HUGHES DRILLING LIMITED

ABN 12 124 279 750

ANNUAL REPORT

30 JUNE 2018

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 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 2018.

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

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.

Up until 22 September 2016 when the Board resolved to place the Company into voluntary administration, 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.

Following effectuation of the Deed of Company Arrangement (DOCA) on 1 March 2018 control of the Company reverted to the officers of the Company.

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 entirety of the periods presented in this report, nor, during the period prior to their appointment, were they involved with the Company and they 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 in relation to the comparative period. The Directors are of the opinion that the financial position at 30 June 2018 is an accurate reflection of the Company's position, however the financial performance for the 30 June 2018 year may be impacted to the extent that there were any material inaccuracies in the 30 June 2017 financial position.

To prepare the financial report, the Directors have reconstructed the financial records of the Group up until the date of effectuation of the DOCA 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 2017 and results for the year then ended and the year ended 30 June 2018.

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 2018.

Review of Operations

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 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

There are no matters subsequent to the end of the year.

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.

Information on Directors

The following persons were directors of the Group during the year ending 30 June 2018 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 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 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 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

The number of directors' meetings held during the financial year and the number of meetings attended by each director is:

Director	Number Eligible to Attend	Meetings Attended
Seam McCormick	1	1
Stephen Hewitt-Dutton	1	1
Robert Innocent	1	1

The Board of Directors also approved two (2) circular resolutions during the year ended 30 June 2018 which were signed by all Directors of the Company

The Company does not have a formally constituted audit committee as the board considers that the Company's size and type of operation do not warrant such a committee.

Indemnification of officers and auditors

The Company 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 38 of the Annual Report.

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 2018.

The Company was in administration from 22 September 2016. Upon effectuation of the DOCA the control of Company reverted to the officers. The information disclosed sets out the remuneration information for the Company's non-executive directors following effectuation of the DOCA on 1 March 2018.

The Directors who are in office at the date of this report had no involvement in adopting, implementing or complying with the prior remuneration policies.

This report outlines the remuneration arrangements in place for Directors and other key management personnel of Hughes Drilling.

Directors	
Mr Sean McCormick	Non – Executive Director (Appointed 16 August 2017)
Mr Stephen Hewitt-Dutton	Non – Executive Director (Appointed 16 August 2017)
Mr Robert Innocent	Non – Executive Director (Appointed 5 December 2017)
Mr Robert (Bob) Hughes	Executive Director / Managing Director/Chairman (Appointed 10 February 2012, resigned 1 July 2016)
Mr Andrew Drake	Chief Executive Officer (Appointed 10 February 2012, removed 17 August 2017)
Mr Jeff Branson	Chief Operating Officer (Appointed 3 October 2013, removed 23 February 2018)
Mr John Silverthorne	Non – Executive Director (Appointed 3 October 2013, resigned 6 July 2016)
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, removed 17 August 2017)
Mr Patrick Garrity	Vice President REICHdrill Inc (Appointed 1 May 2007)

The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

Remuneration Philosophy
The performance of the Company depends on the quality of its Directors and other Key Management Personnel and therefore the Company must attract, motivate and retain appropriately qualified industry personnel. The Company embodies the following principles in its remuneration framework:

- provide competitive rewards to attract and retain high calibre Directors and other Key Management Personnel;
- link executive rewards to shareholder value (by the granting of share options);
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

Remuneration Governance
Due to its size, the Company does not have a remuneration committee. The Board has not used remuneration consultants in determining the remuneration of Key Management Personnel. The compensation of Directors is reviewed by the Board annually. The compensation of other Key Management Personnel is also reviewed by the Board annually.

The Board assesses the appropriateness of the nature and amount of remuneration of such persons on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from retention of high quality Directors and other Key Management Personnel. External advice on remuneration matters is sought whenever the Board deems it necessary but has not been sought during the reporting period.

The remuneration of the Directors and other Key Management Personnel is not dependent on the satisfaction of a performance condition other than set out in this report. Share options have been issued to Key Management Personnel in prior years and do not have any performance conditions.

Non-Executive Director Remuneration
The Board seeks to set remuneration of Non-Executive Directors at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is appropriate at this stage of the Company's development.

The Directors have resolved that Non-Executive Directors' fees are $36,000 per annum for each Non-Executive Director and $48,000 per annum for the Non-Executive Chairman. However, during the year ended 30 June 2018, no director received any remuneration.

