MAVERICK
DRILLING & EXPLORATION
Maverick Drilling & Exploration Limited
ABN 48 128 429 158

PRELIMINARY FINAL REPORT – FOR THE PERIOD ENDING 30 JUNE 2010

Maverick Drilling & Exploration Limited (ASX: MAD) has been listed on the ASX as a mining exploration entity and is not required to prepare a preliminary final report in the form of Appendix 4E.

Given the time between the financial information in the prospectus and the listing date, the directors felt that additional financial disclosure was appropriate. As such, the directors are pleased to present their unaudited preliminary final 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.

Note that items included in this preliminary final report are presented in US dollars unless otherwise stated.

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)
EBITDA	**1,325**	**1,276**	**4**
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)
	Cents	**Cents**	
Basic earnings per share	(1.1)	(1.7)	(34)
Diluted earnings per share	(0.0)	(0.2)	(76)
Dividends per share	-	-	-

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.

EBITDA and net profit result

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).

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

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 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. 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 acquisition

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).

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 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 groups 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 unaudited 30 June 2010 balance sheet included on page 10 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	Unaudited balances at 30 June 2010 USD'000	Adjustment for IPO related matters subsequent to 30 June 2010 USD'000	Pro-forma unaudited balances at 30 June 2010 USD'000
Current assets	2,779	5,084	7,863
Non-current assets	26,340	-	26,340
Total assets	**29,119**	**5,084**	**34,203**
Current liabilities	18,992	(16,994)	1,998
Non-current liabilities	11,668	-	11,668
Total liabilities	**30,660**	**(16,994)**	**13,666**
Net assets	**(1,541)**	**22,078**	**20,537**
Total equity	**(1,541)**	**22,078**	**20,537**

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.

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.

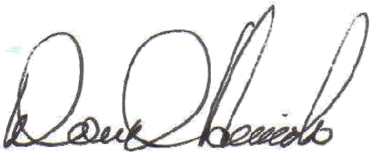
Contract drilling

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.

For and on behalf of,
Maverick Drilling & Exploration Limited



D D Henrich
Executive Chairman

Preliminary final report - Unaudited

Name of entity	Maverick Drilling & Exploration Limited
ABN	48 128 429 158
Financial year ended	30 June 2010
Previous corresponding reporting period	30 June 2009

Results for announcement to the market

	For the year ended 30 June 2010 USD'000	Movement over previous corresponding period USD'000	Percentage increase (decrease) over previous corresponding period
Revenue from ordinary activities	5,569	(232)	(4)
Profit (loss) from ordinary activities after tax attributable to members	(1,971)	(97)	(5)
Net profit (loss) for the period attributable to members	(1,971)	(97)	(5)

Dividends

No dividends were paid or proposed to members during the financial year ended 30 June 2010.

Brief explanation of results

Please refer to the accompanying review of operations for explanation of results.

Statements

The following statements and supporting notes accompany this report:

- Income statement
- Statement of comprehensive income
- Balance sheet
- Statement of changes in equity
- Statement of cash flows

Dividend reinvestment plans

There are no dividend reinvestment plans in operation.

Net tangible assets per security

NTA backing	Current period	Previous period
Net tangible asset backing per ordinary security (undiluted)	(0.03) cents	(0.05) cents

Control gained or lost during the period

On 5 May 2010 Maverick Drilling & Exploration Limited established the legal entity, Maverick Drilling Services Pty Ltd, a company incorporated in Australia. Maverick Drilling & Exploration Limited is the sole shareholder owing 100% of the issued capital of this company. Maverick Drilling Services Pty Ltd did not trade in the 2010 year.

On 10 December 2009, Maverick Hydrocarbons, Inc. a United States incorporated company, 100% ultimately owned by Maverick Drilling & Exploration Limited was dissolved. Maverick Hydrocarbons, Inc. did not trade in the 2010 year.

Subsidiaries

The consolidated results incorporate the assets, liabilities and results of the following subsidiaries.

