HUGHES DRILLING LIMITED

ABN 12 124 279 750

APPENDIX 4E

PRELIMINARY FINAL REPORT

30 JUNE 2014

RESULTS FOR ANNOUNCEMENT TO THE MARKET
FOR THE YEAR ENDED 30 JUNE 2014

Current Reporting Period: 12 Months ended 30 June 2014

Previous Corresponding Period: 12 Months ended 30 June 2013

	Movement	% Change		$,000's
Revenue from ordinary activities relating to continuing operations	Up	82.0%	to	**90,566**
Net profit/(loss) after tax from ordinary activities attributable to equity holders	Down	86.3%	to	**1,422**
Net profit /(loss) after tax attributable to equity holders	Down	86.3%	to	**1,422**

Dividends

No dividend from current year operations has been paid or is proposed to be paid in relation to the year ended 30 June 2014.

Net tangible asset backing per ordinary share

2014	2013
$0.28	$0.35

Net tangible asset backing per share has been calculated by dividing the net tangible assets by the closing weighted average of ordinary shares on issue.

AUDIT

The report is based on financial statements that are currently in the process of being audited.

OPERATIONAL AND FINANCIAL REVIEW

On behalf of the Board I am pleased to inform shareholders that Hughes Drilling Limited ("Hughes", "HDX" or the "Company") generated revenue of $90.6m and a net profit after tax of $1.4m for the 12 months to 30 June 2014.

The Net Profit of $1.4m attributable to equity holders was after impairment charges of $5.6m associated with the EDMS reverse acquisition by Hughes Drilling.

Underlying profit after tax attributable to shareholders pre impairment is $7.0m, down 32.5% compared to FY13.

The year ended 30 June 2014 was impacted by a number of external factors, the main contributors being, slower decisions by clients to engage mobilized rigs to start work, delayed decisions by clients to award new contracts and reduced budgets and cost saving measures taken by mining companies, particularly opting for repairs and maintenance on existing equipment, rather than the purchase of new equipment. These conditions present challenging times for all mining contractors and equipment manufacturers; however the Hughes Group, in this relatively tough market, is continuing to win new contracts and extend existing contracts by being a production drilling focused contractor that can supply any drill service, equipment or consumable that any client requires.

The impairment charges relate to the carrying values of Coal exploration delineation drill rigs and goodwill that were part of the original EDMS Coal exploration delineation drilling business. The drill rigs are fully owned and have no finance payments or other financial outgoings. As the Hughes Drilling Group is a 100% production drilling focused business the Directors have decided write down the value of the delineation drill rigs by $1.6M and write off the good will in EDMS that resulted from the reverse acquisition by Hughes Drilling. The impairment charges are non-cash and allow Hughes to progressively exit the Coal delineation drilling market with usable inventory being transferred to JSW for use in their Western Australian production drilling operations.

CONSOLIDATED FINANCIAL RESULTS	30 June 2014 * A$ '000	30 June 2013 * A$ '000	% Change
Financial Performance			
Revenue	90,566	49,756	82.0%
EBITDA	14,610	18,057	(19.1%)
EBITDA Margin	16.1%	36.3%	(55.6%)
Depreciation & amortization	9,858	5,516	78.7%
Finance Costs	3,108	2,147	44.8%
EBT	1,645	10,392	(84.2%)
NPAT	**1,422**	**10,367**	**(86.3%)**
NPAT Margin %	*1.6%*	*20.8%*	(92.5%)
Cash Flow			
Net Cash from Operating Activities	5,628	7,905	(28.8%)
Net Cash used in Investing Activities	(10,385)	(21,245)	43.4%
Free Cash Flow	**(4,757)**	**(13,340)**	**64.3%**
Debt			
Cash	426	5,334	(92.1%)
Debt (including overdraft)	46,113	27,271	69.1%
Net Debt	**45,687**	**21,937**	**108.3%**
Debt / Debt + Equity	41.8%	33.4%	(25.1%)
Note - FY13 comprises full year of Hughes Drilling and 3 months of REICHdrill Inc. results - FY14 comprises full year of Hughes Drilling, REICHdrill and 9 months of JSW Australia results			

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Review of Revenue

Revenue for the 12 months ending 30 June 2014 was $90.6m, an increase of 82.0% from $49.8m for the corresponding 12 months to June 2013, the increase in revenue was driven by;

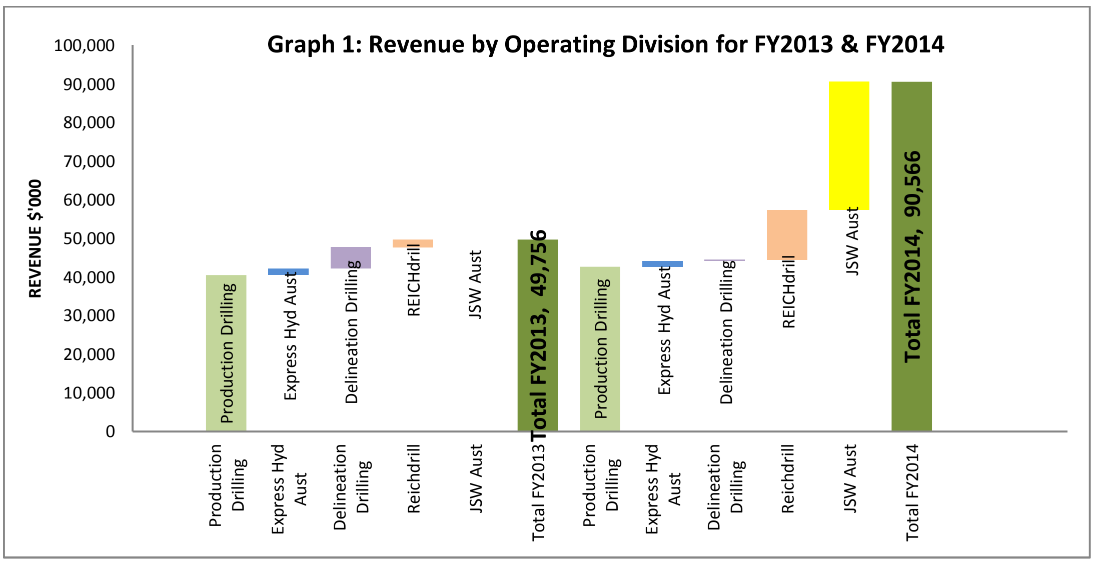
- **East Coast Drilling Operations (Production Blast Hole Drilling)** (47.1 % of Group revenue): Record revenue of $42.7m for a 12 month period, an increase of $2.1m (5% increase period to period). The revenue increase reflects rigs purchased progressively during FY14 working for the full period, however, the initial rig and revenue growth has been offset by the lower utilisations in the second half of FY14. Overall rig utilisation fluctuated between 70.7% and 94.1%, ending FY14 at78%, a modestly lower level than historic norms reflecting some loss of efficiency arising from slower client decision making.

