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Maverick Drilling & Exploration Limited

ABN 48 128 429 158

**Interim report for the half-year ended
31 December 2010**

Maverick Drilling & Exploration Limited ABN 48 128 429 158

Interim report – 31 December 2010

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by Maverick Drilling & Exploration Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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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 half-year ended 31 December 2010.

DIRECTORS

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

D D Henrich
R B Clarke
B J Simmons
L A Clarke

PRESENTATION CURRENCY

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

REVIEW OF OPERATIONS

Maverick Drilling & Exploration Limited shares commenced trading on the Australian Stock Exchange on 8 September 2010. As such this half-year report represents two months where the Maverick Drilling & Exploration Limited was operating as a private company and four months where it was operating as a public company.

The directors provide the following comments on the operations of the group for the half-year ended 31 December 2010.

12 wells drilled since listing. 12 wells expected to become successful oil producers. 60 cored oil pay zones.

The group has been successful in identifying multiple oil pay zones in each of the twelve wells drilled in the developmental drilling program since listing in September 2010. Six of these wells were producing oil at 31 December 2010. Six were either in the final stages of completion or being tested at 31 December 2010.

Increasing monthly oil sales

During December 2010, the group sold approximately 11,716 gross barrels of oil from its Blue Ridge Dome production operations with approximately 480 gross barrels waiting for collection at 31 December 2010. This is an increase of 28% from the November 2010 sales of approximately 9,162 gross barrels and 60% from the October 2010 sales of approximately 7,310 gross barrels.

Contract drilling revenues

Contract drilling demand was lower than expected in the half-year ended 31 December 2010 resulting in lower than expected revenues. Maverick was able to take advantage of this decreased demand and utilise both of its operating Walker-Neer 250-40s to drill wells on Blue Ridge Dome.

Doubled the number of top drive drilling rigs

Since June 2010 the group has doubled the number of top drive "Maverick style" automatic drilling rigs in its fleet from two to four. Both new rigs are expected to become operational in 2011.

Doubled the number of workover rigs

In September 2010 the group's second internally built workover rig was completed and deployed to the Blue Ridge Dome. This rig is being used for internal well completion operations.

Doubled our salt dome oil field presence

When Maverick Drilling & Exploration Limited listed the group had an acreage and operating presence in one oil field – Blue Ridge Dome. Since listing the group has acquired an oil and gas lease covering 1,625 net acres on Boling Dome, a second salt dome approximately 40 miles from Blue Ridge Dome. Additional lease acquisition work on Boling Dome is continuing. While Boling Dome has similar reservoir characteristics to Blue Ridge Dome, oil reserves have not been calculated for the Boling Dome lease at this time.

Increased our Blue Ridge Dome presence

Since June 2010, the group has increased its lease holdings on Blue Ridge Dome by 260 acres (from 889 acres at June 2010 to 1,149 acres).

REVIEW OF OPERATIONS (continued)

Increased lease holdings on our prospects

Since June 2010, the group has increased its lease holdings on the Edwards Reef prospect by 114 acres (from 156 acres at June 2010 to 270 acres).

The group's lease holdings on the Foothold prospect have remained unchanged in the period.

Special purpose credit facility

In 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 of 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 the group 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.

Successful initial public offering

On 25 August 2010, an allotment of 50 million shares in Maverick Drilling & Exploration Limited occurred following a successful capital raising of AUD 10,000,000 (USD 8,911,000). This offer was made under the prospectus dated 2 July 2010 and was oversubscribed.

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. During the period outstanding interest on these convertible notes was also paid.

Significant financial results

Period	For the half-year ended 31 December 2010 USD'000
Revenue from continuing operations	3,728
EBITDA	1,303
Depreciation expense	(496)
Finance costs – convertible note interest	(287)
Finance costs – other interest	(25)
Impairment of property, plant and equipment	(149)
Net profit before income tax	346
Income tax expense	(305)
Net profit after income tax	41
	Cents
Basic earnings per share	0.0
Diluted earnings per share	0.0
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 (\$287,000), other interest (\$25,000), depreciation on property, plant and equipment (\$496,000) and impairment losses recognised (\$149,000).

