# Maximus Resources Limited

ABN 74 111 977 354

# Financial report
# for the year ended 30 June 2010

**Maximus Resources Limited** ABN 74 111 977 354
**Financial report - 30 June 2010**

## Contents



These financial statements cover both the separate financial statements of Maximus Resources Limited as an individual entity and the consolidated financial statements for the consolidated entity consisting of Maximus Resources Limited and its subsidiaries. The financial statements are presented in the Australian currency.

Maximus Resources Limited is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Maximus Resources Limited
62 Beulah Road
Norwood
SA 5067

Registered postal address is:

Maximus Resources Limited
PO Box 3126
Norwood
SA 5067

The financial statements were authorised for issue by the directors on 30 September 2010. The directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available on our website: www.maximusresources.com.

## Directors' report

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

**Directors**
The following persons were directors of Maximus Resources Limited during the whole of the financial year and up to the date of this report:

Robert Michael Kennedy
Ewan John Vickery
Leigh Carol McClusky (since 1 September 2010)
Nicholas John Smart (Alternate for E J Vickery)
Simon Andrew Booth (since 13 July 2009, ceased 31 August 2010)
Kevin John Anson Wills (ceased 30 September 2009)
Roseanne Celeste Healy (Alternate for K J A Wills, ceased 30 September 2009)

The directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

**Principal activities**
During the year the principal activities of the consolidated entity consisted of natural resources exploration and development.

**Operating results and financial position**
The consolidated net result of operations for the financial year was a loss of $10,108,828 (2009: $13,388,667).

The net assets of the Consolidated entity have decreased by $6,038,376 during the financial year from $30,143,505 at 30 June 2009 to $24,105,129 at 30 June 2010.

**Dividends - Maximus Resources Limited**
There were no dividends declared or paid during the year.

**Review of Operations**

The 09/10 financial year was one of consolidation whilst Maximus Resources Limited (Maximus) re-assessed its strategy and re-focused its projects. This root and branch process commenced at the beginning of the year and was strongly supported by shareholders via a fully subscribed Share Purchase Plan (SPP) and limited private placement which, in total, raised $2.06 million. This support enabled the Company to proceed with its short term goal of obtaining approvals and then commence drill exploration of its Deloraine and Eureka gold prospects in the Adelaide Hills.
Maximus' most valuable asset remains its Adelaide Hills Gold Project containing the Bird in Hand gold deposit. The combined Indicated and Inferred Resource at Bird in Hand now totals some 237,000 contained ounces of gold with high probabilities for lateral and down dip extensions. The average grade for Bird in Hand of 12.3 g/t gold makes it one of the highest grade undeveloped gold resources in Australia. During 2008, Maximus undertook a scoping study for the potential development of the Bird in Hand deposit. This study was reviewed strategically within the context of Maximus' broader review and although the development of Bird in Hand was financially viable, it was concluded that enhanced shareholder value could be achieved through the discovery of additional gold resources. To that end, our efforts have been focused towards evaluation of Deloraine and Eureka prospects. With this change, Maximus has deferred proceeding with its application to the Government for a water pumping test at Bird in Hand until it has completed its wider exploration in the Adelaide Hills.

The corporate strategic review included Maximus' Sellheim gold project, located about 140 kilometres southeast of Charters Towers in north Queensland. This review concluded that additional infill sampling was required in order to better understand the distribution of gold within the alluvial systems within ML 10328 and to provide the necessary information to complete the most cost effective mine plan and the design of a commercial production plant. Procurement and fabrication of a 25 bcm/hr test sampling plant was completed late in the September 2009 Quarter, on budget, at a cost of approximately $85,000 and the infill sampling programme has commenced. The sampling plant comprised a scrubber/trommel with metal detector on the oversize discharge conveyor to recover nuggets. A gravel pump transfers the trommel undersize and to feeds a Knelson concentrator which removes the lighter fraction. The concentrate from the Knelson concentrator is then further concentrated by a Knudsen bowl and Gemini table.
Following completion of the infill sampling program and review of results, Board approval was given to move into production. Modifications to the existing test plant were made to bring it to production capability and capacity. As an interim stage, the test plant currently on site was upgraded to achieve a regular throughput of approximately 25 bcm (bank cubic metres) per hour.

Site works were affected to a minor degree by the passage of Cyclone Ului in late March 2010, which temporarily restricted access to the site and also caused minor damage to camp facilities due to wind damage. Following the end of the March 2010 Quarter, plant modifications and test work were completed and the plant commenced operation in late April. Feed was initially sourced from the Golden Triangle area as this has a lower clay component, compared with Jacks Patch or Boulder Run and therefore more amenable to processing during the end of the wet season.
Maximus already has the necessary mobile equipment in place to mine and feed the plant and no additional plant is required in the short to medium term.

During the June 2010 Quarter, 6,839 lcm (loose cubic metres) were treated for the recovery of 76.8 ounces gold doré. This equates to a recovered grade of 0.35 gm/lcm which is in line with forecast. Gold fineness is generally high, at around 92%. During the quarter production was sourced from each of the three resource areas, namely Jacks Patch, Boulder Run and Golden Triangle, to gain experience of the performance of each of the resource wash material through the modified trommel plant. Plant operation has been reviewed to identify areas to improve throughput. Opportunities have been identified and modifications planned. This should lead to fewer stoppages due to wash material hold-up. We will operate the plant in its current configuration to gain confidence in our resource estimates and operational performance prior to moving to construct the main plant of 40–50 bcm per hour throughput. The interim stage is expected to take approximately four months.

The mining plan has been developed for an annual production of approximately 2,200 ounces gold from around 120,000 bcm treated alluvial wash. Maximus anticipates the commercial operation at Sellheim will generate a significant cash flow for the company in excess of $1 million annually. This cash flow will help underpin corporate cash requirements for further exploration.

The Company's projects in Western Australia focused on our Windimurra-Narndee Project, located near Mount Magnet. Prior to conducting in 2008 a new state-of-the-art helicopter borne electromagnetic (EM) survey over the entire layered mafic complex, Maximus established a strong ground holding. This survey located a number of first order conductive anomalies which have been evaluated and which has enabled the Company to progressively rationalize tenements. Planning for ground EM follow up surveys is well advanced.

**Matters subsequent to the end of the financial year**

Mr Simon Andrew Booth resigned from Maximus Resources Limited with effect from 31 August 2010, having been Managing Director since 13 July 2009.

Ms Leigh Carol McClusky was appointed as a non-executive Director effective from 1 September 2010.

Other than the above, there has not arisen in the interval since the end of the financial year and the date of this report, any item, transaction or event of material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

**Future business developments, prospects and business strategies**

During the coming year, Maximus intends to maintain its renewed focus on the Adelaide Hills Gold Project. At Bird in Hand, we have already delineated a mineral resource of nearly a quarter of a million ounces at an impressive grade of just over 12 g/t gold. Drilling has commenced at the historic high grade Deloraine gold mine about 25 kilometres north of Bird in Hand. The drilling programme for Deloraine is focused on drilling beneath the historic mine workings, similar to the approach used at our nearby Bird in Hand deposit. The Deloraine and Deloraine Queen mines operated in the early to mid 1900s and produced around 33,000 ounces gold at a grade of approximately 20 g/t Au. If our exploration programs are successful, Maximus may be in a position to develop these historic gold mines.

At our Sellheim gold project in north Queensland, we are now moving towards a sustainable commercial operation. The intention is to operate the modified test plant to gain confidence in our resource estimates and operational performance prior to moving to construct the main plant of 40-50 bcm per hour throughput. The interim stage is expected to have a duration of approximately four to six months. We continue to assess both plant performance and grade reconciliation against our new resource model. We are pleased with our resource reconciliation.

We have completed the interrogation and evaluation of the airborne electromagnetic (EM) survey conducted over our Narndee and Windimurra tenements in Western Australia. We are now moving to completing ground EM surveys over the better targets identified. This will enable Maximus to move towards drill testing of selected anomalies during the second half of 2010-2011.

**Environmental regulation**

The consolidated entity’s operations are subject to significant environmental regulation under both Commonwealth and relevant State legislation in relation to discharge of hazardous waste and materials arising from any exploration or mining activities and development conducted by the consolidated entity on any of its tenements. The consolidated entity believes it is not in breach of any environmental obligation.

**Information on directors**

**Robert Michael Kennedy  ASAIT, Grad Dip (Systems Analysis), FCA, ACIS, Life Member AIM, FAICD.** *Non-executive Chairman.*

***Experience and expertise***

A Chartered Accountant and a consultant to Kennedy & Co, Chartered Accountants, a firm he founded.  Mr Kennedy has been a director since incorporation 17 December 2004.

Mr Kennedy brings to the Board his expertise in finance and management consultancy and extensive experience as chairman and non-executive director of a range of listed public companies.

***Other current directorships***

Mr Kennedy is also a Director of ASX listed companies Beach Energy Limited (Director since 1991, Chairman since 1995), ERO Mining Limited (since 2006), Flinders Mines Limited (since 2001), Marmota Energy Limited (since 2007), Monax Mining Limited (since 2004), Ramelius Resources Limited (since 2004) and Somerton Energy Limited (since 2010.

***Special responsibilities***

Chairman of the Board.
Member of the Audit Committee.

***Interests in shares and options***

6,920,000 ordinary shares in Maximus Resources Limited.

**Ewan John Vickery  LLB.** *Non-executive Director.*

***Experience and expertise***

A Director since incorporation 17 December 2004. Mr Vickery is a corporate and business lawyer with over 30 years experience in private practice in Adelaide. He has acted as an advisor to companies on a variety of corporate and business issues including capital and corporate restructuring, native title and land access issues, and as lead native title advisor and negotiator for numerous mining and petroleum companies.

He is a member of the Exploration Committee of the South Australian Chamber of Mines and Energy Inc, the International Bar Association Energy and Resources Law Section, the Australian Institute of Company Directors and is a past national president of Australian Mining and Petroleum Law Association (AMPLA Limited).

***Other current directorships***

Mr Vickery is a Non-executive Director of Flinders Mines Limited (since 2001) and ERO Mining Limited (since 2006).

***Special responsibilities***

Chairman of the Audit Committee.

***Interests in shares and options***

794,458 ordinary shares in Maximus Resources Limited.

**Leigh Carol McClusky** *Non-executive Director.*

***Experience and expertise***

Appointed as a Director on 1 September 2010, Leigh McClusky is an experienced and respected media personality with a media career spanning almost 30 years in newspapers, radio and television across Australia.

Most recently Leigh hosted a top rating current affairs program in South Australia for 13 years, until she left in 2008 to develop her boutique Public Relations consultancy, McClusky & Co Public Relations and Communications, which now services a wide variety of clients and is continuing to expand into a diverse range of portfolios.

Leigh has amassed a huge range of experience across Sydney, Adelaide and Melbourne with Australian Associated Press, The Sun newspaper, the Weekly Times, ABC Television, and the Nine Network, presenting and hosting television and breakfast radio programs.

Leigh is currently Chair of the Australian International 3 Day Event and a Board member of the Women’s and Children’s Hospital Foundation.

**Information on directors (continued)**
**Nicholas John Smart** *Alternate Director for E J Vickery.*
***Experience and expertise***
An Alternate Director since 9 May 2005. Mr Smart has held positions as a General Manager in France and Australia in the wool, textile, leather and meat industries. Responsibilities included human resources, factory operations, currency movements and commodity trading. He was a full Associate Member of the Sydney Futures Exchange, then became Managing Director of D&D-Tolhurst Ltd (Sharebrokers) as a client advisor and in the corporate area including capital raising. He has been involved in start up companies in technology development such as the laser shearing of sheep skins, commercialization of the Synroc process for safe storage of high level nuclear waste and controlled temperature and atmosphere transport systems. Mr Smart currently consults to various public companies and is a director of GTL Energy Limited.

**Simon Andrew Booth BA (Hons) (Econ Geol & Min Econ), MAusIMM, MAICD.** *Formerly Managing Director*
***Experience and expertise***
Managing Director since 13 July 2009 until 31 August 2010. Mr Booth has over 31 years experience in gold and base metals resources including mine operations, exploration, mine management and strategic planning. He has held executive management positions with Crew Gold Corporation (Executive Vice President and Chief Operating Officer), Normandy Mining Limited Group and Newmont Australia Limited Group.

Mr Booth has extensive experience in gold and base metals mining through the management and operation of mines in Australia and internationally. He is a Member of the Australasian Institute of Mining and Metallurgy and a former Vice President of the Northern Territory Minerals Council.

**Kevin John Anson Wills BSc, PhD, ARSM, FAusIMM.** *Non-executive Director.*
***Experience and expertise***
A Director from incorporation 17 December 2004 to 30 September 2009. Dr Wills is a geologist with 36 years experience in multi commodity mineral exploration including feasibility studies and mine operations in Australasia. Dr Wills spent seven years with CRA Exploration Pty Ltd, the highlight of which was involvement with the location and evaluation of the Argyle Diamond Deposit. Later, with Penarroya Australia Pty Ltd, his work led to an expansion of reserves at Thalanga and the discovery of the Waterloo base metals deposit.

In the late 1980s, Dr Wills was exploration manager with Metana Minerals NL. He built up a successful exploration team which extended known gold ore bodies and made new discoveries in the Murchison Region of Western Australia. In the early 1990s Dr Wills was regional exploration manager with Dominion Mining Limited, based in Adelaide. His work on the Gawler Craton led to the development of a calcrete sampling technique which, later on, was instrumental in the Challenger gold discovery.

***Interests in shares and options***
3,678,278 ordinary shares in Maximus Resources Limited.

**Roseanne Celeste Healy BA (Econ), MBA, MAICD.** *Alternate Director for K J A Wills (Non-executive)*.
***Experience and expertise***
An Alternate Director from 12 March 2009 to 30 September 2009. Ms Healy is an experienced company director and Chair of Government, industry, not-for-profit and private sector boards in the areas of resources and energy, research and development, agribusiness and wine, racing and general practice. Ms Healy regularly advised boards and executive management on strategy, corporate governance and social responsibility and business management. Ms Healy is currently a director of Tidewater Funds Management Limited, Cheviot Kirribilly Vineyard Property Group and Rural Industries Research and Development Corporation and an alternate director of Marmota Energy Limited.

