



HughesDrilling

HUGHES DRILLING LIMITED

ABN 12 124 279 750

FINANCIAL REPORT

HALF YEAR ENDED 31 DECEMBER 2016

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Hughes Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Directors' Report

Your directors present their report on the Group consisting of Hughes Drilling Limited and the entities it controlled at the end of, or during, the period under review from 1 July 2016 to 31 December 2016.

Directors

The following persons were directors of the Group during the period under review and up to the date of this report:

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 Jeff Branson	Removed 23 February 2018
Mr John Silverthorne	Resigned 6 July 2016

Company Secretary

Mr Paul Brenton	Removed 17 August 2017
Mr Stephen Hewitt-Dutton	Appointed 16 August 2017

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 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 31 December 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 31 December 2016 and financial performance for the year then ended.

Review of Operations

On 27 June 2016 the Company requested that the Company's shares be suspended from trading on the ASX. On 4 July 2016 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.

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2016
Directors' Report

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 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.

Dividends

No dividend has been paid or is proposed to be paid.

Rounding of Amounts

The amounts contained in the half-year financial report have been rounded to the nearest \$1,000 (where rounding is applicable) in accordance with Australian Securities and Investment Commission Class Order 98/0100. The company is an entity to which the Class Order applies.

Auditor's Independence Declaration

In accordance with the Audit Independence requirements of the *Corporations Act 2001*, the Directors have received and are satisfied with the "Audit Independence Declaration" provided by the Company's external auditors BDO. The Audit Independence Declaration is attached to this financial report.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the *Corporations Act 2001*.

For and on behalf of the Directors



Sean McCormick
Non-Executive Director

Perth, Western Australia
10 May 2019



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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 half year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'C R Jenkins'.

C R Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 10 May 2019

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

		Consolidated 31 Dec 2016 \$ '000	Consolidated 31 Dec 2015 \$ '000
Continuing Operations			
Revenue		-	45,156
Cost of goods sold		-	(35,517)
		<u>-</u>	<u>9,639</u>
Other income		-	(159)
General and administrative expenses		(32)	(4,162)
Selling and marketing expense		-	(215)
Operating Profit		<u>(32)</u>	<u>5,103</u>
Finance costs		-	(1,686)
Profit for the period before income tax		<u>(32)</u>	<u>3,416</u>
Income tax (expense)/benefit		-	(846)
Profit/(Loss) after income tax expenses for the period		<u>(32)</u>	<u>2,570</u>
Profit/(loss) from discontinued operations (attributable to equity holders of the Company)	13	<u>(73,257)</u>	<u>-</u>
Profit/(Loss) for the period		<u><u>(73,289)</u></u>	<u><u>2,570</u></u>
Profit/(Loss) for the period attributable to:			
- Owners of Hughes Drilling Limited		<u>(72,897)</u>	2,423
- Non controlling Interest		<u>(392)</u>	147
		<u><u>(73,289)</u></u>	<u><u>2,570</u></u>
Earnings per share for profit attributable to ordinary equity holders of the company – cents/share			
- Basic profit/(loss) per share from continuing operations	10	(0.02)c	1.23c
- Basic profit/(loss) per share	10	(35.15)c	1.22c
Profit/(loss) for the period		(73,289)	2,570
Other comprehensive income			
Items that may need to be reclassified to profit and loss			
- Exchange differences on translation of foreign operations		-	709
Total comprehensive income for the period		<u><u>(73,289)</u></u>	<u><u>3,279</u></u>
Total comprehensive income/(loss) for the period attributable to:			
- Owners of Hughes Drilling Limited		<u>(72,916)</u>	3,103
- Non controlling Interest		<u>(373)</u>	176
		<u><u>(73,289)</u></u>	<u><u>3,279</u></u>

