

MAXIMUS RESOURCES LIMITED

ACN 111 977 354

Annual Financial Report

30 June 2005

Maximus Resources Limited

Directors' Report

For the period ended 30 June 2005

The directors present their report together with the financial report of Maximus Resources Limited ("the Company") for the year ended 30 June 2005 and the auditor's report thereon.

Directors

The Directors of the Company at any time during or since the end of the financial year are Robert Michael Kennedy, Kevin John Wills, Gary Eric Maddocks, Ewan John Vickery and Nicholas John Smart as Alternate Director for Ewan John Vickery. Details of directors' qualifications, experience and special responsibilities are as follows:

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

A Chartered Accountant and a consultant to Kennedy & Co, Chartered Accountants, a firm he founded. He is also the Chairman of Flinders Diamonds Limited, Ramelius Resources Limited, Beach Petroleum Limited, Monax Mining Limited, GTL Energy Limited and Greyhound Racing SA Limited and is also a Director of the Friendly Societies Medical Association Limited, and Greyhounds Australasia.

Special responsibilities include membership of the Audit, Remuneration and Nomination Committees.

Kevin John Wills, Managing Director - ARSM, PhD, F AusIMM

Dr Wills is a geologist with 30 years experience in Multi commodity mineral exploration, feasibility studies and mine operations in Australasia.

He is the Managing Director of Flinders Diamonds Limited. Dr Wills is a member of the Geological Society of Australia, the Australian Society of Exploration Geophysicists and the Association of Exploration Geochemists.

He is a recent past Chairman of the Adelaide Branch of the AusIMM and is currently chairman of the exploration committee at the South Australian Chamber of Mines and Energy

Special responsibilities include membership of the Remuneration and Nomination Committees.

Ewan John Vickery, Non Executive Director LLB

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, having acted as lead native title advisor

and negotiator for numerous mining and petroleum companies.

Mr Vickery is a Director of Flinders Diamonds and member of the Legislation and Land Access Committee of the South Australian Chamber of Mines and Energy Inc, the International Bar Association Energy and Resources Law Section, the Securities Institute of Australia, the Australian Institute of Company Directors and is a past national president of Australian Mining and Petroleum Law Association (AMPLA) Limited.

Special responsibilities include membership of the Audit, Committee.

Gary Eric Maddocks Executive Director - M.Sc. & .App.Sc.(Geology), Dip.App.Chem., F AusIMM (CP) Mr Maddocks has 35 years of experience in mineral exploration for gold, copper, lead/zinc, nickel and tin throughout Australia. He has been involved with exploration activities for gold and copper in India, Indonesia and New Zealand. He is Principal of GEM Exploration Management Services a Chartered Professional (Geology) and Fellow of the Australasian Institute of Mining and Metallurgy.

Nicholas John Smart Alternate Director

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 Goldsmith Futures Pty Ltd. He has also worked with 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 laser shearing of sheep skins, commercialisation 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 and private companies.

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Maximus Resources Limited

Directors' Report (continued)

Director	Board Meetings	
	A	B
R M Kennedy	5	5
K J Wills	5	5
G E Maddocks	5	5
E J Vickery	3	5
N J Smart	1	2

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

It should be noted that the directors have used Circular Resolutions to determine the outcome of particular issues.

Directors' holdings of shares and share options

Directors' relevant interests in shares and options of the Company are set out below:

Director	Shares	Options*
R M Kennedy	2,500,001	1,250,000 – (a)
K J Wills	3,000,001	1,250,000 – (a)
G E Maddocks	2,500,001	1,250,000 – (a)
E J Vickery	2,600,001	1,250,000 – (a)
N J Smart	-	– (a)

**Option details*

	Exercise price	Exercise date
(a)	\$0.20	Any date before 30/6/08

During or since the end of the financial year the company issued 10,600,004 ordinary shares to the directors and their director related entities.

During or since the end of the financial year, the company granted options over unissued ordinary shares to the directors and their director-related entities as follows.