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REVIEW OF OPERATIONS (continued)

Income tax expense

Income tax expense for the half-year ended 31 December 2010 is calculated on the group's US tax consolidated operations at the US Federal Income Tax rate of 34%. Income tax deductions are not recognised in respect of the costs incurred by the group's Australian domiciled entities, Maverick Drilling & Exploration Limited and Maverick Drilling Services Pty Ltd. As a result, while the group's consolidated profit before income tax is reduced by the profit before income tax attributable to the parent entity Maverick Drilling & Exploration Limited by \$(545,000) [which includes \$287,000 of convertible note interest expense], there is no income tax expense impact arising from the parent entity's net loss. This assists in explaining the high percentage of income tax expense when compared to the group's consolidated profit before income tax.

It should also be noted that the total income tax expense for the half-year ended 31 December 2010 of \$305,000 is shown as a movement in the non-current deferred tax liabilities balance.

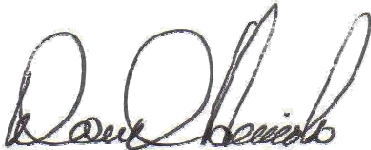
AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

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 and financial report. Amounts in the directors' report and financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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



D D Henrich
Director

Houston, Texas
2 March 2011

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Auditor's Independence Declaration

As lead auditor for the review of Maverick Drilling and Exploration Limited for the half year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Maverick Drilling and Exploration Limited during the period.



Darren Turner
Partner
PricewaterhouseCoopers

Newcastle
2 March 2011

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Maverick Drilling & Exploration Limited
Consolidated Income statement
For the half-year ended 31 December 2010

		Half-year	
	Notes	2010 \$'000	2009 \$'000
Revenue from continuing operations	3	3,728	2,137
Consumables and external services used		(815)	(678)
Employee benefits expense		(676)	(961)
Depletion expense		(150)	(41)
Depreciation expense		(496)	(407)
Impairment of property, plant and equipment		(149)	-
Professional fees		(291)	(153)
Insurance expense		(208)	(131)
State and local tax expense		(45)	(76)
Other expenses		(240)	(168)
Finance costs		(312)	(1,277)
Profit before income tax		346	(1,755)
Income tax expense		(305)	124
Profit from continuing operations		<u>41</u>	(1,631)
Profit from discontinued operations		-	-
Profit for the year		<u>41</u>	<u>(1,631)</u>
Profit is attributable to:			
Owners of Maverick Drilling & Exploration Limited		41	(1,631)
Non-controlling interests		-	-
		<u>41</u>	<u>(1,631)</u>
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share		0.00	(0.01)
Diluted earnings per share		0.00	(0.01)
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share		0.00	(0.01)
Diluted earnings per share		0.00	(0.01)

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

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Maverick Drilling & Exploration Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2010

	Notes	Half-year 2010 \$'000	2009 \$'000
Profit for the year		41	(1,631)
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>41</u>	<u>(1,631)</u>
Total comprehensive income for the year is attributable to:			
Owners of Maverick Drilling & Exploration Limited		41	(1,631)
Non-controlling interests		<u>-</u>	<u>-</u>
		<u>41</u>	<u>(1,631)</u>

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

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Maverick Drilling & Exploration Limited
Consolidated balance sheet
As at 31 December 2010

		31 December 2010 \$'000	30 June 2010 \$'000
	Notes		
ASSETS			
Current assets			
Cash and cash equivalents		3,184	785
Trade and other receivables		1,731	1,968
Inventories		<u>134</u>	<u>26</u>
Total current assets		<u>5,049</u>	<u>2,779</u>
Non-current assets			
Receivables		50	50
Property, plant and equipment	4	12,193	11,550
Oil and gas assets	5	13,984	10,980
Exploration and evaluation assets	6	426	148
Intangible assets		<u>3,612</u>	<u>3,612</u>
Total non-current assets		<u>30,265</u>	<u>26,340</u>
Total assets		<u>35,314</u>	<u>29,119</u>
LIABILITIES			
Current liabilities			
Trade and other payables	7	1,954	4,526
Borrowings	8	7,644	14,308
Current tax liabilities		<u>158</u>	<u>158</u>
Total current liabilities		<u>9,756</u>	<u>18,992</u>
Non-current liabilities			
Other payables		28	41
Borrowings	9	157	7,231
Deferred tax liabilities		<u>4,701</u>	<u>4,396</u>
Total non-current liabilities		<u>4,886</u>	<u>11,668</u>
Total liabilities		<u>14,642</u>	<u>30,660</u>
Net assets		<u>20,672</u>	<u>(1,541)</u>
EQUITY			
Contributed equity	10	25,114	2,942
Retained earnings		<u>(4,442)</u>	<u>(4,483)</u>
Capital and reserves attributable to owners of Maverick Drilling & Exploration Limited		20,672	(1,541)
Non-controlling interests		<u>-</u>	<u>-</u>
Total equity		<u>20,672</u>	<u>(1,541)</u>