In addition, Non-Executive Directors are entitled to be paid reasonable travelling, accommodation and other expenses incurred as a consequence of their attendance at meetings of Directors and otherwise in the execution of their duties as Directors.

Executive Remuneration
There were no executive employees during the year.

Details of remuneration for the year ended 30 June 2018

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 2018.

2018	***Sean McCormick* $**	***Stephen Hewitt-Dutton* $**	***Robert Innocent* $**	***Total* $**
Short-term benefits	-		-	-
Cash salary and fees	-	-	-	-
Post-Employment Benefits				
Pension & Superannuation	-	-	-	-
Share-based payments	-	-	-	-
Long-term benefits				
Annual and long service leave	-	-	-	-
Total	**-**	**-**	**-**	**-**

Options
At the date of this report the Company has no ordinary shares under option.

Shareholding of key management personnel

	Balance 01/07/16	Shares acquired	Shares disposed	Balance 30/06/17	Balance 1/07/17	Shares acquired	Shares disposed	Balance 30/06/18
DIRECTORS								
Sean McCormick	-	-	-	-	-	-	-	-
Stephen Hewitt-Dutton	-	-	-	-	-	-	-	-
Robert Innocent	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-
Jeff Branson	2,287,087	-	-	2,287,087	2,287,087	-	-	2,287,087
Gary Belcher	-	-	-	-	-	-	-	-
TOTAL	**74,812,305**	**-**	**-**	**74,812,305**	**74,812,305**	**-**	**-**	**74,812,305**

Option holding of key management personnel

No options were issued to key management personnel in the period 1 July 2017 to 30 June 2018.

This concludes the remuneration report which has been audited.

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.

	Company	Consolidated
	30 June 2018	30 June 2017
	$	$
Audit and review of financial report (BDO) *	**-**	-
Other services – tax and accounting (BDO)	**-**	-
	-	-

* 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 18 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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Note	Company 2018	Consolidated 2017
Continuing Operations			
Revenue	5	-	-
Cost of goods sold		-	-
		-	-
Other income	6	-	25,112
Proceeds on sale of assets		**38,500**	-
General and administrative expenses	7	**(113,433)**	(51,425)
Legal fees		**(69,214)**	(107,911)
Administrator's costs		**(138,234)**	(142,533)
Operating profit		**(282,381)**	(276,757)
Finance costs	7	-	4
Interest income		**97**	-
Gain on effectuation of DOCA		**19,370,206**	-
Profit for the year before Income tax		**19,087,922**	(276,753)
Income tax (expense)	8	-	-
Profit/(loss) after income tax for the year		**19,087,922**	(276,753)
Profit/(loss) from discontinued operations (attributable to equity holders of the Company)		**186,272**	(71,811,313)
Profit/(Loss) for the period		**19,274,194**	(72,088,066)
Profit for the year attributable to:			
- Owners of Hughes Drilling Limited		**19,274,194**	(71,696,184)
- Non controlling Interest		-	(391,882)
		19,274,194	(72,088,066)
Earning per share for the profit attributable to ordinary equity holders of the company – cents/share			
- Basic profit per share from continuing operations	23	**111.9c**	0.1c
- Basic profit per share	23	**1.1c**	34.5c
Profit for the year		**19,274,194**	(72,088,066)
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 year		**19,274,194**	(72,088,066)
Total comprehensive income for the year attributable to:			
- Owners of Hughes Drilling Limited		**19,274,194**	(71,715,358)
- Non controlling Interest		-	(372,708)
		19,274,194	(72,088,066)

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

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	Company 2018	Company 2017
Current assets			
Cash and cash equivalents	9	**188,290**	208,909
Trade and other receivables	10	**-**	179,887
TOTAL CURRENT ASSETS		**188,290**	388,796
Non-current assets			
Intangible assets	11	**-**	2,700
TOTAL NON-CURRENT ASSETS		**-**	2,700
TOTAL ASSETS		**188,290**	391,496
Current liabilities			
Bank overdraft	9	**-**	3,036,970
Trade and other payables	12	**65,569**	1,336,001
Borrowings	13	**-**	15,860,000
TOTAL CURRENT LIABILITIES		**65,569**	20,232,969
Non-current liabilities			
Borrowings	-	**-**	-
TOTAL NON-CURRENT LIABILITIES		**-**	-
TOTAL LIABILITIES		**65,569**	20,232,969
NET ASSETS		**122,721**	(19,841,473)
EQUITY			
Contributed equity	14	**64,855,874**	64,165,874
Other reserves	15	**2,725,311**	2,725,311
Retained earnings		**(67,458,464)**	(86,732,658)
		122,721	(19,841,473)