Director	Options Granted
R M Kennedy	1,250,000 – (a)
K J Wills	1,250,000 – (a)
G E Maddocks	1,250,000 – (a)
E J Vickery	1,250,000 – (a)
N J Smart	-- (a)

Principal activities

The company's principal activity is uranium, gold, nickel copper, platinum and minerals exploration.

Review and results of operations

The net loss after income tax was \$127.

The company was incorporated on 17 December 2004 as an unlisted public company limited by shares. R M Kennedy, K J Wills, E J Vickery and G E Maddocks were appointed directors on this date.

N J Smart was appointed as an alternate director for E J Vickery on 9 May 2005.

At balance date the company raised \$75,004 by way of share capital.

The Company issued 15,600,004 ordinary shares and 7,500,000 options exercisable at \$0.20 at any date before 30 June 2008 and 1,000,000 options exercisable at \$0.20 at any date before 12 April 2010.

The company is preparing a prospectus to facilitate an initial public offer in which the company will offer for subscription up to 30,000,000 ordinary shares, together with one option for every two shares issued in the company at an issue price of \$0.20 per share to raise \$6,000,000 with a minimum subscription of 20,000,000 shares.

The company has entered into the following agreements which are contingent on listing:

Sales and Purchase agreement executed on 24 May 2005, in which the Company has acquired interests in certain mining tenements based in Western Australia from Nemex Pty Ltd (Nemex). In consideration for these interests the Company will pay Nemex or its nominee \$502,000 in cash.

Sales and Purchase agreement executed on 1 June 2005, in which the Company has acquired an interest in a mining tenement based in Western Australia from Voermans Geological Services Pty Ltd (Voermans). In consideration for this interest the Company will pay Voerman \$15,000 in cash.

Sales and Purchase agreement dated 31 May 2005, in which the Company has acquired an interest in a mining tenement based in Western Australia from Bernfried Gunter Wasse (Wasse). In consideration for this interest the Company will pay Wasse \$37,500 in cash.

An agreement executed 12 April 2005. Subject to successful listing on the ASX, the Company has acquired the right to participate in the exploration of tenements comprising the Narndee Project from Apex Minerals NL (Apex). In consideration for rights the Company has issued Apex 1,000,000 options and will

Maximus Resources Limited

Directors' Report (continued)

issue 2,000,000 shares on listing. The options are exercisable at anytime after their issue at \$0.20 and expire on 12 April 2010.

Dividends

No dividends have been paid or declared by the Company during or since the end of the financial year.

State of affairs

The Company was incorporated on 17 December 2004 and is in the process of preparing a prospectus to raise additional capital and to list in the ASX.

Events subsequent to balance date

The Company has raised \$470,000 through the issue of 4,700,000 fully paid ordinary shares to seed capitalists to fund the working capital requirements through to listing on the Australian Stock Exchange (ASX).

The Company has issued a further 2,350,000 options exercisable at \$0.20 at any date before 30 June 2008

Since the end of the financial year the company has entered into the following deeds and agreements:

A deed dated 13 July 2005 in which, subject to successful listing of the company, it has acquired the right to participate in the Lobethal Joint Venture as far as it relates to Non Diamond minerals. Flinders Diamond Limited (FDL), AKD Limited (AKD) and Statelink Holdings Pty Ltd (Statelink) are all parties to this agreement. In consideration for rights the Company will issue the following shares and options to the parties of this deed:

- AKD is to receive 500,000 shares and 250,000 options; and
- Statelink is to receive 166,667 shares and 83,333 options.

The options are exercisable at anytime after their issue at \$0.20 and expire on 30 June 2008.

An agreement dated 29 July 2005 in which, subject to successful listing of the company, it has acquired the right to prospect for Non Diamond Minerals on certain tenements held by Flinders Diamonds Limited (FDL). In consideration of the grant of the rights to mine and in consideration for FDL agreeing to enter the Lobethal Joint Venture, the Company will issue 7,000,000 shares and 3,500,000 options.

