HUGHES DRILLING LIMITED

ABN 12 124 279 750

ANNUAL REPORT

30 JUNE 2016

Contents

Corporate Directory

Directors	**Mr Sean McCormick**	Non-Executive Director
	Mr Stephen Hewitt-Dutton	Non-Executive Director
	Mr Robert Innocent	Non-Executive Director
Company Secretary	**Mr Stephen Hewitt-Dutton**	
Registered Office	C/- Trident Capital Level 24 44 St George's Terrace Perth WA 6000 Telephone: 61 8 6211 5099 Facsimile: 61 8 9218 8875 ABN: 12 124 279 750	
Share Registry	Computershare Investor Services Pty Ltd Level 11 172 ST George's Terrace Perth WA 6000 Telephone: 1300 131 749 Web site: www.computershare.com	
Auditors	BDO Level 10 12 Creek Street Brisbane QLD 4000	
Stock exchange listing	Hughes Drilling Ltd shares are listed on the Australian Securities Exchange (ASX), ASX code HDX	

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Hughes Drilling Limited and the entities it controlled at the end of, or during, the year ended 30 June 2016.

Directors

The following persons were directors of Hughes Drilling Limited during the whole of the financial year and up to the date of this report unless otherwise stated:

Mr Sean McCormick	Appointed 16 August 2017
Mr Stephen Hewitt-Dutton	Appointed 16 August 2017
Mr Robert Innocent	Appointed 5 December 2017
Mr Robert (Bob) Hughes	Resigned 1 July 2016
Mr Andrew Drake	Removed 17 August 2017
Mr Douglas Grewar	Appointed 1 July 2016 – Removed 17 August 2017
Mr Barry O'Connor	Resigned 30 June 2016
Mr Jeff Branson	Removed 23 February 2018
Mr John Silverthorne	Resigned 6 July 2016
Mr Gary Belcher	Resigned 26 April 2016

Principal Activities

Hughes Drilling Ltd was the Ultimate holding company of the Group. The Group has fourteen operating Subsidiaries: Hughes Drilling 1 Pty Ltd, Express Hydraulics (Aust) Pty Ltd, Hughes Drilling Corporate Pty Ltd (formerly EDMS Human Capital Pty Ltd), Hughes Equipment Hire Pty Ltd (formerly EDMS Assets & Logistics Pty Ltd), Hughes Drilling 2 Pty Ltd (formerly EDMS Energy Pty Ltd), EDMS Metals Pty Ltd, Hyd Elec Australia Pty Ltd (formerly Resource 1 Pty Ltd), Every Day Mine Services Operations Pty Ltd (EDMSO), G.O.S. Drilling Pty Ltd (GOS), Australian Gas Drilling Pty Ltd (AGD), Reichdrill Australia Pty Ltd, Reichdrill Inc, JSW Australia Pty Ltd (JSW) and HD JSW Pty Ltd.

During the year the principal continuing activities of the Group consisted of providing drilling services to the mining industry with a focus on niche services for production, delineation, mining and contracting companies that do not have specialised equipment and the qualified employees to perform themselves, and the supply of manufactured drill rigs and spare parts. The Group predominantly operates throughout New South Wales, Queensland and Western Australia. There are specific synergies within the Group which enable the resources, expertise and market positioning of each operating company to be available to the other companies in the Group.

Incomplete Records

On 22 September 2016 the Board resolved to place the Company into voluntary administration and appointed Jason Preston, Shaun Fraser and Jamie Harris, all partners of McGrathNicol, as Voluntary administrator ("Administrator") of the Company.

Following appointment of the Administrator, the powers of the Company's officers (including directors) were suspended and the Administrator assumed control of the Company's business, property and affairs.

The financial report has been prepared by Directors who were not in office for the periods presented in this report, nor were they parties involved with the Company and did not have oversight or control over the group's financial reporting systems including but not limited to being able to obtain access to complete accounting records of the Company. In addition the Directors have not been able to source detailed financial records for subsidiary companies. Accordingly, the consolidated financial report has been prepared based on limited financial information only which was available to the Directors through the Administrator. The Directors who prepared this financial report were appointed on 16 August 2017 and 5 December 2017. Reasonable effort has been made by the Directors to ascertain the true position of the Company as at 30 June 2016.

To prepare the financial report, the Directors have reconstructed the financial records of the Group using data extracted from the accounting system. However, there may be information that the current Directors have not been able to obtain, the impact of which may or may not be material on the accounts.

These financial statements do not contain all the required information or disclosures in relation to transactions undertaken by the Company as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

Consequently, although the Directors have prepared this financial report to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that this financial report has been prepared in accordance with Australian Accounting Standards including Australian interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001, nor is it possible to state that this financial report gives a true and fair view of the Group's financial position as at 30 June 2016 and for the year then ended.

Dividend Paid or Recommended

No dividend from current year operations has been paid or is proposed to be paid in relation to the year ended 30 June 2016.

Review of Operations

During the year the Group continued its activities of providing drilling services to the mining industry with a focus on niche services for production, delineation, mining and contracting companies that do not have specialised equipment and the qualified employees to perform themselves, and the supply of manufactured drill rigs and spare parts.

On 27 June 2016 the Company requested that the Company's shares be suspended from trading on the ASX. Subsequent to year end the Company advised the ASX that it had breached certain banking covenants with its senior financier. Following extended discussions with the funding parties the Directors decided to place the Group into voluntary administration on 22 September 2016, appointing Jason Preston, Shaun Fraser and Jamie Harris, all partners of McGrathNicol, as Voluntary administrator ("Administrator") of the Company.

Following the second meeting of creditors held on 8 December 2016 the Company and the Administrators entered into a Deed of Company Arrangement (DOCA). In addition, the Administrators entered into a second DOCA with Hughes Drilling 1 Pty Ltd and JSW Australia Pty Ltd to effect the sale of the east coast coal production drilling business to a consortium comprising fund manager Allegro and mining contractor NRW Holdings Limited. In addition the remaining subsidiary companies were all placed into liquidation.

On 7 June 2017 at a third meeting of creditors, a resolution was passed to amend the DOCA to facilitate the recapitalisation of Hughes Drilling Limited. On 20 June 2017 the Deed of Amendment and Accession to document the variations to the DOCA was executed by the Administrators and Trident Capital Pty Ltd.

A general Meeting of shareholders was held on 19 February 2018 where the shareholders approved all resolutions to facilitate the recapitalisation of the Company. Following the completion of a capital raising and payment of the amount required under the Revised DOCA, the Revised DOCA was wholly effectuated on 1 March 2018 and control of the Company was returned to the Directors.

Significant Changes in State of Affairs

Other than as described in the Review of Operations above, there were no significant changes in the state of affairs of the Group during the financial year.

Events After the Reporting Date

The events subsequent to 30 June 2016 are outlined above in the review of operations.

Future Developments

Following effectuation of the DOCA, the Company has sufficient capital to allow it effectively evaluate new assets and opportunities with a view to completing an acquisition.

Environmental Regulations

The Group operations are subject to State, Commonwealth and Federal (as they relate to Reichdrill Inc, USA) environmental legislation and regulations. The Group monitors environmental issues, has appropriate environmental licenses for its operations and has environmental management procedures and is committed to reducing the impact of its operations on the environment. Our clients have obligations under environmental regulations and are reliant upon the Group to assist them to ensure its operations comply with those regulations.

As a mining services Group, Hughes Drilling undertakes to uphold environmental sustainability as a cornerstone of its operations. Our goal is to understand and respect the environment, land, cultural and social structures of the communities in which we operate. The Group continues to reduce its environmental footprint to protect and preserve the environment of the locations where we work.

Information on Directors

The following persons were directors of the Group during the year ending 30 June 2016 and up to the date of this report:

Mr Sean McCormick (appointed 16 August 2017)
Non-Executive Director

Sean has a Bachelor of Economics (Hons) from the University of Western Australia and a Bachelor of Laws from the University of Sydney. Sean has experience in mergers & acquisitions, capital raisings and reconstructions. Sean has worked in the restructuring division of a big four professional services firm and previously worked as an associate advisor for a national stockbroker.

Other current directorships:	Empire Oil & Gas NL (Appointed 20 March 2018) Rision Limited (Appointed 30 November 2018)
Former directorships in last three years:	Symbol Mining Limited (Appointed 27 April 2017, Resigned 18 December 2017)

Special responsibilities: Chairman

Interests in shares and options
Nil ordinary shares in Hughes Drilling
Nil options over ordinary shares in Hughes Drilling Limited

Mr Stephen Hewitt-Dutton (appointed 16 August 2017)
Non-Executive Director

Stephen is a Chartered Accountant and an Associate Director of Trident Capital Pty Ltd. He holds a Bachelor of Business from Curtin University and is an affiliate of the Institute of Chartered Accountants. He has over 25 years of experience in corporate finance, accounting and company secretarial matters.

Before joining Trident Capital, Stephen was an Associate Director of Carmichael Corporate where he assisted clients by providing equity market, IPO and M&A advice and assistance. He has also held Financial Controller and Company Secretary positions for both public and private companies for in excess of 17 years.

Other current directorships:	Empire Oil & Gas NL (Appointed 20 March 2018) Dragontail Systems Limited (Appointed 11 June 2018)
Former directorships in last three years:	Symbol Mining Limited (Appointed 27 April 2017, Resigned 18 December 2017) Rision Limited (Appointed 13 March 2012, Resigned 2 February 2016) Mach7 Technologies Limited (Appointed 6 October 2010, Resigned 8 April 2016) Flexiroam Limited (21 May 2010, Resigned 24 August 2016)

Special responsibilities: Nil

Interests in shares and options
Nil ordinary shares in Hughes Drilling
Nil options over ordinary shares in Hughes Drilling Limited

Mr Robert Innocent (appointed 5 December 2017)
Non-Executive Director

Rob has a Bachelor of Commerce from the University of Western Australia and a Post Graduate Diploma in Applied Finance & Investment from FINSIA.

Rob is an internationally experienced "C" level Executive with strengths in strategy, business development and general management. He has strong operational and commercial acumen coupled with broad experience across a range of industry sectors including manufacturing, construction, resources, infrastructure, engineering & financial services. Rob is currently the Managing Director of one of the leading contractors in the commercial construction industry with business activities throughout Western Australia and leading a team of 80+ employees and subcontractors.

Other current directorships: Nil

Former directorships in last three years: Nil

Special responsibilities: Nil

Interests in shares and options
Nil ordinary shares in Hughes Drilling
Nil options over ordinary shares in Hughes Drilling Limited

Mr Robert (Bob) Hughes (appointed 10 February 2012, Resigned 1 July 2016)
Executive Director / Managing Director / Chairman, Aged 59

Mr Hughes is the founder of the Hughes Drilling business and major shareholder of Hughes Drilling Ltd. Mr Hughes has over 39 years of providing drilling and blasting services for quarries and mining operations.

Other current directorships: Nil

Former directorships in last three years: Nil

Special responsibilities: Chairman

Interests in shares and options
71,388,074 ordinary shares in Hughes Drilling
Nil options over ordinary shares in Hughes Drilling Limited

Mr Andrew Drake (appointed 10 February 2012, Removed 17 August 2017)
Chief Executive Officer, Aged 59

Mr Drake was the General Manager of the pre merged Hughes Drilling Business, and then the Chief Executive Officer of the merged business. Mr Drake joined Hughes Drilling in 2006. Prior to joining Hughes Drilling, Mr Drake for the previous 16 years held managerial and business development roles with Dyno Nobel, the world’s second largest explosives supplier.

Other current directorships: Nil

Former directorships in last three years: Nil

Special responsibilities: Nil

Interests in shares and options
90,269 ordinary shares in Hughes Drilling
500,000 options over ordinary shares in Hughes Drilling Limited

Mr Barry O’Connor (appointed 5 November 2012, Resigned 30 June 2016)
Non-executive Director, Aged 75

Mr O'Connor has in excess of 40 years’ experience in successfully promoting and marketing of premium mining, drilling and comparable products in the Australian market. He has a deep understanding of production planning and engineering. From the mid 1980's he headed the rotating equipment division of BTR Nylex. He subsequently was Australian Area Manager for and a director of Sullair Pty Ltd, the international manufacturer of industrial compressors and other equipment. He headed Sullair's construction and mining divisions until 2007.

Other current directorship: Nil

Former directorships in last three years: Nil

Special responsibilities: Chairman of the Remuneration and Nomination Committee and Chairman of the Audit and Risk Committee

Interests in shares and options
1,046,875 ordinary shares in Hughes Drilling
Nil options over ordinary shares in Hughes Drilling Limited

Mr Jeff Branson (appointed 3 October 2013, Removed 23 February 2018)
Chief Operating Officer, Aged 57

Mr Branson has significant drilling and management experience leading Australian companies. Mr Branson is a Civil Engineer and Co Founder of Brandrill Limited, now part of Ausdrill, which was a 100 drill rig business with its primary focus being blast hole and resource definition drilling. Mr Branson has over 35 years drilling and contract management experience.

Other current directorship: Nil

Former directorships in last three years: Nil

Special responsibilities: Nil

Interests in shares and options
2,287,087 ordinary shares in Hughes Drilling
$146,412 worth of put options over ordinary shares in Hughes Drilling Limited

Mr John Silverthorne (appointed 3 October 2013, Resigned 6 July 2016)
Non-executive Director, Aged 59

Mr Silverthorne has significant board experience and management expertise in large multi-function contracting companies. Mr Silverthorne was co-founder of NRW Holdings Ltd, a listed public company. Mr Silverthorne has vast experience throughout the mining and construction sector of Western Australia.

Other current directorship: Viento Group Ltd

Former directorships in last three years: Nil

Special responsibilities: Member of the Remuneration and Nomination Committee

Interests in shares and options
Nil ordinary shares in Hughes Drilling
Nil options over ordinary shares in Hughes Drilling Limited

Mr Gary Belcher (appointed 18 July 2014, Resigned 24 April 2016)
Non-executive Director, Aged 53

Since retiring from a highly successful professional rugby league career, Mr Belcher has forged a respectable reputation in sales and marketing. His background covers a broad spectrum of industries including telecommunication, media, corporate marketing, public relations and consulting. Mr Belcher was also operation manager for FOGS (Former Origins Greats).