**Company Secretary**
**David Wayne Godfrey, BCom (Fin), GradDipAcc, ASA, FFin, CFTP (Snr), MAICD**
Mr Godfrey has more than 25 years experience in the resources and finance industries and is a member of Australian Society of CPAs, Finance & Treasury Association, Chartered Secretaries Australia, Australian Institute of Company Directors and is a Fellow of the Financial Services Institute. He has previously held senior finance roles in major corporations and for the Treasury of New Zealand and has served as secretary of numerous publicly listed and subsidiary companies for the Normandy Mining Limited Group, Newmont Australia Limited Group and Uranium Exploration Australia Limited. Mr Godfrey has been the Company Secretary and Chief Financial Officer since 11 November 2008 and to the date of this report.

***Interests in shares and options***
53,334 options in Maximus Resources Limited.

### Meetings of directors

During the financial year, 10 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

| | Full meetings of directors | | Audit committee meetings | |
|---|---|---|---|---|
| | **A** | **B** | **A** | **B** |
| Robert Michael Kennedy | 10 | 10 | 2 | 2 |
| Ewan John Vickery | 10 | 10 | 2 | 2 |
| Leigh Carol McClusky | - | - | - | - |
| Nicholas John Smart | - | - | - | - |
| Simon Andrew Booth | 9 | 9 | - | - |
| Kevin John Anson Wills | - | - | - | - |
| Roseanne Celeste Healy | - | - | - | - |

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

### Indemnification and insurance of officers

The Company is required to indemnify the Directors and other officers of the company against any liabilities incurred by the Directors and officers that may arise from their position as Directors and officers of the Company. No costs were incurred during the year pursuant to this indemnity.

The Company has entered into deeds of indemnity with each Director whereby, to the extent permitted by the Corporations Act 2001, the Company agreed to indemnify each Director against all loss and liability incurred as an officer of the Company, including all liability in defending any relevant proceedings.

### Insurance premiums

Since the end of the previous year the Company has paid insurance premiums of $16,500 to insure the Directors and Officers in respect of Directors and Officers' liability and legal expenses insurance contracts.

### Proceedings On Behalf of Company

No person has applied for leave of Court under section 237 of the Corporations Act 2001 to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the financial year.

### Non-Audit Services

The Board of Directors, in accordance with advice from the Audit Committee, is satisfied that the provision on non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor’s independence for the following reasons:

- All non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

There were no fees for non-audit services paid/payable to the external auditors during the year ended 30 June 2010.

**Remuneration report - audited**

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation

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

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

The Company's policy for determining the nature and amounts of emoluments of board members and senior executive officers of the Company is as follows:

The Company's Constitution specifies that the total amount of remuneration of Non-executive Directors shall be fixed from time to time by a general meeting. The current maximum aggregate remuneration of Non-executive Directors has been set at $300,000 per annum. Directors may apportion any amount up to this maximum amount amongst the Non-executive Directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as Directors. The remuneration of the Managing Director is determined by the Non-executive Directors on the Board as part of the terms and conditions of his employment which are subject to review from time to time. The remuneration of other executive officers and employees is determined by the Managing Director subject to the approval of the Board.

Non-executive Director remuneration is by way of fees and statutory superannuation contributions. Non-executive Directors do not participate in schemes designed for remuneration of executives nor do they receive options or bonus payments and are not provided with retirement benefits other than salary sacrifice and statutory superannuation.

The Company's remuneration structure is based on a number of factors including the particular experience and performance of the individual in meeting key objectives of the Company. The Board is responsible for assessing relevant employment market conditions and achieving the overall, long term objective of maximising shareholder benefits, through the retention of high quality personnel.

The Company does not presently emphasise payment for results through the provision of cash bonus schemes or other incentive payments based on key performance indicators of the Company given the nature of the Company's business as a recently listed mineral exploration entity and the current status of its activities. However the Board may approve the payment of cash bonuses from time to time in order to reward individual executive performance in achieving key objectives as considered appropriate by the Board.

The Company also has an Employee Share Option Plan approved by shareholders that enables the Board to offer eligible employees options to acquire ordinary fully paid shares in the Company. Under the terms of the Plan, options for ordinary fully paid shares may be offered to the Company's eligible employees at no cost unless otherwise determined by the Board in accordance with the terms and conditions of the Plan. The objective of the Plan is to align the interests of employees and shareholders by providing employees of the Company with the opportunity to participate in the equity of the Company as an incentive to achieve greater success and profitability for the Company and to maximise the long term performance of the Company.

The employment conditions of the Managing Director, were formalised in a contract of employment. The base salary as set out in the employment contract is reviewed annually. The Managing Director's contract may be terminated at any time by mutual agreement. The Company may terminate these contracts without notice in serious instances of misconduct.

***B Details of remuneration***

This report details the nature and amount of remuneration for each key management person of the Group and for the executives receiving the highest remuneration.

The names and positions held by Directors and key management personnel of the Group during the financial year are:

- Mr R M Kennedy - Chairman, Non-executive
- Mr E J Vickery - Director, Non-executive
- Ms L C McClusky - Director, Non-executive (since 1 September 2010)
- Mr K J Lines - Managing Director – ERO Mining Limited
- Mr N J Smart - Alternate Director, Non-executive
- Mr S A Booth - Former Managing Director - Maximus Resources Limited (ceased 31 August 2010)
- Dr K J A Wills - Director, Non-executive (ceased 30 September 2010)
- Ms R C Healy - Alternate Director, Non-executive (ceased 30 September 2010)
- Mr D W Godfrey - Chief Financial Officer & Company Secretary

**Remuneration report - audited (continued)**

***B Details of remuneration (continued)***
*Amounts of remuneration (continued)*
***Key management personnel of the consolidated entity and other executives of the company and the consolidated entity***

**2010**

| Name | Short-term employee benefits<br>Directors fees<br>$ | <br>Salary<br>$ | Post-employment benefits<br>Super-annuation<br>$ | Share-based payments<br>Options<br>$ | Total<br>$ |
|---|---|---|---|---|---|
| Robert Michael Kennedy | 154,465 | - | 13,902 | - | 168,367 |
| Ewan John Vickery* | 93,333 | - | 3,000 | - | 96,333 |
| Leigh Carol McClusky | - | - | - | - | - |
| Kevin James Lines | - | 231,269 | 20,814 | - | 252,083 |
| Nicholas John Smart | 5,000 | - | - | - | 5,000 |
| Simon Andrew Booth | - | 222,300 | 20,007 | 16,330 | 258,637 |
| Kevin John Anson Wills | - | 12,156 | 1,094 | - | 13,250 |
| Roseanne Celeste Healy | 5,000 | - | - | - | 5,000 |
| David Wayne Godfrey** | - | 178,899 | 16,101 | - | 195,000 |
| **Total key management personnel compensation (consolidated entity)** | **257,798** | **644,624** | **74,918** | **16,330** | **993,670** |

** For part of the year, director fees for Mr Vickery were paid to a related entity of the DIrector.*

*** Mr Godfrey is employed by FME Exploration Services Pty Ltd. His services are provided as part of the services agreement in place between FME Exploration Services Pty Ltd and Maximus Resources Ltd. The management fees paid by Maximus Resources Limited are outlined in Note 24. This agreement was formalised 3 August 2006.*

The Directors conclude that there are no executives requiring disclosure other than those listed.

***Key management personnel of the consolidated entity and other executives of the Company and the consolidated entity***

**2009**

| Name | Short-term employee benefits<br>Directors fees<br>$ | <br>Salary<br>$ | Post-employment benefits<br>Super-annuation<br>$ | Share-based payments<br>Options<br>$ | Total<br>$ |
|---|---|---|---|---|---|
| Robert Michael Kennedy | 121,526 | - | 9,299 | - | 130,825 |
| Ewan John Vickery | 72,500 | - | - | - | 72,500 |
| Kevin John Anson Wills | 48,624 | 64,893 | 7,687 | - | 121,204 |
| Gary Eric Maddocks | - | 57,422 | - | - | 57,422 |
| Kevin James Lines | - | 253,293 | 22,707 | - | 276,000 |
| David Wayne Godfrey | - | 104,975 | 9,358 | 1,769 | 116,102 |
| Richard Walter Cumming Wilson | - | 95,520 | 6,865 | - | 102,385 |
| Roseanne Celeste Healy | - | - | - | - | - |
| Nicholas John Smart | - | - | - | - | - |
| **Total key management personnel compensation (consolidated entity)** | **242,650** | **576,103** | **55,916** | **1,769** | **876,438** |

**Remuneration report - audited (continued)**

***B Details of remuneration (continued)***
*Amounts of remuneration (continued)*

***Key management personnel and other executives of the parent entity***

| **2010** | Short-term employee benefits | | Post-employment benefits | Share-based payments | |
|---|---|---|---|---|---|
| Name | Directors fees $ | Salary $ | Super-annuation $ | Options $ | Total $ |
| Robert Michael Kennedy | 99,358 | - | 8,942 | - | 108,300 |
| Ewan John Vickery* | 60,000 | - | 2,250 | - | 62,250 |
| Leigh Carol McClusky | - | - | - | - | - |
| Nicholas John Smart | 5,000 | - | - | - | 5,000 |
| Simon Andrew Booth | - | 222,300 | 20,007 | 16,330 | 258,637 |
| Kevin John Anson Wills | - | - | - | - | - |
| Roseanne Celeste Healy | 5,000 | - | - | - | 5,000 |
| David Wayne Godfrey** | - | 178,899 | 16,101 | - | 195,000 |
| **Total key management personnel compensation (consolidated entity)** | **169,358** | **401,199** | **47,300** | **16,330** | **634,187** |

** For part of the year, director fees for Mr Vickery were paid to a related entity of the DIrector.*

*** Mr Godfrey is employed by FME Exploration Services Pty Ltd. His services are provided as part of the services agreement in place between FME Exploration Services Pty Ltd and Maximus Resources Ltd. The management fees paid by Maximus Resources Limited are outlined in Note 24. This agreement was formalised 3 August 2006.*

The Directors conclude that there are no executives requiring disclosure other than those listed.

***Key management personnel and other executives of the parent entity***

| **2009** | Short-term employee benefits | | Post-employment benefits | Share-based payments | |
|---|---|---|---|---|---|
| Name | Directors Fees $ | Salary $ | Super-annuation $ | Options $ | Total $ |
| Robert Michael Kennedy | 37,362 | - | 3,363 | - | 40,725 |
| Ewan John Vickery | 22,500 | - | - | - | 22,500 |
| Kevin John Anson Wills | - | 62,614 | 5,590 | - | 68,204 |
| Gary Eric Maddocks | - | 57,422 | - | - | 57,422 |
| David Wayne Godfrey | - | 104,975 | 9,358 | 1,769 | 116,102 |
| Richard Walter Cumming Wilson | - | 95,520 | 6,865 | - | 102,385 |
| Roseanne Celeste Healy | - | - | - | - | - |
| Nicholas John Smart | - | - | - | - | - |
| **Total key management personnel compensation (consolidated entity)** | **59,862** | **320,531** | **25,176** | **1,769** | **407,338** |

***C Service agreements***
During the financial year, Dr Wills resigned as Managing Director and was replaced by Mr Simon Booth. The Board negotiated a contract with Mr Booth with no fixed term at a salary of $250,000 per annum inclusive of superannuation guarantee contributions to be reviewed annually and with termination on three month’s notice. Mr Booth was also granted a sign-on bonus of the issue of 3 million options exercisable at 5 cents within 3 years. Messrs Kennedy and Vickery and Ms McClusky are engaged as directors without formal employment agreements.

**D Share-based compensation**
*Options*
The Company has an Employee Share Option Plan approved by shareholders that enables the Board to offer eligible employees options to acquire ordinary fully paid shares in the Company. Under the terms of the Plan, options to acquire ordinary fully paid shares may be offered to the Company's eligible employees at no cost unless otherwise determined by the Board in accordance with the terms and conditions of the Plan. During the year 3,000,000 options with a fair value of $16,330 were issued to employees at no cost. The issue was not based on any performance criteria. No employee share options were issued to the Directors during the year.

**Remuneration report - audited (continued)**

***D Share-based compensation (continued)***

*Options granted as remuneration*
Apart from the options granted under the Company's Employee Share Option Plan as detailed above, no other options were granted to Directors or key management personnel of the Company during the financial year.

*Shares issued on exercise of remuneration options*
No shares were issued to Directors as a result of the exercise of remuneration options during the financial year.

*Directors interests in shares and options*
Directors' relevant interests in shares and options of the Company are disclosed in Note 22 to the accounts.

*Shares under option*
Unissued ordinary shares of Maximus Resources Limited under option at the date of this report are as follows:

| Date options granted | Expiry date | Exercise price | Number under option |
|---|---|---|---|
| 21 October 2005 | 20 April 2010 | $0.20 | 1,000,000 |
| 10 April 2007 | 20 March 2012 | $0.14 | 380,000 |
| 2 July 2007 | 2 July 2010 | $0.50 | 2,000,000 |
| 2 July 2007 | 2 July 2012 | $0.50 | 3,000,000 |
| 27 August 2009 | 26 August 2012 | $0.05 | 3,000,000 |
| 17 March 2008 | 17 March 2013 | $0.18 | 605,000 |
| 4 February 2009 | 3 February 2014 | $0.04 | 1,735,000 |
| | | | 11,720,000 |

**Auditors Independence Declaration**
The lead auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 12.

Dated at Adelaide ths 30th day of September 2010 and signed in accordance with a resolution of the Directors.

Robert M Kennedy
Director

Grant Thornton

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001

**T** 61 8 8372 6666
**F** 61 8 8372 6677
**E** info.sa@au.gt.com
**W** www.grantthornton.com.au

**AUDITOR'S INDEPENDENCE DECLARATION**
**TO THE DIRECTORS OF MAXIMUS RESOURCES LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Maximus Resources Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Maximus Resources Limited and the entities it controlled during the year.

GRANT THORNTON
South Australian Partnership
Chartered Accountants

P S Paterson
Partner

Adelaide, 30 September 2010

## Corporate governance statement

The Board of Directors of Maximus Resources Limited are committed to improving and achieving good standards of corporate governance and has established corporate government policies and procedures, where appropriate and practicable, consistent with the revised Corporate Governance Principles and Recommendations – 2nd Edition issued by the ASX Corporate Governance Council ("ASX Recommendations").