The options are exercisable at anytime after their issue at \$0.20 and expire on 30 June 2008.

An agreement with KJ Exploration Pty Ltd, a company which K J Wills is the sole director to provide consulting services for a period of two years

commencing on the date of the company being listed on the ASX.

An agreement with Galeap Pty Ltd, a company which G E Maddocks is the sole director to provide consulting services for a period of one year commencing on the date of the company being listed on the ASX

Engaged the services of a corporate advisor to provide assistance and advice with the marketing of the prospectus and general investor relations.

Deeds of access indemnity and insurance with each non-executive 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. The deed also outlined the future remuneration of each of the non-executive Directors upon successful ASX listing.

Engaged the services of NJ Smart, an Alternate Director, to provide assistance and advice with the marketing of the prospectus and general investor relations.

Likely developments

The company to be listed on the ASX and to undertake exploration on the tenements that the company has acquired via its agreements.

Further information about likely developments in the operations of the company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the company.

Director's and Executives/Officers Remuneration

No remuneration was paid to any of the directors during the financial year ended 30 June 2005.

Environmental regulation and performance statement

The Company's operations are subject to significant environmental regulations under both Commonwealth, and relevant State legislation in relation to discharge of hazardous waste and materials arising from any mining activities and development conducted by the Company on any of its tenements. To date the Company has not carried out exploration activities and therefore have been no known breaches of any environmental obligations.

Maximus Resources Limited

Directors' Report (continued)

Indemnification and insurance of officers

Indemnification

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.

Insurance premiums

The company has not paid insurance premiums in respect of officers, auditors or former auditors of the company, either during or since the end of the year.

Proceedings on behalf of Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company or to 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 part of those proceedings. There were no such proceedings brought or interventions on behalf of the Company with leave from the Court under section 237 of the Corporations Act 2001

Non-audit services

The board of directors are satisfied that the provision of 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 as the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia Professional Statement FI: Professional Independence.

The following fees for non audit services were payable to the external auditors during the year ended 30 June 2005:

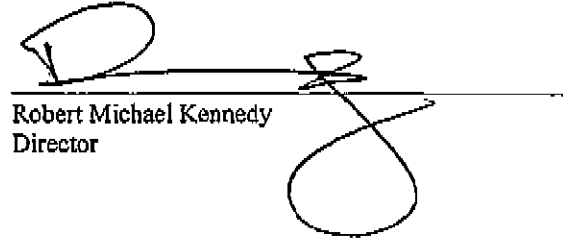
- Independent Accountants Report \$7,000

Auditors independence

The auditor's independence declaration for the year ended 30 June 2005 has been received and can be found on page 5 to this report.

Dated at Adelaide this 8 day of September 2005.

Signed in accordance with a resolution of the directors:



Robert Michael Kennedy
Director

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

I declare that, to the best of my knowledge and belief, during the period ended 30 June 2005 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.

**GRANT THORNTON
CHARTERED ACCOUNTANTS**



S J GRAY
Partner

Dated this 8 day of September 2005

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Maximus Resources Limited
Statement of Financial Performance
For the period ended 30 June 2005

	Note	2005
		\$
Revenues from ordinary activities	3	150
Other expenses from ordinary activities	4	<u>277</u>
Total expenses		<u>277</u>
Profit / (Loss) from ordinary activities before related income tax expense		<u>(127)</u>
Income tax (expense)/benefit relating to ordinary activities	5	<u>-</u>
Profit from ordinary activities after related income tax expense		<u>(127)</u>
Total changes in equity from non-owner related transactions attributable to the members of the company		<u>(127)</u>

