



## Investor Presentation September 2014



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# Company Overview



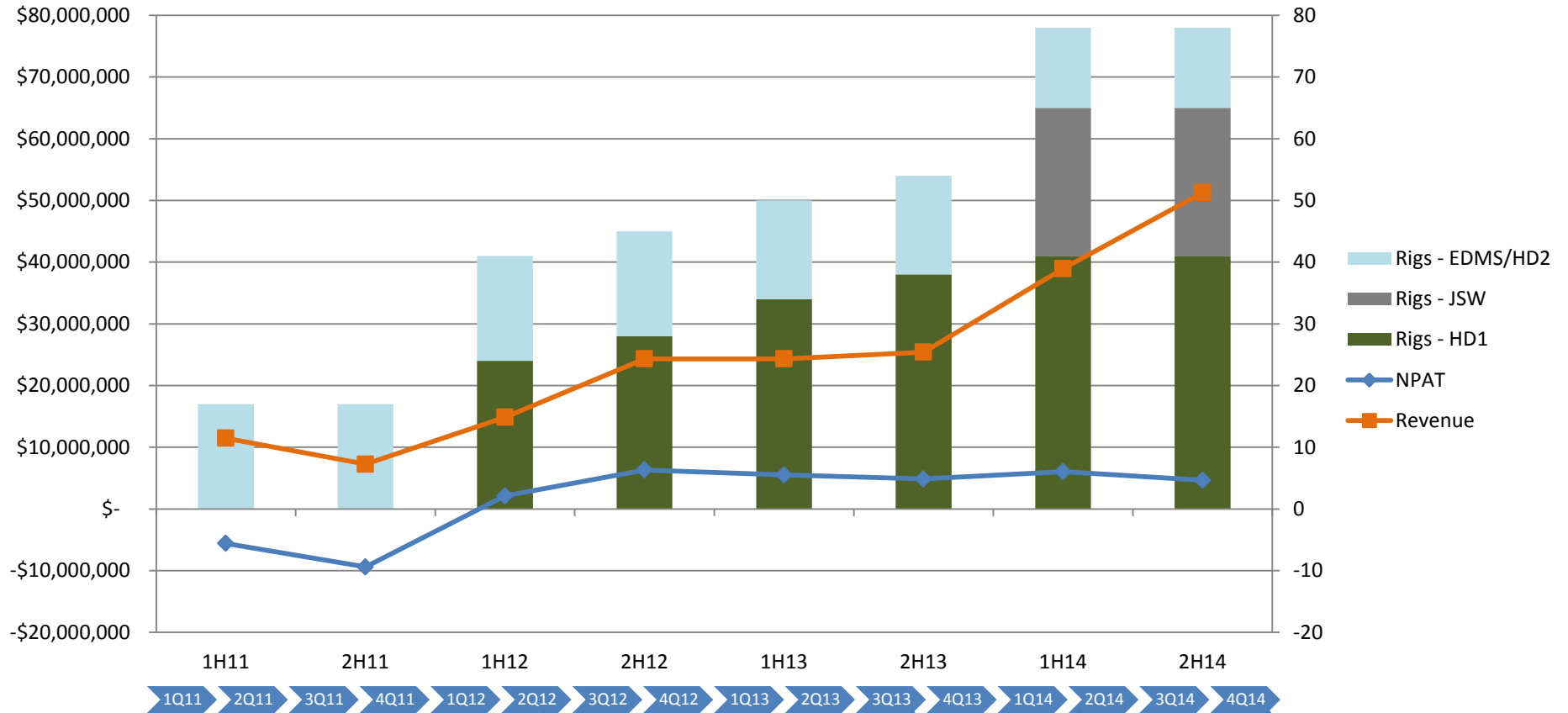


# Company Overview

<b>Hughes Drilling Limited</b>	<ul style="list-style-type: none"> <li>✓ Hughes Drilling Limited (Hughes) (ASX:HDX) listed on the Australia Stock Exchange through the reverse acquisition of Every Day Mine Services Ltd in December 2011.</li> <li>✓ Hughes revenue since listing has grown 130% since acquisition from \$39.2m in FY12 to \$90.6m in FY14 through organic growth and strategic acquisitions               <ul style="list-style-type: none"> <li>✓ REICHdrill acquisition March 2013 – Manufacturer of world class drill rigs</li> <li>✓ JSW Australia acquisition October 2014 – specialist production drilled servicing WA – Iron Ore, Gold, Nickel, etc.</li> </ul> </li> <li>✓ Hughes now employees over 450 people based in Australia and USA</li> <li>✓ Hughes operates in excess of 80 drill rigs in Australia across varied commodities: coal, iron ore, nickel, bauxite and water</li> <li>✓ Hughes Drilling is one of Australia's premier drilling specialists, having built a 20 year reputation as being the leading drilling professionals, and manufacturing and using amongst the most powerful and reliable drill rig fleets in the industry</li> </ul>
<b>Financial</b>	<ul style="list-style-type: none"> <li>✓ Sales revenue has increased to \$90.6m in FY14 from \$49.8m in FY13</li> <li>✓ NPAT has increased to \$10.7m* in FY14 from \$10.4m in FY13 based on the core operations</li> <li>✓ Underlying EPS* from core *operations decreased to 5.3cents in FY14 from 7.8cents in FY13</li> </ul> <p>* Underlying NPAT and Underlying EPS from core operations – refer to page 26 for reconciliation</p>
<b>Operating</b>	<ul style="list-style-type: none"> <li>✓ Awarded significant new contracts with Mineral Resources, FMG, Water Corporation, Sirius Resources, Tier one Local Governments</li> <li>✓ Awarded contract extensions with Ramelius Resources, Jellinbah Resources, and Yarrabee Coal Company</li> <li>✓ Record external sales profile for Reichdrill since 2009</li> </ul>
<b>Strategic</b>	<ul style="list-style-type: none"> <li>✓ Reichdrill increased distribution network by signing               <ul style="list-style-type: none"> <li>✓ Mincon – Sub equatorial Africa</li> <li>✓ Wagex Equipment – Canada</li> <li>✓ PT Powertrain Solutions – Indonesia</li> <li>✓ Midlantic Machinery covering Central Pennsylvania, Maryland and Northern Virginia</li> </ul> </li> <li>✓ Express Hydraulics opened Mackay facility in November 2013</li> <li>✓ Broadening exposure to oil and gas market</li> <li>✓ Production Blast Hole Drilling contract award in WA in Iron Ore</li> </ul>

# Hughes Drilling Timeline

Revenue, Rigs and NPAT per half year – July 2011 to June 2014



\* This graph utilises the FY14 underlying NPAT result from core operations. Refer to page 26 for further information.  
 \* FY14 is still in the process of being audited