The accompanying notes form part of the financial statements

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2016

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2016

	Note	Company 31 Dec 2016 \$ '000	Consolidated 30 Jun 2016 \$ '000
CURRENT ASSETS			
Cash and cash equivalents	4	-	806
Trade and other receivables		180	15,306
Inventories		-	58,907
Assets held for sale	5	-	1,416
TOTAL CURRENT ASSETS		180	76,435
NON-CURRENT ASSETS			
Deferred tax asset		-	-
Property, plant and equipment	6	-	80,789
Intangible assets	7	3	12,980
TOTAL NON-CURRENT ASSETS		3	93,769
TOTAL ASSETS		183	170,204
CURRENT LIABILITIES			
Bank overdraft	4	4,028	11,032
Trade and other payables		1,335	36,835
Provisions		-	5,364
Borrowings		15,860	41,309
TOTAL CURRENT LIABILITIES		21,223	95,540
NON-CURRENT LIABILITIES			
Deferred tax liabilities		-	579
TOTAL NON-CURRENT LIABILITIES		9,500	20,772
TOTAL LIABILITIES		21,223	95,119
NET ASSETS / (DEFICIENCY)		(21,042)	75,085
EQUITY			
Contributed equity	8	64,166	38,227
Other reserves		2,725	3,661
Retained Earnings		(87,933)	32,281
Capital and reserves attributable to Owners of Hughes Drilling Limited		(21,042)	74,169
Non-Controlling Interest		-	916
TOTAL EQUITY/ (DEFICIENCY)		(21,042)	75,085

The accompanying notes form part of the financial statements.

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Contributed equity	Reserves	Retained earnings	Total	Non controlling Interest	Total
	\$ '000	\$ '000	\$ '000	\$'000	\$'000	\$ '000
CONSOLIDATED						
Balance 1 July 2015	38,227	3,200	32,530	73,957	661	74,618
Profit for the year	-	-	2,423	2,423	147	2,570
Other Comprehensive Income	-	681	-	681	28	709
Total Comprehensive Income for the year	-	681	2,423	3,103	176	3,279
Balance at 31 Dec 2015	38,227	3,881	34,953	77,062	836	77,898
Balance 1 July 2016	38,227	3,661	32,282	74,170	915	75,085
Profit/(loss) for the year	-	-	(72,897)	(72,897)	(392)	(73,289)
Other Comprehensive Income	-	-	-	-	-	-
Adjustment on deconsolidaton	-	(936)	(47,318)	(48,254)	(523)	(48,777)
Total Comprehensive Income for the year	-	(936)	(120,215)	(121,151)	(915)	(122,066)
Adjustment on deconsolidaton	25,939	-	-	-	-	-
Balance at 31 Dec 2016	64,166	2,725	(87,933)	(21,042)	-	(21,042)

The accompanying notes form part of the financial statements.

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2016

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	Consolidated 31 Dec 2016 \$ '000	Consolidated 31 Dec 2015 \$ '000
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		38,692	59,816
Payments to suppliers and employees		(25,958)	(38,977)
		<u>12,734</u>	<u>20,839</u>
Interest received		2	-
Income tax paid		(85)	-
Interest paid		(1,328)	(1,691)
Net cash (used in)/generated by operating activities		<u>11,323</u>	<u>19,148</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net (cash) overdraft disposed on deconsolidation		5,137	-
Proceeds from sale of plant and equipment		-	-
Purchase of plant and equipment		(4,221)	(20,776)
Net cash (used in)/generated by investing activities		<u>916</u>	<u>(20,776)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	10,223
Repayment of borrowings		(6,041)	(7,537)
Net cash (used in)/generated by financing activities		<u>(6,041)</u>	<u>2,686</u>
Net (decrease)/increase in cash and cash equivalents		6,198	1,057
CASH AT THE BEGINNING OF THE HALF YEAR		(10,226)	(9,506)
Effects of exchange rate changes on cash and cash equivalents		-	17
CASH AT THE END OF THE HALF YEAR	4	<u>(4,028)</u>	<u>(8,432)</u>

The accompanying notes form part of the financial statements.

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2016
Notes to the Financial Statements

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 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 31 December 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 31 December 2016 and financial performance for the year then ended.