Maximus Resources Limited
Statement of Financial Position
As at 30 June 2005

	Note	2005 \$
CURRENT ASSETS		
Cash assets	6	1,256
Receivables	7	5,433
Other	8	<u>60,336</u>
Total current assets		<u>67,025</u>
NON-CURRENT ASSETS		
Exploration Evaluation and development expenditure	9	<u>9,603</u>
Total non-current assets		<u>9,603</u>
Total assets		<u>76,628</u>
CURRENT LIABILITIES		
Payables	10	<u>1,751</u>
Total current liabilities		<u>1,751</u>
Total liabilities		<u>1,751</u>
Net assets		<u>74,877</u>
EQUITY		
Contributed equity	11	75,004
Retained profits/(losses)	12	<u>(127)</u>
Total equity		<u>(74,877)</u>

Maximus Resources Limited**Statement of Cash Flows****For the period ended 30 June 2005**

	Note	2005 \$
Cash flows from operating activities		
Cash payments in the course of operations		(277)
Interest received		<u>150</u>
Net cash provided by/(used in) operating activities	15(b)	<u>(127)</u>
Cash flows from investing activities		
Payments for:		
Exploration, evaluation and development expenditure		<u>(9,603)</u>
Net cash used in investing activities		<u>(9,603)</u>
Cash flows from financing activities		
Proceeds from issue of shares		75,004
Payments for share issue costs:		<u>(64,018)</u>
Net cash provided by financing activities		<u>10,986</u>
Net increase/(decrease) in cash held		1,256
Cash at the beginning of the financial year		<u>-</u>
Cash at the end of the financial year	6,15(a)	<u>1,256</u>

Maximus Resources Limited

Notes to the Financial Statements

For the period ended 30 June 2005

1 *Statement of significant accounting policies*

The significant policies which have been adopted in the preparation of this financial report are:

(a) *Basis of preparation*

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

(b) *Revenue recognition*

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST).

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

(c) *Goods and services tax*

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(d) *Taxation*

The company adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effects of capital losses are not recorded unless realisation is virtually certain.

(e) *Acquisitions of assets*

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the company if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

Maximus Resources Limited

Notes to the Financial Statements

For the period ended 30 June 2005

(f) Receivables

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

(g) *Exploration, evaluation and development expenditure*

Exploration, evaluation and development costs are accumulated in respect of each separate area of interest.

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Development costs related to an area of interest are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

(h) *Recoverable amount of non-current assets valued on cost basis*

The carrying amounts of non-current assets valued on the cost basis, other than exploration and evaluation expenditure carried forward (refer Note I(j)), are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

(i) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received

(j) Provisions

A provision is recognised when a legal or constructive obligation exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

(k) Restoration

Provisions are made for estimated costs relating to the remediation of soil, groundwater and untreated waste as soon as the need is identified.

Significant uncertainty exists as to the amount of restoration obligations that will be incurred due to the following factors:

- uncertainty as to life of sites;
- the impact of changes in environmental legislation.

(l) Cash

For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts

2 *Adoption of Australian Equivalents of international Financial Reporting Standards*

For reporting periods beginning on or after 1 January 2005, the Company must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and

Maximus Resources Limited

Notes to the Financial Statements

For the period ended 30 June 2005

IFRS identified to date as potentially having a significant effect on the company's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The Company has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences relative to the Company's financial reports in the future.

The potential impacts on the Company's financial performance and financial position of the adoptions of IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified as at the transition date due to the short timeframe between finalisation of the IFRS standards and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

The Company has not precisely quantified the effects of IFRS, however, management believes the key potential implications of the conversion to IFRS include:

■ *Income Taxes*

Income tax will be calculated based on the "balance sheet approach", replacing the current "income statement approach". This method recognises deferred tax balances where there is a difference between the carrying value of an asset or a liability, and its tax base. It is expected that this standard may require the Company to carry higher levels of deferred tax assets and liabilities.

Exploration for and Evaluation of Mineral Resources

The major changes under AASB 6 "Exploration for and Evaluation of Mineral Resources" to the current Accounting Standard will be:

- The application of area of interest accounting for its exploration and evaluation expenditure.
- Performance of impairment testing on those assets when the facts and circumstances suggest the carrying amount of the assets exceed the recoverable amount.