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 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 for the year	-	-	(71,696,644)	(71,696,644)	(391,882)	(72,088,526)
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)**	**(119,014,596)**	**(119,950,167)**	**(915,192)**	**(120,865,359)**
Transactions with owners in their capacity as owners:						
Adjustment on deconsolidation	25,937,912	-	-	25,937,912	-	25,937,912
Balance at 30 June 2017	**64,165,874**	**2,725,311**	**(86,732,658)**	**(19,841,473)**	**-**	**(19,841,473)**
Balance 1 July 2017	64,165,874	2,725,311	(86,732,658)	(19,841,473)	-	(19,841,473)
Profit for the year	-	-	19,274,194	19,274,194	-	19,274,194
Other Comprehensive Income	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**19,274,194**	**19,274,194**	**-**	**19,274,194**
Transactions with owners in their capacity as owners:						
Issue of shares	690,000	-	-	690,000	-	690,000
Balance at 30 June 2018	**64,855,874**	**2,725,311**	**(67,458,464)**	**122,721**	**-**	**122,721**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	Company 2018	Consolidated 2017
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		**-**	34,724,884
Payments to suppliers and employees		**(223,248)**	(20,790,918)
		(223,248)	13,933,966
Interest paid		**-**	(1,327,707)
Interest received		**97**	1,776
Income tax paid		**-**	(85,202)
Net cash generated by operating activities	17	**(223,151)**	12,522,832
CASH FLOW FROM INVESTING ACTIVITIES			
Net (cash)/overdraft disposed on deconsolidation		**-**	5,137,025
Net (cash)/overdraft disposed on effectuation of DOCA		**2,749,731**	-
Proceeds on sale of property, plant and equipment		**38,500**	-
Purchase of plant and equipment		**-**	(4,221,265)
Net cash used in investing activities		**(2,788,231)**	915,760
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**690,000**	-
Intercompany loan repayments received		**186,272**	-
Payment to administrator under DOCA		**(425,000)**	-
Repayment of borrowings		**-**	(6,040,753)
Net cash generated by financing activities		**451,272**	(6,040,753)
Net (decrease)/increase in cash and cash equivalents		**3,016,351**	7,397,840
CASH AT THE BEGINNING OF THE YEAR		**(2,828,081)**	(10,225,901)
CASH AT THE END OF THE YEAR	9	**188,290**	(2,828,061)

The above 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 entirety of the periods presented in this report, nor, during the period prior to their appointment, were they involved with the Company and they 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 in relation to the comparative period. The Directors are of the opinion that the financial position at 30 June 2018 is an accurate reflection of the Company's position, however the financial performance for the 30 June 2018 year may be impacted to the extent that there were any material inaccuracies in the 30 June 2017 financial position.

To prepare the financial report, the Directors have reconstructed the financial records of the Group up until the date of effectuation of the DOCA 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 2017 and results for the year then ended and the year ended 30 June 2018.

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.

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 tis 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

The consolidated financial statements of the Hughes Drilling Group complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ('IASB').

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 Company's results for the year, and the comparative period, have been materially impacted by the Company's administration. As at 30 June 2018, the Company has a net current asset position of $122,721 total asset position of $188,290.

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"). $425,000 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 2017 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 23 for the details of the new accounting standards adopted.

d) Historical cost convention

The financial report has been prepared on the historical cost basis and 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 in 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 Company as at 30 June 2017 and 30 June 2018. The financial performance for the year ended 30 June 2017 includes the Group companies up until the date of the loss of control owing to the sale or liquidation of the subsidiary companies during the year.

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.

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.

f) 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.

g) 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.

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 4(j).

(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 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.

(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) 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.

t) 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.

u) 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.

v) New standards and interpretations not yet adopted

Certain amended accounting standards and interpretations have been published that are not mandatory for 30 June 2018 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.

w) New accounting standards adopted early

No standards were early adopted.

x) 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.

(ii) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3(h). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of 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) Available for sale assets

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.