The following statement sets out a summary of the Company's corporate governance practices that were in place during the financial year and how those practices relate to the revised ASX Recommendations. The Company elected to undergo an early transition to the revised ASX Recommendations and as such has reported against these for the financial years ending 30 June 2008, 30 June 2009 and 30 June 2010.

These recommendations are not intended to be prescriptions to be followed by all ASX listed companies, but rather guidelines designed to produce an effective, quality and integrity outcome. The Corporate Governance Council has recognised that a "one size fits all" approach to Corporate Governance is not required. Instead, it states aspirations of good practice for optimising corporate performance and accountability in the interests of shareholders and the broader economy. A company may consider that a recommendation is inappropriate to its particular circumstances and has flexibility not to adopt it and explain why.

In ensuring highest good standard of ethical behaviour and accountability, the Board has included in its corporate governance policies those matters contained in the ASX Recommendations where applicable. However, the Board also recognises that full adoption of the ASX Recommendations may not be practical nor provide the optimal result given the particular circumstances and structure of the Company. The Board is, nevertheless, committed to ensuring that appropriate Corporate Governance practices are in place for the proper direction and management of the Company. This statement outlines the main Corporate Governance practices of the Company disclosed under the ASX Recommendations, including those that comply with good practice and which unless otherwise disclosed, were in place during the whole of the financial year ended 30 June 2010.

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

**Recommendation 1.1 - Recommendation followed**
The Board is governed by the Corporations Act 2001, ASX Listing Rules and a formal constitution adopted by the company in 2006.

The role of the Board is to provide leadership and direction to management and to agree with management the aims, strategies and policies of the Company for the protection and enhancement of long-term shareholder value.

The Board takes responsibility for the overall Corporate Governance of the Company including its strategic direction, management goal setting and monitoring, internal control, risk management and financial reporting.

The Board has an established framework for the management of the entity including a system of internal control, a business risk management process and appropriate ethical standards. In fulfilling its responsibilities, the Board is supported by an Audit Committee to deal with internal control, ethical standards and financial reporting.

The Board appoints a Managing Director responsible for the day to day management of the Company including management of financial, physical and human resources, development and implementation of risk management, internal control and regulatory compliance policies and procedures, recommending strategic direction and planning for the operations of the business and the provision of relevant information to the Board.

The board has not adopted a formal statement of matters reserved to them or a formal board charter that details their functions and responsibilities nor a formal statement of the areas of authority delegated to senior executives.

**Recommendation 1.2 - Recommendation followed**
The Board takes responsibility for monitoring the composition of the Board and reviewing the performance and compensation of the Company's Executive Directors and senior management with the overall objective of motivating and appropriately rewarding performance.

The Board considers the Company's present circumstances and goals ensure maximum shareholder benefits from the attraction and retention of a high quality Board and senior management team. The Board on a regular basis reviews the performance of and remuneration for Executive Director's and senior management including any equity participation by such Executive Directors and senior management. The Board evaluates the performance of the Managing Director and Company Secretary on a regular basis and encourages continuing professional development.

**Recommendation 1.3 - Recommendation followed**
During the period the Board undertook an informal performance evaluation of the Managing Director, Company Secretary and senior management. The evaluation was in accordance with the Company's process for evaluation of senior executives.

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

**Recommendation 2.1 - Recommendation followed**
The composition of the Board consists of three directors all of whom, including the Chairman, are Independent Directors.

The Audit Committee currently consists of two Independent directors.

**Recommendation 2.2 - Recommendation followed**
The Chairman, Mr Kennedy is an Independent Director

**Recommendation 2.3 - Recommendation followed**
Mr Kennedy's role as Chairman of the Board is separate from that of the Managing Director, who is responsible for the day to day management of the Company and is in compliance with the ASX Recommendation that these roles not be exercised by the same individual.

**Recommendation 2.4 - Recommendation not followed**
The Board believes that given the size of the Company and the stage of the entity's life as a publicly listed junior exploration company that the cost of establishing a nomination committee in line with ASX Recommendation 2.4 and establishing a formal charter as recommended by ASX Recommendation 2.4 cannot be justified by the perceived benefits of doing so. As such, the whole Board currently carries out this function. It is anticipated that a formal charter will be developed in the coming year, as the Company develops further.

**Recommendation 2.5 - Recommendation not followed**
The Board recognises that as a result of the Company's size and the stage of the entity's life as a publicly listed junior exploration company, the assessment of the Board's overall performance and its own succession plan is conducted on an ad hoc basis. Whilst this is at variance with the ASX Recommendation 2.5, the Directors consider that at the date of this report an appropriate and adequate process for the evaluation of Directors is in place. A more formal process of Board assessment will be considered in the future as the Company develops.

**Recommendation 2.6 - Recommendation followed**
The names of the directors of the Company and terms in office at the date of this Statement together with their skills, experience, expertise and financial interests in the Company are set out in the Directors' Report section of this report.

Messrs Kennedy, Vickery and Ms McClusky are considered to be independent.

The Company has no relationships with any of the independent directors which the company believes would compromise the independence of these directors.

All directors are entitled to take such legal advice as they require at any time and from time to time on any matter concerning or in relation to their rights, duties and obligations as directors in relation to the affairs of the Company at the expense of the Company.

The Company's constitution specifies the number of directors must be at least three and at most ten. The Board may at any time appoint a director to fill a casual vacancy. Directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter directors (other than the Managing Director) are subject to re-election at least every three years. The tenure for executive directors is linked to their holding of executive office.

As the board does not have a nominations Committee, the functions of this Committee in its absence are deal with by the Board as a whole.

An assessment of the Board's overall performance and its own succession plan is conducted on an ad hoc basis and was done so during the year by the Chairman.

## Principle 3: Promote ethical and responsible decision making

### Recommendation 3.1 - Recommendation not followed

While the Company does not have a formal code of conduct, as the Board believes that given the size of the Company and the stage of the entity's life as a publicly listed junior exploration company that the cost of establishing and managing a formal code of conduct cannot be justified, the Company requires all its directors and employees to abide by good standards of behaviour, business ethics and in accordance with the law.

In discharging their duties, Directors of the Company are required to:

- act in good faith and in the best interests of the Company;
- exercise care and diligence that a reasonable person in that role would exercise;
- exercise their powers in good faith for a proper purpose and in the best interests of the Company;
- not improperly use their position or information obtained through their position to gain a personal advantage or for the advantage of another person to the detriment of the Company;
- disclose material personal interests and avoid actual or potential conflicts of interests;
- keep themselves informed of relevant Company matters;
- keep confidential the business of all directors meetings; and
- observe and support the Board's Corporate Governance practices and procedures.

Directors also required to provide the Company with details of all securities registered in the director's name or an entity in which the director has a relevant interest within the meaning of section 9 of the Corporations Act 2001 and details of all contracts, other than contracts to which the Company is a party to which the director is a party or under which the director is entitled to a benefit, and that confer a right to call for or deliver shares in the Company and the nature of the director's interest under the contract.

Directors are required to disclose to the Board any material contract in which they may have an interest. In accordance with Section 195 of the Corporations Act 2001, a director having a material personal interest in any matter to be dealt with by the Board, will not be present when that matter is considered by the Board and will not vote on that matter.

### Recommendation 3.2 - Recommendation followed

Directors, officers and employees are not permitted to trade in securities of the Company at any time whilst in possession of price sensitive information not readily available to the market. Section 1043A of the Corporations Act 2001 also prohibits the acquisition and disposal of securities where a person possess information that is not generally available and which may reasonably be expected to have a material effect on the price of the securities if the information was generally available. A securities trading policy has been established and all employees and Directors are obliged to comply.

All directors have signed agreements with the Company which require them to provide the Company with details of all securities registered in the director's name or an entity in which the director has a relevant interest within the meaning of section 9 of the Corporations Act 2001 and details of all contracts, other than contracts to which the Company is a party to which the director is a party or under which the director is entitled to a benefit, and that confer a right to call for or deliver shares in the Company and the nature of the director's interest under the contract.

Directors are required to disclose to the Board any material contract in which they may have an interest. In accordance with Section 195 of the Corporations Act 2001, a director having a material personal interest in any matter to be dealt with by the Board, will not be present when that matter is considered by the Board and will not vote on that matter.

### Recommendation 3.3 - Recommendation followed

A summary of the Company's Trading Policy can be found at www.maximus resources.com/governance.

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

**Recommendation 4.1 - Recommendation followed**
The Company has established an Audit Committee to oversee corporate governance over internal controls, ethical standards, financial reporting, and external accounting and compliance procedures. Also, the Board as a whole addresses the governance aspects of the full scope of Maximus' activities to ensure that it adheres to appropriate ethical standards.

The main responsibilities of the Audit and Corporate Governance Committee include;

- reviewing, assessing and making recommendations to the Board on the annual and half year financial reports released to the market by the Company;
- overseeing establishment, maintenance and reviewing the effectiveness of the Company's internal control and ensuring efficacy and efficiency of operations, reliability of financial reporting and compliance with applicable Accounting Standards and ASX Listing Rules;
- liaising with and reviewing reports of the external auditor; and
- reviewing performance and independence of the external auditor and where necessary making recommendations for appointment and removal of the Company's auditor.

**Recommendation 4.2 - Recommendation not followed**
The Audit Committee consists of two non executive, independent Board directors, Messrs Vickery & Kennedy, and is chaired by Mr Vickery.

The Board believes that given the size of the Company and the stage of the entity's life as a publicly listed junior exploration company that the cost of establishing an audit committee with at least three members in line with ASX Recommendation 4.2 cannot be justified by the perceived benefits of doing so. The existing composition of the Audit Committee is such that review and authorisation of the integrity of the Company's financial reporting and the independence of the external auditor is via the exercise of independent and informed judgment.

**Recommendation 4.3 - Recommendation followed**
A formal Audit Committee Charter has been adopted, that details the functions and responsibilities of the Audit Committee.

**Recommendation 4.4 - Recommendation followed**
Mr Kennedy is a qualified Chartered Accountant. Details of the Audit Committee member's qualifications and attendance at meetings are set out in the Directors' Report section of this report.

The Committee meets at least twice per annum and reports to the Board. The Managing Director, Company Secretary and external auditor may by invitation attend meetings at the discretion of the Committee.

### Principles 5: Make timely and balanced disclosure

**Recommendation 5.1& 5.2 – Recommendations followed**
The Company has adopted a continuous disclosure policy and operates under the continuous disclosure requirements of the ASX Listing Rules and ensures that all information which may be expected to affect the value of the Company's securities or influence investment decisions is released to the market in order that all investors have equal and timely access to material information concerning the Company. The information is made publicly available on the Company's website, following release to the ASX, www.maximusresources.com/governance.

### Principle 6 – Respect the rights of shareholders

**Recommendation 6.1& 6.2 - Recommendations not followed**
The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. In accordance with the ASX Recommendations, information is communicated to shareholders as follows:

- the annual financial report which includes relevant information about the operations of the Company during the year, changes in the state of affairs of the entity and details of future developments, in addition to the other disclosures required by the Corporations Act 2001;
- the half yearly financial report lodged with the Australian Stock Exchange and Australian Securities and Investments Commission and sent to all shareholders who request it;
- notifications relating to any proposed major changes in the Company which may impact on share ownership rights that are submitted to a vote of shareholders;
- notices of all meetings of shareholders;
- publicly released documents including full text of notices of meetings and explanatory material made available on the Company's web-site; and
- disclosure of the Company's Corporate Governance practices and communications strategy on the entity's web-site.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions. The external auditor of the Company is also invited to the Annual General Meeting of shareholders and is available to answer any questions concerning the conduct, preparation and content of the auditor's report. Pursuant to section 249K of the Corporations Act 2001 the external auditor is provided with a copy of the notice of meeting and related communications received by shareholders.

Due to the size of the Company and the stage of life of the entity as a publicly listed junior exploration company, the Board does not believe a formal policy for shareholder communication is required. However, a summary describing how the Company will communicate with its shareholders is posted on the Company's website, *www.maximusresources.com/governance.*

### Principle 7: Recognise and manage risk

**Recommendation 7.1, 7.2 & 7.4 - Recommendations not followed**
The Board recognises that there are inherent risks associated with the Company's operations including mineral exploration and mining, environmental, title and native title, legal and other operational risks. The Board endeavours to mitigate such risks by continually reviewing the activities of the Company in order to identify key business and operational risks and ensuring that they are appropriately assessed and managed. No formal report in relation to the Company's management of its material business risk is presented to the Board.

Due to the size of the Company and the stage of life of the entity as a publicly listed junior exploration company, and the inherent risks associated with the industry it operates in, the Board does not believe formal policies for oversight and management of risk is required nor a mechanism for formal review be established. A summary describing how the Company manages risk by procedures established at Board and executive level can be found posted on the Company's website, www.maximusresources.com/governance.

**Recommendation 7.3 - Recommendation followed**
In accordance with ASX Recommendation 7.3 the Chief Executive Officer and Chief Financial Officer have provided assurances that the written declarations under s295A of the Corporations Act are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. Both the Chief Executive Officer and Chief Financial Officer provided said assurances at the time the s295A declarations were provided to the Board.

**Principle 8: Remunerate fairly and responsibly**

**Recommendation 8.1 - Recommendation not followed**
The Board believes that given the size of the Company and the stage of the entity's life as a publicly listed junior exploration company that the cost of establishing a formal remuneration committee in line with ASX Recommendation 8.1 cannot be justified by the perceived benefits of doing so.

The Board takes responsibility for monitoring the composition of the Board and reviewing the compensation of the Company's Executive Directors and senior management with the overall objective of motivating and appropriately rewarding performance.

**Recommendation 8.2 & 8.3 - Recommendations followed**
In accordance with ASX Recommendation 8.2 the Company's remuneration practices are set out as follows.

The Company's Constitution specifies that the total amount of remuneration of non executive directors shall be fixed from time to time by a general meeting. The current maximum aggregate remuneration of non executive directors has been set at $300,000 per annum. Directors may apportion any amount up to this maximum amount amongst the non executive directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as directors.

Non-executive director remuneration is by way of fees and statutory superannuation contributions. Non-executive directors do not participate in schemes designed for remuneration of executives nor do they receive options or bonus payments and are not provided with retirement benefits other than salary sacrifice and statutory superannuation.