It is not anticipated that the impact of adopting Australian Equivalents of International Financial Reporting Standards will lead to material adjustments.

■ *Share Based Payments*

Equity based compensation in the form of shares and options will be recognised as an expense in the period during which the employee provides related services. The consolidated entity does not currently recognise an expense for options issued to employees. On adoption of IFRS the consolidated entity will recognise an expense for options and will amortise the expense over the relevant vesting period.

■ *Accounting Policies*

Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

Maximus Resources Limited**Notes to the Financial Statements****For the period ended 30 June 2005**

	2005 \$
3 Revenue from ordinary activities	
Other revenues:	
<i>From operating activities</i>	
Interest:	150
Total revenue from ordinary activities	<u>150</u>
4 Other expenses	
Printing & Stationery expenses	132
Bank Charges	114
Other expenses from ordinary activities	31
Total other expenses from ordinary activities	<u>277</u>
5 Taxation	
(a) Income tax expense	
Prima facie income tax benefit calculated at 30% on the profit from ordinary activities	38
Future income tax benefit in respect of tax losses not brought to account	38
Income tax expense on profit from ordinary activities before individually significant income tax items	<u>-</u>
<p>The consolidated entity has accumulated tax losses that have not been brought to account because there is insufficient probability that there will be future taxable profits against which to offset those losses. Tax losses recoverable but not recognised amount to \$38.</p>	
6 Cash assets	
Cash	<u>1,256</u>
7 Receivables	
Other debtors	<u>5,433</u>
8 Other current assets	
Prepayments	<u>60,336</u>
9 Exploration, evaluation and development expenditure	
Costs carried forward in respect of areas of interest in exploration and/or evaluation stage	<u>9,603</u>
10 Payables	
Trade creditors	<u>1,751</u>

Maximus Resources Limited
Notes to the Financial Statements
For the period ended 30 June 2005

11 Contributed equity

Issued and paid-up share capital

15,600,004 ordinary shares, fully paid 75,004

(a) Ordinary shares

Balance at incorporation -

Shares issued

4 ordinary shares issued at \$1.00 4

15,000,000 shares issued at \$0.001 15,000

600,000 shares issued at \$0.10 60,000

Balance at end of year 75,004

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

During the financial year the company issued 15,600,004 ordinary shares to directors or their nominees and seed capitalists. In addition 7,500,000 options were issued exercisable at \$0.20 and may be exercisable at any date before 30 June 2008 and 1,000,000 options were issued exercisable at \$0.20 that may be exercised at any date before 12 April 2010. Each option is convertible to one ordinary share. There are no voting rights attached to the options.

There were no options were exercised during the financial year.

As the company's shares are not listed securities, the market value of the shares and options at 30 June 2005 cannot be readily ascertained.

(b) Options to ordinary shares \$0.20

Balance at incorporation -

Options Issued during the year 8,500,000

Options Exercised during the year -

Options Cancelled during the year -

Balance at 30 June 2005 8,500,000

2005

\$

12 Retained profits

Retained profits/(loss) at beginning of year -

Net profit/(loss) attributable to members of the parent entity

(127)

Retained profits/(loss) at the end of the year

(127)

Maximus Resources Limited

Notes to the Financial Statements

For the period ended 30 June 2005

13 *Financial instruments disclosure*

(a) *Interest rate risk*

The company has no long term financial assets or liabilities upon which it earns or pays interest. Cash is held in an interest yielding cheque account where the interest rate can vary from day to day. The weighted average interest rate achieved was 1.70%

(b) *Credit risk exposures*

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets, excluding investments, of the consolidated entity which have been recognised in the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

14 *Commitments & Contingent liabilities*

The details and estimated maximum amounts of contingent liabilities (excluding unquantifiable royalties) that may become payable are set out below. These obligations are not provided for in the financial report and are payable as follows.