	Company	Consolidated
	2018	2017
Revenue from sale of goods and services	-	23,457,309
	-	23,457,309

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	-	473,366
	-	473,366

7. 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.

	Company	Consolidated
	2018	2017
Profit before income tax includes the following specific expense:		
Depreciation – 2017 information not available		
Land and buildings	-	
Motor vehicles	-	
Office equipment	-	
Plant and equipment	-	
	-	**6,891,659**
Finance costs – 2017 information not available		
Interest expense – bank and other loans	-	
Other finance charges - lease liability	-	
	-	**1,327,707**

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.

	Company	Consolidated
	2018	2017
	$ '000	$ '000
Income tax expense: - 2017 information not available		
a) The major components of income tax expense/(benefit):		
Current tax		
Adjustment recognised from prior year [1]	-	
Deferred tax	-	
Aggregate income tax expense	-	

[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 – 2017 information not available		
Accounting profit before tax from continuing operations	-	
Tax at the Group's statutory income tax rate of 30%	-	
Nondeductible expenses	-	
Difference in deferred tax rates	-	
Tax benefit of estimated tax losses from operating activities	-	
Adjustment recognised from prior year	-	
Aggregate income tax expense	-	

c) Tax losses

Owing to being placed into administration and the subsequent recapitalisation, the Company will have failed the Continuity of Business and Continuity of Ownership tests in relation to the carrying forward of tax losses. Accordingly no deferred tax asset has been recognised.

Prior to the deconsolidation of the subsidiaries 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.

	Company 2018	Company 2017
Cash at bank and on hand	**188,290**	208,909
Bank overdraft	**-**	(3,036,970)
Balances as per the statement of cash-flows	**188,290**	(2,828,061)

Risk exposure

The Group's exposure to interest rate risk is discussed in Note 21. 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.

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.

	Company 2018	Company 2017
Trade receivables	**-**	151,235
Prepayments	**-**	28,652
Sundry debtors	**-**	-
	-	179,887
Trade receivable reconciliation		
At 30 June 2018	**-**	179,887
Provision for impairment recognised during year	**-**	-
Receivables written off during the year	**-**	-
	-	179,887
***Trade receivable ageing analysis* Information not available**		
0 – 30 days		
30 – 60 days		
60 – 90 days		
> 90 days		

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 21 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

10. TRADE AND OTHER RECEIVABLES (Continued)

a. Past due but not impaired

As at 30 June 2017, it is not known what value of trade receivables were past due but not impaired.

b. Sundry Debtors

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

11. 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 2018	Company 2017
Trademarks		
Cost	-	2,700
Accumulated depreciation	-	-
Total net book amount	-	2,700

Reconciliation

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

	Company 2018	Company 2017
Trademarks		
Opening carrying value	**2,700**	2,700
Disposal on effectuation of DOCA	**(2,700)**	-
Amortisation	-	-
Closing net book amount	-	2,700

12. 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.

	Company 2018	Company 2017
Trade payables	-	152,724
Other payables	**65,569**	1,183,277
	65,569	1,336,001

Information about the Group's exposure to foreign exchange risk is provided in Note 21.

13. BORROWINGS

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.

During the 2017 year 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.

	Company 2018	Company 2017
Current		
Secured		
- Hire Purchase	-	-
- Commercial bill facility	-	15,860,000
- Other	-	-
	-	15,860,000

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.

ii) Terms and conditions

Hire purchase liabilities were 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 were secured by a fixed and floating charge over all the unencumbered assets of the Group.

iii) Risk exposures

Information about the Group's exposure to interest rate risk is provided in Note 21.

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.

14. 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	-	25,937,912
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
Consolidation of capital 1 for 35	(202,708,557)	-	-	-
Shares issued	34,500,000	690,000	-	690,000
On issue at 31 December 2018	**40,461,692**	**66,177,424**	**(1,321,550)**	**64,855,874**

14. CONTRIBUTED EQUITY (Continued)

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

The Company had no options outstanding at the end of the financial year.

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.