2. BASIS OF PREPARATION OF HALF-YEAR REPORT

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

This condensed consolidated financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This condensed consolidated half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Hughes Drilling Limited during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below:

a) Changes in accounting policy

There were no changes in accounting policy of the Group during the half year ended 31 December 2016.

b) New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period, however the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

c) Impact of standards issued but not yet applied

Standards issued but not yet applied by the entity will not have any significant impact of the financial statement of group.

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2016
Notes to the Financial Statements

d) Going concern

The 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 \$73.3m, primarily as a result of being placed in administration, and generated an operating cash inflow of \$11.3m for the half year ended 31 December 2016, and as of that date, the Company has a net current asset and total asset deficiency.

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 \$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.

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2016
Notes to the Financial Statements

2. 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 in order to allocate resources to the segment and to assess its performance. Information reported to the Board for the purpose of resource allocation and assessment of performance is more specifically focused on Drilling and Non drilling services.

Management has determined the operating segments based on the reports received by the Board of Directors to make strategic decisions. The Board considers Drilling from a nature of service provided.

The results from continuing operations of the group are reflected in the following table:

Half-Year ended 31 December 2016

The segment information for the half year ended 31 December 2016 is not able to be ascertained owing to the limitations outlined in note 1.

Half-Year ended 31 December 2015	Drilling	Non Drilling	Total
	\$'000	\$'000	\$'000
Continuing operations			
Sales to external customers	39,641	5,515	45,156
Other income/expenses	131	(315)	(184)
Inter-segment revenue	-	8,126	8,126
Total revenue	39,772	13,325	53,096
Cost of sales	(24,857)	(11,644)	(36,501)
Depreciation	(6,830)	(529)	(7,360)
Interest expense	(1,138)	(548)	(1,686)
Overheads	(2,812)	(1,321)	(4,134)
Profit/Loss on asset sales	-	-	-
Total expenses	(35,637)	(14,042)	(49,679)
Profit/Loss before income tax	4,134	(717)	3,417
Income tax (expense) / benefit	(873)	27	(846)
Profit/Loss for the period	3,261	(690)	2,571
Assets			
Total assets	132,309	35,875	168,184
Liabilities			
Total liabilities	(69,525)	(20,761)	(90,287)

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2016
Notes to the Financial Statements

3. EXPENSES

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.

Profit before income tax for the half year includes the following specific expenses. Expenses for the period ended 31 December 2016 are from discontinued operations (see note 13).

	Consolidated 31 Dec 2016 \$ '000	Consolidated 31 Dec 2015 \$ '000
Depreciation – Information not available		
Land and buildings		44
Motor vehicles		298
Office equipment		144
Plant and equipment		6,771
	<u>6,892</u>	<u>7,257</u>
Finance costs		
Interest expense – bank and other loans		892
Other finance charges - lease liability		808
	<u>1,328</u>	<u>1,700</u>
Employee benefits expense – Information not available		
Non-executive Directors' remuneration		86
Salaries and wages		21,610
		<u>21,696</u>
Share based payment – Information not available		
Share based payment expense	-	-
	<u>-</u>	<u>-</u>
Rental – operating leases – Information not available		
Plant & Equipment		238
		<u>238</u>

4. 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.

Cash at bank and on hand	-	806
Bank overdraft	(4,028)	(11,032)
Balance as per statement of cash flows	<u>(4,028)</u>	<u>(10,226)</u>

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2016
Notes to the Financial Statements

5. CURRENT ASSETS – NON-CURRENT ASSETS CLASSIFIED AS 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.

	Consolidated 31 Dec 2016 \$ '000	Consolidated 31 Dec 2015 \$ '000
Property, plant and equipment	-	1,416
	<u>-</u>	<u>1,416</u>

The assets identified above represent the surplus assets of the businesses requirements. These assets are currently being sold via auctions and tender process and are not being depreciated.

6. 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.