	Note	2005 \$
Accounting fees	(a)	60,000
Legal fees	(b)	70,000
Independent accountants fees	(c)	5,000

- (a) Kennedy & Co, an accounting firm of which Mr R Kennedy is a consultant have performed unbilled work for the company. Kennedy & Co have undertaken to not bill this work unless the Company raises sufficient capital by way of seed capital, an Initial Public Offering or otherwise.
- (b) The Company's legal advisor has performed unbilled work for the Company and has undertaken not to bill this work unless the Company raises sufficient capital by way of seed capital, an Initial Public Offering or otherwise.
- (c) Grant Thornton, an accounting firm, have provided an independent accountants report for inclusion in the prospectus.

Contingent upon the successful listing of the company on the ASX:

- Pursuant to a Sales and Purchase agreement executed on or about 24 May 2005 the Company has acquired interests in certain mining tenements based in Western Australia from Nemex Pty Ltd (Nemex). In consideration for these interests the Company will pay Nemex or its nominee \$502,000 in cash.
- Pursuant to a sales and purchase agreement executed on or about 1 June 2005 the Company has acquired an interest in a mining tenement based in Western Australia from Voermans Geological Services Pty Ltd (Voermans). In consideration for this interest the Company will pay Voerman \$15,000 in cash.
- Pursuant to a sales and purchase agreement dated 31 May 2005 the Company has acquired an interest in a mining tenement based in Western Australia from Bernfried Gunter Wasse (Wasse). In consideration for this interest the Company will pay Wasse \$37,500 in cash.
- Pursuant to an agreement executed on or about 12 April 2005 the Company has acquired the right to participate in the exploration of tenements comprising the Narndee Project from Apex Minerals NL (Apex). In consideration for rights the Company has issued Apex 1,000,000 options and will issue 2,000,000 shares on listing. The options are exercisable at anytime after their issue at \$0.20 and expire on 12 April 2010.

Maximus Resources Limited

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For the period ended 30 June 2005

- Pursuant to a deed dated 13 July 2005 the Company has acquired the right to participate in the Lobethal Joint Venture as far as it relates to Non Diamond minerals. Flinders Diamond Limited (FDL), AKD Limited (AKD) and Statelink Holdings Pty Ltd (Statelink) are all parties to this agreement. In consideration for rights the Company will issue the following shares and options to the parties of this deed:
 - AKD is to receive 500,000 shares and 250,000 options; and
 - Statelink is to receive 166,667 shares and 83,333 options.
 The options are exercisable at anytime after their issue at \$0.20 and expire on 30 June 2008.
- Pursuant to an agreement dated 29 July 2005 the Company has acquired the right to prospect for Non Diamond Minerals on certain tenements held by Flinders Diamonds Limited (FDL). In consideration of the grant of the rights to mine and in consideration for FDL agreeing to enter the Lobethal Joint Venture, the Company will issue 7,000,000 shares and 3,500,000 options. The options are exercisable at anytime after their issue at \$0.20 and expire on 30 June 2008.
- The Company has entered into an agreement with KJ Exploration Pty Ltd (KJE), a company which K J Wills is the sole director to provide consulting services for a period of two years commencing on the date of the company being listed on the ASX. In consideration for KJE providing the services of K J Wills the company has agreed to pay KJE \$840 per day (GST Exclusive) (for a maximum of 125 days per annum)
- The Company has entered into an agreement with Galeap Pty Ltd (Galeap), a company which G E Maddocks is the sole director to provide consulting services for a period of one year commencing on the date of the company being listed on the ASX. In consideration for Galeap providing the services of G E Maddocks the company has agreed to pay Galeap \$710 per day (GST Exclusive) (for a maximum of 140 days per annum)
- Non-Executive Directors are paid an annual fee for their service on the Board and all committees of the Board within the maximum aggregate sum for such Directors approved from time to time by Shareholders. The current maximum aggregate sum is \$300,000 per annum of which \$110,000 has been assigned for non-executive directors. The remuneration of individual Directors will be determined after (and if) the ASX Listing is satisfied.
- The Company has engaged the services of corporate advisor to provide assistance and advice with the marketing of the prospectus and general investor relations. Remuneration under this agreement includes payment of a \$10,000 per month retainer for 2 months plus a \$30,000 success fee and the issue of 1,000,000 Class A options in Maximus on successful completion of the IPO
- The company has engaged the services of NJ Smart, an Alternate Director, to provide assistance and advice with the marketing of the prospectus and general investor relations. Remuneration under this agreement includes payment of a \$750 day (number of days to be negotiated) and the issue of 500,000 Class A options in Maximus on successful completion of the IPO

