



HughesDrilling

HUGHES DRILLING LIMITED

ABN 12 124 279 750

FINANCIAL REPORT

HALF YEAR ENDED 31 DECEMBER 2017

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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 2017 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 2017.

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 Andrew Drake	Removed 17 August 2017
Mr Douglas Grewar	Removed 17 August 2017
Mr Jeff Branson	Removed 23 February 2018

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 ("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 31 December 2017 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.

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

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

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.

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 2017, 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.

A handwritten signature in black ink, appearing to read 'C R Jenkins', written over a horizontal line.

C R Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 10 May 2019

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2017

STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

		Company	Consolidated
		31 Dec 2017	31 Dec 2016
Continuing Operations			
Other income		38,500	-
General and administrative expenses		15,026	(32,182)
Legal fees		(45,885)	-
Administrator's costs		(138,234)	-
Operating Profit		(130,593)	(32,182)
Interest Income		97	-
Profit for the period before income tax		(130,496)	32,182
Income tax (expense)/benefit		-	-
Profit/(Loss) after income tax for the period		(130,496)	32,182
Profit/(loss) from discontinued operations (attributable to equity holders of the Company)	12	186,272	73,256,195
Profit/(Loss) for the period		55,776	73,288,377
Profit/(Loss) for the period attributable to:			
- Owners of Hughes Drilling Limited		55,776	(72,896,495)
- Non controlling Interest		-	(391,882)
		55,776	(73,288,377)
Earnings per share for profit attributable to ordinary equity holders of the company from continuing operations – cents/share			
- Basic profit/(loss) per share from continuing operations	9	(0.06)c	(0.02)c
- Basic profit/(loss) per share	9	0.03c	(35.15)c
Profit/(loss) for the period		55,776	(73,288,377)
Other comprehensive income			
Items that may need to be reclassified to profit and loss			
- Exchange differences on translation of foreign operations		-	-
Total comprehensive income for the period		55,776	(73,288,377)
Total comprehensive income/(loss) for the period attributable to:			
- Owners of Hughes Drilling Limited		55,776	(72,915,669)
- Non controlling Interest		-	(372,708)
		55,776	(73,288,377)

The accompanying notes form part of the financial statements

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2017

BALANCE SHEET

AS AT 31 DECEMBER 2017

	Note	Company 31 Dec 2017	Company 30 Jun 2017
CURRENT ASSETS			
Cash and cash equivalents	4	297,479	208,909
Trade and other receivables		179,887	179,887
TOTAL CURRENT ASSETS		477,366	388,796
NON-CURRENT ASSETS			
Intangible assets	6	2,700	2,700
TOTAL NON-CURRENT ASSETS		2,700	2,700
TOTAL ASSETS		480,066	391,496
CURRENT LIABILITIES			
Bank overdraft	4	3,036,970	3,036,970
Trade and other payables		1,368,792	1,336,001
Borrowings		6,360,000	6,360,000
TOTAL CURRENT LIABILITIES		10,765,762	10,732,969
NON-CURRENT LIABILITIES			
Borrowings		9,500,000	9,500,000
TOTAL NON-CURRENT LIABILITIES		9,500,000	9,500,000
TOTAL LIABILITIES		20,265,762	20,232,969
NET ASSETS / (DEFICIENCY)		(19,785,696)	(19,841,473)
EQUITY			
Contributed equity	7	64,165,874	64,165,874
Other reserves		2,725,311	2,725,311
Retained Earnings		(86,676,881)	(86,732,658)
TOTAL EQUITY/ (DEFICIENCY)		(19,785,696)	(19,841,473)

The accompanying notes form part of the financial statements.