- W**est Coast Drilling Operations (JSW Aust – Production Blast Hole, Water Well and Resource Definition Drilling**) 36.7% of Group revenue): JSW was acquired in October 2013, therefore a nil contribution for FY13. After a slower than expected start up on a number of large awarded on mine site production contracts, the West Coast Drilling Operations have finished FY14 with 18 of 21 owned rigs contracted, plus an additional 6 specialist rigs on dry hire to service existing work commitments. JSW secured Hughes's first large diameter iron ore blast hole contract utilising two REICHdrill C700 rigs in WA in June 2014.

- **REICHdrill** (14.2% of Group revenue): First full year contribution. Revenue of $12.8m for FY14 ($2.0m contribution to 1H13). REICHdrill produced 18 rigs in FY14, 3 for Hughes, and 15 for external customers. The 15 external sales were a mix of rigs, 5x T-690/T650's, 6x C550's and 4x C450's, averaging US$550k per rig. The size and quantity of rigs that were sold during FY14 varied to the original forecast, being 26 rigs at an average sale price of ~US$850k. The larger C700 rigs, forecast to be built for completion in FY14 are yet to be sold (and yet to be manufactured) whilst ongoing discussions continue with those customers. REICHdrill expect those discussions to result in some sale deliveries in FY15. Orders for Drill supply of other smaller models are also being negotiated by REICHdrill and their expanding global distribution network.

- **Express Hydraulics** (1.7% of Group revenue): FY14 was a pleasing year for Express Hydraulics, the first half contributed $0.5m of revenue, mainly spare parts sales, with the second half of FY14 contributing $1.0m of revenue. The increase in 2H14 was driven by the new Mackay facility (opened in November 2013) winning work ongoing with Peabody and Rio Tinto. Other major mining houses and production drilling contractors are also in discussion with Express Hydraulics to take advantage of the cost and skill benefits Express Hydraulics are able to deliver.

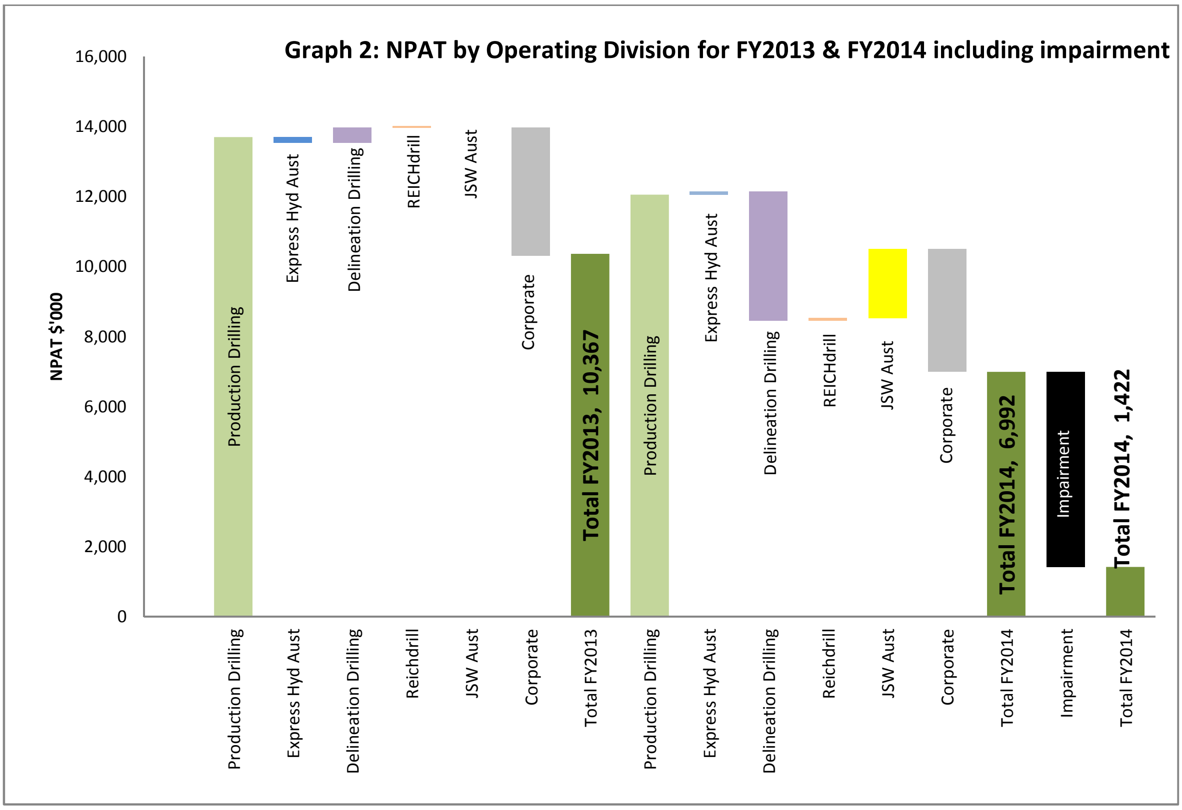
- **Delineation Drilling** (0.4% of Group revenue): FY14 was a very poor year for Coal Delineation Drilling across all markets, where Hughes Drilling wasn't immune from the general market forces. FY14 revenue of $0.3m is down $5.2m from FY13 revenue of $5.5m. There were few market opportunities in NSW and Qld in FY14, JSW marketed the rigs in WA, however, given the glut of available delineation / exploration rigs already in WA, bidding for the same work at extremely depressed prices, it was cost and margin prohibitive to tender competitively on price. JSW has identified Delineation Drilling inventory that can be consumed in its Western Australian production drilling operations.