15 Notes to the statements of cash flows

(a) Reconciliation of cash

For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:

	2005
	\$
Cash assets	1,256

(b) Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities

Profit from ordinary activities after income tax	(127)
Add/(less) non-cash items:	-
Net cash provided by/(used in) operating activities	<u>(127)</u>

Maximus Resources Limited
Notes to the Financial Statements
For the period ended 30 June 2005

16 Segment Reporting

The Company operates in the exploration and mining business segment located within Australia.

17 Directors' remuneration

	2005
The number of directors of the Company whose income from the Company or any related party falls within the following bands:	
\$0 - \$9,999	5
	2005
	\$
Total income paid or payable, or otherwise made available, to all directors of the Company and controlled entities from the Company or any related party	-

No retirement benefits were paid to the directors of the Company

18 Related parties

Directors

The names of each person holding the position of director of Maximus Resources Limited during the financial year are Messrs Robert Michael Kennedy, Gary Eric Maddocks, Kevin John Wills, Ewan John Vickery and Nicholas John Smart.

Details of directors' remuneration and retirement benefits for the financial year are set out in Note 17.

The Company has entered into an agreement with KJ Exploration Pty Ltd (KJE), a company which K J Wills is the sole director to provide consulting services for a period of two years commencing on the date of the company being listed on the ASX. In consideration for KJE providing the services of K J Wills the company has agreed to pay KJE \$840 per day (GST Exclusive) (for a maximum of 125 days per annum)

The Company has entered into an agreement with Galeap Pty Ltd (Galeap), a company which G E Maddocks is the sole director to provide consulting services for a period of one year commencing on the date of the company being listed on the ASX. In consideration for Galeap providing the services of G E Maddocks the company has agreed to pay Galeap \$710 per day (GST Exclusive) (for a maximum of 140 days per annum)

The Company has entered into deeds of access, indemnity and insurance with each non-executive director of the Company which confirm the director's right of access to Board papers and require the Company to indemnify the director for liability incurred as an officer or promoter of the Company, subject to the restrictions imposed by the Corporations Act and the terms of its Constitution.

Non-Executive Directors are paid an annual fee for their service on the Board and all committees of the Board within the maximum aggregate sum for such Directors approved from time to time by Shareholders. The current maximum aggregate sum is \$300,000 per annum of which \$110,000 has been assigned for non-executive directors. The remuneration of individual Directors will be determined after (and if) the ASX Listing is satisfied.

The company has engaged the services of NJ Smart, an Alternate Director, to provide assistance and advice with the marketing of the prospectus and general investor relations. Remuneration under this agreement includes payment of a \$750 day (number of days to be negotiated) and the issue of 500,000 Class A options in Maximus on successful completion of the IPO

There were no loans to Directors.

Maximus Resources Limited
Notes to the Financial Statements
For the period ended 30 June 2005

Directors' holdings of shares and share options

The interests of directors of the reporting entity and their director-related entities in shares and share options of entities within the consolidated entity at year-end are set out below.

	2005 Number held
Maximus Resources Ltd	
Ordinary shares	10,600,004
Options over ordinary shares	7,500,000

Directors' transactions in shares and share options

The Company issued 10,600,004 ordinary shares and 7,500,000 options to directors and director related parties. No options were exercised during the year by directors and director related parties.

Directors' transactions with the Company

A number of directors of the Company, or their director-related entities, held positions in other entities during the financial year that result in them having control or significant influence over the financial or operating policies of those entities.