Other current directorship: Nil

Former directorships in last three years: Nil

Special responsibilities: Member of the Remuneration and Nomination Committee and Member of the Audit and Risk Committee

Interests in shares and options
Nil ordinary shares in Hughes Drilling
Nil options over ordinary shares in Hughes Drilling Limited

Mr Douglas Grewar (appointed 1 July 2016, Removed 17 August 2017)
Executive Director, Aged 56

Mr Grewar has extensive experience in resources, civil and engineering construction, mining technologies and mineral procesing. He has previously held senior executive roles in the resources and civil sectors in Australia and Asia.

Other current directorship: Nil

Former directorships in last three years: Viento Group Limited (Appointed 30 March 2015, resigned 5 November 2015)
GO2 People Ltd (Appointed 28 July 2017, Resigned 8 March 2018)

Special responsibilities: Nil

Interests in shares and options
Nil ordinary shares in Hughes Drilling
Nil options over ordinary shares in Hughes Drilling Limited

Mr Paul Brenton B.Comm, CPA, MAICD (appointed 9 August 2010, Removed 17 August 2017)
Company Secretary, Aged 38

Mr Brenton has over 19 years' experience in accounting, corporate finance and commerce. Mr Brenton was the former CFO of a large diversified property developer and construction business, prior to joining the Group in August 2010. Throughout that period he was responsible for internal and external reporting, management of finance, insurance, and IT whilst ensuring control and reporting systems were timely and accurate.

Mr Brenton has a Bachelor of Commerce from The University of Newcastle and is a Certified Practicing Accountant, with over 10 years spent in public practice with PricewaterhouseCoopers (both in Australia and United Kingdom), working for a diverse range of clients, particularly in the mining, manufacturing, and construction industries, in the audit, business recovery and transaction services divisions.

Other current directorships: Nil

Former directorships in last three years: Nil

Special responsibilities: Chief Financial Officer

Interests in shares and options
Nil ordinary shares in Hughes Drilling Limited
400,000 options over ordinary shares in Hughes Drilling Limited

'Other current directorships' stated above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships' stated above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Meetings of Directors

Due to the appointment of the Administrator on 22 September 2016 to the Company and the current Directors not being in control of the Company during this time, information on the attendance at Directors' meetings is not available.

Indemnification of officers and auditors

During the financial year, the Group paid a premium in respect of a contract insuring the Directors of the Group (as named above), the Group secretary and all executive officers of the Group and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group or of any related body corporate against a liability incurred as such an officer or auditor.

Auditor's independence declaration

The auditor's independence declaration is included on page 59 of the Annual Report.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Remuneration Report (Audited)

Remuneration of Directors and Officers

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of Hughes Drilling Limited's directors and its senior management for the financial year ended 30 June 2016. The Company was in administration from 22 September 2016. On entering administration, the administrator was responsible for the remuneration policies of the Company.

The Directors who are in office at the date of this report had no involvement in adopting, implementing or complying with these remuneration policies. These policies may or may not have been in place during the financial period.

If the recapitalisation process and relisting of the Company is successful, the Directors who are in office at the date of this report, and/or subsequently appointed Directors, will adopt a new remuneration policy in accordance with the corporate governance framework to be adopted by the Board.

This report outlines the remuneration arrangements in place for Directors and other key management personnel of Hughes Drilling. The information is based on the information disclosed for the financial year ended 30 June 2015.

Directors	
Mr Robert (Bob) Hughes	Executive Director / Managing Director/Chairman (Appointed 10 February 2012)
Mr Andrew Drake	Chief Executive Officer (Appointed 10 February 2012)
Mr Barry O'Connor	Non – Executive Director (Appointed 5 November 2012)
Mr Jeff Branson	Chief Operating Officer (Appointed 3 October 2013)
Mr John Silverthorne	Non – Executive Director (Appointed 3 October 2013
Mr Gary Belcher	Non – Executive Director (Appointed 18 July 2014, Resigned 26 April 2016)
Key Management	
Mr Paul Brenton	Chief Financial Officer (Appointed 9 August 2010)
Mr Patrick Garrity	Vice President REICHdrill Inc (Appointed 1 May 2007)

The Group has established a Remuneration and Nomination Committee which has adopted a Remuneration and Nomination Charter. The charter provides that the fees and emoluments paid to Directors shall be approved in advance by Shareholders. The salary and emoluments paid to officers shall be approved by the Board. Executive officers and the managing director shall enter into service agreements which shall not exceed three years in duration (but shall be renewable). Consultants shall be engaged as required pursuant to service agreements. The Group shall ensure that fees, salaries and emoluments shall be in line with general standards for public listed companies of the size and type of the Group and that they shall not be excessive. All salaries of Directors and statutory officers shall be disclosed in the Annual Report of the Group each year.

The Board believes that individual salary negotiation is more appropriate than formal remuneration policies, and external advice and market comparisons are sought where necessary. The Group discloses the fees and remuneration paid to all Directors as required by the Corporations Act. The Board recognises that the attraction and retention of high calibre executives is critical to generating shareholder value.

All remuneration paid to Directors and executives is valued at the cost to the Group and expensed. Shares issued to Directors and executives are valued at the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate non-executive Directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive Directors and reviews their remuneration annually, based on market price, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Group. Each member of the executive team has signed a formal contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract sets out the specific formal job description.

Under Hughes Drilling's Constitution, the Directors shall be paid remuneration for their ordinary services as Directors a fixed sum to be divided amongst them in such proportion and manner as the Directors agree and, in default of agreement, equally. Director's fees are currently set at the following amounts per annum:

Each non-executive Director receives fees of $50,000 per annum (plus superannuation) and the Chairman of the Board of Directors will receive $100,000 per annum (plus superannuation). Payments of Directors' fees will be in addition to any payments to Directors in any employment capacity. A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out-of-pocket expenses incurred as a result of their directorship or any special duties.

Details of remuneration for the period ended 30 June 2016

From 22 September 2016 the Company was in administration. The Company's operations were suspended by the Administrator. The Company does not have adequate information to enable the disclosures required by the Corporations Act 2001 for the year ended 30 June 2016.

Details of remuneration for the period ended 30 June 2015

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage / alignment of executive compensation

The names and positions held of the parent entity Directors are disclosed under Information on Directors above, with the dates of directorship disclosed for each Directors.

Details of the remuneration of each current Director and Key Management Personnel of Hughes Drilling and its Subsidiaries, including their personally related entities, are set out below:

Service agreements

Name:	Robert (Bob) Hughes
Title:	Executive Director / Managing Director
Agreement Commenced	1 January 2013
Term of agreement:	3 years
Details:	Base salary for the year ending 30 June 2015 of $400,000 plus superannuation (effective 4 March 2013), to be reviewed annually by the Remuneration and Nomination Committee. 6 month termination notice from the company or 6 month resignation notice.

Employment Agreements

Name:	Andrew Drake
Title:	Chief Executive Officer
Agreement Commenced	1 January 2013
Term of agreement:	Ongoing
Details:	Base salary for the year ending 30 June 2015 of $230,000 plus superannuation (effective 1 July 2012) to be reviewed annually by the Remuneration and Nomination Committee. 6 month termination notice from the company or 3 month resignation notice. Key performance indicator (KPI) cash bonus and share issue bonus at the completion of each financial year if certain KPI's are met.

Name:	Jeff Branson
Title:	Chief Operating Officer – JSW Australia Pty Ltd
Agreement Commenced	3 October 2013 Appointed as Chief Operating Officer
Term of agreement:	Ongoing
Details:	Base salary for the year ending 30 June 2015 of $395,000 to be reviewed annually by the Remuneration and Nomination Committee. 6 month termination notice from the company or 3 month resignation notice.

Name:	Patrick Garrity
Title:	Vice President - REICHdrill Inc
Agreement Commenced	26 March 2013 Appointed as Vice President (employed by REICHdrill since 1 May 2007)
Term of agreement:	Ongoing
Details:	Base salary for the year ending 30 June 2015 of US$220,000, to be reviewed annually by the Remuneration and Nomination Committee. 6 month termination notice from the company or 3 month resignation notice.

Name:	Paul Brenton
Title:	Chief Financial Officer & Company Secretary
Agreement Commenced:	9 August 2010
Term of agreement:	Ongoing
Details:	Base salary for the year ending 30 June 2015 of $300,000 plus superannuation (effective 1 December 2012) and annual car allowance of $15,000, to be reviewed annually by the Remuneration and Nomination Committee. 6 month termination notice from the company or 3 month resignation notice. Key performance indicator (KPI) cash bonus and share issue bonus at the completion of each financial year if certain KPI's are met.

JUNE 2015		Position	Tenure (If full year not served)	Salary, Fees & Commissions ($)	Post employment ($)	Other ($)	Options ($)	Total ($)
DIRECTORS								
Hughes	Robert (Bob)	Executive Director / Managing Director	Appointed 10 February 2012	469,231(1)	25,519	-	-	494,750
Drake	Andrew	Chief Executive Officer	Appointed 10 February 2012	225,577	21,275	-	-	246,852
O'Connor	Barry	Non-Executive Director	Appointed 5 November 2012	50,000	4,625	-	-	54,625
Branson	Jeff	Chief Operating Officer	Appointed 3 October 2013	391,962	37,206	-	-	429,168
Silverthorne	John	Non-Executive Director	Appointed 3 October 2013	50,000	4,625	-	-	54,625
Belcher	Gary	Non-Executive Director	Appointed 18 July 2014	50,000	4,625	-	-	54,625
TOTAL				**1,236,770**	**97,875**	**-**	**-**	**1,334,645**
KEY MANAGEMENT								
Brenton	Paul	Chief Financial Officer / Company Secretary	Appointed 9 August 2010	334,615(2)	25,000	15,000(4)	-	374,615
Garrity	Patrick	Vice President – REICHdrill Inc	Appointed 26 March 2013	262,445 (3)	-	-	-	262,445
TOTAL				**597,060**	**25,000**	**15,000**	**-**	**637,060**

Notes:
(1) Bob Hughes had $76,923 of accrued Annual Leave paid out during FY15
(2) Paul Brenton had $34,615 of accrued Annual Leave paid out during FY15
(3) Pat Garrity USD$220,000 Salary paid during FY15 converted at average AUD/USD exchange rate
(4) Paul Brenton $15,000 Motor Vehicle Allowance

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

JUNE 2015		Position	Salary, Fees & Commissions % (Fixed)	Super % (fixed)	Other % (Variable)	Options % (Fixed)	Total %
DIRECTORS							
Hughes	Robert (Bob)	Executive Director / Managing Director	95	5	-	-	100
Drake	Andrew	Chief Executive Officer	91	9	-	-	100
O'Connor	Barry	Non-Executive Director	92	8	-	-	100
Branson	Jeff	Chief Operating Officer	91	9	-	-	100
Silverthorne	John	Non-Executive Director	92	8	-	-	100
Belcher	Gary	Non-Executive Director	92	8	-	-	100
KEY MANAGEMENT							
Brenton	Paul	Chief Financial Officer / Company Secretary	89	7	4	-	100
Garrity	Patrick	Vice President – REICHdrill Inc.	100	-	-	-	100

The earnings of the consolidated entity for the five years to 30 June 2016 are summarised below:

	30/06/2012 $'000	30/06/2013 $'000	30/06/2014 $'000	30/06/2015 $'000	30/06/2016 $'000
Sales Revenue	39,187	49,756	90,566	107,538	75,871
EBITDA	15,336	18,032	14,610	25,491	18,036
EBIT	13,307	12,539	4,753	13,543	5,241
Profit after income tax	8,417	10,367	1,422	8,188	(13)
The factors that are considered to affect total shareholders return ("TSR") are summarised below;					
Share price at financial year end ($A)	$0.40	$0.26	$0.19	$0.21	N/A
Total dividends declared (cents per share)	Nil	Nil	Nil	Nil	Nil
Basic earnings per share (cents per share)	0.009	0.078	0.007	3.92	(0.01)

Transactions with key management personnel

As detailed in note 1, to prepare the financial report, the Directors have reconstructed the financial records of the group using data extracted from the accounting system. However, there may be information that the current Directors have not been able to obtain, the impact of which may or may not be material on the accounts. These financial statements do not contain all the required information or disclosures in relation to transactions undertaken by the Company as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

The following balances for the 2016 financial year are amounts up to 31 December 2015.

	Consolidated 2016 $ '000	Consolidated 2015 $ '000
Purchases of goods and services		
Purchase of consumables from entities controlled by key management personnel	**13**	39
Sale of goods and services		
Sale of goods and services to entities controlled by key management personnel	**-**	271
Other transactions		
Payment of interest on loan funds to The Silverthorne Trust (John Silverthorne)	**109**	217

Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties.

	Consolidated 2016 $ '000	Consolidated 2015 $ '000
Current trade payable (sale of goods and services)		
Entities controlled by key management personnel	**4**	6
Current trade debtor (sale of goods and services)		
Entities controlled by key management personnel	**-**	-

Loans and borrowing to and (from) related parties

Beginning of the year	**(3,763)**	(3,673)
Loans advanced	**-**	-
Interest charged	**(32)**	(306)
Interest paid	**109**	216
End of the year	**(3,686)**	(3,763)

Options
During the last two financial years, the following share-based payment arrangements were in existence:

	Balance 01/07/14	Options Acquired	Options Cancelled	Balance 30/06/15	Balance 01/07/15	Options Acquired	Options Cancelled	Balance 30/06/16
Staff & Directors	3,200,000	-	(400,000)	2,800,000	2,800,000	-	(2,800,000)	-
	3,200,000	-	(400,000)	2,800,000	2,800,000	-	(2,800,000)	-

Executives and senior employees receiving options under the first round issued on 14 May 2007 are entitled to the beneficial interest under the option when the performance condition (length of service beyond 14 May 2009) is met only if they continue to be employed with the Group at that time.

The Directors approved the issue of a second round of options to key management of the Group and its subsidiaries pursuant to the Plan in July 2009.

Executives and senior employees receiving options under the Employee Share Plan issued on 13 February 2012 are entitled to the beneficial interest under the option when the performance condition (length of service beyond 13 February 2014) is met only if they continue to be employed with the Group at that time, or has left employment and has been deemed by the board as a "good leaver". All outstanding options expired on 13 February 2016.

Option holding of key management personnel

No options were issued to key management personnel in the period 1 July 2015 to 30 June 2016. 900,000 options held by key management personnel expired on 13 February 2016.

