, is a minority unitholder in that trust.

### (f) Drilling rigs

On 26 July 2010, the final instalment of \$175,000 for the purchase of the Walker-Neer Apache 150-25 drilling rig was paid and the vendor's first ranking lien over this rig was discharged. It is expected this rig will be in operation before April 2011. On 8 September 2010, \$200,000 of the listing proceeds were used to repay the loan used to fund the first instalment of the purchase price on this rig. This amount is included in the balance of current borrowings at 30 June 2010.

On 18 August 2010 an agreement was entered into to acquire a Walker-Neer 250-40 drilling rig. The purchase of this rig was funded from working capital. It is expected this rig will be in operation by June 2011.

Following the acquisition of these two additional rigs, the group's drilling rig fleet has increased to four. When the new rigs are fully operational it will allow the group to have two rigs fully devoted to Blue Ridge.

### (e) Work over rig

The manufacture of an additional work over rig has been completed subsequent to 30 June 2010. This work over rig will be used on Blue Ridge along side the work over rig manufactured by the group in the 2009 year.

### 32 Reconciliation of profit after income tax to net cash inflow from operating activities

	2010 \$'000	2009 \$'000
Profit for the year	(1,971)	(2,068)
Depletion expense	155	70
Depreciation expense	813	779
Non-cash consumables and external services used – share-based payments	35	-
Non-cash employee benefits expense – share-based payments	60	-
Dividend and interest income	-	(1)
Change in operating assets and liabilities		
(Increase) in trade debtors and other receivables	199	741
(Increase) in inventories	(26)	-
(Decrease) increase in trade and other payables	2,243	1,020
(Decrease) increase in current borrowings	241	710
(Decrease) increase in other liabilities	(27)	(27)
Increase (decrease) in current tax liabilities	-	191
Increase (decrease) in deferred tax liabilities	342	209
Net cash inflow (outflow) from operating activities	2,064	1,624

### 33 Parent entity financial information

#### (a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2010 \$'000	2009 \$'000
<b>Balance sheet</b>		
Current assets	259	98
Total assets	20,207	19,278
Current liabilities	(24,172)	(22,752)
Total liabilities	(24,172)	(22,752)
<i>Shareholders' equity</i>		
Issued capital	2,942	107
Retained earnings	(6,907)	(3,581)
	(3,965)	(3,474)
<b>Profit or loss for the year</b>	(3,326)	(2,229)
<b>Total comprehensive income</b>	(3,326)	(2,229)

#### (b) Guarantees entered into by the parent entity

As at 30 June 2010 and 30 June 2009 the parent entity had no outstanding guarantees.

#### (c) Contingent liabilities of the parent entity

As at 30 June 2010 and 30 June 2009 the parent entity had no contingent liabilities.

#### (d) Contractual commitments

As at 30 June 2010 and 30 June 2009 the parent entity had no contractual commitments.

### 34 Earnings per share

	2010 Cents	2009 Cents
<b>(a) Basic earnings per share</b>		
From continuing operations attributable to the ordinary equity holders of the company	<u>(1.1)</u>	<u>(1.7)</u>
Total basic earnings per share attributable to the ordinary equity holders of the company	<u>(1.1)</u>	<u>(1.7)</u>

<b>(b) Diluted earnings per share</b>		
From continuing operations attributable to the ordinary equity holders of the company	<u>(1.1)</u>	<u>(1.7)</u>
Total diluted earnings per share attributable to the ordinary equity holders of the company	<u>(1.1)</u>	<u>(1.7)</u>

**(c) Reconciliations of earnings used in calculating earnings per share**

	2010 \$'000	2009 \$'000
<i>Basic earnings per share</i>		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share		
From continuing operations	<u>(1,971)</u>	<u>(2,068)</u>
	<u>(1,971)</u>	<u>(2,068)</u>
<i>Diluted earnings per share</i>		
Profit from continuing operations attributable to the ordinary equity holders of the company:		
Used in calculating basic earnings per share	<u>(1,971)</u>	<u>(2,068)</u>
Used in calculating diluted earnings per share	<u>(1,971)</u>	<u>(2,068)</u>

**(d) Information concerning the classification of securities**

*(i) Convertible notes*

Convertible notes on issue are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share from their date of issue to the extent that they are dilutive. The convertible notes have not been included in the determination of basic earnings per share. Given the group operated at a loss in the 2010 and 2009 years, the potential ordinary shares from convertible notes are anti-dilutive and have therefore not been included in the diluted earnings per share calculation. Details relating to the notes are set out in note 17.