The remuneration of the Managing Director is determined by the Board as part of the terms and conditions of his employment which are subject to review from time to time. The remuneration of employees is determined by the Managing Director subject to the approval of the Board.

The Company's remuneration structure is based on a number of factors including the particular experience and performance of the individual in meeting key objectives of the Company. The Board is responsible for assessing relevant employment market conditions and achieving the overall, long term objective of maximising shareholder benefits, through the retention of high quality personnel.

The Company does not presently emphasise payment for results through the provision of cash bonus schemes or other incentive payments based on key performance indicators of the Company given the nature of the Company's business as a recently listed mineral exploration entity and the current status of its activities. However the Board may approve the payment of cash bonuses from time to time in order to reward individual executive performance in achieving key objectives as considered appropriate by the Board.

The Company also has an Employee Share Option Plan approved by shareholders that enables the Board to offer eligible employees options to ordinary fully paid shares in the Company. Under the terms of the Plan, options to ordinary fully paid shares may be offered to the Company's eligible employees at no cost in accordance with the terms and conditions of the Plan. The objective of the Plan is to align the interests of employees and shareholders by providing employees of the Company with the opportunity to participate in the equity of the Company as an incentive to achieve greater success and profitability for the Company and to maximise the long term performance of the Company. The non-executive directors are not eligible to participate in the Plan.

The employment conditions of the Managing Director are formalised in a contract of employment. The Managing Director's contract may be terminated at any time by mutual agreement or without notice in serious instances of misconduct.

Further details of director's remuneration, superannuation and retirement payments are set out in the Remuneration Report section of the Directors' Report.

The Company's Corporate Governance Policies can be found at *www.maximusresources.com/governance*

| | | Consolidated | | Parent entity | |
|---|---|---|---|---|---|
| | | **30 June 2010 $** | 30 June 2009 $ | **30 June 2010 $** | 30 June 2009 $ |
| **Revenue from continuing operations** | 4 | **316,327** | 684,460 | **93,495** | 425,921 |
| Cost of goods sold | | **(460,896)** | (902,749) | **(123,637)** | (902,749) |
| Other expenses | | **(87,255)** | (161,986) | **(47,428)** | (161,100) |
| Marketing expense | 5 | **(158,640)** | (295,285) | **(96,434)** | (168,241) |
| Administrative expenses | 5 | **(1,525,834)** | (1,851,833) | **(719,387)** | (1,004,583) |
| Finance costs | | **(3,975)** | (4,671) | **(2,878)** | (3,513) |
| Exploration expenditure written off | 5 | **(8,759,982)** | (11,503,828) | **(6,097,181)** | (3,487,273) |
| Impairment of financial assets | | **-** | - | **-** | (6,386,286) |
| **(Loss) before income tax** | | **(10,680,255)** | (14,035,892) | **(6,993,450)** | (11,687,824) |
| Income tax expense | 6 | **571,428** | 647,225 | **78,796** | 2,376,291 |
| (Loss) from continuing operations | | **(10,108,827)** | (13,388,667) | **(6,914,654)** | (9,311,533) |
| **(Loss) for the year** | | **(10,108,827)** | (13,388,667) | **(6,914,654)** | (9,311,533) |
| **Other comprehensive income** | | | | | |
| Changes in the fair value of available-for-sale financial assets (net of tax) | 21(a) | **-** | - | **(566,600)** | (1,739,300) |
| **Other comprehensive income for the year, net of tax** | | **-** | - | **(566,600)** | (1,739,300) |
| **Total comprehensive income for the year** | 21(a) | **(10,108,827)** | (13,388,667) | **(7,481,254)** | (11,050,833) |
| (Loss) is attributable to: | | | | | |
| Total comprehensive income for the year is attributable to: | | | | | |
| Owners of Maximus Resources Limited | | **(7,628,993)** | (7,949,558) | **(7,481,254)** | (11,050,833) |
| Non-controlling interest | | **(2,479,834)** | (5,439,109) | **-** | |
| | | **(10,108,827)** | (13,388,667) | **(7,481,254)** | (11,050,833) |
| | | **Cents** | Cents | | |
| **Earnings per share for (loss) from continuing operations attributable to the ordinary equity holders of the parent entity:** | | | | | |
| Basic earnings per share | 29 | **(4.17)** | (7.94) | | |
| Diluted earnings per share | 29 | **(4.17)** | (7.94) | | |

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

| | Notes | Consolidated | | Parent entity | |
|---|---|---|---|---|---|
| | | **30 June 2010 $** | 30 June 2009 $ | **30 June 2010 $** | 30 June 2009 $ |
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 7 | **1,696,836** | 1,650,254 | **1,335,541** | 892,069 |
| Trade and other receivables | 8 | **893,529** | 946,342 | **483,002** | 459,964 |
| Inventories | 9 | **111,325** | - | **70,239** | - |
| Other current assets | | **98,841** | 98,841 | **98,841** | 98,841 |
| Total current assets | | **2,800,531** | 2,695,437 | **1,987,623** | 1,450,874 |
| **Non-current assets** | | | | | |
| Investments accounted for using the equity method | 10 | **2** | 2 | **1** | 1 |
| Available-for-sale financial assets | 14 | **-** | - | **713,714** | 1,508,143 |
| Property, plant and equipment | 15 | **1,584,608** | 1,733,064 | **762,112** | 912,763 |
| Exploration and evaluation | 16(a) | **16,449,313** | 24,793,046 | **14,483,097** | 21,015,582 |
| Mine properties | 16(b) | **3,802,431** | 1,346,026 | **1,476,000** | - |
| Security deposit | | **17,750** | 17,750 | **-** | - |
| Total non-current assets | | **21,854,104** | 27,889,888 | **17,434,924** | 23,436,489 |
| **Total assets** | | **24,654,635** | 30,585,325 | **19,422,547** | 24,887,363 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 17 | **487,793** | 403,609 | **220,445** | 253,826 |
| Provisions | 18 | **31,358** | 38,211 | **3,193** | 4,014 |
| Total current liabilities | | **519,151** | 441,820 | **223,638** | 257,840 |
| **Non-current liabilities** | | | | | |
| Provisions | 19 | **30,355** | - | **2,282** | - |
| Total non-current liabilities | | **30,355** | - | **2,282** | - |
| **Total liabilities** | | **549,506** | 441,820 | **225,920** | 257,840 |
| **Net assets** | | **24,105,129** | 30,143,505 | **19,196,627** | 24,629,523 |
| **EQUITY** | | | | | |
| Contributed equity | 20 | **31,373,928** | 29,341,900 | **31,373,928** | 29,341,900 |
| Reserves | 21 | **1,319,605** | 1,368,875 | **(426,420)** | 123,851 |
| Retained earnings | | **(17,449,350)** | (10,494,894) | **(11,750,881)** | (4,836,228) |
| Capital and reserves attributable to owners of Maximus Resources Limited | | **15,244,183** | 20,215,881 | **19,196,627** | 24,629,523 |
| Non-controlling interests | | **8,860,946** | 9,927,624 | **-** | - |
| **Total equity** | | **24,105,129** | 30,143,505 | **19,196,627** | 24,629,523 |

*The above statement of financial position should be read in conjunction with the accompanying notes.*

| Consolidated | Notes | Issued capital $ | Option reserve $ | Available for sale reserve $ | Retained earnings $ | Non-controlling interest $ | Total equity $ |
|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2008** | | **27,046,405** | **1,208,755** | **-** | **(2,545,826)** | **15,336,785** | **41,046,119** |
| **Total comprehensive income for the year** | | | | | | | |
| Profit/ (loss) for the period | | - | - | - | (7,949,560) | - | (7,949,560) |
| Profit/ (loss) attributed to non-controlling interest | | - | - | - | - | (5,439,108) | (5,439,108) |
| **Transactions with owners in their capacity as owners:** | | | | | | | |
| Contributions of equity | 20 | 2,332,943 | - | - | - | - | 2,332,943 |
| Options issued during the period | | - | 160,718 | - | - | - | 160,718 |
| Movements in non-controlling interest | | - | (598) | - | 492 | 106 | - |
| Shares issued to non-controlling interest | | - | - | - | - | 7,373 | 7,373 |
| Non-controlling interest in option reserve | | - | - | - | - | 22,468 | 22,468 |
| Transaction costs (net of tax) | | (37,448) | - | - | - | - | (37,448) |
| **Subtotal** | | 2,295,495 | 160,120 | - | 492 | 29,947 | 2,486,054 |
| **Balance at 30 June 2009** | | **29,341,900** | **1,368,875** | **-** | **(10,494,894)** | **9,927,624** | **30,143,505** |

| Consolidated | Notes | Issued capital $ | Option reserve $ | Available for sale reserve $ | Retained earnings $ | Non-controlling interest $ | Total equity $ |
|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2009** | | **29,341,900** | **1,368,875** | **-** | **(10,494,894)** | **9,927,624** | **30,143,505** |
| **Total comprehensive income for the year** | | | | | | | |
| Profit/ (loss) for the period | | - | - | - | (7,628,993) | - | (7,628,993) |
| Profit/(loss) attributed to non-controlling interest | | - | - | - | - | (2,479,834) | (2,479,834) |
| Movement in non-controlling interest | | - | - | - | 674,537 | (674,537) | - |
| **Transactions with owners in their capacity as owners:** | | | | | | | |
| Contributions of equity | 20 | 2,061,800 | - | - | - | 2,053,199 | 4,114,999 |
| Options issued during the period | 20 | - | 16,329 | - | - | - | 16,329 |
| Movements in non-controlling interest | 31 | - | (65,599) | - | - | 65,599 | - |
| Transaction costs (net of tax) | | (29,772) | - | - | - | (31,105) | (60,877) |
| **Subtotal** | | 2,032,028 | (49,270) | - | - | 2,087,693 | 4,070,451 |
| **Balance at 30 June 2010** | | **31,373,928** | **1,319,605** | **-** | **(17,449,350)** | **8,860,946** | **24,105,129** |

(continued)

| **Parent entity** | Notes | **Issued capital $** | **Option reserve $** | **Available for sale reserve $** | **Retained earnings $** | **Non-controlling interest $** | **Total equity $** |
|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2008** | | **27,046,405** | **1,154,890** | **(3,910,800)** | **4,475,306** | **-** | **28,765,801** |
| **Total comprehensive income for the year** | | | | | | | |
| Profit/ (loss) for the period | | - | - | - | (9,311,533) | - | (9,311,533) |
| Revaluation of financial assets (net of tax) | | - | - | (1,739,300) | - | - | (1,739,300) |
| **Restated total comprehensive income for the year** | | **-** | **-** | **(1,739,300)** | **(9,311,533)** | **-** | **(11,050,833)** |
| **Transactions with owners in their capacity as owners:** | | | | | | | |
| Contributions of equity | 20 | 2,332,943 | - | - | - | - | 2,332,943 |
| Impairment to statement of comprehensive income | | - | - | 4,470,550 | - | - | 4,470,550 |
| Options issued during the period | 21 | - | 148,511 | - | - | - | 148,511 |
| Transaction costs (net of tax) | | (37,448) | - | - | - | - | (37,448) |
| **Subtotal** | | 2,295,495 | 148,511 | 4,470,550 | - | - | 6,914,556 |
| **Balance at 30 June 2009** | | **29,341,900** | **1,303,401** | **(1,179,550)** | **(4,836,227)** | **-** | **24,629,524** |

| **Parent entity** | Notes | **Issued capital $** | **Option reserve $** | **Available for sale reserve $** | **Retained earnings $** | **Non-controlling interest $** | **Total equity $** |
|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2009** | | **29,341,900** | **1,303,401** | **(1,179,550)** | **(4,836,227)** | **-** | **24,629,524** |
| Profit/ (loss) for the period | | - | - | - | (6,914,654) | - | (6,914,654) |
| Revaluation of financial assets (net of tax) | | - | - | (566,600) | - | - | (566,600) |
| **Restated total comprehensive income for the year** | | **-** | **-** | **(566,600)** | **(6,914,654)** | **-** | **(7,481,254)** |
| **Transactions with owners in their capacity as owners:** | | | | | | | |
| Contributions of equity | 20 | 2,061,800 | - | - | - | - | 2,061,800 |
| Options issued during the period | 21 | - | 16,329 | - | - | - | 16,329 |
| Transaction costs (net of tax) | | (29,772) | - | - | - | - | (29,772) |
| **Subtotal** | | 2,032,028 | 16,329 | - | - | - | 2,048,357 |
| **Balance at 30 June 2010** | | **31,373,928** | **1,319,730** | **(1,746,150)** | **(11,750,881)** | **-** | **19,196,627** |

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

| | Notes | Consolidated 30 June 2010 $ | Consolidated 30 June 2009 $ | Parent entity 30 June 2010 $ | Parent entity 30 June 2009 $ |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Receipts from customers | | **220,716** | 339,783 | **28,259** | 339,783 |
| Payments to suppliers and employees | | **(1,878,819)** | (3,499,703) | **(884,652)** | (2,383,178) |
| Interest received | | **102,558** | 442,374 | **71,872** | 86,138 |
| Income tax received | | **663,274** | - | **333,824** | - |
| **Net cash outflow (inflow) from operating activities** | 28 | **(892,271)** | (2,717,546) | **(450,697)** | (1,957,257) |
| **Cash flows from investing activities** | | | | | |
| Payment for purchase of subsidiary, net of cash acquired | 31 | **-** | (2,645,328) | **-** | - |
| Payments for property, plant and equipment | | **(276,102)** | (270,084) | **(81,370)** | (252,663) |
| Payments for development assets | | **(1,104,363)** | - | **-** | - |
| Proceeds from sale of property, plant and equipment | | **170,998** | 101,509 | **76,132** | 101,509 |
| Proceeds from sale of available-for-sale financial assets | | **-** | 973,326 | **-** | 973,326 |
| Proceeds from sale of tenements | | **-** | 200,000 | **-** | 200,000 |
| Repayment of loans by related parties | | **75,000** | 275,000 | **-** | 175,000 |
| Purchase of investments | | **-** | - | **(15,000)** | - |
| Payment of security bonds | | **-** | (60,341) | **-** | (60,341) |
| Payments for exploration and evaluation | | **(1,956,416)** | (7,225,929) | **(1,104,863)** | (4,760,723) |
| **Net cash (outflow) inflow from investing activities** | | **(3,090,883)** | (8,651,847) | **(1,125,101)** | (3,623,892) |
| **Cash flows from financing activities** | | | | | |
| Proceeds from issues of shares and other equity securities | | **4,114,999** | 2,286,820 | **2,061,800** | 2,279,446 |
| Payments of issue costs | | **(85,263)** | - | **(42,531)** | - |
| **Net cash inflow (outflow) from financing activities** | | **4,029,736** | 2,286,820 | **2,019,269** | 2,279,446 |
| **Net increase (decrease) in cash and cash equivalents** | | **46,582** | (9,082,573) | **443,471** | (3,301,703) |
| Cash and cash equivalents at the beginning of the financial year | | **1,650,254** | 10,732,827 | **892,070** | 4,193,772 |
| **Cash and cash equivalents at end of year** | 7 | **1,696,836** | 1,650,254 | **1,335,541** | 892,069 |

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

## 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements include separate financial statements for Maximus Resources Limited as an individual entity and the consolidated entity consisting of Maximus Resources Limited and its subsidiaries.