The movement in the reporting period in the number of options over ordinary shares in Hughes Drilling Limited held directly, indirectly or beneficially by each key management person, including their related parties is as follows:

	Balance 1 July 14	Options Acquired	Options Cancelled	Balance 30 June 15	Balance 1 July 15	Options Acquired	Options Cancelled /Lapsed	Balance 30 June 16
DIRECTORS								
Andrew Drake	500,000	-	-	500,000	500,000	-	(500,000)	-
KEY MANAGEMENT								
Paul Brenton	400,000	-	-	400,000	400,000	-	(400,000)	-

Shareholding of key management personnel

	Balance 01/07/14	Shares acquired	Shares disposed	Balance 30/06/15	Balance 1/07/15	Shares acquired	Shares disposed	Balance 30/06/16
DIRECTORS								
Robert (Bob) Hughes	71,388,074	-	-	71,388,074	71,388,074	-	-	71,388,074
Andrew Drake	90,269	-	-	90,269	90,269	-	-	90,269
Barry O'Connor	1,046,875	-	-	1,046,875	1,046,875	-	-	1,046,875
John Silverthorne	8,408,026	-	(8,408,026)	-	-	-	-	-
Jeff Branson	2,287,087	-	-	2,287,087	2,287,087	-	-	2,287,087
Gary Belcher	-	-	-	-	-	-	-	-
TOTAL	**83,220,331**	**-**	**(8,408,026)**	**74,812,305**	**74,812,305**	**-**	**-**	**74,812,305**
KEY MANAGEMENT								
Paul Brenton	-	-	-	-	-	-	-	-
Patrick Garrity	-	-	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-	-	-

This concludes the remuneration report which has been audited.

Options

At the date of this report, the options listed below are unexercised:

	Issue Date	Exercise Date	Exercise Price ($)	Bal 1/7/14 '000	Options Granted '000	Options Cancelled '000	Bal 30/06/15 '000	Bal 1/7/15 '000	Options Granted '000	Options Cancelled /Lapsed' 000	Bal 30/06/1k '000
Directors & Key Management & Staff	13/02/12	13/2/16	0.40	2,800	-	-	2,800	2,800	-	(2,800)	-
				2,800	-	-	2,800	2,800	-	(2,800)	-

Non Audit Services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important. Details of amounts paid to the Company's auditors, BDO, and their previous auditors, PwC, are set out below.

	Consolidated 30 June 2016 $	Consolidated 30 June 2015 $
Audit and review of financial report (PwC)	**276,046**	294,600
Audit and review of financial report (BDO) *	**173,303**	-
Other services – tax and accounting (PwC)	**-**	-
Other services – tax and accounting (BDO)	**66,281**	26,000
	515,630	320,600

* During the period of voluntary administration, no audits were carried out and all audit costs will be reflected in the financial report for the year ending 30 June 2019 when the audits were carried out.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditors (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are of the opinion that the services as disclosed in Note 23 to the financial statements do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

This Directors report is signed in accordance with a resolution of the Board of Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors,

S. McCormick

Sean McCormick
Non-Executive Director
Perth, 10 May 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Note	Consolidated 2016 $ '000	Consolidated 2015 $ '000
Continuing Operations			
Revenue	5	**75,871**	107,538
Cost of goods sold	7	**(60,240)**	(83,014)
Costs of goods sold – write down of inventory	7	**-**	(2,592)
		15,631	21,932
Other income	6	**431**	254
General and administrative expenses	7	**(9,264)**	(8,425)
Selling and marketing expenses	7	**(1,637)**	(218)
Operating profit		**5,160**	13,543
Impairment costs	7	**-**	-
Finance costs	7	**(3,544)**	(3,191)
Profit for the year before Income tax		**1,616**	10,352
Income tax (expense)	8	**(1,629)**	(2,164)
Profit for the year		**(13)**	8,188
Profit for the year attributable to:			
- Owners of Hughes Drilling Limited		**(248)**	8,019
- Non controlling Interest		**235**	169
		(13)	8,188
Earning per share for the profit attributable to ordinary equity holders of the company – cents/share			
- Basic profit (loss) per share	28	**(0.01)c**	3.92c
- Diluted profit (loss) per share	28	**(0.01)c**	3.87c
Profit for the year		**(13)**	8,188
Other comprehensive income			
Items that may need to be reclassified to profit and Loss			
- Exchange differences on translation of foreign operations		**479**	1,891
Total comprehensive income for the year		**466**	10,079
Total comprehensive income for the year attributable to:			
- Owners of Hughes Drilling Limited		**212**	9,834
- Non controlling Interest		**254**	245
		466	10,079

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	Consolidated 2016 $ '000	Consolidated 2015 $ '000
Current assets			
Cash and cash equivalents	9	**806**	1,704
Trade and other receivables	10	**15,306**	23,672
Inventories	11	**58,907**	43,487
Non-current assets held for sale	12	**1,416**	1,629
TOTAL CURRENT ASSETS		**76,435**	70,492
Non-current assets			
Deferred tax asset	8	**-**	2,559
Property, plant and equipment	13	**80,789**	73,110
Intangible assets	14	**12,980**	12,641
TOTAL NON-CURRENT ASSETS		**93,769**	88,310
TOTAL ASSETS		**170,204**	158,802
Current liabilities			
Bank overdraft	9	**11,032**	11,210
Trade and other payables	16	**36,835**	26,119
Provisions	17	**5,364**	2,792
Borrowings	18	**41,309**	20,376
TOTAL CURRENT LIABILITIES		**95,540**	60,497
Non-current liabilities			
Provisions	17	**-**	486
Deferred tax liabilities	8	**579**	-
Borrowings	18	**-**	23,200
TOTAL NON-CURRENT LIABILITIES		**579**	23,686
TOTAL LIABILITIES		**95,119**	84,183
NET ASSETS		**75,085**	74,619
EQUITY			
Contributed equity	19	**38,227**	38,227
Other reserves	20	**3,661**	3,200
Retained earnings		**32,281**	32,530
Capital and reserves attributable to Owners of Hughes Drilling Ltd		**74,169**	73,957
Non-controlling interest	33	**916**	662
		75,085	74,619

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Contributed equity $ '000	Reserves $ '000	Retained earnings $ '000	Total $'000	Non controlling Interest $'000	Total $ '000
Balance 1 July 2014	38,227	1,386	24,511	64,124	416	64,540
Profit for the year	-	-	8,019	8,019	169	8,188
Other Comprehensive Income	-	1,814	-	1,814	77	1,891
Total comprehensive income for the year	**-**	**1,814**	**8,019**	**9,833**	**246**	**10,079**
Transactions with owners in their capacity as owners:						
Nil	-	-	-	-	-	-
Balance at 30 June 2015	**38,227**	**3,200**	**32,530**	**73,957**	**662**	**74,619**
Balance 1 July 2015	38,227	3,200	32,530	73,958	662	74,619
Profit for the year	-	-	(248)	(248)	235	(13)
Other Comprehensive Income	-	460	-	460	19	479
Total comprehensive income for the year	**-**	**460**	**(248)**	**212**	**254**	**466**
Transactions with owners in their capacity as owners:						
Nil	-	-	-	-	-	-
Balance at 30 June 2016	**38,227**	**3,660**	**32,282**	**74,169**	**916**	**75,085**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	Consolidated 2016 $ '000	Consolidated 2015 $ '000
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		**95,283**	112,947
Payments to suppliers and employees		**(69,680)**	(89,532)
		25,603	23,415
Interest paid		**(3,630)**	(3,209)
Interest received		**88**	-
Income tax paid		**1,509**	(3,209)
Net cash generated by operating activities	22	**23,570**	20,206
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for acquisition of intellectual property		**(339)**	(4,237)
Proceeds from sale of plant and equipment		**-**	305
Purchase of plant and equipment		**(22,130)**	(23,196)
Net cash used in investing activities		**(22,469)**	(27,128)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**10,223**	24,070
Repayment of borrowings		**(11,881)**	(22,921)
Net cash generated by financing activities		**(1,658)**	1,149
Net (decrease)/increase in cash and cash equivalents		**(557)**	(5,773)
CASH AT THE BEGINNING OF THE YEAR		**(9,506)**	(3,862)
Effects of exchange rate changes on cash and cash equivalents		**(163)**	129
CASH AT THE END OF THE YEAR	9	**(10,226)**	(9,506)

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

1. INCOMPLETE RECORDS

On 22 September 2016 the Board resolved to place the Company into voluntary administration and appointed Jason Preston, Shaun Fraser and Jamie Harris, all partners of McGrathNicol, as Voluntary administrator ("Administrator") of the Company.

Following appointment of the Administrator, the powers of the Company's officers (including Directors) were suspended and the Administrator assumed control of the Company's business, property and affairs.

The financial report has been prepared by Directors who were not in office for the periods presented in this report, nor were they parties involved with the Company and did not have oversight or control over the group's financial reporting systems including but not limited to being able to obtain access to complete accounting records of the Company. In addition the Directors have not been able to source detailed financial records for subsidiary companies. Accordingly, the consolidated financial report has been prepared based on limited financial information only which was available to the Directors through the Administrator. The Directors who prepared this financial report were appointed on 16 August 2017 and 5 December 2017. Reasonable effort has been made by the Directors to ascertain the true position of the Company as at 30 June 2016.

To prepare the financial report, the Directors have reconstructed the financial records of the Group using data extracted from the accounting system. However, there may be information that the current directors have not been able to obtain, the impact of which may or may not be material on the accounts.

These financial statements do not contain all the required information or disclosures in relation to transactions undertaken by the Company as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

Consequently, although the Directors have prepared this financial report to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that this financial report has been prepared in accordance with Australian Accounting Standards including Australian interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001, nor is it possible to state that this financial report gives a true and fair view of the Group's financial position as at 30 June 2016 and for the year then ended.

2. GENERAL INFORMATION

Hughes Drilling Limited ("the Company", or the "Group") is a public company listed on the Australian Securities Exchange, incorporated and operating in Australia.

Hughes Drilling Limited's registered office is Level 24, 44 St George's Terrace. Perth, WA 6000. During the financial year its registered office and its principal place of business is 12 Byte Street, Yatala, QLD 4207.

Hughes Drilling Limited is the holding company of the Group. The Group comprises the head entity Hughes Drilling Limited, eleven (11) wholly owned subsidiaries and three (3) 96% owned subsidiaries. The 4% in REICHdrill Inc and REICHdrill Australia Pty Ltd, and 4% JSW Australia Pty Ltd (JSW) is held by Patrick Garrity Vice President and Jeff Branson Chief Operating Officer respectively.

All Hughes Group entities provide contracting services and mining equipment to the mining industry. For detailed listing of investments in controlled entities see Note 15.

The financial statements are presented in English and Australian dollars.

The financial report was authorised for issue by the directors of the Company on 10 May 2019.

3. BASIS OF PREPARATION

The basis of preparation of this financial report should be read in conjunction with the limitations caused by the incomplete records referred to in Note 1.

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, including Australian Interpretations, adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for-profit oriented entities.

a) Compliance with IFRS

As detailed in note 1, although the Directors have prepared this financial report to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that this financial report has been prepared in accordance with Australian Accounting Standards including Australian interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001, nor is it possible to state that this financial report gives a true and fair view of the Group's financial position as at 30 June 2016 and for the year then ended.

b) Going Concern

The consolidated financial statements of the Group have been prepared on a going concern basis, which indicates continuity of business activities and the realisation of assets and settlement of liabilities in the normal course of business.

The Group has recorded a loss of $13k and generated an operating cash inflow of $23.6m for the year ended 30 June 2016, and as of that date, the Group has a net current asset deficiency and total asset position of $170.2m.

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors believe it is appropriate to prepare these accounts on a going concern basis as the effectuation of the DOCA extinguished all liabilities associated with the previous operations of the Company.

The Company received Shareholder approval on 19 February 2018 to raise up to $815,000 (the “Recapitalisation”). $500,000 of the Recapitalisation funds were used to establish a Creditors’ Trust. The remaining funds to be used to pay expenses of effectuating the DOCA and ongoing running costs. Following the completion of the Recapitalisation, the Company has commenced a process to identify and assess potential acquisition opportunities of a material asset and undertake a reverse takeover. In doing so, the Company will likely be required to re-comply with Chapters 1 and 2 of the Listing Rules and be reinstated to the Official List. Upon reinstatement to the Official List, the Company’s securities will be released from suspension and will resume trading on the ASX.

The current projected use of the funds raised indicates that the Company will have sufficient cash to meet all commitments and working capital requirements for a period of at least 12 months from the signing of this financial report. Accordingly, the Directors are satisfied that the going concern basis of preparation is appropriate.

No adjustments have been made in relation to the recoverability of assets and classification of liabilities that might be necessary should the Group not continue as a going concern.

c) New and amended standard adopted by the Group

No new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2015 materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. The only impact of these standards were to disclosures in the notes to the financial statements, see page 29 for the details of the new accounting standards adopted.

d) Historical cost convention

The financial report has been prepared on the historical cost basis except for assets held for sale which are carried at fair value.

e) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment on the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of this financial report should be read in conjunction with the limitations caused by the incomplete records referred to in Note 1.

a) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Group as at and for the year ended 30 June 2016.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. The effects of all transactions between the entities within the Group have been eliminated.

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Hughes Drilling Limited ('company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. Hughes Drilling Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

c) Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Hughes Drilling Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when they are differed in equity as part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other income or other expenses.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyper inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the reporting date;

- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed are net of returns and trade allowances. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities described below. Revenue is recognised for the major business activities as follows:

(i) Drilling Services - Revenue from drilling services is recognised in the accounting period in which the services are rendered;

(ii) Sale of goods - Revenue from the sale of goods is recognised when the significant risks and rewards have been passed to the buyer;

(iii) Sale of drill rigs - Revenue from sale of drill rigs on order from customers is recognised on a percentage of completion basis. The percentage of completion is measured by an assessment of costs incurred to date as a percentage of total costs;

(iv) Compressor hire – Revenue from the hire of air compressors is recognised in the accounting period in which the services are rendered.

Interest revenue is recognised as it accrues, taking into effect the effective yield on the financial asset. All revenue is stated net of the amount of GST.

e) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is recognised for all deductible temporary timing differences except for those arising:

(i) on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
(ii) in relation to differences associated with investments in subsidiaries and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the same taxable entity, and the same taxation authority, the Australian Taxation Office.

f) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (Note 13). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (Note 27). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

g) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

h) Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. Refer to Note 14 for details of these assumptions and the potential impact of changes to the assumptions.

i) 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 current liabilities in the statement of financial position.

j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 to 90 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

k) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle or weighted average principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is determined with reference to replacement cost of inventory held for use in the supply of services.

l) Non-current assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal Group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Held for sale assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal Group classified as held for sale continue to be recognised. Non-current assets classified as held for sale and the assets of a disposal Group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal Group classified as held for sale are presented separately from other liabilities in the statement of financial position.

m) Investments and other financial assets

Classification
The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (Note 10) in the statement of financial position.