1 Dec 2011 – Reverse Acquisition of EDMS/HD2 by Hughes Drilling & Express Hydraulics

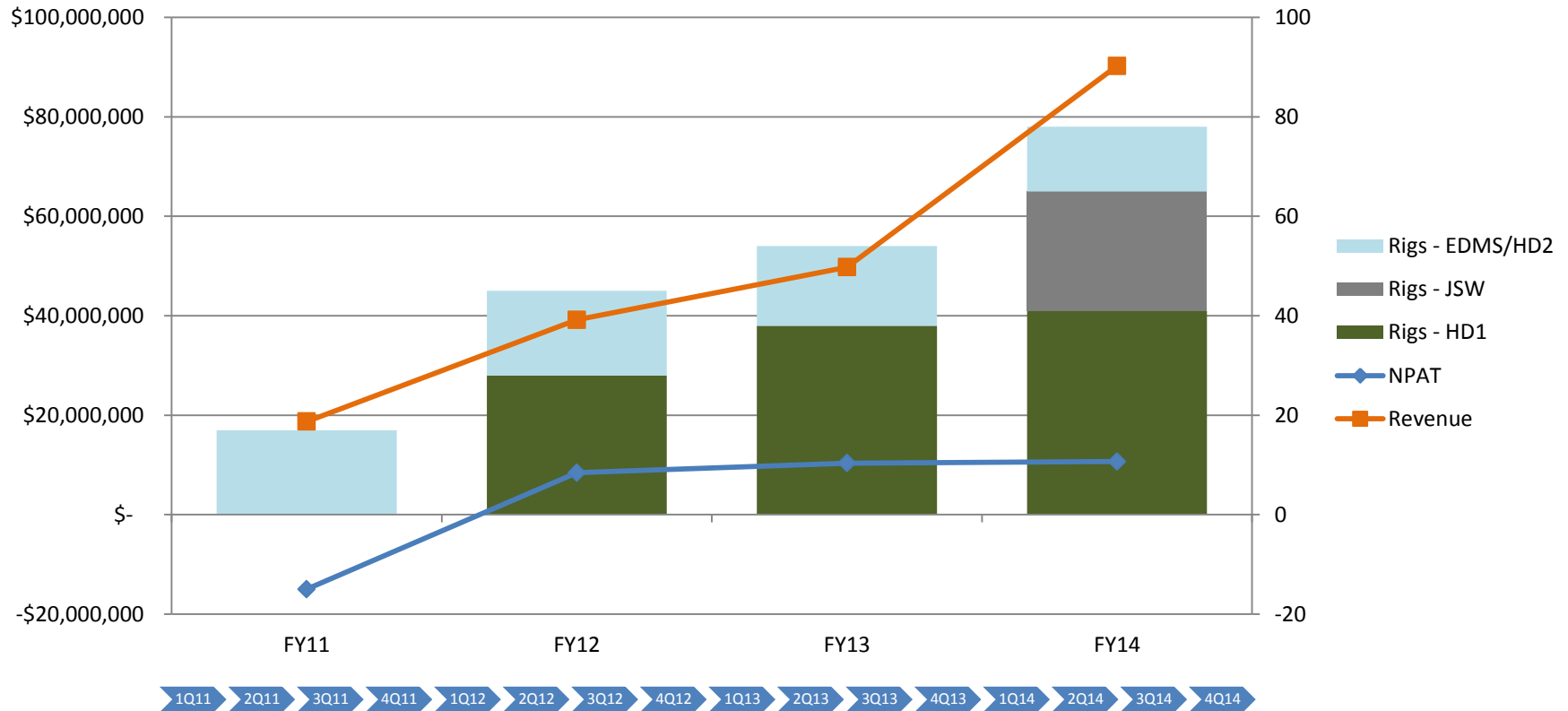
25 Mar 2013 – Acquired REICHdrill Inc

1 Oct 2013 – Acquired JSW Australia

30 Jun 2014 – Impairment of exploration / delineation drilling operations (EDMS/HD2)

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# Hughes Corporate Structure

## Capital Structure

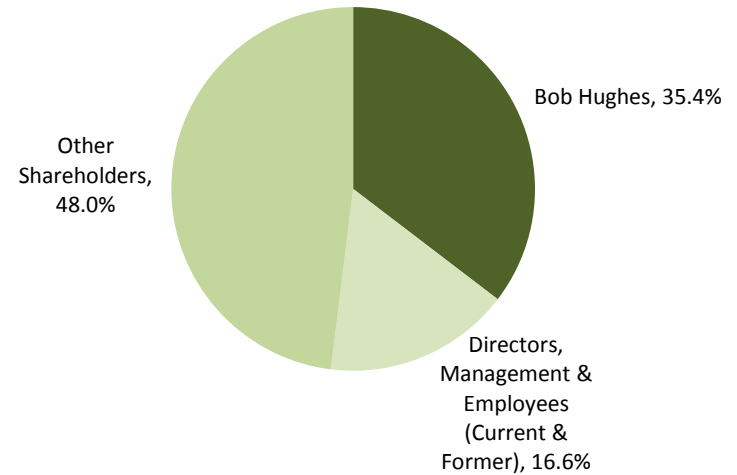
**Australian Exchange Ticker: ASX:HDX**

Share price <sup>(1)</sup>	18.5cents
Shares on issue <sup>(1)</sup>	209.0m
<b>Market capitalisation</b>	<b>\$38.7m</b>
Debt <sup>(2)</sup>	\$41.9m
Cash <sup>(2)</sup>	(\$3.9m)
<b>Enterprise value</b>	<b>\$84.5m</b>

1) Share price as at 4 September 2014. There are 3,200,000 options on issue and no performance shares outstanding.

2) Debt & cash balance as at 30 June 2014. Cash net of overdraft.

## Register Composition



## Drill Rigs

Hughes	52
JSW*	27
<b>Combined</b>	<b>79</b>

\* 21 Owned Rigs and ~6 subcontracted rigs

## Employees

Hughes	214
JSW*	170
REICHdrill	65
<b>Combined</b>	<b>449</b>

\* Includes ~20 subcontracted employees

## Revenue

	<b>FY14*</b>
Hughes	\$44.7m
JSW*	\$33.2m
REICHdrill	\$12.7m
<b>Combined</b>	<b>~\$90.6m</b>

\* Only 9 month revenue contribution from JSW in FY14

\* FY14 is still in the process of being audited

# Highly Experienced Board

<b>BOB HUGHES</b> <b>Executive Chairman</b> <b>(Executive Director)</b>	<p>Bob is the founder of the Hughes Drilling business and major shareholder of Hughes. Bob started his drilling career 37 years ago, providing drilling and blasting services for quarries and mining operations. He established Hughes Drilling Pty Limited in 1991, initially contracting to Leighton and has been the driving force in the Company's development.</p>