### (a) Basis of preparation

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

*Compliance with IFRS*
The consolidated financial statements of the Maximus Resources Limited consolidated entity and the separate financial statements of Maximus Resources Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

*Historical cost convention*
These financial statements have been prepared on an accrual basis, under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

*Critical accounting estimates*
The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

### (b) Accounting Standards not Previously Applied

The Company has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current year. Disclosures required by these Standards that are deemed material have been included in these financial statements on the basis that they represent a significant change in information from that previously made available.

**Presentation of Financial Statements**
AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in these financial statements include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of ‘other comprehensive income’. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the separate income statement/single statement approach to the presentation of the Statement of Comprehensive Income;
- other financial statements are renamed in accordance with the Standard; and
- presentation of a third Statement of Financial Position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.

*Third statement of financial position*

Two comparative periods are presented for the statement of financial position when the Company:

i Applies an accounting policy retrospectively,
ii Makes a retrospective restatement of items in its financial statements, or
iii Reclassifies items in the financial statements

We have determined that only one comparative period for the statement of financial position was required for the current reporting period as the application of the new accounting standards have had no material impact on the previously presented primary financial statements that were presented in the prior year financial statements.

**Operating Segments**
From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group’s chief operating decision maker which, for the Group, is the board of directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Comprehensive Income and the Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the financial reports have been included.

## 1 Summary of significant accounting policies (continued)

### (c) Principles of consolidation

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

Subsidiaries are all entities (including special purpose entities) over which the consolidated entity 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 consolidated entity controls another entity.

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

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

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity 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 consolidated entity.

### (d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors. The chief operating decision maker has been identified as the Board of Directors.

### (e) Revenue recognition

*(i) Revenue from the sale of goods*
Revenue from sale of refined gold production and internet sales of gold nuggets. Recognition is at point of sale of the product, when the risks and rewards of ownership are transferred.

*(ii) Interest income*
Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

### (f) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset or deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply for the period when the asset is realized or the liability is settled, based on tax rates enacted or substantially enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognized only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilized.

## 1 Summary of significant accounting policies (continued)

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognized where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realization and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realization and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

### (g) Impairment of non-financial assets

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 each reporting date.

### (h) Cash and cash equivalents

For the purpose of presentation in the statement 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 statement of financial position.

### (i) Trade receivables

Trade receivables are recognised initially at fair value and are generally due for settlement within 30 days.

### (j) Investments in associates

Associates are all entities over which the consolidated entity has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The consolidated entity's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 13).

### (k) Joint ventures

The consolidated entity’s share of the assets, liabilities, revenue and expenses of joint venture operations are included in appropriate items of the consolidated financial statements. Details of the consolidated entity’s interests are shown at note 26.

The consolidated entity’s interests in joint venture entities are brought to account using the equity method accounting in the consolidated financial statements. The parent entity’s interests in joint venture entities are brought to account using the cost method.

### (l) Investments and other financial assets

***Recognition and derecognition***
Regular purchases and sales of financial assets are recognised on trade-date - the date on which the consolidated entity 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 consolidated entity has transferred substantially all the risks and rewards of ownership.

## 1 Summary of significant accounting policies (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 consolidated entity'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.

***Fair value***
The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

***Impairment***
The consolidated entity 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.

### (m) Plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

*Plant and equipment*
Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount. The recoverable amount is assessed on the basis of the expected net cash flows that 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.

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

*Depreciation*
The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. The depreciation rates used for plant & equipment are from 12.5 to 40%. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined in comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

## 1 Summary of significant accounting policies (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of financial performance. When revalued assets are sold, it is consolidated entity policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

### (n) Trade and other payables

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

### (o) Employee benefits

*(i) Short-term obligations*
Provision is made for the group's liability for employee benefits arising from services rendered by employees to balance date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been discounted using the government bond rate closest to expiry date.

*(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) Share-based payments*
Share-based compensation benefits are provided to employees via the Maximus Resources Limited Employee Option Plan and an employee share scheme. Information relating to these schemes is set out in note 30.

The cost of equity-settled transactions is measured by the fair value at the date at which the equity instruments are granted. The fair value is determined using the Black-Scholes pricing model. The cost is recognized as an expense in the income statement with a corresponding increase in the share option reserve or issued capital when the options or shares are issued.

### (p) Earnings per share

*(i) Basic earnings per share*
Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders 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, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (note 20.

*(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.

## 1 Summary of significant accounting policies (continued)

### (q) Exploration and evaluation expenditure

Exploration and evaluation costs related to an area of interest are written off as incurred except they may be carried forward as an item in the statement of financial position where the rights of tenure of an area are current and one of the following conditions is met:

- the costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
- exploration and/or evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Capitalised costs include costs directly related to exploration and evaluation activities in the relevant area of interest. General and administrative costs are allocated to an exploration or evaluation asset only to the extent that those costs can be related directly to operational activities in the area of interest to which the asset relates.

Capitalised exploration and evaluation expenditure is written off where the above conditions are no longer satisfied.

Identifiable exploration assets acquired are recognised as assets at their cost of acquisition, as determined by the requirements of AASB 3 *Business Combinations.*

Exploration and evaluation expenditure incurred subsequent to the acquisition in respect of an exploration asset acquired is accounted for in accordance with the policy outlined above.

All capitalised exploration and evaluation expenditure is assessed for impairment if facts and circumstances indicate that an impairment may exist. Exploration and evaluation assets are also tested for impairment once commercial reserves are found, before the assets are transferred to development properties.

### (r) Development properties

Development expenditure incurred by or on behalf of the consolidated entity is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the directors. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure having a specific nexus with the development property.

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated with the cost of development and classified under non-current assets as "development properties".

A development property is reclassified as "mine property" at the end of the commissioning phase, when the production reaches a previously determined capacity.

No amortisation is provided in respect of development properties until they are reclassified as "mine properties".

Development properties are tested for impairment in accordance with the policy in note 1(g).

### (s) Mine properties

Mine properties represent the accumulation of all exploration, evaluation and development expenditure incurred by or on behalf of the consolidated entity in relation to areas of interest in which mining of a mineral resource has commenced.

When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the mine property only when it is probable that the additional future economic benefits associated with the expenditure will flow to the consolidated entity. Otherwise such expenditure is classified as part of the cost of production.

Mine properties are tested for impairment in accordance with the policy in note 1(g).

### (t) Decommissioning and site rehabilitation

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by the exploration, development or ongoing production. Costs are estimated on the basis of a formal closure plan and are subject to regular review.

## 1 Summary of significant accounting policies (continued)

The costs for restoration of site damage, which is created on an ongoing basis during production, are provided at their net present values and charged against operating profits as extraction progresses. Changes in the measurement of a liability relating to site damage created during production is charged against operating profit.

### (u) 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 statement of financial position.

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.

### (v) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

### (w) Inventories

*(i) Raw materials, stores and finished goods*
Refined gold production and gold nuggets on hand at year end, are stated at the lower of cost and net realisable value. Cost of goods sold comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. 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.

### (x) Contributed equity

Ordinary shares are classified as equity.

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

### (y) Key estimates

***Impairment***
The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

***Exploration and Evaluation***
The consolidated entity's policy for exploration and evaluation is discussed in Note 1(q). The application of this policy requires management to make certain assumptions as to future events and circumstances. 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 sale or exploration, then the relevant capitalised amount will be written off through the statement of comprehensive income.

### (z) Business combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method.

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

The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

### (aa) New accounting standards and interpretations

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the consolidated entity follows:

The Company does not anticipate the early adoption of any of the below Australian Accounting Standards.

**AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).**
These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Company has not yet determined the potential impact on the financial statements. The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
  a. the objective of the entity's business model for managing the financial assets;
  b. the characteristics of the contractual cash flows.

**AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).**
This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the consolidated entity.

**AASB 2009–4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).**
These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the consolidated entity.

**AASB 2009–8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).**
These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the consolidated entity.

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

**AASB 2009–9: Amendments to Australian Accounting Standards — Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).**
These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the consolidated entity.

**AASB 2009–10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).**
These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the consolidated entity.

**AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).**
This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the consolidated entity.

**AASB 2009–13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).**
This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the consolidated entity.

**AASB 2009–14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).**
This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. These amendments are not expected to impact the consolidated entity.

**AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).**
This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the consolidated entity.

## 2 Financial risk management

The consolidated entity's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the consolidated entity's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The consolidated entity and the parent entity hold the following financial instruments:

| | **Consolidated** | | **Parent entity** | |
|---|---|---|---|---|
| | **30 June 2010 $** | 30 June 2009 $ | **30 June 2010 $** | 30 June 2009 $ |
| **Financial assets** | | | | |
| Cash and cash equivalents | **1,696,835** | 1,650,254 | **1,335,541** | 892,069 |
| Trade and other receivables | **893,529** | 946,342 | **483,002** | 459,964 |
| Investments accounted for using the equity method | **2** | 2 | **1** | 1 |
| Derivative financial instruments | **-** | - | **-** | - |
| Available-for-sale financial assets | **-** | - | **713,714** | 1,508,143 |
| | **2,590,366** | 2,596,598 | **2,532,258** | 2,860,177 |
| **Financial liabilities** | | | | |
| Trade and other payable | **487,792** | 403,609 | **220,445** | 253,826 |
| | **487,792** | 403,609 | **220,445** | 253,826 |

### (a) Market risk

*(i) Foreign exchange risk*
The consolidated entity is not exposed to foreign exchange risk.

*(ii) Price risk*
The consolidated entity is not exposed to any material price risk.

*(iii) Cash flow and fair value interest rate risk*
Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted interest rates on classes of financial assets and financial liabilities. Interest rate risk is managed by the Company with the use of rolling short-term deposits.

The consolidated entity has no long term financial liabilities upon which it pays interest.

| | 30 June 2010 | | 30 June 2009 | |
|---|---|---|---|---|
| **Parent entity** | Weighted average interest rate **%** | Balance $ | Weighted average interest rate % | Balance $ |
| Cash and cash equivalents | 5.5 % | 1,335,541 | 3.1 % | 892,069 |
| Net exposure to cash flow interest rate risk | | 1,335,541 | | 892,069 |

## 2 Financial risk management (continued)

*(iv) Interest rate sensitivity analysis*
At 30 June 2010, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

| | | Interest rate risk | | | |
|---|---|---|---|---|---|
| | | Increase 2% | | Decrease 2% | |
| 30 June 2010 | Carrying amount $ | Profit $ | Equity $ | Profit $ | Equity $ |
| Financial assets | | | | | |
| Cash and cash equivalents | 1,696,835 | 33,937 | 33,937 | (33,937) | (33,937) |
| Total increase/ (decrease) | | 33,937 | 33,937 | (33,937) | (33,937) |

| | | Interest rate risk | | | |
|---|---|---|---|---|---|
| | | Increase 2% | | Decrease 2% | |
| 30 June 2009 | Carrying amount $ | Profit $ | Equity $ | Profit $ | Equity $ |
| Financial assets | | | | | |
| Cash and cash equivalents | 1,650,254 | 33,005 | 33,005 | (33,005) | (33,005) |
| Total increase/ (decrease) | | 33,005 | 33,005 | (33,005) | (33,005) |

### (b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk.

### (c) Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in settling it's debts or otherwise meeting it's obligations.

The consolidated entity manages liquidity risk by monitoring cash flows and ensuring that adequate funds are available to meet cash demands. At the reporting date the consolidated entity held deposits at call of $1,000,000 (2009 - $2,612,000) that are expected to readily generate cash inflows for managing liquidity risk.

### (d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

As of 1 July 2009, Maximus Resources Limited has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2),and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

The following table presents the parent entity's assets and liabilities measured and recognised at fair value at 30 June 2010.

## 2 Financial risk management (continued)

| **Parent entity - as at 30 June 2010** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Assets** | | | | |
| Available-for-sale financial assets | | | | |
| ERO Mining Limited | 713,714 | - | - | 713,714 |
| FME Exploration Services Pty Ltd | 1 | - | - | 1 |
| | 713,715 | - | - | 713,715 |

| **Parent entity - as at 30 June 2009** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Assets** | | | | |
| Available-for-sale financial assets | | | | |
| ERO Mining Limited | 1,508,143 | - | - | 1,508,143 |
| FME Exploration Services Pty Ltd | 1 | - | - | 1 |
| | 1,508,144 | - | - | 1,508,144 |

## 3 Segment information

### (a) Description of segments

**Identification of reportable segments**
Maximus Resources Limited has identified it's operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

Maximus Resources Limited is managed primarily on the basis of geographical area of interest, since the diversification of Maximus Resources Limited operations' inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered tc have similar economic characteristics and are also similar with respect to the following:

- external regulatory requirements
- geographical and geological styles

**Mining**
The Sellheim segment will mine for alluvial gold. Further listed segmented assets for Maximus Resources Limited including development costs and costs associated with the mining lease are reported on in this segment.

**Accounting policies developed**
Unless stated otherwise, all amounts reported to the Board of Directors as chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of Maximus Resources Limited.

**Comparative Information**
This is the first reporting period in which AASB 8: Operating segments has been adopted. Comparative information has been stated to conform to the requirements of the standard.

