

26 March 2019

Mr Alex Sutton
Adviser-Geology, Listings Compliance
ASX Compliance Pty Ltd
20 Bridge Street
SYDNEY NSW 2000

Dear Alex

Queries regarding Accounts

We refer to your letter dated 18 March 2019 referring to MXR's Half Year Accounts for the period ended 31 December 2018 lodged with ASX on 15 March 2019. In response to your questions, we advise as follows.

1. Is MXR able to confirm that in the Directors' Opinion the Half Year Accounts:
 - (a) comply with the relevant Accounting Standards; and
 - (b) give a true and fair view of MXR's financial performance and position?

MXR Response Q1

Yes.

Yes, as at 31 December 2018. However, a toll milling campaign was completed on 2 January 2019, which reduced short term liabilities by \$225,000.

2. Does MXR consider that the financial condition of MXR is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2?

If the answer to question 2 is "Yes", please explain the basis on which MXR has formed the conclusion that the financial condition of MXR is sufficient to warrant continued listing on ASX in accordance with the requirements of Listing Rule 12.2.

In your response, please address the potential impact on the financial condition of MXR if MXR is not able to meet its debts if and when they fall due. We note MXR's current working capital position, with total current assets of \$870,303 and total current liabilities of \$4,678,355.

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MXR Response Q2

Yes.

MXR continues to operate the Burbanks Mill under Toll milling agreements and generating positive cashflows, until the documentation for the sale of a 50% equity interest in Eastern Goldfields Milling Services Pty Ltd (**EGMS Sale**) is completed and signed. That process is nearing completion, but has taken longer than anticipated due to delays in preparing the documentation. MXR has received a lease option fee of \$500,000 (funds that form part of the EGMS Sale) and these funds have increased the current liabilities temporarily. Upon completion of the EGMS Sale, \$2.47 million is reversed from the current liabilities.

MXR has commenced due diligence on two projects, one of which may involve a capital raise which will further strengthen the balance sheet.

MXR has agreed to lease the Burbanks Mill for 12 months (as part of the EGMS Sale) which will return a minimum fixed monthly revenue plus a monthly tonnage royalty in addition to the fixed fee with minimal outgoings during the lease term (outgoings include tenement rents and annual License charges). The Lease payments are to commence from March 2019, and despite documentation not yet being completed, the start date for Lease fees is fixed (monthly in arrears).

3. If the answer to questions 2 is “No”, please explain what steps MXR has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rule 12.2.

MXR Response Q3

Not applicable given MXR response to Q2.

4. Given the Disclaimer of Conclusion relates to insufficient evidence as to whether the MXR may be able to realise assets through sales or raise additional equity, what is MXR's rationale for deeming the going concern basis appropriate when preparing the Half Year Report.

MXR Response Q4

The auditor explained the rationale for the disclaimer in the half year accounts, stating that until the EGMS Sale is finalised or until a capital raise is undertaken (which is being considered, but no board decision finalised as yet), there could be uncertainty of meeting the Company's debts as and when they fall due. However, the auditor formed the view that given the signed term sheet for the EGMS Sale and the confidential correspondence between MXR and GBF for the Share Sale Agreement for the EGMS Sale, the Auditor was satisfied that the Company should be able to reset the balance sheet and ensure it can meet its debts with a degree of certainty.

In addition, the auditor was satisfied that the ongoing revenue being generated from continuous Toll Milling operations was ensuring that current operating expenditure is met with the revenue generated and contributing to reducing current liabilities.

5. What steps does MXR intend to take to obtain an unqualified audit opinion with regards to its future financial statements?

MXR Response Q5

Completion of the EGMS Sale as announced on the ASX platform in December 2018 should eliminate the current liabilities and trade creditors. Further, a capital raise, if undertaken, will further strengthen the balance sheet and should result in the auditor providing an unqualified audit opinion for the full year accounts.

6. We note the Announcement states that the 12-month lease of the Burbank processing plant by GBF Mining Pty Limited ("Lease") will commence in March 2019, or earlier. Please provide an update on the commencement of the Lease.