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

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Maverick Drilling & Exploration Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2010

	Attributable to owners of Maverick Drilling & Exploration Limited				Non-controlling interests	Total equity
	Contributed equity	Reserves	Retained earnings	Total		
Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2009	106	-	(2,512)	(2,406)	-	(2,406)
Total comprehensive income for the half-year	-	-	(1,631)	(1,631)	-	(1,631)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs and tax	3,136	-	-	3,136	-	3,136
	3,136	-	-	3,136	-	3,136
Balance at 31 December 2009	3,242	-	(4,143)	(901)	-	(901)
Balance at 1 July 2010	2,942	-	(4,483)	(1,541)	-	(1,541)
Total comprehensive income for the year	-	-	41	41	-	41
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs and tax	22,172	-	-	22,172	-	22,172
10	22,172	-	-	22,172	-	22,172
Balance at 31 December 2010	25,114	-	(4,442)	20,672	-	20,672

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

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Maverick Drilling & Exploration Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2010

	Half-year	
Notes	2010 \$'000	2009 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	3,625	2,722
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(2,633)</u>	<u>(2,268)</u>
	992	454
Interest paid	<u>(1,966)</u>	<u>(3)</u>
Net cash (outflow) inflow from operating activities	<u>(974)</u>	<u>451</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(1,165)	(306)
Payments for exploration and evaluation assets	(260)	-
Payments for oil and gas assets	(2,546)	(1,058)
Loans made to related parties	-	(57)
Repayment of loans from related parties	2	-
Interest received	13	-
Net cash (outflow) inflow from investing activities	<u>(3,956)</u>	<u>(1,421)</u>
Cash flows from financing activities		
Proceeds from issues of shares	7,815	2,400
Proceeds from borrowings	598	206
Share issue transaction costs	(747)	(29)
Repayment of borrowings	<u>(311)</u>	<u>(92)</u>
Net cash inflow (outflow) from financing activities	<u>7,355</u>	<u>2,485</u>
Net increase (decrease) in cash and cash equivalents	2,425	1,515
Cash and cash equivalents at the beginning of the financial period	<u>745</u>	<u>342</u>
Cash and cash equivalents at end of the financial period	11 <u>3,170</u>	<u>1,857</u>

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

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1 Basis of preparation of half-year report

This general purpose interim financial report for the half-year reporting period ended 31 December 2010 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by Maverick Drilling & Exploration Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2 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 half-year ended 31 December 2010 is as follows:

	Operator of oil leases \$'000	Contract oil and gas driller \$'000	Total \$'000
Half-year 2010			
Total segment revenue	2,716	2,737	5,453
Inter-segment revenue	-	(1,738)	(1,738)
Revenue from external customers	2,716	999	3,715
Adjusted EBITDA	2,122	387	2,509
Depreciation expense	-	(474)	(474)
Income tax expense	(721)	32	(689)

The segment information provided to the board for the reportable segments for the half-year ended 31 December 2009 is as follows:

	Operator of oil leases \$'000	Contract oil and gas driller \$'000	Total \$'000
Half-year 2009			
Total segment revenue	676	1,836	2,512
Inter-segment revenue	-	(375)	(375)
Revenue from external customers	676	1,461	2,137
Adjusted EBITDA	281	(30)	251
Depreciation expense	-	(385)	(385)
Income tax expense	(96)	142	46

2 Segment information (continued)

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

	Operator of oil leases \$'000	Contract oil and gas driller \$'000	Total \$'000
Total segment assets			
Total segment assets at 31 December 2010	18,466	15,608	34,074
Total segment assets at 30 June 2010	13,715	15,508	29,223

The board assesses the performance of the operating segments based in a measure of adjusted EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. Furthermore, the measure excludes the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group.