The terms and conditions of the transactions with directors and their director related entities were no more favourable to the directors and their director related entities than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

There were no director or their related entity transactions with the company in this financial year

19 *Events subsequent to balance date*

The Company has raised \$470,000 through the issue of 4,700,000 fully paid ordinary shares to seed capitalists to fund the working capital requirements through to listing on the Australian Stock Exchange (ASX).

The Company has issued a further 2,350,000 options exercisable at \$0.20 at any date before 30 June 2008

The company entered into a deed dated 13 July 2005 in which, subject to successful listing of the company, it has acquired the right to participate in the Lobethal Joint Venture as far as it relates to Non Diamond minerals. Flinders Diamond Limited (FDL), AKD Limited (AKD) and Statelink Holdings Pty Ltd (Statelink) are all parties to this agreement. In consideration for rights the Company will issue the following shares and options to the parties of this deed:

AKD is to receive 500,000 shares and 250,000 options; and Statelink is to receive 166,667 shares and 83,333 options.

The options are exercisable at anytime after their issue at \$0.20 and expire on 30 June 2008.

The company has entered into an agreement dated 29 July 2005 in which, subject to successful listing of the company, it has acquired the right to prospect for Non Diamond Minerals on certain tenements held by Flinders Diamonds Limited (FDL). In consideration of the grant of the rights to mine and in consideration for FDL agreeing to enter the Lobethal Joint Venture, the Company will issue 7,000,000 shares and 3,500,000 options. The options are exercisable at anytime after their issue at \$0.20 and expire on 30 June 2008.

The Company has entered into an agreement with KJ Exploration Pty Ltd, a company which K J Wills is the sole director to provide consulting services for a period of two years commencing on the date of the company being listed on the ASX.

The Company has entered into an agreement with Galeap Pty Ltd, a company which G E Maddocks is the sole director to provide consulting services for a period of one year commencing on the date of the company being listed on the ASX

Maximus Resources Limited
Notes to the Financial Statements
For the period ended 30 June 2005

The Company has engaged the services of corporate advisor to provide assistance and advice with the marketing of the prospectus and general investor relations.

The Company entered into deeds of access indemnity and insurance with each non-executive 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. The deed also outlined the future remuneration of each of the non-executive Directors upon successful ASX listing.

The company has engaged the services of NJ Smart, an Alternate Director, to provide assistance and advice with the marketing of the prospectus and general investor relations. Remuneration under this agreement includes payment of a \$750 day (number of days to be negotiated) and the issue of 500,000 Class A options in Maximus on successful completion of the IPO

Maximus Resources Limited

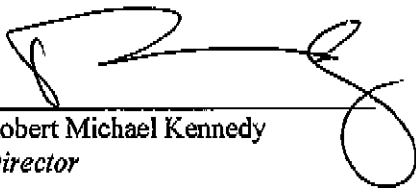
Directors' declaration

Directors' declaration

- 1 In the opinion of the directors of Maximus Resources Limited:
 - (a) the financial statements and notes, set out on pages 6 to 18, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; 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.

Dated at Wily this 8th day of September 2005.

Signed in accordance with a resolution of the directors:



Robert Michael Kennedy
Director

INDEPENDENT AUDIT REPORT**TO MEMBERS OF MAXIMUS RESOURCES LTD****Scope and summary of our role****The financial report and directors' responsibility**

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Maximus Resources Ltd, for the period ended 30 June 2005.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

The auditor's role and work

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

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

We read the other information in the annual report to determine whether it contained any material inconsistencies with the financial report.

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Independence

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

Audit opinion

In our opinion, the financial report of Maximus Resources Ltd:

- gives a true and fair view of the financial position of Maximus Resources Ltd at 30 June 2005, and of their performance for the period ended on that date, and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia.

**GRANT THORNTON
CHARTERED ACCOUNTANTS**



S. J. GRAY
Partner

Signed at *Adelaide* this *9* day of *September* 2005