Review of Profitability

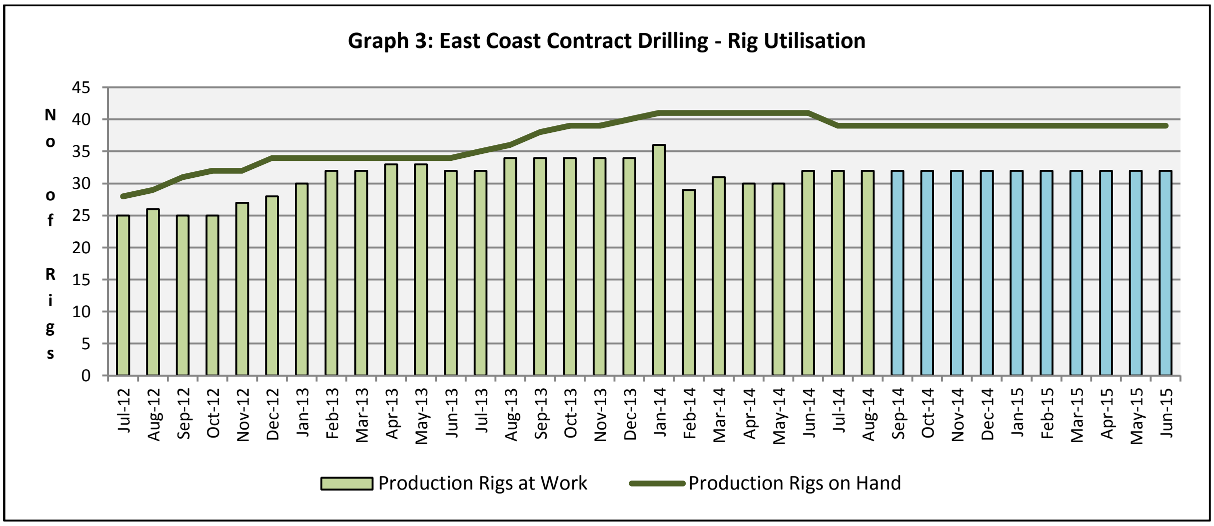
Net Profit After Tax (NPAT) for the 12 months to June 2014 was $1.4m, a decrease of 86.3% after impairment costs of $5.5m on the corresponding 12 months to June 2013. The underlying changes in NPAT were driven by;

- **East Coast Drilling Operations (Production Blast Hole Drilling)**: Underlying NPAT of $12.1m (a period to period decrease of $1.6m or -12.0%). This reduction was mainly driven by the lower rig utilisation in 2H14, although rig utilisation has remained high compared to peers, FY13 saw rig utilisation during the period in the range of 89.3% to 97.1%.
- W**est Coast Drilling Operations (JSW Aust – Production Blast Hole, Water Well and Resource Definition Drilling)**: Underlying NPAT contribution for FY14 of $2.0m (nil contribution to FY13). The slower than expected start-up of the new contracts won, saw JSW having to carry longer start up periods without the revenue stream, all contracts are now fully deployed and FY15 will see an immediate improvement in the NPAT contribution. In addition to this, JSW is still in the process of benefiting from the Hughes Group increased purchasing power and corporate operating methodologies, and NPAT margin will continue to improve.
- **REICHdrill**: Full 12 month underlying NPAT contribution of $0.1m (FY13 contribution $0.1m).The lower than budgeted rig revenue for FY14 was still adequate to cover the full all operating and overhead costs for REICHdrill.
- **Express Hydraulics:** Underlying profit of $0.1m for FY14, a $0.3m increase on FY13. The profit was been driven by the improved part sales, and the commencement of ongoing works with significant clients from the new Mackay facility.
- **Delineation Drilling**: Underlying operating loss of $3.7m, a $4.1m decrease on FY13, the NPAT loss including impairment costs of $5.6m ($1.6m PP&E and $4.0m Goodwill), is $9.3m. The operating loss has been driven by the poor utilisation of the Delineation rigs in FY14, all employees have been absorbed into the Production Drilling Division, and all debt has now been fully repaid on all Delineation assets. From 1 July 2014, there are very few cash costs associated with the Delineation / Exploration Drilling operation. Given the few profitable Delineation / Exploration Drilling opportunities that exist, Hughes has impaired the Delineation Rigs by $1.6m and has written off the $4.0m Goodwill generated by the EDMS/Hughes acquisition in FY12. This will allow Hughes to take advantage of any opportunities to generate a return on these idle assets.
- **Corporate**: Corporate Overheads for the group of $3.5m, a decrease of $0.2m on FY13. This is in line with budget.



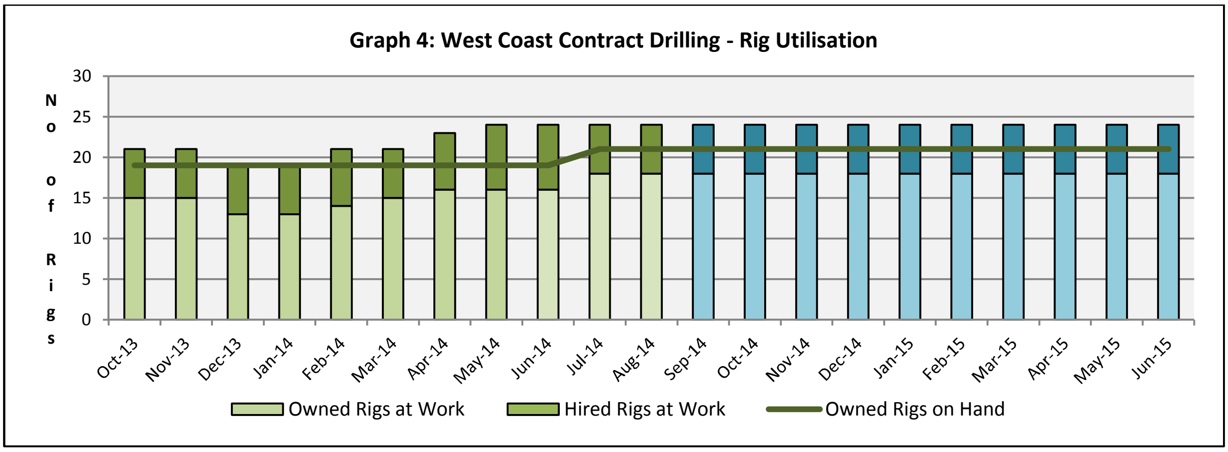
Review of Operations

- **East Coast Drilling Operations (Production Blast Hole Drilling)**:
  - Record Revenue of $42.7m for FY14
  - East Coast Production rig fleet has grown from 38 to 41 in FY14 (compared to 38 from 27 in FY13). In June 2014 2 REICHdrill C700-D production drill rigs were transferred to JSW for use on the new Mineral Resources Carina Iron Ore mine production drilling contract.
  - The continued strong demand for Hughes service offerings can be attributed to Hughes being able offer a “one stop shop” drilling service. Hughes can offer any combination of contract drilling and / or direct rig sale via REICHdrill, backed by a Rig Service Contract and Drill Consumables Contract via Express Hydraulics.



Note:
1) In June 2014, 2 C700-D rigs were transferred to JSW Aust for the new Mineral Resources Carina Iron Ore Mine production drilling contract
2) The 7 un-contracted rigs include 3 rigs in for routine maintenance.

