



**HUGHES DRILLING LIMITED**

**ABN 12 124 279 750**

**FINANCIAL REPORT**

**HALF YEAR ENDED 31 DECEMBER 2020**

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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 2020 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 2020 to 31 December 2020.

## **Directors**

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

<b>Mr Adam Sierakowski</b>	Appointed 19 September 2019, resigned 6 November 2020
<b>Mr Stephen Hewitt-Dutton</b>	Appointed 16 August 2017
<b>Mr Simon Whybrow</b>	Appointed 22 October 2020
<b>Mr John Gilfillan</b>	Appointed 6 November 2020

## **Company Secretary**

**Mr Stephen Hewitt-Dutton** Appointed 16 August 2017

## **Review of Operations**

Following effectuation of the DOCA on 1 March 2018, the Directors have been actively reviewing alternative investment opportunities for the Company.

On 15th September 2020 the Company entered a heads of agreement to acquire Victory Gold and its advanced regional Western Australian gold exploration tenements and has subsequently been working on a notice of meeting to put to shareholders for the purposes of approving the acquisition, together with drafting a prospectus to facilitate a capital raising to fund exploration expenses.

On 15 October 2020 the Company raised capital of \$479,900 by way of convertible notes.

On 22 October 2020 Simon Whybrow was appointed as a Non-Executive Director. Adam Sierakowski resigned as a Non-Executive Director on 6 November 2020, with John Gilfillan being appointed to replace him.

## **Dividends**

No dividends were declared or paid during the period.

## **Events After the Reporting Date**

On the 25<sup>th</sup> of February 2021 the company entered into a final heads of agreement and share purchase agreement to acquire Victory Goldfields Pty Ltd.

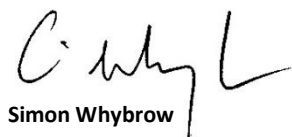
No other matter of circumstance has arisen since reporting date that has significantly affected the company's operations, results or state of affairs, or may do so in future years.

## **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



**Simon Whybrow**  
**Non-Executive Director**  
Perth, 17 March 2021



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**DECLARATION OF INDEPENDENCE BY L G MYLONAS TO THE DIRECTORS OF HUGHES DRILLING LIMITED**

As lead auditor for the review of Hughes Drilling Limited for the half-year ended 31 December 2020, 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 'L G Mylonas', is written over a horizontal line.

**L G Mylonas**  
Director

**BDO Audit Pty Ltd**

Brisbane, 17 March 2021

**HUGHES DRILLING LIMITED**  
**Interim Report for the Six Months Ended 31 December 2020**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

		<b>Company</b> <b>31 Dec 2020</b>	<b>Company</b> <b>31 Dec 2019</b>
<b>Continuing Operations</b>			
Other income		-	-
General and administrative expenses	3	<b>(37,522)</b>	(52,346)
Legal fees		<b>(57,207)</b>	(1,200)
Administrator's costs		-	-
Interest Income		-	-
Recovery of Impaired loans	3	-	-
<b>Profit (Loss) before income tax</b>		<b>(94,729)</b>	(53,546)
Income tax (expense)/benefit		-	-
<b>Profit (Loss) from continuing operations after related income tax expense for the half year attributable to members of Hughes Drilling Limited</b>		<b>(94,729)</b>	(53,546)
Other comprehensive income		-	-
<b>Total comprehensive profit/(loss) for the period attributable to members of Hughes Drilling Limited</b>		<b>(94,729)</b>	(53,546)
<b>Earnings per share for profit attributable to ordinary equity holders of the company from continuing operations – cents/share</b>			
- Basic profit/(loss) per share	7	<b>(0.02)c</b>	(0.01)c
- Diluted profit/(loss) per share		<b>(0.02)c</b>	(0.01)c

The accompanying notes form part of the financial statements

**HUGHES DRILLING LIMITED**  
**Interim Report for the Six Months Ended 31 December 2020**

**BALANCE SHEET**

**AS AT 31 DECEMBER 2020**

	<b>Note</b>	<b>Company 31 Dec 2020</b>	<b>Company 30 June 2020</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	329,860	4,774
Other receivables		33,622	-
<b>TOTAL CURRENT ASSETS</b>		<b>363,482</b>	<b>4,774</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>363,482</b>	<b>4,774</b>
<b>CURRENT LIABILITIES</b>			
Other payables		24,702	51,165
<b>TOTAL CURRENT LIABILITIES</b>		<b>24,702</b>	<b>51,165</b>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>24,702</b>	<b>51,165</b>
<b>NET ASSETS</b>		<b>338,780</b>	<b>(46,391)</b>
<b>EQUITY</b>			
Contributed equity	5	64,855,874	64,855,874
Other reserves		2,725,311	2,725,311
Other equity	5	479,900	-
Accumulated losses		(67,722,305)	(67,627,576)
<b>TOTAL EQUITY</b>		<b>338,780</b>	<b>(46,391)</b>

The accompanying notes form part of the financial statements.