15. OTHER RESERVES

	Company 2018	Company 2017
Options reserve (see Note 16)	**2,725,311**	2,725,311
	2,725,311	2,725,311

16. RESERVES – OPTION RESERVE

	Number of options	**Value**	**Attributable Costs**	**Net**
Balance 1 July 2016	**-**	**882,085**	-	882,085
Cancelled during year – directors and key management	**-**	**-**	-	-
Adjustment on deconsolidation of subsidiaries	**-**	**1,843,226**	-	1,843,226
On issue at 30 June 2017	**-**	**2,725,311**	-	2,725,311
Balance 1 July 2017	**-**	**2,725,311**	-	2,725,311
On issue at 30 June 2018	**-**	**2,725,311**	-	2,725,311

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

17. NOTES TO THE STATEMENT OF CASH FLOWS

	Company 2018	Consolidated 2017
Operating (loss)/profit after taxation	**19,274,194**	(72,088,098)
Non cash items		
Depreciation	**-**	6,862,900
Gain on effectuation of DOCA	**(19,370,206)**	
Gain on disposal of subsidiaries	**-**	(5,928,603)
Loss on impairment of subsidiary loans	**-**	58,086,536
Investing cash flows recognised in profit		
Proceeds from sale of land	**(38,500)**	-
Movement in assets / liabilities:		
(Increase)/decrease in trade and other receivables	**(186,272)**	9,423,970
(Increase)/decrease in stock	**-**	5,992,081
(Increase)/decrease in deferred tax assets	**-**	7,340,005
Increase /(decrease)in trade and other payables	**97,632**	2,899,406
Increase/(decrease) in provisions	**-**	(65,397)
Net cash (used in)/provided by operating activities	**(223,152)**	12,522,800

18. AUDITORS REMUNERATION

	Company 2018	Consolidated 2017
Audit services		
Audit and review of financial report (BDO) *	**-**	-
Other services		
Tax and accounting (BDO)	**-**	-
	-	-

* 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.

19. RELATED PARTIES

a) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in the Directors Report and Note 20.

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.

Owing to the limitation outlined above the Company does not have sufficient information to present related party information in relation to the 2017 financial year.

19. RELATED PARTIES (Continued)

b) Transactions with related parties

During the year ended 30 June 2018 there were no transactions with related parties.

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

There were no balances outstanding at the end of the reporting period in relation to transactions with related parties.

20. 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)
McCormick	Sean	Non-Executive Director	Appointed 16 August 2017
Hewitt-Dutton	Stephen	Non-Executive Director	Appointed 16 August 2017
Innocent	Robert	Non-Executive Director	Appointed 5 December 2017
Drake	Andrew	Chief Executive Officer	Removed 17 August 2017
Branson	Jeff	Chief Operating Officer	Removed 23 February 2018
Grewar	Douglas	Non-Executive Director	Removed 17 August 2017

Key Executives

Surname	First Name	Position	Tenure (If not full year served)
Brenton	Paul	Chief Financial Officer	Removed 17 August 2017

b) Compensation of key management personnel

Full details of key management personnel compensation is disclosed in the remuneration report on page 6 to 8 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

There were no options over ordinary shares in Hughes Drilling Limited held directly, indirectly or beneficially by key management personnel during the reporting period

d) Shareholding of key management personnel

	Balance 1/07/16	Shares acquired	Shares disposed	Balance 30/06/17	Balance 1/07/17	Shares acquired	Shares disposed	Balance 30/06/18
DIRECTORS								
Sean McCormick	-	-	-	-	-	-	-	-
Stephen Hewitt-Dutton	-	-	-	-	-	-	-	-
Robert Innocent	-	-	-	-	-	-	-	-
Andrew Drake	90,269	-	-	90,269	90,269	-	-	90,269
Douglas Grewar	-	-	-	-	-	-	-	-
Jeff Branson	2,287,087	-	-	2,287,087	2,287,087	-	-	2,287,087
TOTAL	**2,377,356**	**-**	**-**	**2,377,356**	**2,377,356**	**-**	**-**	**2,377,356**

21. 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 2018. 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 prior to the appointment of Administrators exposed it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focused on the unpredictability of Resource Sector and sought to minimise potential adverse effects on the financial performance of the Group. The Group used different methods to measure different types of risk to which it was exposed. Methods included 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	**Company 2018**	Company 2017	**Company 2018**	Company 2017
Financial assets					
Cash	9	**188,290**	208,909	**188,290**	
Receivables	10	**-**	179,887	-	
		188,290	388,796	**188,290**	
Financial liabilities					
Bank overdraft	9	-	3,036,970	-	
Payables	16	**65,569**	1,336,001	**65,569**	
Borrowings	18	-	15,860,000	-	
		65,569	20,232,969	**65,569**	

The fair value at 30 June 2017 is not able to be ascertained owing to the limitations outlined in note 1.

a) Market risk

(i) Foreign exchange risk

The Company had no exposure to foreign currency risk at the end of the reporting period.