- **West Coast Drilling Operations (JSW Aust – Production Blast Hole, Water Well and Resource Definition Drilling)**:
  - The acquisition of JSW was effective from 1 October 2013. The primary strategic objectives for the acquisition of JSW were to own a drilling business that provided Hughes with access to on-mine production blast hole drilling opportunities in Western Australia. Hughes won its first production blast hole drilling contract at Mineral Resources Carina Iron Ore Mine through JSW in June 2014, and commenced drilling in July 2014.
  - JSW has made a number of introductions to WA Miners and Contractors for Hughes Drilling Groups unique “one stop shop” drilling service offerings including REICHdrill direct rig sales backed by a Rig Service Contract and Drill Consumables Contract via Express Hydraulics



Note:
1) In June 2014, 2 C700-D rigs were transferred to JSW Aust for the new Mineral Resources Carina Iron Ore Mine production drilling contract

Review of Operations - Continued

- **REICHdrill**:

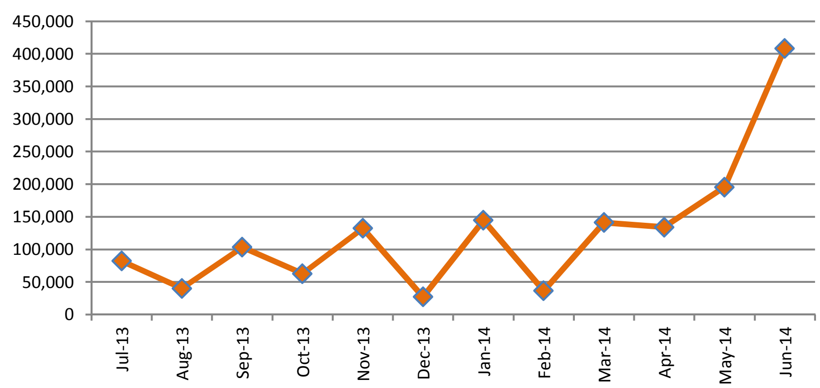
  - REICHdrill has now been part of the Hughes Group for 15months, and during this time, Hughes has been focusing on
    - re-engaging with previous and existing customers
    - attracting new customers from existing and new territories
    - appointing new distributors that will push and support the product,
    - Hughes has appointed
      - Mincon covering Sub Equatorial Africa
      - Wajax Equipment covering all Canadian Provinces
      - P.T. Powertrain Solutions covering Indonesia
      - Midlantic Machinery covering Central Pennsylvania, Maryland and Northern Virginia
  - This focus is starting to see results, as REICHdrill sold 15 rigs to external customers and 3 to Hughes Drilling during FY14. The 15 external sales were a mix of rigs, 5x T-690/T650's, 6x C550's and 4x C450's, averaging US$550k per rig. The current internal (sales to Hughes) to external mix is, 16.5% internal and 83.5% external, in previous years, the mix has been internal 75% to 25% external

  - REICHdrill is responding to record levels of enquires for the sale of rigs, however, the current decision time for a contractor or mine owner on whether to commit or not, is lengthening, as they are tending to continue to run their existing drilling equipment until the equipment can no longer be economically repaired.

- **Express Hydraulics:**

  - Express Hydraulics continues to expand through a focused business strategy to offer mine owners, not just the option of a contract driller, but the option to owner-operate REICHdrill rigs with the back-up of Express Hydraulics' full rig service support agreement.
  - Express Hydraulics has a letter of intent to supply up to 7 C700 REICHdrill large diameter production drill rigs to a major open cut coal mine in the Hunter Valley NSW. The delivery of the 7 rigs will take place from 2014 to 2017. These REICHdrill rigs will be fully maintained by Express Hydraulics.
  - Express Hydraulics has also expanded its footprint on the eastern seaboard to meet growing customer needs. In addition to its existing operations;
    - Yatala – main inventory store, CNC operations, heavy fit out, hydraulic and overhaul capabilities
    - Hunter Valley – NSW operational base which, holds fast moving inventory for Hughes and customer operations
  - Express Hydraulics (Aust) has opened a new facility in Mackay. This facility will also hold fast moving inventory for Hughes Drilling and external customer operations. The facility offers customers;
    - Spare Parts and Consumables
    - Rig rebuilding and servicing capabilities
    - All mining ancillary equipment rebuilding and servicing capabilities
    - All Hydraulic rebuilding and servicing needs
    - Specialist Air Compressor rebuilds and exchange service.
  - The establishment of the new Mackay facility further demonstrates Hughes' and Express Hydraulics (Aust)'s commitment to customers and the local mining communities.
  - The new Mackay facility is responsible for the increased turnover through the 4th quarter of FY14

Graph 5: Express Hydraulics External Sales

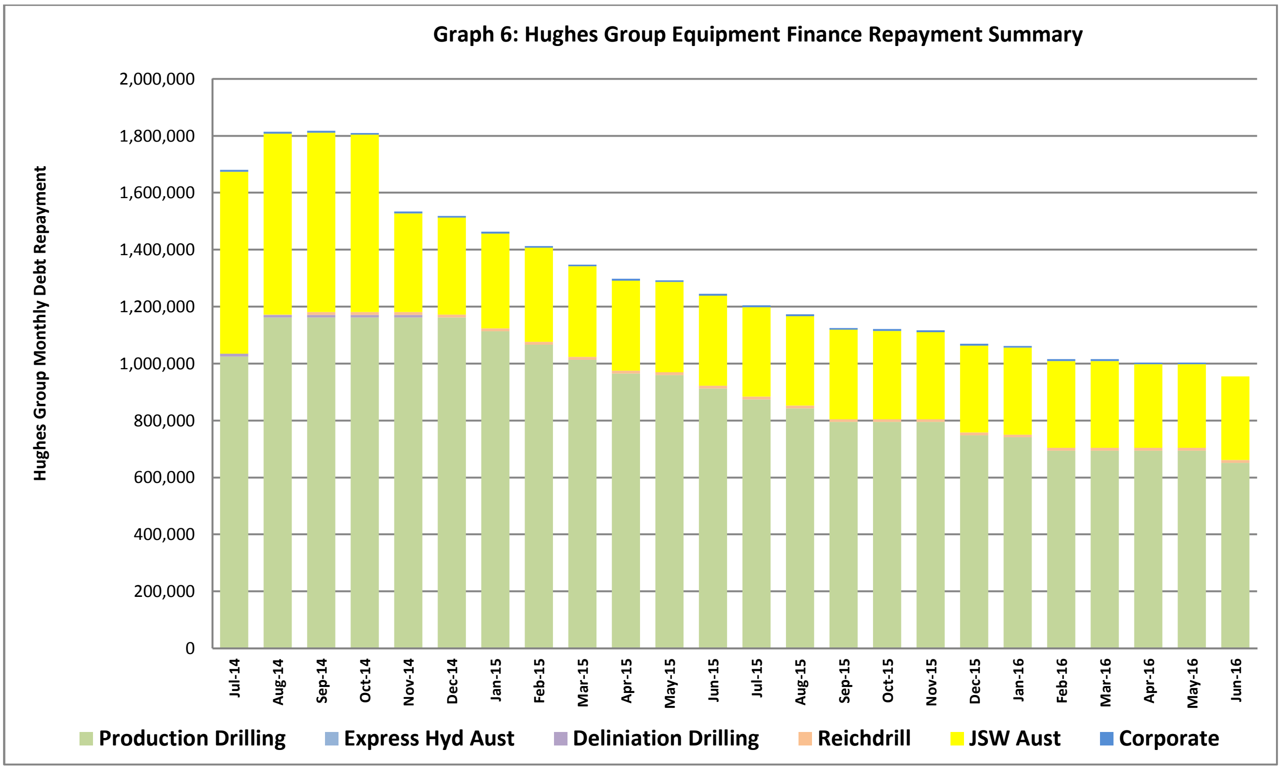


Review of Borrowings

The acquisition of JSW in October 2013 brought $17.4m of debt to the balance sheet. The Hughes Group is committed to paying down debt. Current debt (principle and interest) repayments for the group are approximately $1.8m per month. FY15 will see the debt repayment profile and consequently the total debt profile for Hughes changing significantly;