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

7. 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 31 Dec 2016 \$'000	Consolidated 30 Jun 2016 \$'000
Intellectual Property		
At cost	-	5,161
Accumulated impairment	-	(197)
Total net book amount	<u>-</u>	<u>4,964</u>
Trademarks		
At cost	3	3
Accumulated impairment	-	-
Total net book amount	<u>3</u>	<u>3</u>
Goodwill		
At cost	-	12,018
Accumulated impairment	-	(4,005)
Total net book amount	<u>-</u>	<u>8,013</u>

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2016
Notes to the Financial Statements

7. INTANGIBLE ASSETS AND GOODWILL (continued)

	Consolidated 31 Dec 2016	Consolidated 30 Jun 2016
	\$'000	\$'000
Total Intangibles and Goodwill		
At cost	3	17,182
Accumulated impairment	-	(4,202)
Total net book amount	<u>3</u>	<u>12,980</u>

Reconciliation

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

	Consolidated 31 Dec 2016	Consolidated 30 Jun 2016
	\$ '000	\$ '000
Intellectual Property		
Opening carrying value	4,964	4,625
Exchange differences	-	-
Additions	-	339
Deconsolidation of subsidiaries	(4,964)	-
Closing net book value	<u>-</u>	<u>4,964</u>
Trade marks		
Opening carrying value	3	3
Additions	-	-
Amortisation	-	-
Closing net book value	<u>3</u>	<u>3</u>
Goodwill		
Opening net book amount	8,013	8,013
Deconsolidation of subsidiaries	(8,013)	-
Closing net book value	<u>-</u>	<u>8,013</u>
Total intangible assets and goodwill		
Opening net book amount	12,980	12,641
Exchange differences	-	-
Additions	-	339
Deconsolidation of subsidiaries	(12,977)	-
Closing net book value	<u>3</u>	<u>12,980</u>

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2016
Notes to the Financial Statements

8. CONTRIBUTED EQUITY

	Number of shares 000's	Value \$'000s	Attributable Costs \$'000s	Net \$'000s
Balance 1 July 2015	208,670	39,549	(1,322)	38,227
On issue at 30 June 2016	208,670	39,549	(1,322)	38,227
Balance 1 July 2016	208,670	39,549	(1,322)	38,227
Adjustment on deconsolidation of subsidiaries	-	25,939	-	25,939
On issue at 31 December 2016	208,670	65,488	(1,322)	64,166

9. COMMITMENTS AND CONTINGENCIES

a) Finance lease and hire purchase commitments

The value of finance lease and hire purchase commitments at 30 June 2016 and 31 December 2016 is not able to be ascertained owing to the limitations outlined in note 1.

b) Operating lease commitments

The value of operating lease commitments at 30 June 2016 and 31 December 2016 is not able to be ascertained owing to the limitations outlined in note 1.

10. EARNINGS PER SHARE

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.

Earnings per share are calculated based on the following:

	Consolidated 31 Dec 2016 \$ '000	Consolidated 31 Dec 2015 \$ '000
Profit/(loss) for period from continuing operations	(32)	2,570
Profit/(loss) for period from discontinued operations	(73,257)	-
	No's: '000	No's: '000
Weighted average shares (diluted)	208,670	211,470
Basic Earnings per Share (cents per share)		
Earnings per Share from continuing operations	(0.02)c	1.22c
Earnings per Share from discontinued operations)	(35.13)c	-
Total earnings per Share	(35.15)	1.22

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2016
Notes to the Financial Statements

11. RELATED PARTIES

a) Subsidiaries

The consolidated financial statements include the financial statements of Hughes Drilling Limited and its subsidiaries.

	Country of incorporation	Percentage of equity interest held by the parent 31 December 2016	Percentage of equity interest held by the parent at 30 June 2016
Hughes Drilling 1 Pty Ltd	Australia	0%	100%
Express Hydraulics (Aust) Pty Ltd	Australia	0%	100%
Every Day Mine Services Operations Pty Ltd	Australia	0%	100%
G.O.S. Drilling Pty Ltd	Australia	0%	100%
Australian Gas Drilling Pty Ltd	Australia	0%	100%
Hughes Drilling Corporate Pty Ltd (formerly EDMS Human Capital Pty Ltd)	Australia	0%	100%
Hyd Elec Australia Pty Ltd (formerly Resource 1 Pty Ltd)	Australia	0%	100%
Hughes Equipment Hire Pty Ltd (formerly EDMS Assets & Logistics Pty Ltd)	Australia	0%	100%
Hughes Drilling 2 Pty Ltd (formerly EDMS Energy Pty Ltd)	Australia	0%	100%
EDMS Metals Pty Ltd	Australia	0%	100%
REICHdrill Inc	USA	0%	96%
REICHdrill Australia Pty Ltd	Australia	0%	96%
HD JSW Pty Ltd	Australia	0%	100%
JSW Australia Pty	Australia	0%	96%