(iii) Held-to-maturity investment

Held-to-maturity investments are non-derivative financial assets quoted in an active market with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Financial assets – reclassification
The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and derecognition
Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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.

Measurement
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

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.

Impairment
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss. Impairment testing of trade receivables is described in Note (3h).

(ii) Assets classified as available-for-sale

If there is objective evidence of impairment 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 removed from equity and recognised in profit or loss. Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

n) Property, plant and equipment

(i) Initial recognition

Land
Land is stated at historical cost. The initial cost includes expenditure that is directly attributable to the acquisition of the item. Land is not depreciated.

Drilling Plant and equipment
The initial cost of drilling plant and equipment includes expenditure that is directly attributable to the acquisition of the item together with costs associated with the refurbishment or adaptation necessary to operate the asset to a specific requirement or design.

Motor vehicles
Motor vehicles are stated at cost less accumulated depreciation and impairment.

Buildings
Buildings are stated at cost less accumulated depreciation and impairment.

Office equipment
Office equipment is stated at cost less accumulated depreciation and impairment.

Depreciation
Depreciation is provided for on all property, plant and equipment, except for land. Depreciation is calculated on a straight line basis so as to write off the cost of each asset over its expected useful life to its estimated residual value. The depreciable amount of all fixed assets is depreciated over their useful lives to the Group commencing from the time the asset is held ready for use.

(ii) Depreciation
Depreciation is provided on all property, plant and equipment so as to write off assets progressively over their useful economic lives and is calculated on the straight line method. The expected useful lives are as follows:

Drilling plant and equipment	2 - 10 years
Motor vehicles	5 - 7 years
Buildings	5 - 40 years
Office equipment	1 - 10 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(iii) Disposal and derecognition

An item of property, plant or equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss for the period.

o) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of businesses acquired. Following initial recognition, goodwill is not amortised but is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment losses are taken to profit or loss and are not subsequently reversed.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or Groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segments. See Note 14 for further details.

(ii) Trademarks

Trademarks have been deemed to have an infinite useful life and are carried at cost less accumulated impairment losses. Trademarks are tested for impairment on an annual basis. Where an indicator of impairment exists, the asset is written down to its estimated value.

(iii) Intellectual property

The initial cost of intellectual property includes expenditure that is directly attributable to the acquisition of the item together with costs associated with further developing the asset.

Intellectual property is carried at cost less accumulated amortisation and impairment losses. The assets are amortised on a straight line basis over its useful life of 3 to 5 years. Intellectual property is tested annually for impairment

p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30-40 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

r) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

s) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

t) Employee benefits

(i) Short term benefits

Liabilities for employees' entitlements to wages and salaries, annual leave and other employee entitlements expected to be settled within 12 months of the reporting date are recognised in current provisions in respect of employees' services up to reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long-term benefits

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 employee rendered services 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 or government bonds with terms and currencies that match as closely as possible the estimated future cash outflows. The obligations are presented as current if the entity does not does not have an unconditional right to defer settlement for at least 12 months after the reporting date.

(iii) Share-based payments

The value of options granted under the employee option plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in the assumptions about the number of options that are expected to be exercisable. At each reporting date, the Group revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the profit or loss with a corresponding adjustment to equity.

u) 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.

v) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the parent, 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.

(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 shares that would be outstanding assuming the conversion of all dilutive potential ordinary shares.

w) 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.

x) Level of rounding used

Amounts in the financial report and Directors' Report have been rounded to the nearest thousand dollars in accordance with Australian Securities and Investments Commission Class Order 98/100.

y) New standards and interpretations not yet adopted

Certain amended accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods. The Group's and the parent entity's assessment of the impact of these amended standards and interpretations is set out below.

AASB-9 Financial Instruments (effective from 1 January 2018)
AASB 9 Financial Instruments addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2018 but is available for early adoption. The Group does not expect the standard to have any impact as they do not hold financial instruments that would be impacted.

AASB-15 Revenue from Contracts with Customers (effective from 1 January 2017)
The Australian Accounting Standards Board has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and service AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, so the notion of control replaces the existing notion of risks and rewards. The Standard is applicable to the company from 1 July 2017. Management is currently assessing the impact of the new rules but does not expect it to have a material impact.

z) New accounting standards adopted early

No standards were early adopted.

3. Parent entity financial information

The financial information for the parent entity, Hughes Drilling Limited, disclosed in Note 31 has been prepared on the same basis as the consolidated financial statements, except as set out below:

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries are accounted for at cost in the financial statements of Hughes Drilling Limited.

(ii) Tax consolidation legislation

Hughes Drilling Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Hughes Drilling Limited, and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Hughes Drilling Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Hughes Drilling Limited for any current tax payable assumed and are compensated by Hughes Drilling Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Hughes Drilling Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax.

(iii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(iv) Share-based payments

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4. Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of property plant and equipment

The Group tests at each reporting date annually whether there are indicators of impairment in relation to property, plant and equipment, where an indicator is identified the recoverable amount of the cash generating unit is determined. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to Note 13 for details of these assumptions and the potential impact of changes to the assumptions.

(ii) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(h). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to Note 14 for details of these assumptions and the potential impact of changes to the assumptions.

(iii) Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgment is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

In addition, the Group has recognised deferred tax assets relating to carried forward tax losses to the extent they are sufficient taxable future profits anticipated. Future taxable income is based on management's forecasts, which include estimates based on the best available information at this time. Utilisation of the tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped. If the entity fails to satisfy the test, carried forward deferred tax losses of $1,684,275 would have to be written off to income tax expense.

(iv) Non-current assets held for sale

The drill rigs classified as held for sale during the reporting period were measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification. The fair value of the rigs was determined by a third party using a combination of market comparison and cost approach.

5. REVENUE

As detailed in note 1, to prepare the financial report, the Directors have reconstructed the financial records of the group using data extracted from the accounting system. However, there may be information that the current directors have not been able to obtain, the impact of which may or may not be material on the accounts. These financial statements do not contain all the required information or disclosures in relation to transactions undertaken by the Company as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

	Consolidated 2016 $ '000	Consolidated 2015 $ '000
Revenue from sale of goods and services	**75,871**	107,538
	75,871	107,538

6. OTHER INCOME

As detailed in note 1, to prepare the financial report, the Directors have reconstructed the financial records of the group using data extracted from the accounting system. However, there may be information that the current directors have not been able to obtain, the impact of which may or may not be material on the accounts. These financial statements do not contain all the required information or disclosures in relation to transactions undertaken by the Company as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

Sundry income	**431**	254
	431	254

7. EXPENSES

Profit before income tax includes the following specific expense:

As detailed in note 1, to prepare the financial report, the Directors have reconstructed the financial records of the group using data extracted from the accounting system. However, there may be information that the current directors have not been able to obtain, the impact of which may or may not be material on the accounts. These financial statements do not contain all the required information or disclosures in relation to transactions undertaken by the Company as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel. Accordingly, detailed expense information is not available for many of the items disclosed below. Where total information is available as totals only that amount has been disclosed.

Depreciation		
Land and buildings		85
Motor vehicles		811
Office equipment		330
Plant and equipment		10,721
	12,794	11,947
Cost of goods sold – Write down of inventory	-	2,592
	-	2,592
Finance costs		
Interest expense – bank and other loans	**4,045**	627
Other finance charges - lease liability	**(420)**	2,564
	3,625	3,191
Employee benefits expense - Information not available		
Non-executive Directors' remuneration		166
Salaries and wages		34,982
Superannuation costs		3,145
		38,293
Rental – operating leases - Information not available		
Motor Vehicles and Equipment		607
		607

	Consolidated 2016	Consolidated 2015
Share based payment		
Share based payment expense	-	-
	-	-

8. TAX

As detailed in note 1, to prepare the financial report, the Directors have reconstructed the financial records of the group using data extracted from the accounting system. However, there may be information that the current directors have not been able to obtain, the impact of which may or may not be material on the accounts. These financial statements do not contain all the required information or disclosures in relation to transactions undertaken by the Company as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

	Consolidated 2016 $ '000	Consolidated 2015 $ '000
Income tax expense: - Information not available		
a) The major components of income tax expense/(benefit):		
Current tax		-
Adjustment recognised from prior year [1]		(845)
Deferred tax		3,009
Aggregate income tax expense		2,164

[1] Adjustment is a result of the finalisation of prior tax returns in the current year

b) Reconciliation between aggregate income tax expense to prima facie tax payable		
Accounting profit before tax from continuing operations		10,352
Tax at the Group's statutory income tax rate of 30%		3,106
Nondeductible expenses		56
Difference in deferred tax rates		(153)
Tax benefit of estimated tax losses from operating activities		-
Adjustment recognised from prior year		(845)
Aggregate income tax expense		2,164

c) Tax losses

Unused tax loses for which no deferred tax asset has been recognised

2016 - Information not available

Deferred income tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following temporary differences:	**Balance at 1 July 2014**	**Movement during the year**	**Balance at 30 June 2015**
Deferred tax assets movements recognised directly in Profit & Loss			
Leave entitlements	713	271	**984**
Other	173	278	**451**
Goodwill adjustment – REICHdrill Inc	1,432	149	**1,581**
Tax losses	5,332	(1,441)	**3,891**
Inventory	201	856	**1,057**
Share issue costs	48	114	**162**
Gross deferred tax assets	7,899	228	**8,127**

An additional $495,000 was recognised in the FX reserves on the translation of the deferred tax balances at reporting date.

Deferred tax asset expected to be recovered within 12 months	824	3,996	**4,820**
Deferred tax asset expected to be recovered after 12 months	7,075	(3,768)	**3,307**
	7,899	228	**8,127**

Deferred tax assets and liabilities are attributable to the following temporary differences:	**Balance at 1 July 2014**	**Movement during the year**	**Balance at 30 June 2015**
Deferred tax liabilities			
Consumables	2,728	947	**3,675**
Property, plant & equipment	608	359	**967**
Other	335	590	**925**
Gross deferred tax liabilities	3,671	1,896	**5,567**
Deferred tax liability expected to be recovered within 12 months	3,047	(1,527)	**1,520**
Deferred tax liability expected to be recovered after 12 months	624	3,424	**4,048**
	3,671	1,896	**5,567**
Net deferred tax asset	4,228	(1,669)	**2,559**

Hughes Drilling Limited and its wholly-owned Australian subsidiaries have formed a tax consolidation Group. On formation of the tax consolidation Group, the entities entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned subsidiaries in the case of a default by the head entity, Hughes Drilling Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Hughes Drilling Limited for any current tax payable assumed and are compensated by Hughes Drilling Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Hughes Drilling Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year.

9. CASH AND CASH EQUIVALENTS

As detailed in note 1, to prepare the financial report, the Directors have reconstructed the financial records of the group using data extracted from the accounting system. However, there may be information that the current directors have not been able to obtain, the impact of which may or may not be material on the accounts. These financial statements do not contain all the required information or disclosures in relation to transactions undertaken by the Company as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

	Consolidated 2016	Consolidated 2015
Cash at bank and on hand	**806**	1,704
Bank overdraft	**(11,032)**	(11,210)
Balances as per the statement of cash-flows	**(10,226)**	(9,506)

Risk exposure
The Group's exposure to interest rate risk is discussed in Note 26. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

Fair Value of Bank overdraft
The carrying amount of the bank overdraft approximates its fair value due to its short-term nature.

10. TRADE AND OTHER RECEIVABLES

As detailed in note 1, to prepare the financial report, the Directors have reconstructed the financial records of the group using data extracted from the accounting system. However, there may be information that the current directors have not been able to obtain, the impact of which may or may not be material on the accounts. These financial statements do not contain all the required information or disclosures in relation to transactions undertaken by the Company as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

	Consolidated 2016 $ '000	Consolidated 2015 $ '000
Trade receivables	**15,295**	22,856
Prepayments	**11**	328
Sundry debtors	**-**	488
	15,306	23,672
Trade receivable reconciliation		
Beginning balance	**15,306**	22,962
Provision for impairment recognised during year	**-**	(106)
Receivables written off during the year	**-**	-
Closing balance	**15,306**	22,856
Trade receivable ageing analysis **Information not available**		
0 – 30 days		19,938
30 – 60 days		1,734
60 – 90 days		261
> 90 days		923
		22,856

i) Fair value and credit risk

Due to the short-term nature of these trade and other receivables, their carrying amounts are assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to Note 25 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

ii) Past due but not impaired

As at 30 June 2016, it is not known what value of trade receivables (2015 - $923,167) were past due but not impaired. In relation to the 2015 amount, these related to 41 customers for whom there is no recent history of default or expectation for default therefore the amounts have not been impaired. The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

iii) Sundry Debtors

These amounts generally arise from transactions outside the usual operating activities of the Group.

11. INVENTORIES

As detailed in note 1, to prepare the financial report, the Directors have reconstructed the financial records of the group using data extracted from the accounting system. However, there may be information that the current directors have not been able to obtain, the impact of which may or may not be material on the accounts. These financial statements do not contain all the required information or disclosures in relation to transactions undertaken by the Company as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

	Consolidated 2016 $ '000	Consolidated 2015 $ '000
Consumables and spares parts- at net realisable		40,923
REICHdrill Rig WIP - at cost		2,564
	58,907	43,487

REICHdrill Inc Rig work in progress is classified as inventory as the rig is still under manufacture for onward selling to customers.

The write-down of inventories to net realisable value recognised as an expense during the year ended 30 June 2015 amounted to $2.592m.

12. NON-CURRENT ASSETS HELD FOR SALE

As detailed in note 1, to prepare the financial report, the Directors have reconstructed the financial records of the group using data extracted from the accounting system. However, there may be information that the current directors have not been able to obtain, the impact of which may or may not be material on the accounts. These financial statements do not contain all the required information or disclosures in relation to transactions undertaken by the Company as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

Property, plant and equipment	**1,629**	130
Additions	**-**	1,499
Unknown movement	**(213)**	-
	1,416	1,629

The assets identified above represent the surplus assets of the businesses requirements. These assets at the time were being sold via listing with brokers and met the recognition criteria of AASB5 to qualify as assets held for sale.