- May 2014 – All debt associated with the assets of the Delineation Drilling business were fully repaid
- July 2014 to November 2014 – The debt repayments for JSW reduce from approximately $600k per month to approximately $300k per month

This planned dramatic reduction in debt payments will have immediate cash flow benefits and will result in increased cash surplus being generated through FY15

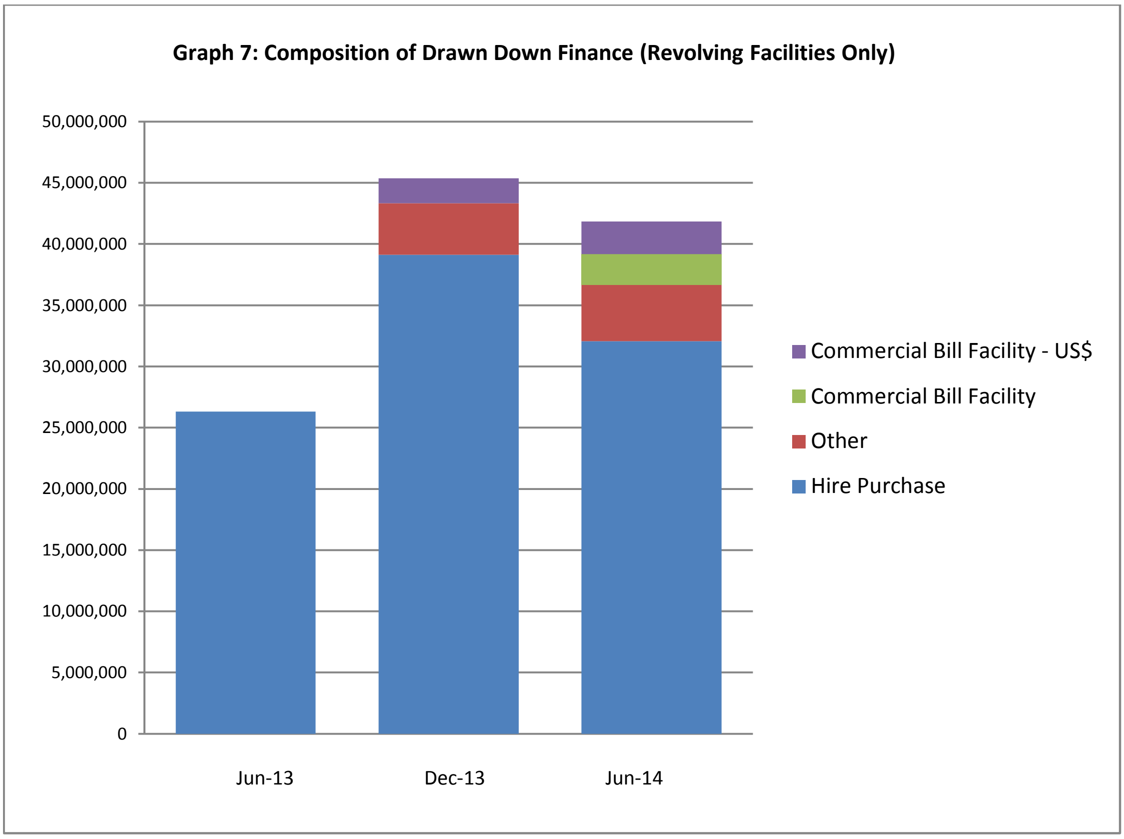


Note: The above graph represents equipment finance only, and assumes no new debt.

Review of Borrowings – Continued

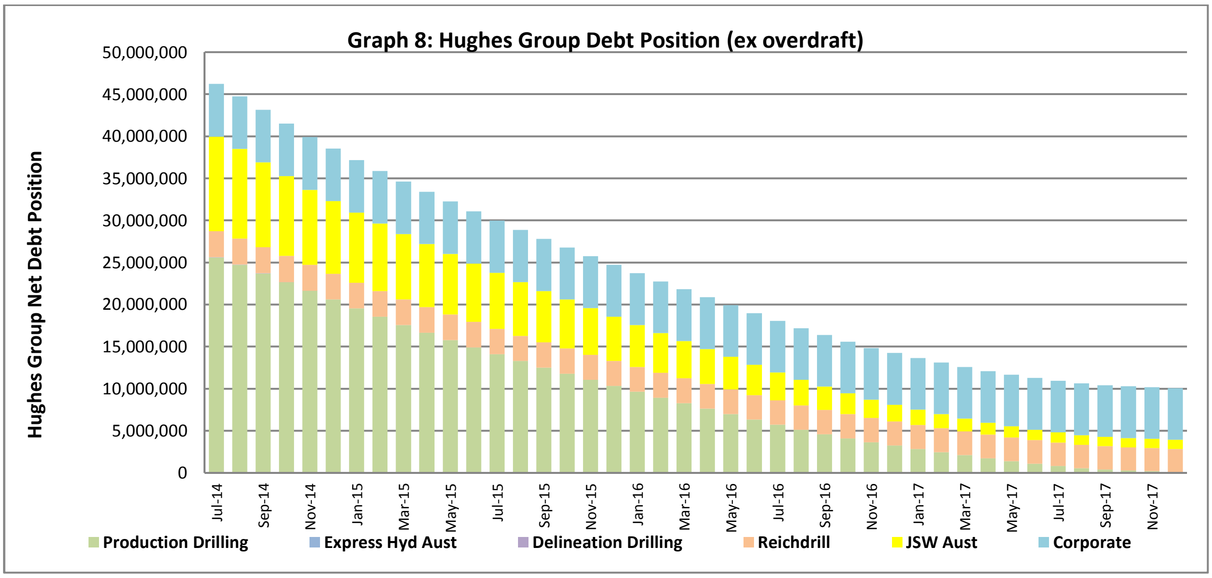
Hughes continued focus on debt reduction has seen a significant reduction in overall debt and restricting of some facilities to better suit Hughes ongoing requirements;

- Hire Purchase finance decrease from $39.1m at December 2013 to $32.1m at 30 June 2014, as reduction of $7.0m, 18%, and will continue to reduce per the repayment schedule in Graph 6.
- A new Commercial Bill Facility – US$, is the REICHdrill US$2.5m facility used to fund the rig builds.
- A new Commercial Bill Facility was used to refinance the $2.5m convertible note that was issued to JSW Australia pre-acquisition.
- Other – this is a combination of director related loans from John Silverthorne of $3.6m to JSW which existed pre the acquisition of JSW Aust and JV loans from Eastern Guruma for working capital, our partner in number of Pilbara based contracts.