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

	Half-year	
	2010 \$'000	2009 \$'000
Adjusted segment EBITDA	2,509	251
Inter-segment eliminations	(958)	(215)
Interest revenue	13	-
Depreciation	(496)	(407)
Finance costs	(312)	(1,277)
Impairment of property, plant and equipment	(149)	-
Employee benefits expense	(58)	(60)
Professional fees	(77)	(22)
Other expenses	(126)	(25)
Profit before income tax from continuing operations	346	(1,755)

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.

3 Profit for the half-year

	Half-year	
	2010	2009
	\$'000	\$'000
Profit for the half-year includes the following items that are significant because of their nature, size or incidence:		
Revenues		
<i>Revenue from continuing operations</i>		
Sale of goods	2,642	1,461
Sale of services	1,073	676
Interest from financial assets not at fair value through profit or loss	<u>13</u>	<u>-</u>
Revenues from continuing operations	<u>3,728</u>	<u>2,137</u>
Expenses		
<i>Finance costs</i>		
Amortisation of promissory note under the effective interest method	-	241
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss – charged on convertible notes	287	1,033
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss – other	<u>25</u>	<u>3</u>
Finance costs expensed	<u>312</u>	<u>1,277</u>

4 Property, plant and equipment

During the period the group acquired two additional top drive automatic drilling rigs at a cost of \$859,000 which are expected to become operational in the 2011 calendar year. These rigs both require additional expenditure before they are fully operational. The group also completed work on its second internally built workover rig which was deployed to the Blue Ridge Dome Field in September 2010.

During the period the group recognised an impairment loss of \$149,000 in relation to its Oklahoma based Rig Manufacturing facility. This impairment was calculated based on current market information.

5 Oil and gas assets

Since July 2010 the group has drilled fourteen new wells on Blue Ridge Dome, with twelve of these being drilled since listing in September 2010.

The group has also acquired an additional 260 acres (from 889 acres to 1,149 acres) on the Blue Ridge Dome in the period from 1 July 2010 to 31 December 2010.

The expenditure on the fourteen wells drilled plus other costs related to Blue Ridge Dome development in the period 1 July 2010 to 31 December 2010 totalled \$3,004,000. This total includes \$35,000 being the cash component for the additional 260 acres leased on Blue Ridge Dome in the period. In addition to the cash component, ongoing drilling commitments must be met by the group in respect of these new leases.

6 Exploration and evaluation assets

In 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 at a cost of \$163,000 in cash plus ongoing drilling commitments.

During the period the group also increased its lease holdings on its Edwards Reef prospect by 114 acres (from 156 acres at June 2010 to 270 acres) at a cost of \$47,000.

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7 Current trade and other payables

During the period the \$2,794,000 of convertible note interest payable included in the balance of trade and other payables at 30 June 2010 was paid.

8 Current borrowings

In 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 the related party loan of \$200,000 to fund the acquisition of the Walker-Neer 150-25 drilling rig was repaid.

In September 2010 the group secured a conditional credit facility in the amount of up to \$5,000,000 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. At 31 December 2010, \$250,000 of this facility had been drawn down.

During the period the promissory notes payable of \$7,200,000 were transferred from non-current borrowings to current borrowings. These notes are held by D D Henrich (Director) and G Henrich and have a maturity date of 1 November 2011. Maverick has agreed to begin repaying a portion of the liability under the promissory notes to the extent that short term deposits and cash at bank (excluding any proceeds raised under the Prospectus dated 2 July 2010, Institutional and Sophisticated Investor Placement February 2011, Share Purchase Plan March 2011 or future capital raises) generated from operating revenue derived in the ordinary course of business exceeds \$2 million. The Directors may suspend repayments on the promissory notes where Maverick anticipates future liabilities or opportunities.

9 Non-current borrowings

As detailed in note 9 above, during the period the promissory notes payable of \$7,200,000 were transferred from non-current borrowings to current borrowings.

10 Equity securities issued

(a) Movements in ordinary share capital:

Date	Details	Notes	Number of shares	Issue price	\$'000
1 July 2010	Opening balance		175,650,000		2,942
25 August 2010	Initial public offering	(b)	50,000,000	\$0.18	8,911
25 August 2010	Conversion of convertible notes	(c)	98,193,287	\$0.14	14,000
	Less: Transaction costs arising on share issue				(739)
31 December 2011	Balance		<u>323,843,287</u>		<u>25,114</u>

(b) Initial public offering

In August 2010 an allotment of 50,000,000 shares in Maverick Drilling & Exploration Limited occurred following a successful capital raising 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.