## 3 Segment information (continued)

| **2010** | **Sellheim** $ | **Adelaide Hills Province** $ | **Narndee** $ | **Other** $ | **ERO Mining** $ | **Total** $ |
|---|---|---|---|---|---|---|
| **Segment revenue** | 28,259 | - | - | - | 192,457 | 220,716 |
| **Adjusted EBITDA** | **(1,206,295)** | **-** | **(5,242,092)** | **(99,792)** | **(2,377,537)** | **(8,737,591)** |
| Cost of goods sold | (460,896) | - | - | - | - | (460,896) |
| Impairement | (585,533) | - | (5,242,092) | (99,792) | (2,569,994) | (8,497,411) |
| **Segment assets** | 1,866,364 | 6,931,179 | 5,235,742 | 1,996,051 | 12,675,428 | 28,704,764 |
| Inter-segment elimination | - | - | - | - | (8,341,695) | (8,341,695) |
| **Total** | **1,866,364** | **6,931,179** | **5,235,742** | **1,996,051** | **4,333,733** | **20,363,069** |
| **Segment asset movements for the period** | | | | | | |
| Capital expenditure | 545,658 | 90,558 | 227,169 | 71,549 | 1,863,274 | 2,798,208 |
| Amortisation | (188,125) | - | - | - | - | (188,125) |
| Impairment | (585,533) | - | (5,242,092) | (99,792) | (2,569,994) | (8,497,411) |
| **Total movement** | **(228,000)** | **90,558** | **(5,014,923)** | **(28,243)** | **(706,717)** | **(5,887,325** |
| Total segment assets | | | | | | 20,363,069 |
| Unallocated assets | | | | | | 4,291,565 |
| **Total assets** | | | | | | **24,654,634** |
| **Total segment liabilities** | - | - | - | - | - | - |
| Unallocated liabilities | | | | | | 549,505 |
| **Total liabilities** | | | | | | **549,505** |

## 3 Segment information (continued)

| **2009** | **Sellheim** $ | **Adelaide Hills Province** $ | **Narndee** $ | **Other** $ | **ERO Mining** $ | **Total** $ |
|---|---|---|---|---|---|---|
| **Segment revenue** | 339,783 | - | - | - | - | 339,783 |
| **Adjusted EBITDA** | **(3,020,123)** | **-** | **-** | **-** | **(7,589,893)** | **(10,610,016)** |
| Cost of goods sold | (902,749) | - | - | - | - | (902,749) |
| Impairment | (2,457,157) | - | - | - | (7,589,893) | (10,047,050) |
| **Segment assets** | 1,900,000 | 6,840,621 | 10,250,665 | 2,024,297 | 13,465,184 | 34,480,767 |
| Inter-segment elimination | - | - | - | - | (8,341,695) | (8,341,695) |
| **Total** | **1,900,000** | **6,840,621** | **10,250,665** | **2,024,297** | **5,123,489** | **26,139,072** |
| **Segment asset movements for the period** | | | | | | |
| Capital expenditure | 1,418,235 | 961,832 | 901,616 | 133,728 | 2,037,659 | 5,453,070 |
| Acquisitions | - | - | - | - | 2,157,976 | 2,157,976 |
| Impairment | (2,457,157) | - | - | - | (7,589,893) | (10,047,050) |
| **Total movement** | **(1,038,922)** | **961,832** | **901,616** | **133,728** | **(3,394,258)** | **(2,436,004)** |
| Total segment assets | | | | | | 26,139,072 |
| Unallocated assets | | | | | | 4,446,253 |
| **Total assets** | | | | | | **30,585,325** |
| **Total segment liabilities** | - | - | - | - | - | - |
| Unallocated liabilities | | | | | | 441,820 |
| **Total liabilities** | | | | | | **441,820** |

*(i) Segment revenue*

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

| | **Consolidated** | |
|---|---|---|
| | **30 June 2010** $ | 30 June 2009 $ |
| **Total segment revenue** | | |
| Gold sales | **220,716** | 339,783 |
| Interest revenue | **95,611** | 344,677 |
| **Total revenue from continuing operations (note 4)** | **316,327** | 684,460 |

## 3 Segment information (continued)

(ii) *Adjusted EBITDA*

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

| | Consolidated | |
|---|---|---|
| | **30 June 2010 $** | 30 June 2009 $ |
| **Adjusted EBITDA** | | |
| Allocated adjusted EBITDA | **(8,737,591)** | (10,610,016) |
| **Unallocated:** | | |
| Interest revenue | **95,611** | 344,677 |
| Other expenses | **(87,255)** | (161,986) |
| Marketing expenses | **(158,640)** | (295,285) |
| Administrative expenses | **(1,525,834)** | (1,851,833) |
| Finance costs | **(3,975)** | (4,671) |
| Exploration expenditure written off | **(262,571)** | (1,456,778) |
| **Profit before income tax from continuing operations** | **(10,680,255)** | (14,035,892) |

*(iii) Segment assets*
Reportable segments' assets are reconciled to total assets as follows:

| | Consolidated | |
|---|---|---|
| | **30 June 2010 $** | 30 June 2009 $ |
| **Segment assets** | | |
| Allocated segment assets | **20,363,069** | 26,139,072 |
| **Unallocated:** | | |
| Cash and cash equivalents | **1,696,835** | 1,650,254 |
| Trade and other receivables | **893,529** | 946,342 |
| Other assets | **98,841** | 98,841 |
| Investments accounted for using the equity method | **2** | 2 |
| Property, plant and equipment | **1,584,608** | 1,733,064 |
| Security deposit | **17,750** | 17,750 |
| **Total assets as per the statement of financial position** | **24,654,634** | 30,585,325 |

(iv) *Segment liabilities*

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

| | Consolidated | |
|---|---|---|
| | **30 June 2010 $** | 30 June 2009 $ |
| **Segment liabilities** | | |
| Allocated segment liabilities | **-** | - |
| **Unallocated:** | | |
| Trade and other payables | **487,792** | 403,609 |
| Provisions | **61,713** | 38,211 |
| **Total liabilities as per the statement of financial position** | **549,505** | 441,820 |

## 4 Revenue

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **30 June 2010 $** | 30 June 2009 $ | **30 June 2010 $** | 30 June 2009 $ |
| **From continuing operations** | | | | |
| Gold sales | **220,716** | 339,783 | **28,259** | 339,783 |
| Interest received | **95,611** | 344,677 | **65,236** | 86,138 |
| | **316,327** | 684,460 | **93,495** | 425,921 |

## 5 Expenses

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **30 June 2010 $** | 30 June 2009 $ | **30 June 2010 $** | 30 June 2009 $ |
| **Marketing** | | | | |
| Marketing and promotion | **158,640** | 295,285 | **96,434** | 168,241 |
| | **158,640** | 295,285 | **96,434** | 168,241 |
| **Administration** | | | | |
| Compliance | **290,851** | 364,831 | **150,802** | 237,577 |
| Depreciation | **86,122** | 35,798 | **8,346** | 33,497 |
| Administration costs | **310,800** | 505,902 | **111,000** | 270,208 |
| Employment costs | **684,820** | 403,015 | **260,850** | 230,420 |
| Legal fees | **18,687** | 53,445 | **7,377** | 51,775 |
| Other | **134,554** | 488,842 | **181,012** | 181,106 |
| | **1,525,834** | 1,851,833 | **719,387** | 1,004,583 |
| **Exploration expenses** | | | | |
| General exploration expenditure written off | **262,571** | 669,683 | **169,764** | 243,021 |
| Loss on disposal of tenement expenditure | **-** | 787,095 | **-** | 787,095 |
| Capitalised exploration expenditure impaired | **8,497,411** | 10,047,050 | **5,927,417** | 2,457,157 |
| **Total** | **8,759,982** | 11,503,828 | **6,097,181** | 3,487,273 |

## 6 Income tax expense

### (a) Income tax expense

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **30 June 2010 $** | 30 June 2009 $ | **30 June 2010 $** | 30 June 2009 $ |
| Current tax | **-** | - | **-** | 16,050 |
| Deferred tax | **26,091** | 16,050 | **255,587** | (2,058,517) |
| Research and development tax offset | **(597,519)** | (663,275) | **(334,383)** | (333,824) |
| | **(571,428)** | (647,225) | **(78,796)** | (2,376,291) |

### (b) Numerical reconciliation of income tax expense to prima facie tax payable

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **30 June 2010 $** | 30 June 2009 $ | **30 June 2010 $** | 30 June 2009 $ |
| Profit from continuing operations before income tax expense | **(10,680,255)** | (14,035,892) | **(6,993,450)** | (11,687,824) |
| Prima facie tax payable on profit from ordinary activities before income tax at 30% (2009: 30%) | | | | |
| consolidated entity | **(3,204,077)** | (4,210,768) | **-** | - |
| parent entity | **-** | - | **(2,098,035)** | (3,506,347) |
| **Add:** | | | | |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | | | |
| Non-allowable items | **4,899** | 2,053 | **4,899** | 2,053 |
| Share options expensed during year | **-** | 30,356 | **-** | 19,954 |
| Share placement issue costs | **29,772** | 16,050 | **12,759** | 16,050 |
| Temporary differences not brought to account | **3,195,497** | 4,178,359 | **2,335,964** | 1,568,453 |
| **Income tax attributable to entity** | **26,091** | 16,050 | **255,587** | (1,899,837) |
| **Less:** | | | | |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | | | |
| Recognition of timing differences not previously brought to account | **-** | - | **-** | (142,630) |
| Research and development tax offset | **(597,519)** | (663,275) | **(334,383)** | (333,824) |
| **Income tax attributable to the entity** | **(571,428)** | (647,225) | **(78,796)** | (2,376,291) |
| Total income tax expense | **(571,428)** | (647,225) | **(78,796)** | (2,376,291) |

Deferred tax assets on the timing differences have not been recognised as they do not meet the recognition criteria as outlined in Note 1(f) in the financial statements. Deferred Tax Asset (DTA) arising from tax losses of a controlled entity is not recognised at reporting date as realisation of the benefit is not regarded as probable:

- timing differences at 30%
- tax losses at 30%

The conbsolidated entity has deferred tax assets arising in Australia of $6,827,980 (2009: $7,673,809) that are available indefinitely for offset against future taxable profits of the companies in which the losses arise.

## 7 Current assets - Cash and cash equivalents

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **30 June 2010 $** | 30 June 2009 $ | **30 June 2010 $** | 30 June 2009 $ |
| Cash at bank and in hand | **596,836** | 1,400,254 | **235,541** | 842,069 |
| Term deposits | **1,100,000** | 250,000 | **1,100,000** | 50,000 |
| | **1,696,836** | 1,650,254 | **1,335,541** | 892,069 |

### (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:

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **30 June 2010 $** | 30 June 2009 $ | **30 June 2010 $** | 30 June 2009 $ |
| Balance as per statement of cash flows | **1,696,836** | 1,650,254 | **1,335,541** | 892,069 |
| | **1,696,836** | 1,650,254 | **1,335,541** | 892,069 |

### (b) Risk exposure

The consolidated entity's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

### (c) Deposits at call

The deposits are bearing an interest rate of 5.46% (2009 - 3.1%). This deposit has a period to repricing of 16 days.

## 8 Current assets - Trade and other receivables

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **30 June 2010 $** | 30 June 2009 $ | **30 June 2010 $** | 30 June 2009 $ |
| **Net trade receivables** | | | | |
| Trade receivables | **701,929** | 721,342 | **380,605** | 384,964 |
| GST paid on purchases | **(2,629)** | - | **3,065** | - |
| | **699,300** | 721,342 | **383,670** | 384,964 |
| **Net receivable from associated company** | | | | |
| Receivable from FME Exploration Services Pty Ltd* | **150,000** | 225,000 | **75,000** | 75,000 |
| | **150,000** | 225,000 | **75,000** | 75,000 |
| **Prepayments** | | | | |
| Pre-paid insurance | **44,229** | - | **24,332** | - |
| | **44,229** | - | **24,332** | - |
| | **893,529** | 946,342 | **483,002** | 459,964 |

* The entity advanced this amount to assist in the funding of working capital. The entity provides support to the associated company to ensure it can pay its debts as and when they fall due and payable.

## 8 Current assets - Trade and other receivables (continued)

### (a) Past due but not impaired

As at 30 June 2010, there are no material trade and other receivables that are considered to be past due and impaired.

### (b) Associated company receivable

This receivable from the associated company is repayable at call and interest at market rates can be charged at the discretion of the Directors of Maximus. The parent entity will not seek repayment where such repayments would prejudice the associated company's ability to meet any obligations as and when they fall due.

## 9 Current assets - Inventories

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **30 June 2010 $** | 30 June 2009 $ | **30 June 2010 $** | 30 June 2009 $ |
| Finished goods | | | | |
| - at net realisable value | **111,325** | - | **70,239** | - |
| | **111,325** | - | **70,239** | - |

## 10 Non-current assets - Investments accounted for using the equity method

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **30 June 2010 $** | 30 June 2009 $ | **30 June 2010 $** | 30 June 2009 $ |
| Shares in associates (note 13) | **2** | 2 | **1** | 1 |
| | **2** | 2 | **1** | 1 |

### (a) Shares in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity.

## 11 Contingencies

### Contingent liabilities

The consolidated entity had no known contingent liabilities as at 30 June 2010 (2009: nil).

## 12 Commitments

### Commitments for exploration and joint venture expenditure

In order to maintain current rights of tenure to exploration tenements Maximus Resources Limited will be required to outlay in the year ending 30 June 2011 amounts of approximately $2,882,000 (2010: $2,478,000) in respect of tenement lease rentals and to meet minimum expenditure requirements pursuant to various joint venture requirements.