Name of entity	Country of incorporation	Class of share	Equity holding 2010*	Equity holding 2009*
Maverick Drilling & Exploration USA, Inc.	United States	Ordinary	100	100
Maverick Drilling Company	United States	Ordinary	100	100
Maverick Production Company	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 10 December 2009.

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

Commentary on results for the period

Please refer to the accompanying review of operations for explanation of results.

Report based on unaudited accounts

This report has been based on accounts which are in the process of being audited. The Directors do not envisage that there will be any dispute or qualification in respect of these accounts.

Income statement
For the year ended 30 June 2010

	Notes	2010 $'000	2009 $'000
Revenue from continuing operations	4	**5,569**	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	**(2,141)**	(2,165)
Profit before income tax		**(1,629)**	(1,668)
Income tax expense		**(342)**	(400)
Profit from continuing operations		**(1,971)**	(2,068)
Profit from discontinued operations		**-**	-
Profit for the year		**(1,971)**	(2,068)
Profit is attributable to:			
Owners of Maverick Drilling & Exploration Limited		**(1,971)**	(2,068)
Non-controlling interests		**-**	-
		(1,971)	(2,068)
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share	10	**(1.1)**	(1.7)
Diluted earnings per share	10	**(0.0)**	(0.2)
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	10	**(1.1)**	(1.7)
Diluted earnings per share	10	**(0.0)**	(0.2)

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

Statement of comprehensive income
For the year ended 30 June 2010

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

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

Balance sheet
As at 30 June 2010

	Notes	2010 $'000	2009 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	**785**	342
Trade and other receivables		**1,968**	1,721
Inventories		**26**	-
Total current assets		**2,779**	2,063
Non-current assets			
Receivables		**50**	50
Property, plant and equipment		**11,550**	11,515
Oil and gas assets		**10,980**	8,662
Exploration and evaluation assets		**148**	-
Intangible assets		**3,612**	3,612
Total non-current assets		**26,340**	23,839
Total assets		**29,119**	25,902
LIABILITIES			
Current liabilities			
Trade and other payables		**4,526**	2,241
Borrowings		**14,308**	21,786
Current tax liabilities		**158**	158
Total current liabilities		**18,992**	24,185
Non-current liabilities			
Other payables		**41**	69
Borrowings		**7,231**	-
Deferred tax liabilities		**4,396**	4,054
Total non-current liabilities		**11,668**	4,123
Total liabilities		**30,660**	28,308
Net assets		**(1,541)**	(2,406)
EQUITY			
Contributed equity	7	**2,942**	106
Retained earnings	8	**(4,483)**	(2,512)
Capital and reserves attributable to owners of Maverick Drilling & Exploration Limited		**(1,541)**	(2,406)
Non-controlling interests		**-**	-
Total equity		**(1,541)**	(2,406)

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

Statement of changes in equity
For the year ended 30 June 2010

		Attributable to owners of Maverick Drilling & Exploration Limited					
	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2008		106	-	(444)	(338)	-	(338)
Total comprehensive income for the year		-	-	(2,068)	(2,068)	-	(2,068)
Balance at 30 June 2009		106	-	(2,512)	(2,406)	-	(2,406)
Total comprehensive income for the year		-	-	(1,971)	(1,971)	-	(1,971)
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	7	2,836	-	-	2,836	-	2,836
		2,836	-	-	2,836	-	2,836
Balance at 30 June 2010		**2,942**	**-**	**(4,483)**	**(1,541)**	**-**	**(1,541)**

Statement of cash flows
For the year ended 30 June 2010

	Notes	2010 $'000	2009 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**5,819**	6,582
Payments to suppliers and employees (inclusive of goods and services tax)		**(3,721)**	(4,246)
		2,098	2,336
Interest paid		**(34)**	(712)
Net cash (outflow) inflow from operating activities	9	**2,064**	1,624
Cash flows from investing activities			
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
Net cash (outflow) inflow from investing activities		**(3,872)**	(1,692)
Cash flows from financing activities			
Proceeds from issues of shares		**2,400**	-
Proceeds from borrowings		**474**	157
Share issue transaction costs		**(460)**	-
Repayment of borrowings		**(203)**	(456)
Net cash inflow (outflow) from financing activities		**2,211**	(299)
Net increase (decrease) in cash and cash equivalents		**403**	(367)
Cash and cash equivalents at the beginning of the financial year		**342**	709
Cash and cash equivalents at end of year	6	**745**	342