13. PROPERTY, PLANT AND EQUIPMENT

As detailed in note 1, to prepare the financial report, the Directors have reconstructed the financial records of the group using data extracted from the accounting system. However, there may be information that the current directors have not been able to obtain, the impact of which may or may not be material on the accounts. These financial statements do not contain all the required information or disclosures in relation to transactions undertaken by the Company as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

Freehold Land and Buildings **Information not available**		
At cost		1,562
Accumulated depreciation		(282)
Net book amount		1,280

Notes to the Financial Statements

	Consolidated 2016 $ '000	Consolidated 2015 $ '000
Motor Vehicles **Information not available**		
At cost		5,848
Accumulated depreciation		(3,170)
Net book amount		2,678
Office equipment **Information not available**		
At cost		1,536
Accumulated depreciation		(847)
Net book amount		689
Drilling plant and equipment **Information not available**		
At cost		115,650
Accumulated depreciation		(53,561)
Accumulated impairment losses		(295)
Net book amount		61,794
Capital work in progress		
At cost	**5,954**	6,668
Total Property, plant and equipment		
Cost	**149,241**	131,264
Accumulated depreciation	**(68,452)**	(57,860)
Accumulated Impairment losses	**-**	(295)
Total Net book amount	**80,789**	73,110

Leased assets

Property, plant and equipment includes the following amounts where the Group is a lessee under a finance lease. Information for the year ended 30 June 2016 is not available.

Property, plant and equipment

	Consolidated 2016 $ '000	Consolidated 2015 $ '000
Cost		55,877
Accumulated depreciation		(14,270)
Total net book amount		41,607

Reconciliation

Reconciliation of the carrying amount of fixed assets for the current financial year is set out below:

Freehold Land and Buildings **Information not available**		
Opening carrying value		1,346
Exchange differences		13
Additions		6
Disposals		-
Depreciation expense		(85)
Written down value at 30 June		1,280

	Consolidated 2016 $ '000	Consolidated 2015 $ '000
Motor vehicles **Information not available**		
Opening carrying value		3,436
Exchange differences		84
Additions		235
Transfers from other categories		(120)
Disposals		(127)
Depreciation expense		(830)
Written down value at 30 June		2,678
Office Equipment **Information not available**		
Opening carrying value		642
Exchange differences		13
Additions		354
Transfers from other asset categories		22
Disposals		-
Depreciation expense		(342)
Written down value at 30 June		689
Drilling plant and Equipment **Information not available**		
Opening carrying value		54,067
Exchange differences		174
Transfer from capital work in progress		5,494
Additions		14,330
Transfer from other asset categories		98
Disposals		(165)
Depreciation expense		(10,705)
Transfer to assets held for sale		(1,499)
Written down value at 30 June		61,794
Capital Work in Progress **Information not available**		
Opening carrying value		**4,079**
Additions		**8,083**
Transfer to Property Plant and Equipment		**(5,494)**
Written down value at 30 June	**5,954**	**6,668**
Total Property, Plant and Equipment	**80,789**	**73,110**

The bank has a fixed and floating charge over all unencumbered assets of the Group.

Impairment

In accordance with AASB 136 property, plant and equipment should be assessed for impairment only when impairment indicators exist. Although there are no specific impairment indicators, property, plant and equipment has been assessed for impairment for the surface drilling division (JSW Australia Pty Ltd) and drill rigs and spare parts manufacturing division (REICHdrill Inc.) as part of our goodwill impairment assessment. See Note 14.

14. INTANGIBLE ASSETS AND GOODWILL

As detailed in note 1, to prepare the financial report, the Directors have reconstructed the financial records of the group using data extracted from the accounting system. However, there may be information that the current directors have not been able to obtain, the impact of which may or may not be material on the accounts. These financial statements do not contain all the required information or disclosures in relation to transactions undertaken by the Company as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

	Consolidated 2016 $ '000	Consolidated 2015 $ '000
Intellectual property		
Cost	**5,161**	4,822
Accumulated amortisation	**(197)**	(197)
Total net book amount	**4,964**	4,625
Trademarks **Information not available**		
Cost	**3**	3
Accumulated depreciation	**-**	-
Total net book amount	**3**	3
Goodwill **Information not available**		
Cost	**12,018**	12,018
Accumulated impairment	**(4,005)**	(4,005)
Total net book amount	**8,013**	8,013
Total Intangibles and Goodwill **Information not available**		
Cost	**17,182**	16,843
Accumulated amortisation	**(197)**	(197)
Accumulated impairment	**(4,005)**	(4,005)
Total net book amount	**12,980**	12,641

Reconciliation

Reconciliation of the carrying amount of intangible assets for the current financial year is set out below

Intellectual property		
Opening carrying value	**4,625**	-
Additions	**339**	4,625
Amortisation	**-**	-
Closing net book amount	**4,964**	4,625
Trademarks		
Opening carrying value	**3**	3
Additions	**-**	-
Amortisation	**-**	-
Closing net book amount	**3**	3

	Consolidated 2016 $ '000	Consolidated 2015 $ '000
Goodwill		
Opening net book amount	**8,013**	8,013
Additions	**-**	-
Amortisation	**-**	-
Closing net book amount	**8,013**	8,013
Total intangible assets and goodwill		
Opening carrying	**12,641**	8,016
value Additions	**339**	4,625
Amortisation	**-**	-
Closing net book amount	**12,980**	12,641

Impairment test for intellectual property
Intellectual property ("IP") relates to the Mine Mixers process which was acquired from RTL Corporation Limited. The IP was considered fully impaired by Management as the focus was on developing the Group's core operations and for the foreseeable future resources will not be invested in developing the Mine Mixers business.

During the financial year further intellectual property was acquired from a third party for products of a nature used by the Group in the conduct of its activities.

Impairment test for goodwill
Goodwill acquired through business combinations have been allocated to the following cash-generating units:

Surface Drilling Division – EDMSL	**-**	-
Surface Drilling Division – JSW Australia	**5,892**	5,892
Drill rigs and spare parts manufacturing – REICHdrill Inc	**2,121**	2,121
	8,013	8,013

The Group tests whether goodwill has suffered impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) has been determined by a value-in-use calculation using a discounted cash flow model, based on a 5 year projection period approved by management together with a terminal value.

14. INTANGIBLE ASSETS AND GOODWILL (continued)

The following information shows key assumptions of the assessment for impairment for the 2015 financial year. Given the limitations outlined in note 1 the Directors have not made an assessment in relation to the carrying values as at 30 June 2016. As the Company went into administration in September 2016 the intangible assets and goodwill will be either disposed of or fully impaired in the subsequent period.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive. The following key assumptions were used in the discounted cash flow model for the surface drilling and drill rigs and spare parts manufacturing divisions:

	JSW (Surface drilling)	REICHdrill (Drill rig & spare parts manufacturing)
Post-tax discount rate	11.7%	11.7%
Year 1 projected revenue growth rate	5.0%	51.0%
Subsequent years projected annual revenue growth rate	5.0%	0.0%
Year 1 increase in operating costs and overheads	5.0%	23.0%
Subsequent years projected increase in operating costs and overheads	5.0%	0.0%
Terminal growth rate	0.0%	0.0%

The post-tax discount rate of 11.7% reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the surface drilling and drill rig and manufacturing divisions, the risk free rate and the volatility of the share price relative to market movements. Value in use calculations were adjusted to a post-tax basis, therefore post-tax discount rate is considered appropriate.

Management believes the projected 5.0% revenue growth rate for JSW Australia is prudent and justified, based on the general market conditions, and the 51.0% growth in FY16 is based on secured contracts and a strong pipeline.

There were no other key assumptions for the surface drilling and drill rigs and spare parts manufacturing divisions.

Based on the above assumptions, a nil impairment has been applied to the surface drilling (JSW) and drill rigs and spare parts manufacturing (REICHdrill Inc) divisions as the carrying amount of goodwill does not exceed its recoverable amount.

Sensitivity
As disclosed in Note 4, the directors have made judgments and estimates the assumptions applied in the impairment testing of goodwill.

Should these judgments and estimates not occur the resulting goodwill may vary in carrying amount. The sensitivities are as follows:

a. Revenue would need to decrease by more than 14% and 6% for the surface drilling and drill rig and spare parts manufacturing divisions respectively before goodwill and net assets would need to be impaired, with all other assumptions remaining constant.

b. Engagement margin would need to decrease by 44% for the surface drilling division and 24% for the drill rig and spare parts manufacturing divisions before goodwill and net assets would need to be impaired, with all other assumptions remaining constant.

c. The discount rate would be required to increase to 44% and 27% for the surface drilling and drill rig and spare parts manufacturing divisions respectively before goodwill and net assets would need to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of the surface drilling division and drill rig and spare parts manufacturing goodwill is based, would not cause the cash generating units carrying amount to exceed its recoverable amount.

15. INVESTMENTS IN CONTROLLED ENTITIES

	Country of incorporation	**Percentage of equity interest held by the parent 2016**	Percentage of equity interest held by the parent 2015
Hughes Drilling 1 Pty Ltd	Australia	**100%**	100%
Express Hydraulics (Aust) Pty Ltd	Australia	**100%**	100%
Every Day Mine Services Operations Pty Ltd	Australia	**100%**	100%
G.O.S. Drilling Pty Ltd	Australia	**100%**	100%
Australian Gas Drilling Pty Ltd	Australia	**100%**	100%
EDMS Human Capital Pty Ltd	Australia	**100%**	100%
Resource 1 Pty Ltd	Australia	**100%**	100%
Hughes Equipment Hire Pty Ltd (formerly EDMS Assets & Logistics Pty Ltd)	Australia	**100%**	100%
EDMS Energy Pty Ltd	Australia	**100%**	100%
EDMS Metals Pty Ltd	Australia	**100%**	100%
REICHdrill Inc	USA	**96%**	96%
REICHdrill Australia Pty Ltd	Australia	**96%**	96%
HD JSW Pty Ltd	Australia	**100%**	100%
JSW Australia Pty	Australia	**96%**	96%

16. TRADE AND OTHER PAYABLES

As detailed in note 1, to prepare the financial report, the Directors have reconstructed the financial records of the group using data extracted from the accounting system. However, there may be information that the current directors have not been able to obtain, the impact of which may or may not be material on the accounts. These financial statements do not contain all the required information or disclosures in relation to transactions undertaken by the Company as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

	Consolidated 2016 $ '000	Consolidated 2015 $ '000
Trade payables	**30,990**	12,483
Other payables	**5,845**	13,636
	36,835	26,119

Information about the Group's exposure to foreign exchange risk is provided in Note 26.

17. PROVISIONS

As detailed in note 1, to prepare the financial report, the Directors have reconstructed the financial records of the group using data extracted from the accounting system. However, there may be information that the current directors have not been able to obtain, the impact of which may or may not be material on the accounts. These financial statements do not contain all the required information or disclosures in relation to transactions undertaken by the Company as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

Employee benefits		
Current Employee entitlements	**5,364**	2,792
Non-Current Employee entitlements	**-**	486
	5,364	3,278

Amounts not expected to be settled within the next 12 months

Employee entitlements include accruals for annual leave. The entire obligation is presented as current, since the Group does not have an unconditional right to defer settlement. As the Company went into administration in September 2016, the entire amount for the current year is shown as current as expected to be settled in the next 12 months as the Group ceased employing any staff following the appointment of administrators. The amount shown for the comparative period is based on past experience whereby the Group does not expect all employees to take the full amount of accrued leave within the following 12 months.

	Consolidated 2016 $ '000	Consolidated 2015 $ '000
Current leave obligation expected to be settled after 12 months	-	384

Movement in employee provisions

As detailed in note 1, to prepare the financial report, the Directors have reconstructed the financial records of the group using data extracted from the accounting system. However, there may be information that the current directors have not been able to obtain, the impact of which may or may not be material on the accounts. These financial statements do not contain all the required information or disclosures in relation to transactions undertaken by the Company as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

18. BORROWINGS

Subsequent to year end the Company advised the ASX that it had breached certain banking covenants with its senior financier. Following extended discussions with the funding parties the Directors decided to place the Group into voluntary administration on 22 September 2016, appointing Jason Preston, Shaun Fraser and Jamie Harris, all partners of McGrathNicol, as Voluntary administrator of the Company.

	Consolidated 2016 $ '000	Consolidated 2015 $ '000
Current		
Secured		
- Hire Purchase	**25,449**	13,659
- Commercial bill facility	**15,860**	2,750
- Other	-	3,967
	41,309	20,376
Non-current		
Secured		
- Hire Purchase	-	12,996
- Commercial bill facility	-	9,500
Unsecured		-
- Other	-	704
	-	23,200

i) Fair Values

The carrying amount of the Group's current and non-current hire purchases and commercial bill facilities (which have a variable interest rate) approximates their fair value. Where appropriate, fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates.

Other borrowings at 30 June 2015 are comprised of unsecured loans from John Silverthorne Trust with a carrying value of $3.763m which at fair value would be $3.763m, and loans from Eastern Guruma with a carrying value of $0.712m which at fair value would be $0.712m.

ii) Terms and conditions

Hire purchase liabilities are repayable in monthly instalments (including finance charges) ranging from $995 to $58,392 over periods ranging from 24 to 60 months. Applicable interest rates range from 3.6% to 8.9%. Hire purchase liabilities are secured by a fixed and floating charge over all the unencumbered assets of the Group as discussed in Note 13.

iii) Risk exposures

Information about the Group's exposure to interest rate risk is provided in Note 26.

iv) Classification

Borrowings have been classified as either current or non-current depending on when repayments fall due as stipulated by the agreed repayment schedules.

19. CONTRIBUTED EQUITY

	Number of Shares 000's	Value $'000s	Attributable Costs $'000s	Costs $'000s
Balance 1 July 2014	208,670	39,549	(1,322)	38,227
On issue at 30 June 2015	**208,670**	**39,549**	**(1,322)**	**38,227**
On issue at 30 June 2016	**208,670**	**39,549**	**(1,322)**	**38,227**

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Options

Information relating to the Hughes Drilling Limited issued Options, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out below and in Note 21.

