



HUGHES DRILLING LIMITED

ABN 12 124 279 750

FINANCIAL REPORT

HALF YEAR ENDED 31 DECEMBER 2018

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Hughes Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Directors' Report

Your directors present their report on the Company consisting of Hughes Drilling Limited at the end of, or during, the period under review from 1 July 2018 to 31 December 2018.

Directors

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

Mr Sean McCormick	Appointed 16 August 2017
Mr Stephen Hewitt-Dutton	Appointed 16 August 2017
Mr Robert Innocent	Appointed 5 December 2017

Company Secretary

Mr Stephen Hewitt-Dutton	Appointed 16 August 2017
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Incomplete Records

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

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

The financial report has been prepared by Directors who were not in office for the 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. Accordingly the 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 and 31 December 2018 is an accurate reflection of the Company's position, however the financial performance for the 31 December 2017 period 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.

Review of Operations

On 27 June 2016 the Company requested that the Company's shares be suspended from trading on the ASX. On 4 July 2016 the Company advised the ASX that it had breached certain banking covenants with its senior financier. Following extended discussions with the funding parties the Directors decided to place the Group into voluntary administration on 22 September 2016, appointing Jason Preston, Shaun Fraser and Jamie Harris, all partners of McGrathNicol, as Voluntary administrator of the Company.

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

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

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

Following effectuation of the DOCA the Directors have been actively reviewing alternative investment opportunities for the Company.

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2018
Directors' Report

Dividends

No dividends were declared or paid during the period.

Significant Changes in State of Affairs

Other than as outlined in the review of operations, there were no significant changes in the state of affairs of the Company during the half year.

Auditor's Independence Declaration

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

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

For and on behalf of the Directors

A handwritten signature in black ink, appearing to read 'S. McCormick', is written over a faint, circular embossed seal.

Sean McCormick
Non-Executive Director

Perth, Western Australia
14 June 2019



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

As lead auditor of Hughes Drilling Limited for the half year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'C R Jenkins', with a stylized flourish at the end.

C R Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 14 June 2019

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2018

STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

		Company 31 Dec 2018	Company 31 Dec 2017
		<hr/>	<hr/>
Continuing Operations			
Other income		-	53,527
General and administrative expenses	3	(15,752)	-
Legal fees		-	(48,885)
Administrator's costs		-	(138,234)
Interest Income		-	97
Recovery of Impaired loans	3	-	186,271
Profit (Loss) before income tax		(15,752)	52,776
Income tax (expense)/benefit		-	-
Profit (Loss) from continuing operations after related income tax expense for the half year attributable to members of Hughes Drilling Limited		(15,752)	52,776
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the period attributable to members of Hughes Drilling Limited		(15,752)	52,776
Earnings per share for profit attributable to ordinary equity holders of the company from continuing operations – cents/share			
- Basic profit/(loss) per share	7	(0.04)c	0.03c
- Diluted profit/(loss) per share		(0.04)c	0.03c

The accompanying notes form part of the financial statements

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2018

BALANCE SHEET

AS AT 31 DECEMBER 2018

	Note	Company 31 Dec 2018	Company 30 Jun 2018
CURRENT ASSETS			
Cash and cash equivalents	4	139,613	188,290
Other assets		12,500	-
TOTAL CURRENT ASSETS		152,113	188,290
TOTAL NON-CURRENT ASSETS		-	-
TOTAL ASSETS		152,113	188,290
CURRENT LIABILITIES			
Other payables		45,144	65,569
TOTAL CURRENT LIABILITIES		45,144	65,569
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		45,144	65,569
NET ASSETS		106,969	122,721
EQUITY			
Contributed equity	5	64,855,874	64,855,874
Other reserves		2,725,311	2,725,311
Accumulated losses		(67,474,216)	(67,458,464)
TOTAL EQUITY		106,969	122,721

The accompanying notes form part of the financial statements.

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2018

STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Contributed equity	Reserves	Accumulated losses	Total
Balance 1 July 2017	64,165,874	2,725,311	(86,732,658)	(19,841,473)
Profit/(loss) for the year	-	-	55,776	55,776
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income for the year	-	-	55,776	55,776
Balance at 31 Dec 2017	64,165,874	2,725,311	(86,676,882)	(19,785,697)
Balance 1 July 2018	64,855,874	2,725,311	(67,458,464)	122,721
Profit/(loss) for the year	-	-	(15,752)	(15,752)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income for the year	-	-	(15,752)	(15,752)
Balance at 31 Dec 2018	64,855,874	2,725,311	(67,474,216)	106,969

The accompanying notes form part of the financial statements.