Note: The above graph excludes overdraft

Graph 8 below shows the repayment profile of the debt above in Graph 7



Dividends

As advised in the half year report the Directors recognise the long term advantages to the Company of paying dividends. With a moderating fleet growth rate it is expected that net cash holdings should rise together with a progressive reduction in debt and, subject to profitability and other factors, this would normally enable Directors to consider the timing of the commencement of dividend payments.

For and on behalf of the Directors

Robert (Bob) Hughes
Managing Director
29 August 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated 30 Jun 2014 $ '000	Consolidated 30 Jun 2013 $ '000
Revenue		
Revenue	**90,566**	49,756
Cost of Goods Sold	**(71,126)**	(32,766)
Gross Profit	**19,440**	16,990
Other income	**311**	123
General and Administrative Expenses	**(8,963)**	(4,528)
Selling and Marketing Expense	**(464)**	(46)
Operating profit	**10,324**	12,539
Impairment	**(5,571)**	-
Finance costs	**(3,108)**	(2,147)
Profit for the year before income tax	**1,645**	10,392
Income tax (expense)/benefit	**(223)**	(25)
Profit for the year attributable to Equity holders	**1,422**	10,367
Profit for the year attributable to:		
Owners of Hughes Drilling Ltd	**1,377**	10,370
Non-controlling- interest	**45**	(3)
	1,422	10,367
Earnings per share for profit attributable to ordinary equity holders of the company – cents/share		
- Basic profit per share	**0.70c**	7.80c
- Diluted profit per share	**0.69c**	7.80c
Profit for the year attributable to Equity Holders	**1,422**	10,367
Other comprehensive income		
Exchange differences on translation of foreign operations	**70**	605
Total comprehensive income attributable to Equity holders	**1,492**	10,972
- **Total comprehensive income for the year attributable to:**		
Owners of Hughes Drilling Ltd	**1,446**	10,975
Non-Controlling-interest	**46**	(3)
	1,492	10,972

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated 30 Jun 2014 $ '000	Consolidated 30 Jun 2013 $ '000
Current assets			
Cash and cash equivalents	3	**426**	5,334
Trade and other receivables	4	**18,066**	9,073
Inventories	5	**37,830**	24,694
Available-for-sale financial assets		**-**	2
Non-current assets held for sale		**130**	1,083
TOTAL CURRENT ASSETS		**56,452**	40,186
Non-current assets			
Property, plant and equipment	6	**63,569**	41,637
Deferred tax asset		**4,228**	1,304
Intangible assets	7	**8,016**	7,578
TOTAL NON-CURRENT ASSETS		**75,813**	50,519
TOTAL ASSETS		**132,265**	90,705
Current liabilities			
Trade and other payables	8	**19,237**	8,098
Bank overdraft	3	**4,288**	598
Tax payable		**-**	25
Borrowings	9	**24,170**	11,186
Provisions		**1,217**	608
TOTAL CURRENT LIABILITIES		**48,912**	20,515
Non-current liabilities			
Borrowings	9	**17,655**	15,487
Provisions		**1,159**	346
TOTAL NON-CURRENT LIABILITIES		**18,814**	15,833
TOTAL LIABILITIES		**67,726**	36,348
NET ASSETS		**64,539**	54,357
EQUITY			
Contributed equity	10	**38,227**	29,783
Reserves		**1,385**	1,217
Retained earnings		**24,511**	23,134
Equity attributable to group members		**64,123**	54,134
Non-controlling interest		**416**	223
TOTAL EQUITY		**64,539**	54,357

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Contributed equity	Share option reserves	Retained earnings	Total	Non-controlling Interest	Total
	$ '000	$ '000	$ '000	$'000		$ '000
CONSOLIDATED						
Balance 1 July 2012	**9,579**	**240**	**12,764**	**22,583**	**-**	**22,583**
Profit for the year attributable to Equity holders	-	-	10,370	10,370	(3)	10,367
Other Comprehensive Income	-	581	-	581	24	605
Total comprehensive income	**-**	**581**	**10,370**	**10,951**	**21**	**10,972**
Transactions with owners in their capacity as owners:						
Performance share issue	2,273	-	-	2,273	-	2,273
Employee share schemes – Value of employee services	-	396	-	396	-	396
Net proceeds from capital raising	17,931	-	-	17,931	-	17,931
Transaction – Non controlling interest	-	-	-	-	202	202
Balance at 30 June 2013	**29,783**	**1,217**	**23,134**	**54,134**	**223**	**54,357**
Balance 1 July 2013	**29,783**	**1,217**	**23,134**	**54,134**	**223**	**54,357**
Profit for the year attributable to Equity holders	-	-	1,377	1,377	45	1,422
Other Comprehensive Income	-	68	-	68	2	70
Total comprehensive income	**-**	**68**	**1,377**	**1,445**	**47**	**1,492**
Transactions with owners in their capacity as owners:						
Employee share schemes – Value of employee services	-	246	-	246	-	246
Shares issues as purchase consideration for JSW Australia	8,444	-	-	8,444	-	8,444
Transaction – Non controlling interest					146	146
Put options issued non-controlling interest		(146)		(146)	-	(146)
Balance at 30 June 2014	**38,227**	**1,385**	**24,511**	**64,123**	**416**	**64,539**

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENED 30 JUNE 2014

	Note	Consolidated 30 Jun 2014 $ '000	Consolidated 30 Jun 2013 $ '000
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		**83,747**	50,914
Payments to suppliers and employees		**(75,011)**	(40,862)
		8,736	10,052
Interest paid		**(3,108)**	(2,147)
Income tax paid		**-**	-
Net cash generated by operating activities	13	**5,628**	7,905
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for Acquisition of Subsidiary		**-**	(5,052)
Net movement of investments		**-**	9
Net movement in intangible assets		**1,632**	-
Net cash acquired from subsidiary		**(695)**	961
Loans advance related party		**(2,500)**	-
Proceeds from sale of plant and equipment		**534**	21
Purchase of plant and equipment		**(9,356)**	(17,184)
Net (cash used) in investing activities		**(10,385)**	(21,245)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**-**	18,918
Transaction with non-controlling interest		**146**	202
Payment for capital raising costs		**(170)**	(987)
Proceeds from borrowings		**14,093**	11,626
Repayment of borrowings		**(17,908)**	(13,378)
Net cash (used in) / generated by financing activities		**(3,839)**	16,381
Net (decrease) / increase in cash and cash equivalents		**(8,595)**	3,041
CASH AT THE BEGINNING OF THE YEAR		**4,736**	1,620
Effects of exchange rate changes on cash and cash equivalents		**(3)**	75
CASH AT THE END OF THE YEAR	3	**(3,862)**	4,736

The accompanying notes form part of the financial statements.