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

1 Summary of significant accounting policies

The unaudited financial information covers the economic entity of Maverick Drilling & Exploration Limited and its subsidiaries. Maverick Drilling & Exploration Limited is a company limited by shares incorporated and domiciled in Australia. The principal accounting policies adopted in the preparation of the consolidated financial information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial information is for the consolidated entity consisting of Maverick Drilling & Exploration Limited and its subsidiaries.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial information. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation

The historical and pro-forma financial information has been prepared in accordance with the measurement and recognition criteria of Australian Accounting Standards and the significant accounting policies set out in this section. The historical and pro-forma financial information is presented in an abbreviated form insofar as it does not include all the disclosures and notes required in an annual financial report prepared in accordance with Australian Accounting Standards and the Corporations Act.

Compliance with IFRS
The unaudited financial information also complies with the measurement and recognition criteria of the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention
The unaudited financial information has 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
The reviewed financial information has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The ability of the economic entity to continue and adopt the going concern assumption will depend upon a number of matters including the success of the drilling program on the Blue Ridge Dome Leases.

Critical accounting estimates
The preparation of financial information 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 information, are disclosed in note 2.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial information incorporates 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 preliminary final 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. 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.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(ii) *Jointly controlled assets*
The proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial information under the appropriate headings.

(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 in 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.

(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 information is 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
- 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.

1 Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

(iii) Group companies (continued)
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.

(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 information. 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 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.

1 Summary of significant accounting policies (continued)

(f) Income tax (continued)

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 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 capitalised 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.

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.

1 Summary of significant accounting policies (continued)

(h) Business combinations (continued)

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 groups 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 sheets.

(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.

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.

1 Summary of significant accounting policies (continued)

(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.

(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.

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.

1 Summary of significant accounting policies (continued)

(m) Investments and other financial assets (continued)

Recognition and derecognition(continued)
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) Land, buildings, plant and equipment

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

Plant and equipment is stated at 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.

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.

1 Summary of significant accounting policies (continued)

(n) Land, buildings, plant and equipment (continued)

The depreciation rates are as follows:

Asset	Depreciation rate
- Drilling rigs and drilling equipment	7% - 14%
- Rig manufacturing machinery	5% - 33%
- Motor vehicles	20%
- Furniture, fittings and office equipment	14%

(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.

(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. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

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 10).

(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 report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

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.

(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)
Revenue from external customers	**2,856**	**2,713**	**5,569**
Adjusted EBITDA	**1978**	**687**	**2,665**
Depreciation expense	-	(770)	(770)
Income tax expense	(182)	(673)	(855)
Total segment assets	13,715	15,508	29,223
Total assets includes:			
Additions to non-current assets (other than financial assets and deferred tax)	3,244	848	4,092
Total segment liabilities	3,769	1,546	5,315

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)
Revenue from external customers	**1,172**	**4,628**	**5,800**
Adjusted EBITDA	**569**	**1,037**	**1,606**
Depreciation expense	-	(736)	(736)
Income tax expense	(194)	(319)	(513)
Total segment assets	9,748	14,345	24,093
Total assets includes:			
Additions to non-current assets (other than financial assets and deferred tax)	213	1,149	1,362
Total segment liabilities	2,605	901	3,506

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 refinery 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:

	Consolidated	
	2010	2009
	$'000	$'000
Total segment revenue	**6,984**	5,904
Inter-segment eliminations	**(1,415)**	(104)
Interest revenue	**-**	1
Total revenue from continuing operations (note 4)	**5,569**	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:

	Consolidated	
	2010	2009
	$'000	$'000
Adjusted EBITDA	**2,665**	1,606
Inter-segment eliminations	**(778)**	(57)
Interest revenue	**-**	1
Depreciation	**(813)**	(779)
Finance costs	**(2,141)**	(2,165)
Employee benefits expense	**(60)**	-
Professional fees	**(142)**	(78)
State taxes	**-**	(38)
Other expenses	**(360)**	(158)
Profit before income tax from continuing operations	**(1,629)**	(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
Segment assets	**29,223**	24,093
Inter-segment eliminations	**(4,864)**	(2,834)
Unallocated:		
Cash and cash equivalents	**189**	45
Trade and other receivables	**70**	54
Property, plant and equipment	**889**	932
Goodwill	**3,612**	3,612
Total assets as per the balance sheet	**29,119**	25,902

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 are not considered to be segment liabilities but rather managed by the treasury function.

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

	$'000	$'000
Segment liabilities	**5,315**	3,506
Inter-segment eliminations	**(3,507)**	(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	**4,396**	4,054
Total liabilities as per the balance sheet	**30,660**	28,308

4 Revenue

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

5 Expenses

	2010 $'000	2009 $'000
Profit before income tax includes the following specific expenses:		
Finance costs		
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	**34**	58
Finance costs expensed	**2,141**	2,165
Foreign exchange gains and losses		
Net foreign exchange losses recognised in other expenses	**18**	21
Net foreign exchange losses recognised in profit before income tax for the year (as either income or expense)	**18**	21

6 Current assets - Cash and cash equivalents

	2010 $'000	2009 $'000
Cash at bank and in hand	**600**	315
Deposits at call	**185**	27
	785	342

(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:

	2010 $'000	2009 $'000
Balances as above	**785**	342
Bank overdrafts (included in the balance of current borrowings)	**(40)**	-
Balances per statement of cash flows	**745**	342

7 Contributed equity

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

(b) Movements in ordinary share capital:

Date	Details	Notes	Number of shares	Issue price	$'000
1 July 2008	Opening balance		121,500,000		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				(639)
30 June 2010	Balance		175,650,000		2,942

(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 upon 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.

7 Contributed equity (continued)

(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.

(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.

8 Reserves and retained earnings

(a) Retained earnings

Movements in retained earnings were as follows:

	2010 $'000	2009 $'000
Balance 1 July	**(2,512)**	(444)
Net profit for the year	**(1,971)**	(2,068)
Balance 30 June	**(4,483)**	(2,512)

There were no non-controlling interests in the group.

9 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

10 Earnings per share

	2010 Cents	2009 Cents
(a) Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	**(1.1)**	(1.7)
Total basic earnings per share attributable to the ordinary equity holders of the company	**(1.1)**	(1.7)
(b) Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	**(0.0)**	(0.2)
Total diluted earnings per share attributable to the ordinary equity holders of the company	**(0.0)**	(0.2)

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

	2010 $'000	2009 $'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share		
From continuing operations	**(1,971)**	(2,068)
	(1,971)	(2,068)
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company:		
Used in calculating basic earnings per share	**(1,971)**	(2,068)
Add: interest savings on convertible notes	**1,866**	1,397
Used in calculating diluted earnings per share	**(105)**	(671)

10 Earnings per share (continued)

(d) Weighted average number of shares used as the denominator

	2010 Number	2009 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**176,650,000**	121,500,000
Adjustments for calculation of diluted earnings per share:		
Convertible notes	**97,222,222**	291,666,667
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**273,872,222**	413,166,667

(e) 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. The notes have not been included in the determination of basic earnings per share. For the 2010 year, conversion of notes into ordinary shares has been calculated using a value of USD 0.144 which is based on an initial public offer price of AUD 0.20 at a USD/AUD exchange rate of $0.90 and following application of the 20% discount. For the 2009 year, conversion of the notes into ordinary shares has been calculated using a value of USD 0.048 which is based on the October 2009 placement price of USD 0.06 and following application of the 20% discount.