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2017

STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Contributed equity	Reserves	Retained earnings	Total	Non controlling Interest	Total
Balance 1 July 2016	38,227,962	3,660,882	32,281,938	74,170,782	915,192	75,085,974
Profit/(loss) for the year	-	-	(72,896,495)	(72,896,495)	(391,882)	(73,288,377)
Other Comprehensive Income	-	-	-	-	-	-
Adjustment on deconsolidation	-	(936,571)	(47,317,952)	(48,253,523)	(523,310)	(48,776,833)
Total Comprehensive Income for the year	-	(936,571)	(120,214,447)	(121,150,018)	(915,192)	(122,065,210)
Adjustment on deconsolidation	25,937,912	-	-	-	-	-
Balance at 31 Dec 2016	64,165,874	2,725,311	(87,932,509)	(21,041,324)	-	(21,041,324)
Balance 1 July 2017	64,165,874	2,725,311	(86,732,658)	(19,841,473)	-	(19,841,473)
Profit/(loss) for the year	-	-	55,776	55,776	-	55,776
Other Comprehensive Income	-	-	-	-	-	-
Total Comprehensive Income for the year	-	-	55,776	55,776	-	55,776
Balance at 31 Dec 2017	64,165,874	2,725,311	(86,676,882)	(19,785,697)	-	(19,785,697)

The accompanying notes form part of the financial statements.

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2017

STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	Company 31 Dec 2017	Consolidated 31 Dec 2016
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		-	38,692,203
Payments to suppliers and employees		(136,299)	(25,958,354)
		(136,299)	12,733,849
Interest received		97	1,776
Income tax paid		-	(85202)
Interest paid		-	(1,327,711)
Net cash (used in)/generated by operating activities		(136,202)	11,322,712
CASH FLOW FROM INVESTING ACTIVITIES			
Net (cash) overdraft disposed on deconsolidation		-	5,137,025
Proceeds from sale of plant and equipment		38,500	-
Purchase of plant and equipment		-	(4,221,266)
Net cash (used in)/generated by investing activities		38,500	915,759
CASH FLOW FROM FINANCING ACTIVITIES			
Intercompany loan repayments received		186,272	-
Repayment of borrowings		-	(6,040,753)
Net cash (used in)/generated by financing activities		186,272	(6,040,753)
Net (decrease)/increase in cash and cash equivalents		88,570	6,197,718
CASH AT THE BEGINNING OF THE HALF YEAR		(2,828,061)	(10,225,901)
CASH AT THE END OF THE HALF YEAR	4	(2,739,491)	(4,028,183)

The accompanying notes form part of the financial statements.

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2017
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 ("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 2017.

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 2017 and financial performance for the year then ended.

2. BASIS OF PREPARATION OF HALF-YEAR REPORT

The basis of preparation of this half-year 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 2017 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 2017 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 2017.

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 2017
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.

Up until the date of appointment of the Administrator, the information reported to the Board for the purpose of resource allocation and assessment of performance was more specifically focused on Drilling and Non drilling services. There were no activities in relation to this segment during the period. All activities were in relation to the finalisation of the recapitalisation of the Company. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results in this segment are equivalent to the financial statements of the Group as a whole.

Half-Year ended 31 December 2016

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

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 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 12).

	Company	Consolidated
	31 Dec 2017	31 Dec 2016
Depreciation – Prior year information not available		
Land and buildings	-	
Motor vehicles	-	
Office equipment	-	
Plant and equipment	-	
	<u>-</u>	<u>6,862,900</u>
Finance costs – Prior year information not available		
Interest expense – bank and other loans	-	
Other finance charges - lease liability	-	
	<u>-</u>	<u>1,327,771</u>
Employee benefits expense – Prior year information not available		
Non-executive Directors’ remuneration	-	
Salaries and wages	-	
	<u>-</u>	
Rental – operating leases – Prior year information not available		
Plant & Equipment	-	
	<u>-</u>	

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2017
Notes to the Financial Statements

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.

	Company 31 Dec 2017	Company 30 June 2017
Cash at bank and on hand	297,479	208,909
Bank overdraft	(3,036,970)	(3,036,970)
Balance as per statement of cash flows	(2,739,491)	(2,828,061)

5. 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.

6. 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.