## 35 Share-based payments

### (a) Employee share and option scheme

The group did not have an employee share or option scheme in the 30 June 2010 or 30 June 2009 periods.

### (b) Share payments to directors

On 28 October 2009, L A Clarke became a director of Maverick Drilling & Exploration Limited. As an incentive to accept appointment, and as remuneration for the period until 30 June 2010, L A Clarke was issued with 1,000,000 ordinary shares. The total value of the 1,000,000 ordinary shares at the date they were granted was \$60,000.

### (c) Share payments to suppliers

A director, L A Clarke, is a director and ultimate beneficiary of Lee Clarke & Co. Lee Clarke & Co managed the parent entity's placement to institutional and sophisticated investors in October 2009. For those services a nominee of L A Clarke was issued 3,000,000 ordinary shares in the parent entity (valued at \$180,000). The contract for these services was entered into before L A Clarke became a director of the parent entity and the contract was based on normal commercial terms and conditions.

For services rendered to 30 April 2010, three suppliers were paid with a total of 150,000 ordinary shares. The total value of the 150,000 ordinary shares at the date they were granted was \$34,875.

### (d) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
Share-based payments to directors recognised as employee benefit expense	<b>60</b>	-
Share-based payments to suppliers recognised as consumables and external services used	<b>35</b>	-
	<b>95</b>	-

### (e) Share-based payment transactions recognised directly in equity

Share-based payment transactions recognised directly in equity during the period:

	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
Share-based payments to suppliers recognised as contributed equity	<b>180</b>	-
	<b>180</b>	-

In the directors' opinion:

- (a) the financial statements and notes set out on pages 20 to 71 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

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

The directors have been given the declarations by the executive chairman and chief financial officer required by section 295A of the *Corporations Act 2001*.

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



D D Henrich  
Director

Houston  
27 September 2010

## **Independent auditor's report to the members of Maverick Drilling & Exploration Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Maverick Drilling & Exploration Limited (the company), which comprises the balance sheet as at 30 June 2010, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Maverick Drilling & Exploration Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

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

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

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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

**Independent auditor's report to the members of  
Maverick Drilling & Exploration Limited (continued)**

*Independence*

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

*Auditor's opinion*

In our opinion:

- (a) the financial report of Maverick Drilling & Exploration Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the remuneration report included in pages 8 to 11 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's opinion*

In our opinion, the remuneration report of Maverick Drilling & Exploration Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

*Matters relating to the electronic presentation of the audited financial report*

This auditor's report relates to the financial report and remuneration report of Maverick Drilling & Exploration Limited (the company) for the year ended 30 June 2010 included on Maverick Drilling & Exploration Limited web site. The company's directors are responsible for the integrity of the Maverick Drilling & Exploration Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report<sup>1</sup> named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

PRICEWATERHOUSECOOPERS  
PricewaterhouseCoopers



Darren Turner  
Partner

Newcastle  
27 September 2010

The shareholder information set out below was applicable as at 7 September 2010.

**A. Distribution of equity securities**

Analysis of numbers of equity security holders by size of holding:

Holding	Ordinary shares		
	Number of investors	Shares held	% of issued capital
1 - 1000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	48	480,000	0.15
10,001 - 100,000	349	16,684,511	5.15
100,001 and over	221	306,678,776	94.70
	<b>618</b>	<b>323,843,287</b>	<b>100.00</b>

There were no holders of less than a marketable parcel of ordinary shares.