**HUGHES DRILLING LIMITED**  
**Interim Report for the Six Months Ended 31 December 2020**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Contributed equity	Other Equity	Reserves	Accumulated losses	Total
Balance 1 July 2019	64,855,874	-	2,725,311	(67,552,802)	28,383
Profit/(loss) for the period	-	-	-	(53,546)	(53,546)
Other Comprehensive Income	-	-	-	-	-
<b>Total Comprehensive Income for the year</b>	-	-	-	(53,546)	(53,546)
<b>Balance at 31 Dec 2019</b>	64,855,874	-	2,725,311	(67,606,348)	(25,163)
Balance 1 July 2020	64,855,874	-	2,725,311	(67,627,576)	(46,391)
Profit/(loss) for the period	-	-	-	(94,729)	(94,729)
Other Comprehensive Income	-	-	-	-	-
<b>Total Comprehensive Income for the year</b>	-	-	-	(94,729)	(94,729)
<b>Transactions with owners in their capacity as owners</b>					
Value of conversion rights on convertible notes	-	479,900	-	-	479,900
<b>Balance at 31 Dec 2020</b>	64,855,874	479,900	2,725,311	(67,722,305)	338,780

The accompanying notes form part of the financial statements.

**HUGHES DRILLING LIMITED**  
**Interim Report for the Six Months Ended 31 December 2020**

**STATEMENT OF CASH FLOWS**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	<b>Note</b>	<b>Company 31 Dec 2020</b>	<b>Company 31 Dec 2019</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from customers		-	-
Payments to suppliers and employees		(154,814)	(30,954)
Interest received		-	-
<b>Net cash (used in)/generated by operating activities</b>		<b>(154,814)</b>	<b>(30,954)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of plant and equipment		-	-
<b>Net cash (used in)/generated by investing activities</b>		<b>-</b>	<b>-</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from convertible notes issued		479,900	-
<b>Net cash (used in)/generated by financing activities</b>		<b>479,900</b>	<b>-</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>325,086</b>	<b>(30,954)</b>
<b>CASH AT THE BEGINNING OF THE HALF YEAR</b>		<b>4,774</b>	<b>75,456</b>
<b>CASH AT THE END OF THE HALF YEAR</b>	<b>4</b>	<b>329,860</b>	<b>44,502</b>

The accompanying notes form part of the financial statements.



**1. BASIS OF PREPARATION OF HALF-YEAR REPORT**

This condensed financial report for the half-year reporting period ended 31 December 2020 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 2020 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 2020 other than what has been disclosed at note 6 of this interim financial report.

**b) Going Concern**

For the half-year ended 31 December 2020, the Company made a loss of \$94,729 and incurred operating cash outflows of \$154,814. As at 31 December 2020 the Company has a net current asset position of 338,780, and a total asset position of \$363,474.

The ability of the Company to continue as a going concern is dependent on securing additional funding through debt or equity issues as and when the need to raise working capital arises and successful completion of the proposed acquisition to acquire Victory Gold.

These conditions indicate a material uncertainty that may cast a significant doubt about the Company's ability to continue as a going concern and, therefore, that it may be unable to discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the Company is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Company has recently raised capital of \$479,900 via the issues of convertible notes;
- On 25<sup>th</sup> February 2021 the Company entered a heads of agreement and share purchase agreement to acquire Victory Gold and its advanced regional Western Australian gold exploration tenements and has subsequently been working on a notice of meeting to put to shareholders for the purposes of approving the acquisition, together with drafting a prospectus to facilitate a capital raising to fund exploration expenses; and
- The fact that future expenditures are generally discretionary in nature and may be slowed or suspended as part of the management of the Company's working capital and other forecast commitments.

Should the Company not be able to continue as a going concern, it may be required to discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Company not continue as a going concern.