	Company 31 Dec 2017	Company 30 Jun 2017
Trademarks		
At cost	2,700	2,700
Accumulated impairment	-	-
Total net book amount	2,700	2,700

Reconciliation

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

Trade marks		
Opening carrying value	2,700	2,700
Additions	-	-
Amortisation	-	-
Closing net book value	2,700	2,700

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2017
Notes to the Financial Statements

7. CONTRIBUTED EQUITY

	Number of shares	Value	Attributable Costs	Net
Balance 1 July 2016	208,670,249	39,549,512	(1,321,550)	38,227,962
Adjustment on deconsolidation of subsidiaries	-	25,937,912	-	25,938,912
On issue at 30 June 2017	208,670,249	65,487,424	(1,321,550)	64,165,874
Balance 1 July 2017	208,670,249	65,487,424	(1,321,550)	64,165,874
On issue at 31 December 2017	208,670,249	65,487,424	(1,321,550)	64,165,874

8. COMMITMENTS AND CONTINGENCIES

a) Finance lease and hire purchase commitments

The value of finance lease and hire purchase commitments at 30 June 2017 and 31 December 2017 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 2017 and 31 December 2017 is not able to be ascertained owing to the limitations outlined in note 1.

9. 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:

	Company 31 Dec 2017 \$ '000	Consolidated 31 Dec 2016 \$ '000
Profit/(loss) for period from continuing operations	(130,496)	(32,182)
Profit/(loss) for period from discontinued operations	186,272	(73,256,195)
	No's:	No's:
Weighted average shares (diluted)	208,670,249	208,670,249
Basic Earnings per Share (cents per share)		
Earnings per Share from continuing operations	(0.06)c	(0.02)c
Earnings per Share from discontinued operations)	0.09c	(35.13)c
Total earnings per Share	0.03c	(35.15)

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2017
Notes to the Financial Statements

10. RELATED PARTIES

a) Transactions with related parties

From the date of appointment of the current Directors of the Company there have been no transactions with the Directors or their associated entities.

In relation to the prior period and the current period up to 17 August 2017, 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.

11. 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 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 31 December 2017 that has significantly affected, or may significantly affect the entity's operations, the results of those operations, or the entity's state of affairs in future financial years.

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2017
Notes to the Financial Statements

12. 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 – 31 December 2016

	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/>

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2017
Notes to the Financial Statements

	Total \$'000
Carrying amount of net assets disposed	(33,326)
Gain on disposal before income tax and reclassification reserves	(33,326)
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	25,937
Gain on disposal of subsidiary companies	(5,929)

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 31 December 2016 period was \$59,531,418. Following the subsidiaries being placed into liquidation the Company has received several distributions from the liquidator. During the period ended 31 December 2017 the Company received \$186,272.

Financial performance of discontinued operations

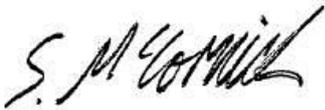
	Note	31 Dec 2017 \$'000	Consolidated 31 Dec 2016 \$ '000
Discontinued Operations			
Revenue		-	23,457
Cost of goods sold		-	(23,432)
		-	25
Other income		-	(499)
General and administrative expenses		-	(10,430)
Selling and marketing expense		-	-
Operating Profit		-	(10,904)
Finance costs		-	(1,328)
Interest Income		-	2
Gain on disposal of subsidiary companies	13	-	5,929
Impairment expenses	13	186	(59,531)
Profit for the period before income tax		186	(65,832)
Income tax (expense)/benefit		-	(7,425)
Profit/(Loss) after income tax expenses for the period		186	(73,257)
Net cash inflow from operating activities		-	11,319
Net cash inflow from investing activities		-	916
Net cash outflow from financing activities		186	(6,041)
Net cash inflow generated by discontinued operations		186	6,194

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 2017 and of the performance for the period ended on that date; 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), which comprise the balance sheet as at 31 December 2017, the statement of comprehensive income, the statement of changes in equity and the 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 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 2017 has been prepared by the directors without the benefit of complete information being available for the 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit Pty Ltd



C R Jenkins
Director

Brisbane, 10 May 2019