Up until the Group entered administration on 22 September 2016, the Group operated internationally and was 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 maintained 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.

(ii) Cash flow and fair value interest rate risk

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

21. FINANCIAL RISK MANAGEMENT (Continued)

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

	Weighted average interest rate	**Company 2018**	Weighted average interest rate	Company 2017
Bank overdraft	**-%**	-	No known. Refer note 1	3,036,970
Commercial bill facility	**-%**	-	No known. Refer note 1	15,860,000
		-		18,896,970

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
The figure for 2017 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 mainly from cash and cash equivalents, and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk. As at 30 June 2018, the group held cash at bank with financial institutions with an S&P rating of AA.

The aging profile of the Company's financial assets at 30 June 2017 is not able to be ascertained owing to the limitations outlined in note 1.

c) Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments. The Company actively manages its operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements. The Group does not have any overdraft, loans or borrowings facilities from financial institutions as at reporting date.

Maturity analysis for financial liabilities
Financial liabilities of the Group include trade and other payables and employee entitlements. As at 30 June 2018 trade payables are contractually due within 60 days.

d) Fair value measurements

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The same applies to the carrying value of cash and cash equivalents.

22. COMMITMENT AND CONTINGENCIES

a) Finance lease and hire purchase commitments

At 30 June 2018 the Company had no finance lease commitments.
The Company had no finance lease or hire purchase commitments at 30 June 2017 following the disposal of all subsidiary companies.

b) Operating lease commitments

At 30 June 2018 the Company had no operating lease commitments.
The value of operating lease commitments at 30 June 2017 is not able to be ascertained owing to the limitations outlined in note 1.

c) Capital commitments

The Company had no capital commitments at 30 June 2017 and 2018.

23. EARNINGS PER SHARE

		Company 2018	Consolidated 2017
Basic earnings per share			
a)	Net profit/(loss) from continuing operations	**186,272**	(276,753)
b)	Net profit/(loss) from discontinued operations	**19,087,922**	(71,811,313)
		No's	No's
c)	Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**17,047,993**	208,670,249
Diluted earnings per share			
a)	Earnings per share from continuing operations	**1.1**	(0.1)
b)	Earnings per share from discontinued operations	**111.9**	(34.5)
	Total earnings per share	**113.0**	(34.6)

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.

24. 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.

The segment information for the year ended 30 June 2017 is not able to be ascertained owing to the limitations outlined in note 1.

25. EVENTS AFTER THE REPORTING DATE

No matter or circumstance has arisen since 30 June 2018 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.

26. NON-CONTROLLING INTEREST

Immediately prior to the deconsolidation of subsidiary companies in the 30 June 2017 financial year the non-controlling interest was comprised of interest in:

	2017
Share capital	348
Other reserves	103
Retained earnings	73
Total	524

27. DIVIDENDS

No dividend was paid or proposed to be paid for the year ended 30 June 2018.

28. 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.

28. DISPOSAL OF SUBSIDIARIES (Continued)

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)
	(33,326)

	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 $58,086,536 (2016: $Nil). Following the subsidiaries being placed into liquidation the Company has received several distributions from the liquidator. During the year ended 30 June 2018 the Company received $186,272.

28. DISPOSAL OF SUBSIDIARIES (Continued)

Financial performance of discontinued operations

	Note	Consolidated 30 June 2018 $ '000	Consolidated 30 June 2017 $ '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	28	-	5,929
Impairment expenses	28	186	(58,085)
Profit for the period before income tax		186	(64,386)
Income tax (expense)/benefit		-	(7,425)
Profit/(Loss) after income tax expenses for the period		186	(71,811)
Net cash inflow from operating activities		-	11,319
Net cash inflow from investing activities		-	916
Net cash outflow from financing activities		186	(4,596)
Net cash inflow generated by discontinued operations		186	7,639

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 2018 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 2018 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.

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 2018, 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.

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), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, the statement of changes in equity and the 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 Company. 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 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 2018 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.

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 company 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 Company 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 Company 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 6 to 8 of the Directors' Report for the year ended 30 June 2018 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

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 2018 there were no women employed or 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 2108 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.