**B. Equity security holders**

*Twenty largest quoted equity security holders*

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
GEORGIA HENRICH	36,584,159	11.30%
TROJAN EQUITY LIMITED	22,802,753	7.04%
BOND STREET CUSTODIANS LTD <MACQUARIE SMALL COMP A/C>	17,914,995	5.53%
DON DURST HENRICH	14,903,526	4.60%
OH BOSS PTY LTD <OH BOSS A/C>	12,614,357	3.90%
AMANTERRA LTD	10,858,414	3.35%
FAMILY RESOURCES 05	9,059,709	2.80%
ROCKET SCIENCE PTY LTD <THE TROJAN CAPITAL FUND A/C>	7,600,917	2.35%
KELWICK PTY LTD <CLARKE SUPER FUND A/C>	5,339,835	1.65%
BRITNI HENRICH REESE	5,000,000	1.54%
NICOLE RENE HENRICH	5,000,000	1.54%
JOHN CAMUGLIA & NATASHA CAMUGLIA	4,984,269	1.54%
ANTHONY CAMUGLIA & ROSEMARIE CAMUGLIA	4,984,128	1.54%
SYSTEMAWAY PTY LTD <D & J GRESHAM S/F A/C>	4,102,657	1.27%
IRSS NOMINEES (22) LIMITED	4,000,000	1.24%
GURRAVEMBI INVESTMENTS PTY LTD	3,800,459	1.17%
MICHAEL CRAFT PTY LTD <MJ CRAFT PTY LTD S/F A/C>	3,800,459	1.17%
DEAN COOK <DBS SUPER FUND A/C>	3,500,000	1.08%
PETER JAMES MITCHELL LOVE	3,295,000	1.02%
MOMACA PTY LTD <DAVID GRIFFIN FAMILY A/C>	3,033,333	0.94%
<b>TOTAL</b>	<b>183,178,970</b>	<b>56.56%</b>

**C. Substantial holders**

Substantial holders in the company are set out below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
Don and Georgia Henrich	51,487,685	15.90 %
Trojan Equity Limited	22,802,753	7.04 %
Macquarie Group Limited and its controlled bodies corporate	19,989,340	6.17 %
Lee Clarke and various associated companies	17,014,357	5.25 %

**D. Voting rights**

The voting rights attaching to each class of equity securities are set out below:

- (a) Ordinary shares  
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

**E. Restricted securities**

The following shares are subject to mandatory escrow restrictions under the ASX Listing Rules:

Escrow Period	Number of shareholders	Number of shares
24 months from quotation	99	136,112,857
Until 28 October 2010	29	25,025,980

*Note: Until the expiry of the escrow periods referred to in the above table, these shares will not be quoted or released for trade without prior written consent from ASX and Maverick.*

In addition to mandatory escrow restrictions under the ASX Listing Rules, certain shareholders have also entered into the following voluntary escrow restriction arrangements:

Escrow Period	Number of shareholders	Number of shares
From quotation to 28 October 2010	85	57,391,723
From 29 October 2010 to 30 November 2010	85	63,505,166
From 1 December 2010 to 28 February 2011	85	42,336,810
From 1 March 2011 to 31 May 2011	85	21,168,454

*Note: The shares set out in the above table are subject to voluntary escrow arrangements in addition to escrow imposed under the ASX Listing Rules and will not be released for trade without consent from Maverick.*

**F. Interests in mining tenements**

<b>Blue Ridge Dome</b>		
<b>Lease</b>	<b>Location</b>	<b>Working interest %</b>
Rice	5.5kms South East of Missouri City, Texas, USA	100%
Gordon	5.5kms South East of Missouri City, Texas, USA	100%
Blakely	5.5kms South East of Missouri City, Texas, USA	100%
Lila Hill	5.5kms South East of Missouri City, Texas, USA	100%
Santa Rosa	5.5kms South East of Missouri City, Texas, USA	100%
Lee	5.5kms South East of Missouri City, Texas, USA	100%
Cloverleaf	5.5kms South East of Missouri City, Texas, USA	90%
Zivley	5.5kms South East of Missouri City, Texas, USA	90%
West Schenck B	5.5kms South East of Missouri City, Texas, USA	100%
<b>Foothold leases</b>		
<b>Lease</b>	<b>Location</b>	<b>Working interest %</b>
The West Half (W/2) of Section 7, Block D,	27.2 kms North of Lubbock. Texas, USA	100%
The east 120 acres of north half (N/2) of Section 8, Block D	27.2 kms North of Lubbock. Texas, USA	100%
The south-east one quarter (SE/4) of Section 5, Block CK	27.2 kms North of Lubbock. Texas, USA	100%
The south-east one quarter (SE/4) of Section 5, Block CK and 152.6 acres out of the south-west part of Section 5, Block CK	27.2 kms North of Lubbock. Texas, USA	100%
<b>Edwards Reef leases</b>		
<b>Lease</b>	<b>Location</b>	<b>Working interest %</b>
Edwards reef leases 46 acres	32 kms East of Georgetown, Texas, USA	100%
Edwards reef leases 100 acres	32 kms East of Georgetown, Texas, USA	100%