	Issue Date	Exercise Date	Exercise Price ($)	Bal 1/7/14 '000	Options Granted '000	Options Cancelled '000	Bal 30/06/15 '000	Bal 1/7/15 '000	Options Granted '000	Options Cancelled '000	Bal 30/06/16 '000
Employee Share Option Plan											
Directors & Key Management & Staff	7/07/09	6/07/14	0.531	515	-	(515)	-	-	-	-	-
Directors & Key Management & Staff	30/10/09	30/6/14	0.531	900	-	(900)	-	-	-	-	-
Directors & Key Management & Staff	13/02/12	13/2/16	0.40	3,200	-	(400)	2,800	2,800	-	(2,800)	-
				4,615	**-**	**(1,815)**	**2,800**	**2,800**	**-**	**(2,800)**	**-**

Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the Statement of Financial Position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Statement of Financial Position plus debt.

The consolidated entity is subject to certain financing agreements and covenants, and meeting these are given priority in all capital risk management decisions.

20. OTHER RESERVES

	Consolidated 2016 $ '000	Consolidated 2015 $ '000
Options reserve (see Note 21)	**882**	882
Foreign currency gain on translation of foreign operations	**2,923**	2,464
Put options issued	**(146)**	(146)
	3,661	3,200

21. RESERVES – OPTION RESERVE

	Number of options 000's	**Value $'000s**	**Attributable Costs $'000s**	**Net $'000s**
Balance 1 July 2014	4,615	882	-	882
Cancelled during year – directors and key management	(1,815)	-	-	-
Value of employee services for the year	-	-	-	-
On issue at 30 June 2015	**2,800**	**882**	-	882
Balance 1 July 2015	2,800	882	-	882
Cancelled during year – directors and key management	(2,800)	-	-	-
Value of employee services for the year	-	-	-	-
On issue at 30 June 2016	**-**	**882**	-	882

The option reserve is used to recognise:

a) the grant date fair value of options issued to employees but not exercised;
b) the grant date fair value of shares issued to employees

22. NOTES TO THE STATEMENT OF CASH FLOWS

	Consolidated 2016 $ '000	Consolidated 2015 $ '000
Operating (loss)/profit after taxation	**(13)**	8,188
Inventory write down	**-**	2,592
Depreciation	**12,794**	11,947
(Profit)/loss on disposal of assets	**-**	(52)
Movement in assets / liabilities:		
(Increase)/decrease in trade and other receivables	**5,520**	(4,482)
(Increase)/decrease in stock	**(13,581)**	(6,783)
(Increase)/decrease in deferred tax assets	**(819)**	2,164
Increase/(decrease) in deferred tax liabilities	**3,957**	-
Increase /(decrease)in trade and other payables	**13,626**	5,729
Increase/(decrease) in provisions	**2,086**	903
Net cash (used in)/provided by operating activities	**23,570**	20,206

23. AUDITORS REMUNERATION

Audit services	**$**	$
Audit and review of financial report (PwC)	**276,646**	294,600
Audit and review of financial report (BDO) *	**173,303**	-
Other services		
Tax and accounting (PwC)	**-**	-
Tax and accounting (BDO)	**66,281**	26,000
	515,630	320,600

* During the period of voluntary administration, no audits were carried out and all audit costs reflected in the financial report for the year ending 30 June 2019 when the audits were carried out.

24. RELATED PARTIES

a) Subsidiaries

The consolidated financial statements include the financial statements of Hughes Drilling Limited and its subsidiaries as listed in Note 15.

b) Ultimate parent

Hughes Drilling Limited is the ultimate parent of the Group.

c) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in the Directors Report and Note 25.

24. RELATED PARTIES (continued)

As detailed in note 1, to prepare the financial report, the Directors have reconstructed the financial records of the group using data extracted from the accounting system. However, there may be information that the current directors have not been able to obtain, the impact of which may or may not be material on the accounts. These financial statements do not contain all the required information or disclosures in relation to transactions undertaken by the Company as this information is unascertainable due to the administration process and/or the change in directorships and key management personnel.

The following balances for the 2016 financial year are amounts up to 31 December 2015.

d) Transactions with related parties

	Consolidated 2016 $ '000	Consolidated 2015 $ '000
Purchases of goods and services		
Purchase of consumables from entities controlled by key management personnel	**13**	39
Sale of goods and services		
Sale of goods and services to entities controlled by key management personnel	**-**	271
Other transactions		
Payment of interest on loan funds to The Silverthorne Trust (John Silverthorne)	**109**	217

e) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties.

Current trade payable (sale of goods and services)		
Entities controlled by key management personnel	**4**	6
Current trade debtor (sale of goods and services)		
Entities controlled by key management personnel	**-**	-

f) Loans and borrowing to and (from) related parties

Beginning of the year	**(3,763)**	(3,673)
Loans advanced	**-**	-
Interest charged	**(109)**	(306)
Interest paid	**32**	216
End of the year	**(3,686)**	(3,763)

25. KEY MANAGEMENT PERSONNEL

a) Details of key management personnel

The following were key management personnel of the Group at any time during the reporting period, unless otherwise indicated individuals were employed for the entire period.

Directors

Surname	First Name	Position	Tenure (If not full year served)
Hughes	Robert (Bob)	Executive Director – Managing Director & Chairman	Appointed 10 February 2012
Drake	Andrew	Chief Executive Officer	Appointed 10 February 2012
O'Connor	Barry	Non-Executive Director	Appointed 5 November 2012
Silverthorne	John	Non-Executive Director	Appointed 3 October 2013
Branson	Jeff	Chief Operating Officer	Appointed 3 October 2013
Belcher	Gary	Non-Executive Director	Appointed 18 July 2014

Key Executives

Surname	First Name	Position	Tenure (If not full year served)
Brenton	Paul	Chief Financial Officer	Appointed 9 August 2010
Garrity	Patrick	Vice President - REICHdrill	Appointed 1 May 2007

b) Compensation of key management personnel

Full details of key management personnel compensation is disclosed in the remuneration report on page 8 to 13 of the Directors Report.

From 22 September 2016 the Company was in administration. The Company's operations were suspended by the Administrator. The Company does not have adequate information to enable the disclosures required in relation to the compensation of key management personnel.

c) Option holdings of key management personnel

The movement in the reporting period in the number of options over ordinary shares in Hughes Drilling Limited held directly, indirectly or beneficially by each key management person, including their related parties is as follows:

	Balance 1 July 14	Options Acquired	Options Cancelled	Balance 30 June 15	Balance 1 July 16	Options Acquired	Options Cancelled /Lapsed	Balance 30 June 16
DIRECTORS								
Andrew Drake	500,000	-	-	500,000	500,000	-	(500,000)	-
KEY MANAGEMENT								
Paul Brenton	400,000	-	-	400,000	400,000	-	(400,000)	-

d) Shareholding of key management personnel

	Balance 1/07/14	Shares acquired	Shares disposed	Balance 30/06/15	Balance 1/07/15	Shares acquired	Shares disposed	Balance 30/06/16
DIRECTORS								
Robert (Bob) Hughes	71,388,074	-	-	71,388,074	71,388,074	-	-	71,388,074
Andrew Drake	90,269	-	-	90,269	90,269	-	-	90,269
Barry O'Connor	1,046,875	-	-	1,046,875	1,046,875	-	-	1,046,875
John Silverthorne	8,408,026	-	(8,408,026)	-	-	-	-	-
Jeff Branson	2,287,087	-	-	2,287,087	2,287,087	-	-	2,287,087
Gary Belcher	-	-	-	-	-	-	-	-
TOTAL	**83,220,331**	**-**	**(8,408,026)**	**74,812,305**	**74,812,305**	**-**	**-**	**74,812,305**

26. FINANCIAL RISK MANAGEMENT

This note sets out information about the financial risk management policies of Hughes Drilling Limited for the financial year ended 30 June 2016. The Company was in administration from 22 September 2016. On entering administration, the administrator was responsible for the policies of the Company.

The Directors who are in office at the date of this report had no involvement in adopting, implementing or complying with these policies. These policies may or may not have been in place during the financial period.

If the recapitalisation process is successful, the Directors who are in office at the date of this report will adopt new policies in accordance with the corporate governance framework to be adopted by the Board.

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of Resource Sector and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. Methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk. The Group's financial instruments are as follows:

		Carrying amount		**Fair value**	
	Note	**Consolidated 2016 $'000s**	Consolidated 2015 $'000s	**Consolidated 2016 $'000s**	Consolidated 2015 $'000s
Financial assets					
Cash	9	**806**	1,704	**806**	1,704
Receivables	10	**15,306**	23,672	**15,306**	23,672
		16,112	25,376	**16,112**	25,376
Financial liabilities					
Bank overdraft	9	**11,032**	11,210	**11,032**	11,210
Payables	16	**36,835**	26,119	**36,835**	26,119
Borrowings	18	**41,309**	43,576	**41,309**	43,576
		89,176	80,905	**89,176**	80,905

The fair value of financial assets and liabilities at reporting date approximates the carrying value.

a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Management maintains US dollar bank balances from which all US dollar transactions can be settled including using its US based subsidiary REICHdrill Inc to pay on its US based suppliers.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

	Consolidated 2016 USD$ '000	Consolidated 2015 USD$ '000
Trade payables *	**1,817**	4,823

26. FINANCIAL RISK MANAGEMENT (continued)

*Includes US$1.8m (2015: US$1.6m) of trade accounts payable in REICHdrill Inc, Hughes Drilling Limited USA based subsidiary. As detailed in note 1, to prepare the financial report, the Directors have reconstructed the financial records of the group using data extracted from the accounting system. However, there may be additional trade payables denominated in US Dollars that the current directors have not been able to obtain, the impact of which may or may not be material on the accounts.

Sensitivity
Based on the financial instruments held at 30 June 2015, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax profit for the period would have been $698,000 lower/$571,000 higher. The figure for 2016 is not able to be ascertained owing to the limitations outlined in note 1.

(ii) Cash flow and fair value interest rate risk
The Group's main interest rate risk arises from short-term bank funding and hire purchase borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk if the borrowings are carried at fair value. Group policy is to maintain approximately 90% of its borrowings at agreed fixed rates.

As at the end of the reporting period, the Group had the following variable rate borrowings outstanding:

	Weighted average interest rate	**Consolidated 2016**	Weighted average interest rate	Consolidated 2015
		$'000s		$'000s
Bank overdraft	No known. Refer note 1	**11,032**	4.1%	11,210
Hire purchase	No known. Refer note 1	**25,449**	No known. Refer note 1	26,655
Commercial bill facility	No known. Refer note 1	**15,860**	No known. Refer note 1	12,250
		52,341		50,115

The Group's fixed rate borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

Sensitivity
Based on the financial instruments held at 30 June 2015, had the interest rate weakened/strengthened by 100 basis points all other variables held constant, the Group's post-tax profit for the period would have been $77,492 lower/$77,492 higher. The figure for 2016 is not able to be ascertained owing to the limitations outlined in note 1.

b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures, including outstanding receivables and committed transactions. Management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Its policy for the company to deposit its cash and cash equivalents in reputable banking institution. The following table summarises the aging profile of the Group's financial assets.

The aging profile of the Group's financial assets at 30 June 2016 is not able to be ascertained owing to the limitations outlined in note 1.

Consolidated 2015	Total Gross amount $'000	Total carrying value $'000s	Neither past due or impaired $'000s	<30 days $'000s	30 – 60 days $' 000s	60 – 90 days $'000s	>90 days $'000s	Individually Impaired $'000s
Cash and cash equivalents	1,704	1,704	1,704					-
Receivables	22,856	22,856	22,856	19,938	1,734	261	923	-
Total	**24,560**	**24,560**	**24,560**	**19,938**	**1,734**	**261**	**923**	**-**

An item is considered past due when it is in excess of 90 days. The credit quality of items that are past due but not impaired are determined with reference to the past history of the customer.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of credit facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradable in highly liquid markets.

The following table summarises the maturity profile of the Group's financial liabilities at 30 June 2015 based on contractual undiscounted payments. The values at 30 June 2016 is not able to be ascertained owing to the limitations outlined in note 1.

CONSOLIDATED	Note	Non Interest Bearing	1 Year or Less	Over 1 to 5 Years	More than 5 Years	Floating Interest Rate	Total contractual cash flows	Weighted Average Interest rate
AS AT 30 JUNE 2015		**$'000s**	**$'000s**	**$'000s**	**$'000s**	**$'000s**	**$'000s**	
Financial Liabilities								
Bank overdraft	9	-	11,210	-	-	-	11,210	4.1%
Payables	16	26,119	26,119		-	-	26,119	-
HP obligations	18	-	13,659	12,996	-	-	26,655	6.1%
Commercial bill facility	18	-	2,750	9,500	-	-	12,250	3.8%
Other	18	-	3,967	704	-	-	4,671	8.2%
		26,119	**57,705**	**23,200**	**-**	**-**	**80,905**	

Financing arrangements – **Information not available**
The Group had access to the following undrawn borrowing facilities at the end of 30 June 2015. The fair at 30 June 2016 is not able to be ascertained owing to the limitations outlined in note 1.

	Consolidated 2016 $'000s	Consolidated 2015 $'000s
Expiring within 1 year		3,750
Expiring beyond 1 year (Bank overdraft and HP facilities)		5,945
		9,695

The bank overdraft facilities may be drawn at any time and is secured by a fixed and floating charge over the Group's assets.

d) Fair value measurements

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

AASB 13 Fair Value: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(ii) 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

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2015. The fair value at 30 June 2016 is not able to be ascertained owing to the limitations outlined in note 1.

CONSOLIDATED	**Level 1**	**Level 2**	**Level 3 Total**	**Total**
	$'000s	**$'000s**	**$'000s**	**$'000s**
Non – Financial assets				
Assets held for sale				
- Drill rigs	-	-	1,629	1,629
Total Assets	-	-	1,629	1,629

The fair value of non-financial assets drill rigs held for sales is based on independent professional expert valuers. The valuation methodology adopted by the valuers was a combination of Market Comparison (ie researching the marketplace for assets that are similar) and Cost Approach (ie Cost of a new asset then depreciated for, fair wear and tear, functional obsolescence and economic obsolescence).

If the market value or Cost approach moved by 10% the impact on the values would be plus or minus $0.163m.

27. COMMITMENT AND CONTINGENCIES

a) Finance lease and hire purchase commitments

The following balances for the 2016 financial year are values as at 31 December 2015.