## 13 Investments in associates

Interest are held in the following associated company:

FME Exploration Services Pty Ltd

| | Parent | |
|---|---|---|
| | **30 June 2010 $** | 30 June 2009 $ |
| Current assets | **512,545** | 386,586 |
| Share Non-current assets | **341,159** | 428,969 |
| Total assets | **853,704** | 815,555 |
| Current liabilities | **853,701** | 815,552 |
| Total liabilities | **853,701** | 815,552 |
| Net assets | **3** | 3 |
| Shares of associate's profit after tax | **-** | - |

### (a) Contingent liabilities of associates

| | Parent | |
|---|---|---|
| | **30 June 2010 $** | 30 June 2009 $ |
| Share of contingent liabilities incurred jointly with other investors | **85,028** | 83,334 |
| | **85,028** | 83,334 |

## 14 Non-current assets - Available-for-sale financial assets

### (a) Fair values

Available-for-sale financial assets include the following classes of financial assets:

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **30 June 2010 $** | 30 June 2009 $ | **30 June 2010 $** | 30 June 2009 $ |
| Investments | **-** | - | **713,714** | 1,508,143 |
| | **-** | - | **713,714** | 1,508,143 |

### (a) Listed securities

Maximus Resources Limited holds 44,607,143 (2009: 44,357,143) shares in ERO Mining Limited. These are held as available-for-sale and the value marked-to-market at financial year-end.

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

| Consolidated | Plant and equipment $ | Furniture, fittings and equipment $ | Machinery and vehicles $ | Computer equipment and software $ | Total $ |
|---|---|---|---|---|---|
| **Year ended 30 June 2009** | | | | | |
| Opening net book amount | 741,780 | 18,820 | 537,706 | 48,410 | 1,346,716 |
| Acquisition through business combination | 363,574 | - | 102,136 | - | 465,710 |
| Additions | 237,973 | 7,423 | 500 | 25,620 | 271,516 |
| Disposals | (3,942) | (2,231) | (131,251) | - | (137,424) |
| Depreciation charge | (126,201) | (3,235) | (51,457) | (32,561) | (213,454) |
| Closing net book amount | 1,213,184 | 20,777 | 457,634 | 41,469 | 1,733,064 |
| **At 30 June 2009** | | | | | |
| Cost or fair value | 1,397,411 | 25,699 | 592,180 | 100,733 | 2,116,023 |
| Accumulated depreciation | (184,227) | (4,922) | (134,546) | (59,264) | (382,959) |
| Net book amount | 1,213,184 | 20,777 | 457,634 | 41,469 | 1,733,064 |

| Consolidated | Plant and equipment $ | Furniture, fittings and equipment $ | Machinery and vehicles $ | Computer equipment and software $ | Total $ |
|---|---|---|---|---|---|
| **Year ended 30 June 2010** | | | | | |
| Opening net book amount | 1,213,184 | 20,777 | 457,634 | 41,469 | 1,733,064 |
| Additions | 130,357 | 927 | 170,700 | - | 301,984 |
| Disposals | (138,127) | (4,908) | (105,458) | (25,004) | (273,497) |
| Depreciation charge | (135,252) | (1,938) | (31,891) | (7,862) | (176,943) |
| Closing net book amount | 1,070,162 | 14,858 | 490,985 | 8,603 | 1,584,608 |
| **At 30 June 2010** | | | | | |
| Cost or fair value | 1,389,641 | 21,718 | 657,422 | 75,728 | 2,144,509 |
| Accumulated depreciation | (319,479) | (6,860) | (166,437) | (67,125) | (559,901) |
| Net book amount | 1,070,162 | 14,858 | 490,985 | 8,603 | 1,584,608 |

### 15 Non-current assets - Property, plant and equipment (continued)

| Parent entity | Plant and equipment $ | Furniture, fittings and equipment $ | Machinery and vehicles $ | Computer equipment and software $ | Total $ |
|---|---|---|---|---|---|
| **Year ended 30 June 2009** | | | | | |
| Opening net book amount | 603,589 | 16,467 | 284,055 | 44,679 | 948,790 |
| Additions | 220,643 | 7,423 | 500 | 24,096 | 252,662 |
| Disposals | (2,510) | (2,231) | (131,251) | - | (135,992) |
| Depreciation charge | (105,209) | (2,912) | (13,992) | (30,584) | (152,697) |
| Closing net book amount | 716,513 | 18,747 | 139,312 | 38,191 | 912,763 |
| **At 30 June 2009** | | | | | |
| Cost or fair value | 856,413 | 23,119 | 190,335 | 92,911 | 1,162,778 |
| Accumulated depreciation | (139,900) | (4,372) | (51,023) | (54,720) | (250,015) |
| Net book amount | 716,513 | 18,747 | 139,312 | 38,191 | 912,763 |

| Parent entity | Plant and equipment $ | Furniture, fittings and equipment $ | Machinery and vehicles $ | Computer equipment and software $ | Total $ |
|---|---|---|---|---|---|
| **Year ended 30 June 2010** | | | | | |
| Opening net book amount | 716,513 | 18,747 | 139,312 | 38,191 | 912,763 |
| Additions | 81,369 | - | - | - | 81,369 |
| Disposals | (47,761) | (4,927) | (45,867) | (25,004) | (123,559) |
| Depreciation charge | (100,114) | (1,473) | (623) | (6,251) | (108,461) |
| Closing net book amount | 650,007 | 12,347 | 92,822 | 6,936 | 762,112 |
| **At 30 June 2010** | | | | | |
| Cost or fair value | 890,022 | 18,191 | 144,468 | 67,907 | 1,120,588 |
| Accumulated depreciation | (240,015) | (5,844) | (51,646) | (60,971) | (358,476) |
| Net book amount | 650,007 | 12,347 | 92,822 | 6,936 | 762,112 |

## 16 Non-current assets - Exploration and evaluation, development and mine properties

### (a) Exploration and evaluation

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **30 June 2010 $** | 30 June 2009 $ | **30 June 2010 $** | 30 June 2009 $ |
| Opening balance | **24,793,046** | 29,477,822 | **21,015,582** | 20,960,076 |
| Expenditure incurred | **1,693,678** | 6,637,419 | **934,932** | 4,599,758 |
| Disposals of exploration assets | **-** | (2,087,095) | **-** | (2,087,095) |
| Transfer to mine properties | **(1,540,000)** | - | **(1,540,000)** | - |
| Additions through business combination | **-** | 811,950 | **-** | - |
| Impairment | **(8,497,411)** | (10,047,050) | **(5,927,417)** | (2,457,157) |
| | **16,449,313** | 24,793,046 | **14,483,097** | 21,015,582 |
| Exploration and evaluation - 100% owned | **8,968,393** | 13,517,511 | **6,047,507** | 12,705,561 |
| Exploration and evaluation phases - joint ventures | **7,480,920** | 11,275,535 | **8,435,590** | 8,310,021 |
| | **16,449,313** | 24,793,046 | **14,483,097** | 21,015,582 |

### (b) Mine properties

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| Opening balance | **1,346,026** | - | **-** | - |
| Additions through normal acquisition | **1,104,530** | - | **-** | - |
| Transferred from exploration and evaluation | **1,540,000** | - | **1,540,000** | - |
| Additions through business combination | **-** | 1,346,026 | **-** | - |
| | **3,990,556** | 1,346,026 | **1,540,000** | - |
| Less: Accumulated amortisation | **(188,125)** | - | **(64,000)** | - |
| | **(188,125)** | - | **(64,000)** | - |
| Total mine properties | **3,802,431** | 1,346,026 | **1,476,000** | - |

## 17 Current liabilities - Trade and other payables

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **30 June 2010 $** | 30 June 2009 $ | **30 June 2010 $** | 30 June 2009 $ |
| Trade payables | **272,230** | 158,904 | **159,401** | 73,332 |
| Accrued expenses | **170,810** | 222,818 | **50,938** | 174,125 |
| Credit cards | **27,804** | 21,887 | **10,095** | 6,369 |
| GST collected on sales | **16,949** | - | **11** | - |
| | **487,793** | 403,609 | **220,445** | 253,826 |

## 18 Current liabilities - Provisions

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **30 June 2010 $** | 30 June 2009 $ | **30 June 2010 $** | 30 June 2009 $ |
| Annual leave | **31,358** | 38,211 | **3,193** | 4,014 |
| | **31,358** | 38,211 | **3,193** | 4,014 |

## 19 Non-current liabilities - Provisions

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **30 June 2010 $** | 30 June 2009 $ | **30 June 2010 $** | 30 June 2009 $ |
| Long service leave | **30,355** | - | **2,282** | - |
| | **30,355** | - | **2,282** | - |

## 20 Contributed equity

| | Parent entity | | Parent entity | |
|---|---|---|---|---|
| | **30 June 2010 Shares** | 30 June 2009 Shares | **30 June 2010 $** | 30 June 2009 $ |
| **(a) Share capital** | | | | |
| Ordinary shares | | | | |
| Fully paid | **261,245,035** | 184,882,136 | **31,373,928** | 29,341,900 |

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

| Date | Details | Number of shares | Issue price | $ |
|---|---|---|---|---|
| 1 July 2008 | Opening balance | 143,840,792 | | 27,046,406 |
| | Shares issued during the year | 41,041,344 | | 2,332,943 |
| | Less: Transaction costs arising on share issue | | | (37,449) |
| **30 June 2009** | **Balance** | **184,882,136** | | **29,341,900** |
| 1 July 2009 | Opening balance | 184,882,136 | | 29,341,900 |
| 30 September 2009 | Share purchase plan | 62,955,493 | | |
| | Proceeds received | | $0.027 | 1,699,800 |
| 30 September 2009 | Share placement | 13,407,406 | | |
| | Proceeds received | | $0.027 | 362,000 |
| | | | | 31,403,700 |
| | Less: Transaction costs arising on share issue | | | (42,531) |
| | Deferred tax credit recognised directly in equity | | | 12,759 |
| **30 June 2010** | **Balance** | **261,245,035** | | **31,373,928** |

### (c) Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

### (d) Options

For information relating to the Maximus Resources Limited Employee Share Option Plan including details of options issued and exercised during the financial year and the options outstanding at year end refer to note 30.

### (e) Capital risk management

The group has no debt capital. There are no externally imposed capital requirements.

The consolidated entity's debt and capital includes ordinary share capital, supported by financial assets. There are no externally imposed capital requirements.

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

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year. This strategy is to ensure that the group has no debt.

## 21 Reserves

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **30 June 2010 $** | 30 June 2009 $ | **30 June 2010 $** | 30 June 2009 $ |
| **Reserves** | | | | |
| Available-for-sale investments revaluation reserve | **-** | - | **(1,746,151)** | (1,179,550) |
| Options | **1,319,605** | 1,368,875 | **1,319,731** | 1,303,401 |
| | **1,319,605** | 1,368,875 | **(426,420)** | 123,851 |

### (a) Nature and purpose of reserves

*(i) Available-for-sale reserve*
Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are recognised in the statement of comprehensive income, as described in note 1(l) and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

*(ii) Options*
The share option reserve records items recognised as expenses on valuation of employee options and options issued to external parties in consideration for goods and services rendered.

## 22 Key management personnel disclosures

### (a) Directors

The following persons were directors of Maximus Resources Limited during the 2010 financial year:

*(i) Chairman - non-executive*
R M Kennedy

*(ii) Executive directors*
S A Booth (resigned 31 August 2010)

*(iii) Non-executive directors*
E J Vickery
L C McClusky (since 1 September 2010)
N J Smart, Alternate for E J Vickery
K J A Wills (ceased 30 September 2010)
R C Healy (Alternate for K J A Wills, ceased 30 September 2010)

### (b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, during the financial year:

| | | |
|---|---|---|
| D W Godfrey | Chief Financial Officer/ Company Secretary | FME Exploration Services Pty Ltd |

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **30 June 2010 $** | 30 June 2009 $ | **30 June 2010 $** | 30 June 2009 $ |
| Short-term employee benefits | **801,826** | 818,753 | **570,557** | 384,175 |
| Post-employment benefits | **68,114** | 55,916 | **50,882** | 21,394 |
| Share-based payments | **16,330** | 1,769 | **16,330** | 1,769 |
| | **886,270** | 876,438 | **637,769** | 407,338 |

## 22 Key management personnel disclosures (continued)

Details of the remuneration of each director of Maximus Resources Limited and the specified executives of the consolidated entity, are included in sections A to D of the Remuneration Report.

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

*(i) Option holdings*
The numbers of options over ordinary shares in the company held during the financial year by each director of Maximus Resources Limited and other key management personnel of the consolidated entity, including their personally related parties, are set out below.

**2010**

| Name | Balance at start of the year | Issued as remuneration | Exercised (expired/ purchased) | Acquired during the year | Balance at end of the year | Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|---|
| R M Kennedy | - | - | - | - | - | - | - |
| E J Vickery | - | - | - | - | - | - | - |
| L C McClusky | - | - | - | - | - | - | - |
| K J Lines | - | - | - | - | - | - | - |
| N J Smart | - | - | - | - | - | - | - |
| S A Booth | - | - | - | - | - | - | - |
| K J A Wills | - | - | - | - | - | - | - |
| R C Healy | - | - | - | - | - | - | - |
| D W Godfrey | 53,334 | - | - | - | 53,334 | 53,334 | - |

All vested options are exercisable at the end of the year.