MXR Response Q6

MXR has agreed to lease the Burbanks Mill for 12 months (as part of the EGMS Sale) which will return a minimum fixed monthly revenue plus a monthly tonnage royalty with minimal outgoings during the lease term (outgoings include tenement rents and annual License charges).

The Lease payments are to commence from March 2019, and despite documentation not yet being completed, the start date for Lease fees is fixed (monthly in arrears).

7. In relation to the Half Year Accounts, did the Board receive the CFO and CEO declaration, as confirmed in MXR's Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of MXR have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of MXR and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?

MXR Response Q7

Yes.

8. If the answer to question 7 is 'no' why did the Board not receive the CEO and CFO as confirmed in MXR's Corporate Governance Disclosure? What enquiries did the Board make of management to satisfy itself that the financial records of MXR have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of MXR?

MXR Response Q8

Not applicable given MXR response to Q7.

9. Commenting specifically on the disclaimer of conclusion, does the board consider that MXR has a sound system of risk management and internal control which is operating effectively?

MXR Response Q9

Yes

10. Please confirm that MXR is complying with the Listing Rules and, in particular, Listing Rule 3.1.

MXR Response Q10

Yes.

11. Please confirm that MXR's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of MXR with delegated authority from the board to respond to ASX on disclosure matters.

MXR Response Q11

The Managing Director confirms this.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'K. Malaxos', is written over a light blue horizontal line.

Kevin Malaxos
Maximus Resources Limited

18 March 2019

Ms Rajita Alwis
Company Secretary
Maximus Resources Limited
Level 3, 100 Pirie Street
Adelaide SA 5000

By email:

Dear Ms Alwis

Maximus Resources ('MXR'): Queries regarding Accounts

ASX refers to:

- A. MXR's Half Year Accounts year accounts for the Half Year Accounts year ended 31 December 2018 lodged with ASX Market Announcements Platform ("MAP") and released on 15 March 2019 ('Half Year Accounts Year Accounts').
- B. ASX notes that the Independent Auditor's Report attached to the Half Year Accounts Year Accounts ('Auditor's Report') contains a disclaimer of conclusion with the following basis for the disclaimer of conclusion ("Disclaimer of Conclusion"):

"The half year financial report has been prepared on a going concern basis, however the directors have not been able to provide sufficient evidence to support their assessment of the consolidated entity's ability to pay their debts as and when they fall due. The director's assessment includes the requirement for exercise of the option relating to the sale of a 50% interest of Eastern Goldfields Milling Services Pty Ltd and a capital raising either through the issue of equity instruments and/or a debt facility. The consolidated entity has reported a loss before tax of \$1,311,236 for the half year ended 31 December 2018 and has a current asset deficiency of \$3,808,052 as at that date. We have been unable to obtain sufficient evidence as to whether the consolidated entity may be able to realise assets through sales or raise additional equity. As a result there is material uncertainty about the ability to continue as a going concern for a period of 12 months from the date of this report."

- C. MXR's announcement that was lodged on MAP on 10 February 2019 titled "\$3.2 Million Mill Lease and 50% EGMS Sale Package" ("Announcement") in which MXR states, amongst other things:

"Maximus Resources Limited (ASX: MXR or the "Company") wishes to advise shareholders that the Company has signed a Binding Term Sheet with a private Mining Services Group, GBF Mining Pty Limited (GBF) for a 12-month lease of the Burbanks processing plant (Burbanks) commencing in March 2019, or earlier, once current Toll milling commitments are completed by MXR's wholly owned subsidiary Eastern Goldfields Milling Services Pty Ltd (EGMS), plus an option to acquire 50% equity in EGMS for a total of \$3.2 million."

- D. MXR's Corporate Governance Statement ('Corporate Governance Disclosure') for 2018 released on MAP on 30 October 2018 which provides confirmation that MXR complies with recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations which states:

"The Board has received declaration in the form set out in Recommendation 4.2 from its CEO and Chief Finance Officer in relation to the half-year financial statements and annual financial statements."

- E. Listing Rule 12.2 which states:

12.2 *An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.*

F. Listing Rule 19.11A which states:

19.11A If a listing rule requires an entity to give ASX +accounts, the following rules apply.