	Consolidated	
	Minimum lease payments $ '000	**Present value of lease payments $ '000**
AS AT 30 JUNE 2016		
Within one year	16,577	15,335
> 1 year < 5 years	11,069	10,114
> 5 years	-	-
Total minimum lease payments	**27,646**	**25,449**
Lease amounts representing finance charges	(2,197)	-
Present value of minimum lease payments	**25,449**	**25,449**
AS AT 30 JUNE 2015		
Within one year	15,040	13,660
> 1 year < 5 years	13,762	12,996
> 5 years	-	-
Total minimum lease payments	**28,802**	**26,656**
Lease amounts representing finance charges	(2,146)	-
Present value of minimum lease payments	**26,656**	**26,656**

b) Operating lease commitments

The following balances for the 2016 financial year are values as at 31 December 2015.

	Consolidated	
	Minimum lease payments $ '000	**Present value of lease payments $ '000**
AS AT 30 JUNE 2016		
Within one year	476	476
> 1 year < 5 years	119	119
> 5 years	-	-
Total minimum lease payments	**595**	**595**
AS AT 30 JUNE 2015		
Within one year	448	448
> 1 year < 5 years	229	229
> 5 years	-	-
Total minimum lease payments	**747**	**747**

Operating lease commitments include contracted amounts for plant and equipment under non-cancellable operating leases expiring within one to three years. Under the terms of the leases, the consolidated entity has the option to acquire the leased assets at market value on the expiry of the leases.

c) Capital commitments

The value of capital commitments at 30 June 2016 is not able to be ascertained owing to the limitations outlined in note 1.

	Consolidated	
	Approved and contracted for	**Approved but not yet contracted for**
	$ '000	**$ '000**
AS AT 30 JUNE 2015		
Acquisition of plant and equipment	-	-

The Group has given bank guarantees as at 30 June 2015 of $155,000to a landlord. There are no commitments and contingencies over 5 years.

During the financial year a subsidiary purchased from a third party certain Intellectual Property rights ("IP") for products of a nature used by the Group in the conduct of its activities, this purchase has been supported by the Group parent and funded through a financing facility.

28. EARNINGS PER SHARE

		Consolidated 2016	Consolidated 2015
		$ '000	$ '000
Basic earnings per share			
a)	Net profit from continuing operations	**13**	8,188
b)	Net profit attributable to members of Hughes Drilling Limited	**(248)**	8,019
		No's: '000	No's: '000
c)	Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**208,670**	208,670
Diluted earnings per share			
a)	Net profit from continuing operations	**13**	8,188
b)	Net profit attributable to members of Hughes Drilling Limited	**(248)**	8,019
		No's: '000	No's: '000
c)	Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**208,670**	211,470

No shares have been excluded from the calculation of diluted earnings per share that could potentially dilute the earnings per share in the future because they are anti-dilutive.

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

29. SEGMENT REPORTING

AASB 8 requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision maker (The Board of Directors) in order to allocate resources to the segment and to assess its performance.

Information reported to the Board for the purposes of resource allocation and assessment of performance is more specifically focused on Drilling Services and Non Drilling Services. REICHdrill Inc a drill manufacturing company has been included under non drilling services. Management has determined the operating segments based on the reports reviewed by the Board of Directors to make strategic decisions. The Board considers Drilling from a nature of service provided.

Sales between segments are carried out at arm's length and are eliminated on consolidation.

The segment information for the year ended 30 June 2016 is not able to be ascertained owing to the limitations outlined in note 1.

AS AT JUNE 2015 - in $'000	Drilling	Non Drilling	Total
Sales to external customers	91,235	16,303	107,538
Other income	200	54	254
Inter-segment revenue	-	3,657	3,657
Total revenue	**91,435**	**20,014**	**111,449**
Cost of sales	62,752	15,476	78,228
Overhead	3,852	1,339	5,191
Depreciation	11,351	596	11,947
Interest Expense	2,350	841	3,191
Profit/(Loss) on asset sales	(34)	(18)	(52)
Inventory Write Down	2,592	-	2,592
Total expense	**82,863**	**18,234**	**101,097**
Segment profit/(loss) before tax	**8,572**	**1,780**	**10,352**
Tax Expense	2,769	(605)	2,164
Profit from operations	**5,803**	**2,385**	**8,188**
Assets			
Total assets	**120,886**	**37,915**	**158,802**
Liabilities			
Total liabilities	**(60,067)**	**(24,116)**	**(84,183)**

30. EVENTS AFTER THE REPORTING DATE

Subsequent to year end the Company advised the ASX that is had breached certain banking covenants with its senior financier. Following extended discussions with the funding parties the Directors decided to place the Group into voluntary administration on 22 September 2016, appointing Jason Preston, Shaun Fraser and Jamie Harris, all partners of McGrathNicol, as Voluntary administrator ("Administrator") of the Company.

Following the second meeting of creditors held on 8 December 2016 the Company and the Administrators entered into a Deed of Company Arrangement (DOCA). In addition, the Administrators entered into a second DOCA with Hughes Drilling 1 Pty Ltd and JSW Australia Pty Ltd to effect the sale of the east coast coal production drilling business to a consortium comprising fund manager Allegro and mining contractor NRW Holdings Limited. In addition the remaining subsidiary companies were all placed into liquidation.

On 7 June 2017 at a third meeting of creditors, a resolution was passed to amend the DOCA to facilitate the recapitalisation of Hughes Drilling Limited. On 20 June 2017 the Deed of Amendment and Accession to document the variations to the DOCA was executed by the Administrators and Trident Capital Pty Ltd.

A general Meeting of shareholders was held on 19 February 2018 where the shareholders approved all resolutions to facilitate the recapitalisation of the Company. Following the completion of a capital raising and payment of the amount required under the Revised DOCA, the Revised DOCA was wholly effectuated on 1 March 2018 and control of the Company was returned to the Directors.

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

31. PARENT ENTITY INFORMATION

Information relating to Hughes Drilling Ltd:	**2016** **$ '000**	2015 $ '000
Current Assets	**135**	59
Total Assets	**72,074**	83,231
Current Liabilities	**10,327**	5,865
Total Liabilities	**19,827**	29,887
Issued Capital	**64,166**	64,166
Retained earnings	**(14,644)**	(13,547)
Reserves	**2,725**	2,725
Total Shareholder's Equity	**52,247**	53,344
(Loss)/profit of the parent entity	**(1,097)**	(1,622)
Total comprehensive income of the parent entity	**(1,097)**	(1,622)

32. NON-CONTROLLING INTEREST

Interest in :	**2016** **$ '000**	2015 $ '000
Share capital	**348**	348
Other reserves	**104**	103
Retained earnings	**464**	211
Total Liabilities	**916**	662

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	Reichdrill Inc		**JSW Australia**	
Summarised balance sheet	**2016**	2015	**2016**	2015
	$ '000	$ '000	**$ '000**	$ '000
Current Assets	17,621	16,551	17,730	17,355
Current liabilities	20,523	21,041	30,374	29,626
Current net assets	(2,902)	(4,490)	(12,644)	(12,269)
Non-current assets	9,288	14,280	30,135	25,313
Non-current liabilities	642	320	4,234	3,205
Non-current new assets	8,646	13,960	25,901	22,108
Net Assets	5,744	9,470	13,257	9,837
Accumulated NCI	340	236	562	425
Summarised Statement of Comprehensive Income				
Revenue	13,832	15,500	32,894	50,683
Profit for the period	2,592	(1,006)	3,419	5,240
Other comprehensive income	-	1,891	-	-
Total comprehensive income	2,592	855	3,419	5,240
Profit/(loss) allocated to NCI	99	35	137	210
Dividends paid to NCI	-	-	-	-
Summarised cash flows				
Cash flows from operating activities	(2,432)	(3,757)	13,849	10,272
Cash flows from investing activities	(265)	(564)	(9,092)	(9,356)
Cash flows from financing activities	1,917	4,115	(4,757)	(2,028)
Net increase/(decrease) in cash and cash equivalents	(780)	(206)	-	(1,112)

33. DIVIDENDS

No dividend was paid or proposed to be paid for the year ended 30 June 2016.

Directors' Declaration

In the opinion of the Directors of the Company:

1. As set out in Note 1, although the Directors have prepared the financial statements, notes thereto, and the remuneration disclosures contained in the Remuneration Report in the Directors' Report to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that the financial statements, notes thereto, and the remuneration disclosures contained in the Remuneration Report in the Directors' Report are in accordance with the Corporations Act 2001 including:

   (a) Complying with Australian Accounting Standards and other mandatory professional reporting requirements;

   (b) Giving a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the consolidated group; and

   (c) Complying with international Accounting Standards.

2. Subject to the matters highlighted in Note 3(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.

3. The declaration required to be made with Section 259A of the Corporations Act 2001 for the financial year ended 30 June 2016 has been unable to be made due to the reasons set out in note 1.

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

S. McCormick

Sean McCormick
Non-Executive Director
Perth, 10 May 2019

Auditor's Independence Declaration

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DECLARATION OF INDEPENDENCE BY C R JENKINS TO DIRECTORS OF HUGHES DRILLING LIMITED

As lead auditor of Hughes Drilling Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Hughes Drilling Limited and the entities it controlled during the year.

C R Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 10 May 2019

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INDEPENDENT AUDITOR'S REPORT

To the members of Hughes Drilling Limited

Report on the Audit of the Financial Report

Disclaimer of Opinion

We were engaged to audit the financial report of Hughes Drilling Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

We do not express an opinion on the accompanying financial report of the Group. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on this financial report.

Basis for Disclaimer of Opinion

As disclosed in note 1 to the financial statements, on 22 September 2016, Hughes Drilling Limited was placed into voluntary administration. Following the appointment of the administrators, the powers of the directors and officers of Hughes Drilling Limited were suspended and the administrators assumed control of the Company's business, property and affairs.

Due to the circumstances, the directors were unable to obtain all the necessary books and records pertaining to the consolidated entity. New directors were appointed 16 August 2017 and 5 December 2017. On 1 March 2018, the company was released from administration following the settlement of a Deed of Company Arrangement.

Accordingly, the financial report for the year ended 30 June 2016 has been prepared by the directors without the benefit of complete information being available for the consolidated entity.

As the remaining records are not adequate to permit the application of necessary audit procedures, we are unable to obtain all the information and explanations we require in order to form an opinion on the financial report.

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our responsibility is to conduct an audit of the financial report in accordance with Australian Auditing Standards and to issue an auditor's report. However, because of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Report on the Remuneration Report

Our responsibility is to express an opinion on the Remuneration Report included on pages 8 to 13 of the Directors' Report for the year ended 30 June 2016 in accordance with section 300A of the *Corporations Act 2001*.

Because of the matters described in the *Basis for Disclaimer of Opinion* paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Remuneration Report.

Responsibilities

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.

BDO Audit Pty Ltd

BDO

C R Jenkins
Director

Brisbane, 10 May 2019

Shareholder Information

The shareholder information set out below was applicable as at 24 April 2019.

Distribution of equitable securities

Analysis of numbers of equity security holders by size of holding

Size of Shareholding	Number of Shares	Number of Shareholders
1 - 1,000	119,980	567
1,001 – 5,000	282,592	129
5,001 – 10,000	268,059	37
10,001 – 100,000	1,134,341	37
100,001 and over	38,656,720	28
Total	40,461,692	798

EQUITY SECURITY HOLDERS

The names of the twenty largest holders of quoted equity securities are listed below.

	Name	Holding	%
1	PROSPERION WEALTH MANAGEMENT PTY LTD <INVESTMENT A/C>	5,000,000	12.36
2	ROCKET SCIENCE PTY LTD <THE TROJAN CAPITAL FUND A/C>	5,000,000	12.36
3	MR STEPHEN JOHN LOWE + MS SUZANNE LEE LOWE <TAHLIA FAMILY A/C>	3,000,000	7.41
4	RPM SUPER PTY LTD <RPM SUPER FUND A/C>	2,582,712	6.38
5	MR RICHARD WOLANSKI	2,500,000	6.18
6	PRAHA NOMINEES PTY LTD <JAG UNIT A/C>	2,500,000	6.18
7	STEELE SYSTEM SOLUTIONS PTY LTD <STEELE FAMILY A/C>	2,500,000	6.18
8	TALLTREE HOLDINGS PTY LTD	2,500,000	6.18
9	TALLTREE HOLDINGS PTY LTD <NERD FAMILY SUPER FUND A/C>	2,500,000	6.18
10	LEAROB PTY LTD <R & L HUGHES FAMILY A/C>	2,039,659	5.04
11	MR CHRIS WILLIAMSON	1,000,000	2.47
12	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	918,219	2.27
13	TRIDENT CAPITAL PTY LTD	750,000	1.85
14	ALLWOOD JACKSON PTY LTD <KEN JACKSON SUPERFUND A/C>	500,000	1.24
15	AREDEBECO PTY LTD <BELL SUPER FUND A/C>	500,000	1.24
16	FLO ONG PTY LTD <FLO ONG SUPERANNUATION A/C>	500,000	1.24
17	MILWAL PTY LTD	500,000	1.24
18	MR ALEX EVES	500,000	1.24
19	PARABOLICA CAPITAL PTY LTD <DEGNER SUPER FUND A/C>	500,000	1.24
20	ROCKTON PTY LTD <DENNIS FAMILY A/C>	500,000	1.24
	Total of top 20 shareholders	36,290,590	89.72
	Other Shareholders	4,171,102	10.28
	Total shares on issue	40,461,692	100.00

Substantial shareholders

	Name	Holding	%
1	PROSPERION WEALTH MANAGEMENT PTY LTD <INVESTMENT A/C>	5,000,000	12.36
2	ROCKET SCIENCE PTY LTD <THE TROJAN CAPITAL FUND A/C>	5,000,000	12.36
3	MR STEPHEN JOHN LOWE + MS SUZANNE LEE LOWE <TAHLIA FAMILY A/C>	3,000,000	7.41
4	RPM SUPER PTY LTD <RPM SUPER FUND A/C>	2,582,712	6.38
5	MR RICHARD WOLANSKI	2,500,000	6.18
6	PRAHA NOMINEES PTY LTD <JAG UNIT A/C>	2,500,000	6.18
7	STEELE SYSTEM SOLUTIONS PTY LTD <STEELE FAMILY A/C>	2,500,000	6.18
8	TALLTREE HOLDINGS PTY LTD	2,500,000	6.18
9	TALLTREE HOLDINGS PTY LTD <NERD FAMILY SUPER FUND A/C>	2,500,000	6.18
10	LEAROB PTY LTD <R & L HUGHES FAMILY A/C>	2,039,659	5.04

End of Report

Corporate Governance Statement

The Board is responsible for establishing the Company's corporate governance framework, the key features of which are set out below. In establishing its corporate governance framework, the Board has referred to the 3rd edition of the ASX Corporate Governance Councils' Corporate Governance Principles and Recommendations.