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2018

STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	Company 31 Dec 2018	Company 31 Dec 2017
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		-	-
Payments to suppliers and employees		(48,677)	(136,299)
Interest received		-	97
Net cash (used in)/generated by operating activities		(48,677)	(136,202)
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of plant and equipment		-	38,500
Net cash (used in)/generated by investing activities		-	38,500
CASH FLOW FROM FINANCING ACTIVITIES			
Intercompany loan repayments received		-	186,272
Net cash (used in)/generated by financing activities		-	186,272
Net (decrease)/increase in cash and cash equivalents		(48,677)	88,570
CASH AT THE BEGINNING OF THE HALF YEAR		188,290	(2,828,061)
CASH AT THE END OF THE HALF YEAR	4	139,613	(2,739,491)

The accompanying notes form part of the financial statements.

1. INCOMPLETE RECORDS

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

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

The financial report has been prepared by Directors who were not in office for the 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 Company's financial reporting systems including but not limited to being able to obtain access to complete accounting records of the Company. Accordingly the 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 and 31 December 2018 is an accurate reflection of the Company's financial position, however the financial performance for the 31 December 2017 period 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.

2. BASIS OF PREPARATION OF HALF-YEAR REPORT

This condensed financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This condensed half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Hughes Drilling Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

a) Changes in accounting policy

There were no changes in accounting policy of the Company during the half year ended 31 December 2018.

b) Going Concern

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

As disclosed in the financial statements, the Company achieved a net loss after tax of \$15,752 (Dec 2017: profit of \$52,766) and net operating cash outflows of \$48,677 (2017: \$136,202) for the period ended 31 December 2018. As at 31 December 2018 the Company has a net current and total asset position of \$106,969 (30 June 2018: \$122,721)

The ability of the Company to continue as a going concern is principally dependent upon the following conditions:

- The ability of the Company to meet its cashflow forecasts;
- The ability of the Company to successfully complete the acquisition of a material asset and undertake a reverse takeover; and
- The ability of the Company to raise capital as and when necessary

These conditions give rise to a material uncertainty, which may cast significant doubt over the Company's ability to continue as a going concern. However, the directors highlight that the Company has a proven ability to raise the necessary funding, as evidenced recently when the Company received Shareholder approval on 19 February 2018 to raise \$815,000 (the "Recapitalisation"). \$425,000 of the Recapitalisation funds were used to establish a Creditors' Trust. The remaining funds are to be used to pay expenses of effectuating the DOCA and ongoing running costs. Trident Capital have also committed to assist the Company to raise additional capital if and when required and have a strong history of capital raisings of company's who have been either undergoing a reconstruction or required funding whilst suspended from trading on the ASX.

Going Concern (continued)

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.

Should the Company be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts that differ from those stated in the financial report. This financial report does not include any adjustments relating to the recoverability and classification of recorded assets or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Company be unable to continue as a going concern.

c) New and amended standards adopted by the group

In the half-year ended 31 December 2018, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for reporting periods beginning on or after 1 July 2018. As a result of this review, the Company has initially applied AASB 9 and AASB 15 from 1 July 2018.

There is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business. The accounting policies for these new standards are:

AASB 15 Revenue from contracts with customers

As there was no revenue recognised for the half-year ended 31 December 2018 no updated accounting policy was included in this interim financial report.

AASB 9 Financial Instruments

(a) Classification and measurement

Under AASB 9, the Company initially 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.

The accounting for the Company's financial liabilities remains largely the same as it was under AASB 139. Similar to the requirements of AASB 139, AASB 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

(b) Impairment

The adoption of AASB 9 has altered the Company's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

AASB 9 requires the Company to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The adoption of the ECL requirements of AASB 9 has not resulted in any material change in impairment allowances of the Group's debt financial assets.

d) Impact of standards issued but not yet applied

Standards issued but not applied by the Company will not have any significant impact on the financial statements of the Company.