Following the second meeting of creditors held on 8 December 2016 the Company and the Administrators entered into a Deed of Company Arrangement (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 turnaround fund manager Allegro and mining contractor NRW Holdings Limited. In addition the remaining subsidiary companies (excluding REICHdrill Inc.) were all placed into liquidation. All subsidiary companies incorporated in Australia were deconsolidated at that date. Owing to the appointment of the Administrator only extending to entities incorporated in Australia, no information is available for REICHdrill Inc. and accordingly the loss of control was recognised at 1 July 2016 and that entity deconsolidated at that date.

b) Ultimate parent

Hughes Drilling Limited is the ultimate parent of the Group.

c) Transactions with related parties

Half-Year ended 31 December 2016

Detail of the transactions with related parties for the half year ended 31 December 2016 is not able to be ascertained owing to the limitations outlined in note 1.

	Consolidated 31 Dec 2016 \$'000	Consolidated 31 Dec 2015 \$'000
<i>Purchases of goods and services– Information not available</i>		
Purchase of consumables from entities controlled by key management personnel		13
<i>Other transactions– Information not available</i>		
- Net Director Related Loans		-
- Payment of interest on loan funds to The Silverthorne Trust (John Silverthorne)		109

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

Half-Year ended 31 December 2016

Detail of the outstanding balances with related parties for the half year ended 31 December 2016 is not able to be ascertained owing to the limitations outlined in note 1.

	Consolidated 31 Dec 2016 \$'000	Consolidated 31 Dec 2015 \$'000
<i>Current trade payables (purchases of goods and services): – Information not available</i>		
Entities controlled by key management personnel – Information not available		4

e) Loans and borrowings to and (from) related parties

Half-Year ended 31 December 2016

Detail of the loans and borrowings with related parties for the half year ended 31 December 2016 is not able to be ascertained owing to the limitations outlined in note 1.

<i>Loan from related parties: – Information not available</i>		
Beginning of the year– Information not available		(3,763)
Net director related loans– Information not available		-
Loan repayments made– Information not available		-
Interest charged– Information not available		(165)
Interest paid– Information not available		109
End of year – Information not available		(3,819)

f) Terms and conditions

All related party transactions were made on normal commercial terms and conditions and at market rates except there are no fixed terms for the repayment of loans between parties. The average interest rates on loans during the six months period was unable to be ascertained owing to the limitations outlined in note 1 (2015 - 8%)

12. EVENTS OCCURRING AFTER THE REPORTING DATE

On 7 June 2017 at a third meeting of creditors, a resolution was passed to amend the DOCA to facilitate the recapitalisation 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 31 December 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.

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13. DISPOSAL OF SUBSIDIARIES

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.

Sale of Hughes Drilling 1 Pty Ltd and JSW Australia Pty Ltd via Deed of Company Arrangement

Following the second meeting of creditors held on 8 December 2016, the Company and the Administrators entered into a Deed of Company Arrangement (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 for \$20M.

Hughes Drilling Limited has neither the financial information up to the date of loss of control, nor the financial information related to the proceeds from this sale to properly account for the disposal of these 2 subsidiaries. Accordingly, the disposal has been based on the financial information held at a point in time prior to loss of control and being derecognised with no proceeds from sale, notwithstanding the Administrators would have received those funds for the benefit of creditors.

REICHdrill Inc.

Owing to the appointment of the Administrator only extending to entities incorporated in Australia, no information is available for REICHdrill Inc. and accordingly the loss of control was recognised at 1 July 2016 and that entity deconsolidated at that date.