The corporate governance statement discloses the extent to which the Company follows the recommendations. The Company will follow each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices will follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices will not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company will adopt instead of those in the recommendation.

The governance-related documents will be able to be found on the Company's website once established, under the section marked "Corporate Governance":

Board Charter
Board Performance Evaluation Policy;
Code of Conduct;
Audit Committee Charter;
Remuneration and Nomination Committee Charter;
Security Trading Policy;
Continuous Disclosure Policy;
Shareholder Communication and Investor Relations Policy;
Risk Committee Charter;
Risk Management Policy; and
Diversity Policy.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1

The Company has established the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management, and has documented this in its Board Charter.

The responsibilities of the Board include but are not limited to:

(a) setting and reviewing strategic direction and planning;
(b) reviewing financial and operational performance;
(c) identifying principal risks and reviewing risk management strategies; and
(d) considering and reviewing significant capital investments and material transactions.

In exercising its responsibilities, the Board recognises that there are many stakeholders in the operations of the Company, including employees, shareholders, co-ventures, the government and the community.

The Board has delegated responsibility for the business operations of the Company to the Chief Executive Officer. The Chief Executive Officer is accountable to the Board.

Recommendation 1.2

The Company undertakes appropriate checks before appointing a person, or putting forward to shareholders a candidate for election as a director and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect a director.

Recommendation 1.3

The Company has a written agreement with each of the Directors and senior executives setting out the terms of their appointment. The material terms of any employment, service or consultancy agreement the Company, or any of its child entities, has entered into with its Chief Executive Officer, any of its directors, and any other person or entity who is a related party of the Chief Executive Officer or any of its directors will be disclosed in accordance with ASX Listing Rule 3.16.4 (taking into consideration the exclusions from disclosure outlined in that rule).

Recommendation 1.4

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The Company Secretary is responsible for the application of best practice in corporate governance and also supports the effectiveness of the Board by:

(a) ensuring a good flow of information between the Board, its committees, and Directors;
(b) monitoring policies and procedures of the Board;
(c) advising the Board through the Chairman of corporate governance policies; and
(d) conducting and reporting matters of the Board, including the despatch of Board agendas, briefing papers and minutes.

Recommendation 1.5

The Company has a Diversity Policy, the purpose of which is:

(a) to outline the Company's commitment to creating a corporate culture that embraces diversity and, in particular, focuses on the composition of its Board and senior management; and

(b) to provide a process for the Board to determine measurable objectives and procedures which the Company will implement and report against to achieve its diversity goals.

As at 30 June 2016 there were no women on the Board. The Board maintains full transparency of board processes, reviews and appointments and encourages gender diversity.

Given the Company's size the Board does not consider it appropriate to set quantitative objectives regarding gender diversity at this time. As the operations grow, the Board will give consideration to the setting of such objectives and their achievement through the appointment of appropriate candidates to the Board and senior executive positions as they become available

Recommendation 1.6

The Chief Executive Officer will be responsible for evaluating the performance of the Company's senior executives in accordance with the process disclosed in the Company's Process for Performance Evaluations, which is currently being developed by the Board.

The Chair will be responsible for evaluating the performance of the Company's Chief Executive Officer in accordance with the process disclosed in the Company's Process for Performance Evaluations, which is currently being developed by the Board.

Owing to the Company being placed in Administration, the Company has not conducted an evaluation of its Chief Executive Officer.

Recommendation 1.7

The Chair will be responsible for evaluating the performance of the Board, Board committees and individual directors in accordance with the process disclosed in the Company's Board performance evaluation policy.

This policy is to ensure:

(a) individual Directors and the Board as a whole work efficiently and effectively in achieving their functions;
(b) the executive Directors and key executives execute the Company's strategy through the efficient and effective implementation of the business objectives; and
(c) committees to which the Board has delegated responsibilities are performing efficiently and effectively in accordance with the duties and responsibilities set out in the board charter.

This policy will be reviewed annually.

The Company will report on whether an evaluation of the Board, its committees and individual directors has taken place in the relevant reporting period, and whether the process was in accordance with the process disclosed, in each of its corporate governance statements.

Owing to the Company being placed in Administration, the Company has not conducted an evaluation of its Board.

Principle 2: Structure the board to add value

Recommendation 2.1

Due to the size of the Board, the Company does not have a separate nomination committee. The roles and responsibilities of a nomination committee are currently undertaken by the Board.

The duties of the full Board in its capacity as a nomination committee are set out in the Company's Remuneration and Nomination

Committee Charter which is available on the Company's website.

When the Board meets as a remuneration and nomination committee is carries out those functions which are delegated to it in the Company's Remuneration and Nomination Committee Charter. Items that are usually required to be discussed by a Remuneration and Nomination Committee are marked as separate agenda items at Board meetings when required.

The Board has adopted a Remuneration and Nomination Committee Charter which describes the role, composition, functions and responsibilities of a Nomination Committee and is disclosed on the Company's website.

Recommendation 2.2

The mix of skills and diversity which the Board is looking to achieve in its composition is:

(a) a broad range of business experience; and
(b) technical expertise and skills required to discharge duties.

Recommendation 2.3

The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the Principles and Recommendations.

Currently the Board is structured as follows:

(a) Stephen Hewitt-Dutton, Non-Executive Director (Appointed 16 August 2017)
(b) Sean McCormick, Non-Executive Director (Appointed 16 August 2017)
(c) Robert Innocent, Non-Executive Director (Appointed 5 December 2017)

Messrs Hewitt-Dutton, McCormick and Innocent are considered independent.

Recommendation 2.4

Currently, the Board has a majority of independent Directors.

Recommendation 2.5

Mr McCormick is an independent non-executive Chairman.

Recommendation 2.6

It is a policy of the Company, that new Directors undergo an induction process in which they are given a full briefing on the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

Principle 3: Act ethically and responsibly

Recommendation 3.1

The Company is committed to promoting good corporate conduct grounded by strong ethics and responsibility. The Company has established a Code of Conduct (Code), which addresses matters relevant to the Company's legal and ethical obligations to its stakeholders. It may be amended from time to time by the Board, and is disclosed on the Company's website.

The Code applies to all Directors, employees, contractors and officers of the Company.

The Code will be formally reviewed by the Board each year.

Principle 4: Safeguard integrity in corporate reporting

Recommendation 4.1

Due to the size of the Board, the Company does not have a separate Audit Committee. The roles and responsibilities of an audit committee are undertaken by the Board.

The full Board in its capacity as the audit committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. The duties of the full Board in its capacity as the audit committee are set out in the Company's Audit and Risk Management Committee Charter which is available on the Company's website.

When the Board meets as an audit committee it carries out those functions which are delegated to it in the Company's Audit and Risk Management Committee Charter. Items that are usually required to be discussed by an Audit Committee are marked as separate agenda items at Board meetings when required.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Board has adopted an Audit and Risk Management Committee Charter which describes the role, composition, functions and responsibilities of the Audit Committee and is disclosed on the Company's website.

Recommendation 4.2

Before the Board approves the Company financial statements for each financial period it will receive from the Chief Executive Officer and the Chief Financial Officer or equivalent a declaration that, in their opinion, the financial records of the Company for the relevant financial period have been properly maintained and that the financial statements for the relevant financial period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and the consolidated entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

As a result of the Company being placed into Administration, in relation to the year ended 30 June 2016 the Directors have not received the above declarations.

Recommendation 4.3

Under section 250RA of the Corporations Act, the Company's auditor is required to attend the Company's annual general meeting at which the audit report is considered, and does not arrange to be represented by a person who is a suitably qualified member of the audit team that conducted the audit and is in a position to answer questions about the audit. Each year, the Company will write to the Company's auditor to inform them of the date of the Company's annual general meeting. In accordance with section 250S of the Corporations Act, at the Company's annual general meeting where the Company's auditor or their representative is at the meeting, the Chair will allow a reasonable opportunity for the members as a whole at the meeting to ask the auditor (or its representative) questions relevant to the conduct of the audit; the preparation and content of the auditor's report; the accounting policies adopted by the Company in relation to the preparation of the financial statements; and the independence of the auditor in relation to the conduct of the audit. The Chair will also allow a reasonable opportunity for the auditor (or their representative) to answer written questions submitted to the auditor under section 250PA of the Corporations Act.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1

The Company is committed to:

(a) ensuring that shareholders and the market are provided with full and timely information about its activities;

(b) complying with the continuous disclosure obligations contained in the Listing Rules and the applicable sections of the Corporations Act; and

(c) providing equal opportunity for all stakeholders to receive externally available information issued by the Company in a timely manner.

The Company has adopted a Continuous Disclosure Policy, which is disclosed on the Company's website. The Continuous Disclosure Policy sets out policies and procedures for the Company's compliance with its continuous disclosure obligations under the ASX Listing Rules, and addresses financial markets communication, media contact and continuous disclosure issues. It forms part of the Company's corporate policies and procedures and is available to all staff.

The Chief Executive Officer manages the policy. The policy will develop over time as best practice and regulations change and the Company Secretary will be responsible for communicating any amendments. This policy will be reviewed by the Board annually.

Principle 6: Respect the rights of security holders

Recommendation 6.1

The Company will provide information about itself and its governance to investors via its website (once established). The Company is committed to maintaining a Company website with general information about the Company and its operations and information specifically targeted at keeping the Company's shareholders informed about the Company. In particular, where appropriate, after confirmation of receipt by ASX, the following will be posted to the Company website:

(a) relevant announcements made to the market via ASX;
(b) media releases;
(c) investment updates;
(d) Company presentations and media briefings;
(e) copies of press releases and announcements for the preceding three years; and
(f) copies of annual and half yearly reports including financial statements for the preceding three years.

Recommendation 6.2

The Company has a Shareholder Communication Policy which aims to ensure that Shareholders are informed of all major developments of the Company. The policy is disclosed on the Company's website.

Information is communicated to Shareholders via:

(a) reports to Shareholders;
(b) ASX announcements;
(c) annual general meetings; and
(d) the Company website.

This Shareholder Communication Policy will be formally reviewed by the Board each year. While the Company aims to provide sufficient information to Shareholders about the Company and its activities, it understands that Shareholders may have specific questions and require additional information. To ensure that Shareholders can obtain all relevant information to assist them in exercising their rights as Shareholders, the Company has made available a telephone number and relevant contact details (via the website) for Shareholders to make their enquiries.

Recommendation 6.3

The Board encourages full participation of Shareholders at meetings to ensure a high level of accountability and identification with the Company's strategies and goals.

However, due to the size and nature of the Company, the Board does not consider a policy outlining the policies and processes that it has in place to facilitate and encourage participating at meetings of shareholders to be appropriate at this stage.

Recommendation 6.4

Shareholders are given the option to receive communications from, and send communication to, the Company and its share registry electronically. To ensure that shareholders can obtain all relevant information to assist them in exercising their rights as shareholders, the Company has made available a telephone number and relevant contact details (via the website) for shareholders to make their enquiries.

Principle 7: Recognise and manage risk

Recommendation 7.1

Due to the size of the Board, the Company does not have a separate Audit and Risk Management Committee. The Board is responsible for the oversight of the Company's risk management and control framework.

When the Board meets as a risk committee is carries out those functions which are delegated to it in the Company's Audit and Risk Management Committee Charter. Items that are usually required to be discussed by a Audit and Risk Management Committee are marked as separate agenda items at Board meetings when required.

The Board has adopted an Audit and Risk Management Committee Charter which describes the role, composition, functions and responsibilities of the Audit and Risk Management Committee and is disclosed on the Company's website.

Under Audit and Risk Management Committee Charter, responsibility and control of risk management is delegated to the appropriate level of management within the Company with the Chief Executive Officer having ultimate responsibility to the Board for the risk management and control framework.

The risk management system covers:

(a) operational risk;
(b) financial reporting;
(c) compliance / regulations; and
(d) system / IT process risk.

A risk management model is also being developed and will provide a framework for systematically understanding and identifying the types of business risks threatening the Company as a whole, or specific business activities within the Company.

Recommendation 7.2

The Board will review the Company's risk management framework annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure that the Company is operating within the risk appetite set by the Board.

Arrangements put in place by the Board to monitor risk management include, but are not limited to:

(a) monthly reporting to the Board in respect of operations and the financial position of the Company; and
(b) quarterly rolling forecasts prepared;

Recommendation 7.3

The Company does not have, and does not intend to establish, an internal audit function. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks as outlined in the Audit and Risk Management Committee Charter.

Recommendation 7.4

Given the speculative nature of the Company's business, it will be subject to general risks and certain specific risks.

The Company will identify those economic, environmental and/or social sustainability risks to which it has a material exposure, and disclose how it intends to manage those risks in each of its corporate governance statements.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1

Due to the size of the Board, the Company does not have a separate remuneration committee. The roles and responsibilities of a remuneration committee are currently undertaken by the Board.

The duties of the full board in its capacity as a remuneration committee are set out in the Company's Remuneration and Nomination Committee Charter which is available on the Company's website

When the Board meets as a remuneration committee it carries out those functions which are delegated to it in the Company's Remuneration and Nomination Committee Charter. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required.

The Board has adopted a Remuneration and Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee and is disclosed on the Company's website.

Recommendation 8.2

Details of the Company's policies on remuneration will be set out in the Company's "Remuneration Report" in each Annual Report published by the Company. This disclosure will include a summary of the Company's policies regarding the deferral of performance-based remuneration and the reduction, cancellation or clawback of the performance-based remuneration in the event of serious misconduct or a material misstatement in the Company's financial statements.

Recommendation 8.3

The Company's Security Trading Policy includes a statement on the Company's policy on prohibiting participants in the Company's Employee Incentive Plan entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the Employee Incentive Plan.

Security Trading Policy

In accordance with ASX Listing Rule 12.9, the Company has adopted a trading policy which sets out the following information:

(a) closed periods in which directors, employees and contractors of the Company must not deal in the Company's securities;
(b) trading in the Company's securities which is not subject to the Company's trading policy; and
(c) the procedures for obtaining written clearance for trading in exceptional circumstances.

The Company's Security Trading Policy has been lodged with the ASX.