NOTES TO AND FORMING PART OF THE CONSOLIDATED PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The preliminary financial report has been prepared in accordance with Australian Accounting Standards and Interpretations as issued by the Australian Accounting Standards Board and the Corporations Act 2001 as appropriate for profit oriented entities.

The preliminary 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 2013 and any public pronouncements made by the company during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001. Unless otherwise detailed in this note, accounting policies have been consistently applied by the entities in the group, and are consistent with those applied in the 30 June 2013 annual report.

i. Acquisition of JSW Australia.

On 3rd October, Hughes Drilling Limited (Hughes), through its wholly owned Australian registered subsidiary HD JSW Pty Limited acquired 96% of the issued share capital in JSW Australia.

Full details of this transaction are disclosed in Note 11.

The company has accounted for the business combination above using provisional fair values as the initial accounting for the business combination including the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities and the cost of the combination can be determined only provisionally. The company shall recognise any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date.

2. SEGMENT REPORTING

AASB 8 requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision maker (The Board of Directors) in order to allocate resources to the segment and to assess its performance.

Information reported to the Board for the purposes of resource allocation and assessment of performance is more specifically focused on Drilling Services and Non Drilling Services. Management has determined the operating segments based on the reports reviewed by the Board of Directors to make strategic decisions. The Board considers Drilling from a nature of service provided. As the segments have changed in the current year, prior year segment information has been restated. The results from continuing operations are reflected in the table below.

AS AT JUNE 2014 - in $'000	**Drilling**	**Non Drilling**	**Total**
Sales to external customers	76,225	14,341	90,566
Other income	213	98	311
Inter-segment revenue	-	2,776	2,776
Total revenue	**76,438**	**17,215**	**93,653**
Cost of sales	(51,094)	(11,751)	(62,845)
Overhead	(7,775)	(2,875)	(10,650)
Depreciation	(9,580)	(278)	(9,858)
Interest Expense	(3,087)	(21)	(3,108)
Profit/(Loss) on asset sales	24	-	24
Impairment Write Down	(5,571)	-	(5,571)
Total expense	**(77,083)**	**(14,925)**	(92,008)
Segment profit/(loss) before tax	**(645)**	**2,290**	**1,645**
Tax Expense	(536)	313	(223)
Profit from operations	**(1,181)**	**2,603**	**1,422**
Assets			
Total assets	**111,457**	**20,809**	**132,266**
Liabilities			
Total liabilities	**(50,047)**	**(17,679)**	**(67,726)**

2. SEGMENT REPORTING *(continued)*

AS AT JUNE 2013 - in $'000	Drilling	Non Drilling	Total
Sales to external customers	46,115	10,695	56,810
Other income	95	28	123
Inter-segment revenue	-	(7,054)	(7,054)
Total revenue	**46,210**	**3,669**	**49,879**
Cost of sales	(23,715)	(3,407)	(27,122)
Depreciation	(5,419)	(100)	(5,519)
Interest expense	(2,141)	(6)	(2,147)
Overhead	(4,127)	(502)	(4,629)
Loss/(profit) on asset sales	(70)	-	(70)
Total expense	**(35,472)**	**(4,015)**	**(39,487)**
Segment profit/(loss) before	**10,738**	**(346)**	**10,392**
Tax Expense	**-**	**-**	**-**
Assets			
Total assets	**83,708**	**7,818**	**91,526**
Liabilities			
Total liabilities	**31,488**	**5,681**	**37,169**

	Consolidated 30 Jun 2014 $ '000	Consolidated 30 Jun 2013 $ '000
3. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	**426**	5,334
Bank overdraft	**(4,288)**	(598)
Balances as per the statement of cash-flows	**(3,862)**	4,736
4. TRADE AND OTHER RECEIVABLES		
Trade receivables	**17,480**	7,587
Prepayments	**258**	84
Accrued income*	**-**	825
Sundry debtors	**328**	577
	18,066	9,073

*30 June 2013 Accrued income relates to funds receivable from Tom Browne Drilling Services (TBDS) for sale of a drill rig. TBDS was placed into liquidation in April 2014, the outstanding balance of $0.825m balance has been written off as a bad debt in the current financial year, however, the matter is still to be finalised by the liquidator.

	Consolidated 30 Jun 2014 $ '000	Consolidated 30 Jun 2013 $ '000
5. INVENTORIES		
Consumable and spare parts at cost	**34,954**	23,016
Work in progress - Drill Rigs at cost	**2,876**	1,678
	37,830	24,694

6. PROPERTY, PLANT AND EQUIPMENT

	Consolidated 30 Jun 2014 $ '000	Consolidated 30 Jun 2013 $ '000
Freehold Land and Buildings		
At cost	**1,540**	924
Accumulated depreciation	**(194)**	(67)
	1,346	857
Motor Vehicles		
At cost	**6,261**	4,223
Accumulated depreciation	**(2,825)**	(1,777)
	3,436	2,446
Office Equipment		
At Cost	**1,375**	844
Accumulated depreciation	**(733)**	(303)
	642	541
Plant and equipment		
At cost	**103,161**	68,324
Accumulated depreciation	**(46,915)**	(30,457)
Accumulated impairment	**(2,179)**	(3,110)
	54,067	34,757
Capital Work in progress		
At cost	**4,079**	3,036
	4,079	3,036
Total Property, plant and equipment		
Cost	**116,416**	77,351
Accumulated depreciation	**(50,668)**	(32,604)
Accumulated impairment	**(2,179)**	(3,110)
Total written down value	**63,569**	41,637

6. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Reconciliation	**Consolidated 30 Jun 2014 $ '000**	Consolidated 30 Jun 2013 $ '000
Freehold Land and Buildings		
Opening carrying value	**857**	817
Exchange differences	**(1)**	-
Acquired through net investment in subsidiary	**527**	51
Additions	**31**	4
Disposals	**-**	-
Depreciation expense	**(68)**	(15)
Carried forward value at 30 June	**1,346**	857
Motor Vehicles		
Opening carrying value	**2,446**	2,644
Exchange differences	**(1)**	-
Acquired through net investment in subsidiary	**451**	53
Additions	**1,506**	274
Disposals	**(138)**	(1)
Depreciation expense	**(828)**	(526)
Carried forward value at 30 June	**3,436**	2,446
Office Equipment		
Opening carrying value	**541**	183
Exchange differences	**(3)**	-
Acquired through net investment in subsidiary	**166**	27
Additions	**154**	365
Disposals	**-**	-
Depreciation expense	**(216)**	(34)
Carried forward value at 30 June	**642**	541
Capital Work in Progress		
Opening carrying value	3,036	1,995
Acquired through net investment	52	-
Additions	7,339	16,551
Transfer to Plant and Equipment	(6,348)	(15,510)
Carried forward value at 30 June	**4,079**	3,036
Plant and Equipment		
Opening carrying value	**34,757**	23,615
Exchange differences	**(18)**	-
Acquired through net investment in subsidiary	**22,437**	636
Transfer from WIP	**6,348**	15,539
Additions	**456**	-
Disposals	**(187)**	(89)
Depreciation expense	**(8,776)**	(4,944)
Impairment expense	**(950)**	-
Carried forward value at 30 June	**54,067**	34,757
Total Property, Plant and Equipment	**63,569**	41,637

7. INTANGIBLE ASSETS AND GOODWILL

	Consolidated 30 Jun 2014 $ '000	Consolidated 30 Jun 2013 $ '000
Trademarks		
At cost	**3**	3
Accumulated impairment	**-**	-
	3	3
Goodwill		
At cost	**12,018**	7,575
Accumulated impairment	**(4,005)**	-
	8,013	7,575
Total Intangibles and goodwill		
At cost	**12,021**	7,578
Accumulated impairment	**(4,005)**	-
Total Intangibles and Goodwill	**8,016**	7,578

Reconciliation

	Consolidated 30 Jun 2014 $ '000	Consolidated 30 Jun 2013 $ '000
Trademarks		
Opening net book amount	**3**	3
Additions	**-**	-
Amortisation	**-**	-
Closing net book amount	**3**	3
Goodwill		
Opening net book amount	**7,575**	4,005
Additions	**5,892**	3,570
Adjustment - REICHdrill Inc, goodwill	**(1,449)**	-
Impairment – EDMS goodwill	**(4,005)**	-
Closing net book amount	**8,013**	7,575
Total Intangibles and Goodwill	**8,016**	7,578

Goodwill arose on the acquisition of Every Day Mine Services Limited (EDMS) by Hughes Drilling Pty Limited during the year ended 30 June 2012; REICHdrill Inc during the year ended 30 June 2013 and JSW Australia. Pty Limited during the year ended 30 June 2014.

During the year a measurement period adjustment of $1.449m was made to the goodwill on acquisition of REICHdrill Inc due to a revision to the provisional net assets position as result of recognizing a deferred tax asset.

An impairment assessment was performed on the goodwill existing from all business combinations as at 30 June 2014. Due to the down turn in delineation / exploration drilling industry, the goodwill attributable to EDMS of $4.005m has been impaired to Nil as at 30 June 2014, in addition to the goodwill impairment, $1.565m impairment has been taken on the EDMS drill rigs, this is split between PP&E $0.950m and Assets Held for Sale, $0.615m.

8. PAYABLES

	Consolidated 30 June 2014 $ '000	Consolidated 30 Jun 2013 $ '000
Trade payables	**12,085**	4,732
Other payables	**7,152**	3,375
	19,237	8,098

9. BORROWINGS

Current		
Secured		
- Hire Purchase	**15,104**	10,728
- Commercial bill facility	**2,500**	458
- Commercial bill facility – US$	**2,654**	
- Other	**3,912**	-
	24,170	11,186
Non-Current		
Secured		
- Hire Purchase	**16,971**	15,487
- Commercial bill facility	**-**	-
- Commercial bill facility – US$	**-**	-
- Other	**684**	-
	17,655	15,487

Note: Other debt comprises of Silverthorne Loan $3.638m and Eastern Guruma $0.959m

10. CONTRIBUTED EQUITY

	Number of shares 000's	Value $'000s	Attributable Costs $'000s	Net $'000s
Balance 1 July 2013	**181,752**	**30,935**	**(1,152)**	**29,783**
Shares issued as consideration for purchase of JSW Australia at $0.32/share (refer to business combination note)	26,918	8,614	(170)	8,444
On issue at 30 June 2014	**208,670**	**39,549**	**(1,322)**	**38,227**

11. BUSINESS COMBINATIONS

On 3rd October 2013 Hughes Drilling Limited, through its wholly owned Australian registered subsidiary HD JSW Pty Limited acquired 96% of the issued share capital in JSW Australia Pty Limited via issue of 26,918,080 Hughes Drilling Limited quoted shares at $0.32/share. As per the heads of agreement signed on 16th August 2013, the shares in Hughes Drilling Limited where issued to the JSW Australia Pty Limited shareholder's at $0.26/share, at a premium to the share price as at 16th August 2013. The preliminary fair value of the assets and liabilities are detailed below

	JSW Australia Pty Ltd $'000
(a) Purchase consideration:	
Hughes Drilling Limited shares issued to vendor	8,614
Total Purchase consideration	**8,614**
Less: carrying value of net identifiable assets acquired	(2,722)
Goodwill	**5,892**

(b) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:	
Current assets	7,278
Non-current assets	25,159
Total assets	**32,437**
Current liabilities	20,964
Non-current liabilities	8,751+
Total liabilities	**29,715**
Carrying value of net identifiable assets acquired	**2,722**

The acquired business contributed revenues of $33,212,976 and net profit of $1,966,888 to the group for the period from 3 October 2013 to 30 June 2014.

If the acquisition had occurred on 1 July 2012, the consolidated revenue and loss for the year ended 30 June 2013 would have been $30,280,684 and ($2,844 151) respectively. These amounts have been calculated using the groups accounting policies.

13. Reconciliation of profit after income tax to operating cash inflow from operating activities

	Consolidated 2014 $ '000	Consolidated 2013 $ '000
Operating profit after taxation	**1,422**	10,367
Movement in reserves	**104**	397
Impairment expense	**5,571**	-
Depreciation	**9,858**	5,516
(Profit)/loss on disposal of assets	**(24)**	70
Movement in assets / liabilities:		
(Increase)/decrease in trade and other receivables	**(7,099)**	1,034
(Increase)/decrease in stock	**(9,906)**	(6,696)
(Increase)/decrease in deferred tax assets	**(1,392)**	-
Increase/(decrease) in trade and other payables	**6,483**	(2,340)
Increase/(decrease) in provisions	**611**	54
Net cash (used in)/provided by operating activities	**5,628**	7,905

12. DIVIDENDS

No dividend was paid during the 12 months period ended 30 June 2014.

13. EVENTS AFTER BALANCE DATE

The were no significant events after the balance sheet date