(c) Conversion of convertible notes

In 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.

11 Reconciliation of cash as shown in the cash flow statement

At 31 December 2010 cash at the end of the financial period as shown in the cash flow statement was made up of cash and cash equivalents of \$3,184,000 and bank overdrafts disclosed in current borrowings of \$(14,000).

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12 Related party transactions

(a) Loans from key management personnel

In September 2010, the \$200,000 loan from R B Clarke to Maverick Drilling Company to fund the acquisition of the Walker-Neer 150-25 drilling rig was repaid. This loan accrued interest at 9% per annum from 7 May 2010 until its repayment date.

(b) Loans to key management personnel

During the period the loan from the group to D D Henrich decreased by \$2,394 to \$291,753.

(c) Other transactions with key management personnel

In September 2010, RBS Morgans Limited were remunerated for their services as lead manager of the initial public offering. For these services, RBS Morgans Limited were paid a total of \$431,725. R B Clarke is the Chairman of the Advisory Board of RBS Morgans Limited. The contract for these services was based on normal commercial terms and conditions.

During the period, Lee Clarke Pty Limited continued to employ A J Crawford the company secretary and chief financial officer of Maverick Drilling & Exploration Limited. 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 for A J Crawford's time are disclosed as remuneration of A J Crawford in the remuneration report included in the annual report. The agreement for these services was based on normal commercial terms and conditions.

During the period Lee Clarke Pty Limited also provided the services of another of its employees to the group to assist with accounting duties. The agreement for these services was based on normal commercial terms and conditions.

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 half-year ended 31 December 2010, 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.

13 Events occurring after reporting period

Lease acquisitions

The group's lease holdings on Boling Dome, Wharton County and Fort Bend County, Texas have increased by 461 net acres (from 1,625 net acres at 31 December 2010 to 2,086 net acres at 2 March 2011).

Workover rig

In January 2011 Maverick acquired an additional workover rig. This rig is currently deployed to Blue Ridge Dome and is working along side Maverick's two internally manufactured rigs.

Successful capital raising

On 24 February 2011, an allotment of 44 million shares in Maverick Drilling & Exploration Limited occurred following a successful capital raising of AUD 9,240,000 (USD 9,309,300). The offer was made to sophisticated and institutional investors at an issue price of AUD 0.21 per share which represented a discount of 14.3% to the closing price of the company's shares on 14 February 2011 which was the trading day prior to the company requesting a trading halt to undertake the offer. The placement received strong support from investors and was managed by RBS Morgans Limited as Lead Manager.

13 Events occurring after reporting period (continued)

Share purchase plan

On 17 February 2011, Maverick Drilling & Exploration Limited announced that it would offer existing shareholders on its register as at 16 February 2011 the opportunity to participate in a Share Purchase Plan (SPP) to purchase up to \$15,000 worth of shares in Maverick at A\$0.21 per share. The formal offer to shareholders under the SPP was sent on 23 February 2011 with the following timetable.

18 March 2011	Last day for acceptance
24 March 2011	Allotment of shares
28 March 2011	Despatch date for holding statements
28 March 2011	Expected date for quotation of shares

The Directors reserved the right to amend these dates and to scale applications under the SPP at their discretion.

Extension of promissory notes

On 1 March 2011, the promissory noteholders agreed to extend the maturity date of the \$7,200,000 of promissory notes from 1 November 2011 to 1 November 2012.

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In the directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 16 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 31 December 2010 and of their performance for the half-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.

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



D D Henrich
Director

Houston
2 March 2011

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**Independent auditor's review report to the members of
Maverick Drilling and Exploration Limited**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Maverick Drilling and Exploration Limited, which comprises the balance sheet as at 31 December 2010, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Maverick Drilling and Exploration Limited Group (the consolidated entity). The consolidated entity comprises both Maverick Drilling and Exploration Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31st December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Maverick Drilling and Exploration Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

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

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of the company for the half-year ended 31 December 2010 included on Maverick Drilling and Exploration Limited web site. The company's directors are responsible for the integrity of the Maverick Drilling and Exploration Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. 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 reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Maverick Drilling and Exploration Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers



Darren Turner
Partner

Newcastle
2 March 2011