All other subsidiaries

In addition, the remaining subsidiary companies were all placed into liquidation. All subsidiary companies incorporated in Australia were deconsolidated at that date.

Details of Subsidiaries

	Carrying amount of net assets disposed \$'000
Hughes Drilling 1 Pty Ltd	(41,379)
Express Hydraulics (Aust) Pty Ltd	(829)
Every Day Mine Services Operations Pty Ltd	7,372
G.O.S. Drilling Pty Ltd	17,041
Australian Gas Drilling Pty Ltd	7,721
Hughes Drilling Corporate Pty Ltd (formerly EDMS Human Capital Pty Ltd)	1,752
Hyd Elec Australia Pty Ltd (formerly Resource 1 Pty Ltd)	476
Hughes Equipment Hire Pty Ltd (formerly EDMS Assets & Logistics Pty Ltd)	(5,189)
Hughes Drilling 2 Pty Ltd (formerly EDMS Energy Pty Ltd)	2,136
EDMS Metals Pty Ltd	(494)
REICHdrill Inc	(22,173)
REICHdrill Australia Pty Ltd	998
HD JSW Pty Ltd	8,614
JSW Australia Pty	(9,372)
	<hr/>
	(33,326) <hr/> <hr/>

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	Total
Carrying amount of net assets disposed	(33,326)
Gain on disposal before income tax and reclassification reserves	<u>(33,326)</u>
Loss on transactions with non-controlling interests	524
Re-classification of foreign currency translation reserve	2,923
Re-classification of share premium reserve of Hughes Drilling Limited	(1,987)
Re-classification of contributed equity of Hughes Drilling Limited	<u>25,937</u>
Gain on disposal of subsidiary companies	<u><u>(5,929)</u></u>

Impairment of loans

Upon the sale and liquidation of the Company's subsidiaries, all loans to subsidiary companies were fully impaired as the Company will not recover any of the amounts owed. The total amount impaired during the period was \$59,531,418 (2015: \$Nil).

Financial performance of discontinued operations

	Note	Consolidated 31 Dec 2016 \$ '000
Discontinued Operations		
Revenue		23,457
Cost of goods sold		<u>(23,432)</u>
		25
Other income		(499)
General and administrative expenses		(10,430)
Selling and marketing expense		<u>-</u>
Operating Profit		(10,904)
Finance costs		(1,328)
Interest Income		2
Gain on disposal of subsidiary companies	13	5,929
Impairment expenses	13	<u>(59,531)</u>
Profit for the period before income tax		(65,832)
Income tax (expense)/benefit		<u>(7,425)</u>
Profit/(Loss) after income tax expenses for the period		<u><u>(73,257)</u></u>
Net cash inflow from operating activities		11,319
Net cash inflow from investing activities		916
Net cash outflow from financing activities		<u>(6,041)</u>
Net cash inflow generated by discontinued operations		<u><u>6,194</u></u>

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 and notes thereto 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 and notes thereto 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 31 December 2016 and of the performance for the period ended on that date of the consolidated group; and
 - (c) Complying with international Accounting Standards.
2. Subject to the matters highlighted in Note 2(d), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Sean McCormick
Non-Executive Director

Perth, Western Australia
10 May 2019

INDEPENDENT ASSURANCE PRACTITIONER'S REVIEW REPORT

To the members of Hughes Drilling Limited

Report on the Half-Year Financial Report

Disclaimer of Conclusion

We were engaged to review the half-year financial report of Hughes Drilling Limited (the Company) and its Subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and directors' declaration.

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

Basis for Disclaimer of Conclusion

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 half year ended 31 December 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.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.



Assurance practitioner's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. However, because of the matter described in the *Basis for Disclaimer of Conclusion* section of our report, we were not able to obtain sufficient appropriate evidence to provide a basis for a review conclusion on the financial report. As the auditor of the Company, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'C R Jenkins', is written over a small, stylized 'BDO' logo.

C R Jenkins

Director

Brisbane, 10 May 2019