2. SEGMENT REPORTING

Reportable segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance. The Company currently operates predominantly in one segment. The primary financial statements reflect this segment.

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2018

3. EXPENSES

	Company 31 Dec 2018	Company 31 Dec 2017
ASX fees	15,017	-
Share registry costs	725	-
	15,742	-

Impairment expenses

Upon the sale and liquidation of the Company's subsidiaries during the 2017 financial year, all loans to subsidiary companies were fully impaired, as the Company was not expected to recover any of the amounts owed. The total amount impaired during the period ended 31 December 2016 was \$59,531,418. Following the subsidiaries being placed into liquidation the Company has received several distributions from the liquidator which amounted to \$186,271 for the period ended 31 December 2017.

4. CASH AND CASH EQUIVALENTS

	Company 31 Dec 2018	Company 30 June 2017
Cash at bank and on hand	139,613	188,290
Balance as per statement of cash flows	139,613	188,290

5. CONTRIBUTED EQUITY

	Number of shares	Value	Attributable Costs	Net
Balance 1 July 2017	208,670,249	65,487,424	(1,321,550)	64,165,874
On issue at 31 December 2017	208,670,249	65,487,424	(1,321,550)	64,165,874
Balance 1 July 2018	40,461,692	66,177,424	(1,321,550)	64,855,874
On issue at 31 December 2018	40,461,692	66,177,424	(1,321,550)	64,855,874

6. COMMITMENTS AND CONTINGENCIES

As at the date of the report, the Directors are not aware of any material commitments or contingent liabilities that would require disclosure.

HUGHES DRILLING LIMITED
Interim Report for the Six Months Ended 31 December 2018

7. EARNINGS PER SHARE

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

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

Earnings per share are calculated based on the following:

	Company 31 Dec 2018	Company 31 Dec 2017
Profit/(loss) for period	(15,752)	52,776
	No's	No's
Weighted average shares (diluted)	40,461,692	208,670,249
Diluted EPS (cents per share)	(0.04c)	0.03c

8. RELATED PARTIES

The Company has not entered into any related party transactions during the reporting period.

9. EVENTS OCCURRING AFTER THE REPORTING DATE

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Directors' Declaration

The directors of Hughes Drilling Limited declare that:

- (a) in the directors' opinion the financial statements and notes set out on pages six (6) to thirteen (13), are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 31 December 2018 and of their performance, for the financial half-year ended on that date. As noted in note 1 to the financial report, owing to the incomplete records the financial performance for the 31 December 2017 comparative period may be impacted to the extent that there were any material inaccuracies in the 30 June 2017 financial position, and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*, and
- (b) subject to note 2(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.

Signed in accordance with a resolution of the directors.



Sean McCormick
Non-Executive Director

Perth, Western Australia
14 June 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Hughes Drilling Limited

Report on the Half-Year Financial Report

Qualified conclusion

We have reviewed the half-year financial report of Hughes Drilling Limited (the Company), which comprises the balance sheet as at 31 December 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year then ended, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, with the exception of the matter described in the *Basis for qualified conclusion* section, we have not become aware of any matter that makes us believe that the half-year financial report of the Company is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Company's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for qualified conclusion

As disclosed in note 1 to the financial statements, on 22 September 2016 Hughes Drilling Limited was placed into voluntary administration. Following the appointment of the administrators, the powers of the directors and officers of the Company 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 reports for the half year ended 31 December 2017 and year ended 30 June 2018 had been prepared by the directors without the benefit of complete information being available for the entity.

As the remaining records were not adequate to permit the application of necessary review procedures, we were unable to obtain all the information and explanations we required in order to form a conclusion on the financial report for the half year ended 31 December 2017. This resulted in us issuing a disclaimer of conclusion on the financial report for the half year then ended.

Additionally, we were unable to obtain sufficient appropriate evidence on the financial report for the year ended 30 June 2018 and therefore issued a disclaimer of opinion. For purposes of the current period review engagement, we were able to obtain sufficient evidence to support opening balances.

Our conclusion on the current period's financial report is therefore modified only because of the possible effect of the above matters on the comparability of the current period's figures and the corresponding figures.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to note 2(b) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

BDO Audit Pty Ltd



C R Jenkins
Director

Brisbane, 14 June 2019