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

**c) New and amended standards adopted by the group**

In the half-year ended 31 December 2020, 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 2019. As a result of this review, the Company has initially applied AASB 16 from 1 July 2019.

There is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business.

**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.

**3. EXPENSES**

	<b>Company</b> <b>31 Dec 2020</b>	Company 31 Dec 2019
ASX fees	-	1,244
Legal and consulting fees	<b>26,200</b>	40,000
Audit fees	<b>10,000</b>	10,000
Other corporate costs	<b>1,322</b>	1,102
	<b>37,522</b>	52,346

**4. CASH AND CASH EQUIVALENTS**

	<b>Company</b> <b>31 Dec 2019</b>	Company 30 June 2020
Cash at bank and on hand	<b>329,860</b>	4,774
<b>Balance as per statement of cash flows</b>	<b>329,860</b>	4,774

**5. CONTRIBUTED EQUITY**

	<b>Number of shares</b>	<b>Value</b>	<b>Attributable Costs</b>	<b>Net</b>
Balance 1 July 2019	40,461,692	66,177,424	(1,321,550)	64,855,874
On issue at 31 December 2019	<b>40,461,692</b>	<b>66,177,424</b>	<b>(1,321,550)</b>	<b>64,855,874</b>
Balance 1 July 2020	40,461,692	66,177,424	(1,321,550)	64,855,874
On issue at 31 December 2020	<b>40,461,692</b>	<b>66,177,424</b>	<b>(1,321,550)</b>	<b>64,855,874</b>

**HUGHES DRILLING LIMITED**  
**Interim Report for the Six Months Ended 31 December 2020**

**6. OTHER EQUITY**

	<b>Number of convertible notes</b>	<b>Value</b>
Balance 1 July 2020	-	-
Value of conversion rights – convertible notes (i)	479,900	479,900
On issue at 31 December 2020	479,900	479,900

(i) Hughes Drilling limited issued 479,900 0% convertible notes for \$479,900 on 15 October 2020 with no maturity date. The notes are convertible into ordinary shares of the entity, upon the successful acquisition of Victory Gold, subject to shareholder approval. The conversion rate is 1 share per \$0.05 of the face value of convertible note acquired by the noteholders. The convertible notes are repayable in cash only when a default event occurs as outlined under the convertible note agreement, which would occur if the company goes into liquidation or administration or the original convertible note agreements were void.

The initial fair value of the liability portion of the convertible note was determined based on possible outcomes of the different scenarios under the convertible note agreements and applying an appropriate probability against each scenario outcome to determine the fair value of the liability. The company determined that the fair value of the liability was insignificant on initial recognition and therefore have recognised the face value of the convertible note as equity.

**7. COMMITMENTS AND CONTINGENCIES**

Other than recently entering into share sale agreements for the acquisition of Victory Goldfields as summarized in note 10 at the date of the report, the Directors are not aware of any material commitments or contingent liabilities that would require disclosure.

**8. 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:

	<b>Company 31 Dec 2020</b>	<b>Company 31 Dec 2019</b>
Profit/(loss) for period	<b>(94,729)</b>	(15,752)
	No's	No's
Weighted average shares (diluted)	<b>40,461,692</b>	<b>40,461,692</b>
Diluted EPS (cents per share)	<b>(0.02c)</b>	<b>(0.01c)</b>

**9. RELATED PARTIES**

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

**10. EVENTS OCCURRING AFTER THE REPORTING DATE**

On the 25<sup>th</sup> of February 2021 the company entered into a final heads of agreement and share purchase agreement to acquire Victory Goldfields Pty Ltd.


No other matter of circumstance has arisen since reporting date that has significantly affected the company's operations, results or state of affairs, or may do so in future 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 five (5) to eleven (11), 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 2020 and of their performance, for the financial half-year ended on that date, and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*, and
- (b) subject to note 1(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.



**Simon Whybrow**  
**Non-Executive Director**  
Perth, 17 March 2021

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Hughes Drilling Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Hughes Drilling Limited (the Company), which comprises the balance sheet as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Company does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the company's financial position as at 31 December 2020 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 conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Material uncertainty relating to going concern

We draw attention to Note 1 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.

### **Responsibility of the directors for the financial report**

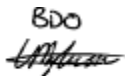
The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation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

### **Auditor's responsibility for the review of the financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.

**BDO Audit Pty Ltd**



**L G Mylonas**  
Director

Brisbane, 17 March 2021