- (a) If the entity controls an entity within the meaning of section 50AA of the Corporations Act or is the holding company of an entity, required by any law, regulation, rule or accounting standard, or if ASX requires, the +accounts must be consolidated +accounts.*
- (b) The +accounts must be prepared to Australian accounting standards. If the entity is a +foreign entity the +accounts may be prepared to other standards agreed by ASX.*
- (c) If the listing rule requires audited +accounts, the audit must be conducted in accordance with Australian auditing standards by a registered company auditor. If the entity is a +foreign entity, the audit may be conducted in accordance with other standards agreed by ASX and may be conducted by an overseas equivalent of a registered company auditor.*
- (d) If the listing rule requires +accounts to be reviewed, the review must be conducted in accordance with Australian auditing standards. If the entity is a +foreign entity, the review may be conducted in accordance with other standards agreed by ASX. Unless the listing rule says an independent accountant may conduct the review, it must be conducted by a registered company auditor (or, if the entity is a +foreign entity, an overseas equivalent of a registered company auditor).*
- (e) If there is a +directors' declaration that relates to the +accounts, the +directors' declaration must be given to ASX with the +accounts.*
- (f) If there is a +directors' report that relates to the period covered by the +accounts, the +directors' report must be given to ASX with the +accounts.*

Request for Information

In light of the information contained in the Half Year Accounts Year Accounts and the Auditor's Report, and the application of the Listing Rules stated above, please respond to each of the following questions:

1. Is MXR able to confirm that in the Directors' Opinion the Half Year Accounts Year Accounts:
 - (a) comply with the relevant Accounting Standards; and
 - (b) give a true and fair view of MXR's financial performance and position?
2. Does MXR consider that the financial condition of MXR is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? If the answer to question 2 is "Yes", please explain the basis on which MXR has formed the conclusion that the financial condition of MXR is sufficient to warrant continued listing on ASX in accordance with the requirements of Listing Rule 12.2. In your response, please address the potential impact on the financial condition of MXR if MXR is not able to meet its debts if and when they fall due. We note MXR's current working capital position, with total current assets of \$870,303 and total current liabilities of \$4,678,355.
3. If the answer to questions 2 is "No", please explain what steps MXR has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rule 12.2.
4. Given the Disclaimer of Conclusion relates to insufficient evidence as to whether the MXR may be able to realise assets through sales or raise additional equity, what is MXR's rationale for deeming the going concern basis appropriate when preparing the Half Year Report.

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5. What steps does MXR intend to take to obtain an unqualified audit opinion with regards to its future financial statements?
 6. We note the Announcement states that the 12-month lease of the Burbank processing plant by GBF Mining Pty Limited ("Lease") will commence in March 2019, or earlier. Please provide an update on the commencement of the Lease.
 7. In relation to the Half Year Accounts, did the Board receive the CFO and CEO declaration, as confirmed in MXR's Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of MXR have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of MXR and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?
 8. If the answer to question 7 is 'no', why did the Board not receive the CEO and CFO as confirmed in MXR's Corporate Governance Disclosure? What enquiries did the Board make of management to satisfy itself that the financial records of MXR have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of MXR?
 9. Commenting specifically on the disclaimer of conclusion, does the board consider that MXR has a sound system of risk management and internal control which is operating effectively?
 10. Please confirm that MXR is complying with the Listing Rules and, in particular, Listing Rule 3.1.
 11. Please confirm that MXR's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of MXR with delegated authority from the board to respond to ASX on disclosure matters

When and where to send your response

Please note that ASX reserves its right under Listing Rule 18.7A to release this letter and MXR's response to the market. Accordingly, MXR's response should address each question separately and be in a format suitable for release to the market.

Unless the information is required immediately under Listing Rule 3.1, a response is requested as soon as possible and, in any event by no later than **4:00 pm AEDT Friday, 22 March 2019**. Any response should be sent to me by return email at ListingsComplianceSydney@asx.com.au. It should not be sent to the ASX Market Announcements Office.

Enquiries

If you have any queries regarding any of the above, please contact me.

Kind regards



Alex Sutton
Compliance Adviser, Geology, Listings Compliance (Sydney)