**2009**

| Name | Balance at start of the year | Issued as remuneration | Exercised (expired/ purchased) | Acquired during the year | Balance at end of the year | Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|---|
| R M Kennedy | 690,001 | - | (3,901,251) | 3,211,250 | - | - | - |
| K J A Wills | 650,001 | - | (1,462,502) | 812,501 | - | - | - |
| E J Vickery | 79,934 | - | (477,163) | 397,229 | - | - | - |
| G E Maddocks | 510,001 | - | (1,147,501) | 637,500 | - | - | - |
| D W Godfrey | - | 53,334 | - | - | 53,334 | 53,334 | |
| K J Lines | - | - | - | - | - | - | - |
| R W C Wilson | 186,400 | - | (16,400) | - | 170,000 | 170,000 | - |
| R C Healy | - | - | - | - | - | - | - |
| N J Smart | - | - | - | - | - | - | - |

*(ii) Share holdings*
The numbers of shares in the company held during the financial year by each director of Maximus Resources Limited and other key management personnel of the consolidated entity, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

## 22 Key management personnel disclosures (continued)

**2010**

| Name | Balance at the start of the year | Received as compensation | Exercise of options | Acquired/ (disposed) | Balance at the end of the year |
|---|---|---|---|---|---|
| **Ordinary shares** | | | | | |
| R M Kennedy | 6,920,000 | - | - | 3,080,000 | 10,000,000 |
| E J Vickery | 794,458 | - | - | - | 794,458 |
| L C McClusky | - | - | - | - | - |
| K J Lines | - | - | - | - | - |
| N J Smart | - | - | - | - | - |
| S A Booth | - | - | - | - | - |
| K J A Wills | 3,678,278 | - | - | - | 3,678,278 |
| R C Healy | - | - | - | - | - |
| D W Godfrey | - | - | - | - | - |

**2009**

| Name | Balance at the start of the year | Received as compensation | Exercise of options | Acquired/ (disposed) | Balance at the end of the year |
|---|---|---|---|---|---|
| **Ordinary shares** | | | | | |
| R M Kennedy | 4,945,000 | - | - | 1,975,000 | 6,920,000 |
| K J A Wills | 3,250,001 | - | - | 428,277 | 3,678,278 |
| E J Vickery | 529,639 | - | - | 264,819 | 794,458 |
| G E Maddocks | 2,550,001 | - | - | - | 2,550,001 |
| S A Booth | - | - | - | - | - |
| D W Godfrey | - | - | - | - | - |
| K J Lines | - | - | - | - | - |
| R C Healy | - | - | - | - | - |
| N J Smart | - | - | - | - | - |
| R W C Wilson | 82,000 | - | - | - | 82,000 |

## 23 Remuneration of auditors

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

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **30 June 2010 $** | 30 June 2009 $ | **30 June 2010 $** | 30 June 2009 $ |
| **(a) Grant Thornton** | | | | |
| Audit and review of financial reports | **54,563** | 47,750 | **26,313** | 26,750 |
| **Total auditors' remuneration** | **54,563** | 47,750 | **26,313** | 26,750 |

## 24 Related party transactions

### 2010 Transactions with related parties

The following transactions occurred with related parties:

- Administrative services were provided by FME Exploration Services Pty Ltd to Maximus Resources Limited for $111,000 (2009: $270,208).
- The total receivable from FME Exploration Services Pty Ltd at year end is $75,000 (2009: $75,000).
- Maximus Resources Limited sold two vehicles to Flinders Mines Limited for $98,207

## 25 Subsidiaries

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

| Name of entity | Country of incorporation | Class of shares | Equity holding * | |
|---|---|---|---|---|
| | | | **2010** **%** | 2009 % |
| ERO Mining Limited | Australia | Ordinary | **27.85** | 35.29 |

* Maximus Resources Limited holds 27.85% of the Issued Capital of ERO Mining Limited. A slight dilution occurred during the year due to an issue of shares in ERO Mining Limited. Additionally, two of the Directors of Maximus Resources Limited are also Directors of ERO Mining Limited (a Board currently consisting of three Directors). As a result, ERO Mining Limited has been consolidated with Maximus Resources Limited for the purposes of these financial statements.

## 26 Interests in joint ventures

Maximus Resources Limited has the following interests in unincorporated joint ventures:

| State | Agreement Name | Parties | Summary |
|---|---|---|---|
| WA | Nemex Agreement | Maximus Resources Ltd (MXR) and Nemex Pty Ltd | MXR purchased a 90% interest in the Nemex Ironstone Lagoon project tenements. Production royalties payable to third parties |
| SA & NT | Eromanga Basin Joint Venture | ERO Mining Ltd (ERO) and Maximus Resources Ltd | ERO can earn a 50% interest in the non-diamond mineral rights of MXR's Billa Kalina project tenements by spending $3million on the tenements within 6 years |
| SA | Billa Kalina Joint Venture | ERO Mining Ltd and Maximus Resources Ltd | ERO can earn a 50% interest in the non-diamond mineral rights of MXR's Billa Kalina project tenements by spending $3m on the tenements within 6 years |
| SA | Kapunda Joint Venture | Flinders Diamonds Limited, Maximus Resources Ltd and Copper Range (SA) Pty Ltd | Copper Range can earn a 51% interest in MXR's rights to base and precious metals in EL4131 by spending $500,000 over 5 years with an option to earn a 75% interest by further expenditure of $500,000 |
| WA | Canegrass | Maximus Resources Ltd and Flinders Mines Ltd | A net smelter royalty will be payable to MXR on all product sold |
| QLD | Sellheim | Maximus Resources and Alan Stiff and Colleen Budge and Peter L Harvey | MXR has purchased the tenements but production royalties are still payable to Stiff, Budge and Harvey |
| NT | Strangway Agreement | Maximus Resources Ltd and NuPower Resources Ltd | NuPower has expended the required $200,000 in the first 12 months. NuPower may now earn 51% interest in Energy Minerals by expenditure of $3 million from commencement over 4 years and 70% by expenditure of a further $2 million over 2 years |
| WA | Narndee – Corporate Group Agreement | Maximus Resources Ltd and Corporate Resource Consultants Pty Ltd and Bruce Robert Legendre and TE Johnston and Associates Pty Ltd | MXR has purchased a 90% interest in an exploration licence package in the Narndee-Windimurra region |

## 27 Events occurring after the reporting period

Mr Simon Andrew Booth resigned from Maximus Resources Limited with effect from 31 August 2010, having been Managing Director since 13 July 2009.

Ms Leigh Carol McClusky was appointed as a non-executive Director effective from 1 September 2010.

Apart from the above, no further events have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

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

| | **Consolidated** | | **Parent entity** | |
|---|---|---|---|---|
| | **30 June 2010 $** | 30 June 2009 $ | **30 June 2010 $** | 30 June 2009 $ |
| Profit/ (loss) for the year | **(10,108,827)** | (13,388,667) | **(6,914,654)** | (9,311,533) |
| **Non-cash flows in profit** | | | | |
| Depreciation | **176,943** | 213,455 | **108,461** | 152,697 |
| Amortisation | **188,125** | - | **64,167** | - |
| Issue of options to employees | **16,329** | 101,187 | **16,329** | 66,511 |
| General exploration expenditure written off | **-** | 669,683 | **-** | 243,021 |
| Exploration and evaluation expenditure written off | **-** | - | **-** | 2,457,157 |
| Impairment of financial assets - gross | **-** | - | **-** | 6,386,286 |
| Impairment of financial assets - tax effect | **-** | - | **-** | (1,915,886) |
| Impairment of capitalised exploration expenditure | **8,759,982** | 10,047,050 | **6,097,181** | - |
| Loss on disposal of tenements | **-** | 787,095 | **-** | 787,095 |
| Loss on disposal of assets | **76,619** | 161,986 | **47,428** | 161,100 |
| Tax effect on transaction costs | **24,383** | 16,048 | **12,759** | 16,048 |
| Tax effect on investments | **-** | - | **242,828** | - |
| **Change in operating assets and liabilities** | | | | |
| Decrease (Increase) in inventories | **(111,325)** | - | **(70,239)** | - |
| (Increase)/decrease in trade and other receivables | **(5,238)** | (131,597) | **(23,037)** | (14,481) |
| Increase/(decrease) in trade and other payables | **67,236** | (1,184,040) | **(33,381)** | (822,895) |
| Increase (decrease) in deferred tax liabilities | **-** | - | **-** | (142,627) |
| Increase/ (decrease) in provisions | **23,502** | (9,746) | **1,461** | (19,750) |
| Net cash inflow (outflow) from operating activities | **(892,271)** | (2,717,546) | **(450,697)** | (1,957,257) |

## 29 Earnings per share

| | Consolidated | |
|---|---|---|
| | **30 June 2010 $** | 30 June 2009 $ |
| **(a) Basic earnings per share** | | |
| From continuing operations attributable to the ordinary equity holders of the company | **(10,108,827)** | (13,388,667) |
| Weighted average number of ordinary shares outstanding during the year used to calculate basic EPS | **242,206,614** | 168,542,284 |
| **(b) Diluted earnings per share** | | |
| From continuing operations attributable to the ordinary equity holders of the company | **(10,108,827)** | (13,388,667) |
| Weighted average number of options outstanding during the year used to calculate diluted EPS | **-** | - |
| Weighted average number of ordinary shares outstanding during the year used to calculate diluted EPS | **242,206,614** | 168,542,284 |

*(i) Options*

Options granted to employees under the Maximus Resources Limted Employee Share Option Plan are considered to be potential ordinary shares. These have a dilutive effect on the weighted average number of ordinary shares. As the consolidated entity has reported a loss of ($10,108,827) this financial year, the options have not been included in the determination of diluted earnings per share. Details relating to the options are set out in note 29.

## 30 Share-based payments

### (a) Employee Option Plan

The following share-based payment arrangements existed at 30 June 2010.

The Maximus Resources Limited Employee Share Option Plan enables the Board, at its discretion, to issue options to employees of the Company or its associated companies. Each option will have a life of five years and be exercisable at a price determined by the Board. This price will not be below the market price of a share at the time of issue. All options are un-listed and non-transferable.

On 10 April 2007 930,000 options were issued to employees under the Company's Employee Share Option Plan. The options are exercisable at 14 cents on or before 20 March 2012. The options hold no voting or dividend rights.

On 17 March 2008 890,000 options were issued to employees under the Company's Employee Share Option Plan. The options are exercisable at 18 cents on or before 17 March 2013. The options hold no voting or dividend rights.

On 4 February 2009 1,965,000 options were issued to employees under the Company's Employee Share Option Plan. The options are exercisable at 4 cents on or before 3 February 2014. The options hold no voting or dividend rights.

On 29 May 2009 40,000 options were issued to employees under the Company's Employee Share Option Plan. The options are exercisable at 4 cents on or before 3 February 2014. The options hold no voting or dividend rights.

On 27 August 2009 3,000,000 options were issued to employees under the Company's Employee Share Option Plan. The options are exercisable at 5 cents on or before 26 August 2012. The options hold no voting or dividend rights.

## 30 Share-based payments (continued)

| **2010** | **Number of options** | **Weighted average exercise price $** |
|---|---|---|
| Outstanding at the beginning of the year | 9,665,000 | 0.315 |
| Granted | 3,000,000 | 0.050 |
| Exercised | - | - |
| Expired | (945,000) | 0.123 |
| Outstanding at the end of the year | 11,720,000 | 0.378 |

| **2009** | **Number of options** | **Weighted average exercise price $** |
|---|---|---|
| Balance | 35,206,032 | 0.232 |
| Granted | 62,713,423 | 0.166 |
| Exercised | (739,687) | 0.189 |
| Expired | (87,514,768) | 0.176 |
| Outstanding at the end of the year | 9,665,000 | 0.315 |

*Fair value of options granted*

The options outstanding at 30 June 2010 had a weighted average exercise price of $0.378 (2009: $0.315) and a weighted average remaining contractual life of 22 months (2009: 34 months). Exercise prices range from $0.04 to $0.50 in respect of options outstanding at 30 June 2010.

The weighted average fair value of the options granted during the year was $0.05.

This price was calculated by using a Black-Scholes option pricing model applying the following inputs:

| | | |
|---|---|---|
| (a) | Weighted average exercise price | $0.05 |
| (b) | Weighted average life of the options | 3 years |
| (c) | Underlying share price | $0.029 |
| (d) | Expected share price volatility | 46.5% |
| (e) | Risk free interest rate | 4.82% |

### 31 Business combination

#### (a) Summary of acquisition

On 10 June 2009 ERO Metals Pty Ltd, a wholly-owned subsidiary of ERO Mining Ltd, acquired 100% of the issued capital of Douglas Resources Pty Ltd. Consideration for the acquisition was $2,650,001 and included mining leases and the associated development assets, stationary and mobile plant and equipment, workshop and accommodation.

| | $ |
|---|---|
| Purchase consideration (refer to Note (b) below) | |
| Cash paid | **2,650,001** |
| Fair value of net identifiable assets acquired (refer to (c) below) | **2,650,001** |

#### (b) Cash flow information

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **30 June 2010 $** | 30 June 2009 $ | **30 June 2010 $** | 30 June 2009 $ |
| Outflow of cash to acquire subsidiary, net of cash acquired | | | | |
| Cash consideration | **-** | 2,650,001 | **-** | - |
| Less: Balances acquired | | | | |
| Less: cash acquired | **-** | 4,672 | **-** | - |
| Outflow of cash | **-** | 2,645,329 | **-** | - |

#### (c) Assets and liabilities acquired

The assets and liabilities recognised as a result of the acquisition are as follows:

| | $ |
|---|---|
| Cash and cash equivalents | **4,673** |
| Trade receivables | **3,892** |
| Property, plant and equipment | **465,710** |
| Development assets | **1,346,026** |
| Mining leases | **811,950** |
| EPM deposit | **17,750** |
| Net identifiable assets acquired | **2,650,001** |

## 32 Going concern

The financial report has been prepared on the basis of going concern.

The cash flow projections of the company and consolidated entity evidence that the company will require positive cash flows from gold mining operations and/or additional capital for continued operations.

The company and consolidated entity's ability to continue as a going concern is contingent upon obtaining additional capital or generating sufficient cashflows from gold mining operations. If additional capital is not obtained, the going concern basis may not be appropriate, with the result that the company may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and in amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

In the directors' opinion:

(a) the financial statements and notes set out on pages 20 to 58 are in accordance with the *Corporations Act 2001,* in
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable,and

(c) The financial statements also comply with International Financial Reporting Standards as discussed in note 1

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

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

Robert M Kennedy

Director

Adelaide
30 September 2010

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001

**T** 61 8 8372 6666
**F** 61 8 8372 6677
**E** info.sa@au.gt.com
**W** www.grantthornton.com.au

# INDEPENDENT AUDITOR'S REPORT
# TO THE MEMBERS OF MAXIMUS RESOURCES LIMITED

## Report on the financial report

We have audited the accompanying financial report of Maximus Resources Limited (the "Company"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial report and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

## Directors' responsibility for the financial report

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

## Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

## INDEPENDENT AUDITOR'S REPORT
## TO THE MEMBERS OF MAXIMUS RESOURCES LIMITED Cont

**Auditor's responsibility Cont**

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

**Independence**

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

**Auditor's opinion**

In our opinion,

a the financial report of Maximus Resources Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

  ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

**Material uncertainty regarding continuation as a going concern**

Without qualifying our opinion, we draw attention to Note 32 in the financial report. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company and consolidated entity's ability to continue as a going concern, and therefore the company and consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF MAXIMUS RESOURCES LIMITED** Cont

## Report on the remuneration report

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

## Auditor's opinion on the remuneration report

In our opinion, the Remuneration Report of Maximus Resources Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON
South Australian Partnership
Chartered Accountants

P S Paterson
Partner

Adelaide, 30 September 2010