<b>ANDREW DRAKE</b> <b>Chief Executive Officer</b> <b>(Executive Director)</b>	<p>Andrew joined Hughes Drilling in 2006 as General Manager and Chief Executive Officer. For the prior 17 years Andrew held managerial and business development roles with Dyno Nobel, the world's second largest explosives supplier.</p>
<b>BARRY O'CONNOR</b> <b>Non-Executive Director</b>	<p>Barry has over 41 years experience in promoting and marketing premium mining, drilling and comparable products. Barry was previously Director and Head of Construction and Mining at Sullair Pty Ltd, an international manufacturer of industrial compressors, until 2007. Prior to joining Sullair, Barry headed the rotating equipment division of BTR Nylex.</p>
<b>JOHN SILVERTHORNE</b> <b>Non-Executive Director</b>	<p>John was co-founder of NRW Holdings Ltd, a listed public company that had a market capitalisation in excess of \$1.0bn. John has 36 years of contract and civil mining management and drilling experience.</p>
<b>JEFF BRANSON</b> <b>Chief Operations Officer - Drilling</b> <b>(Executive Director)</b>	<p>Jeff is a Civil Engineer and co-founder and past Managing Director of Brandrill Limited, now part of Ausdrill, which was a 100 drill rig business with its primary focus being blast hole and on mine grade control drilling. Jeff has over 33 years of drilling and contract management experience.</p>
<b>GARY BELCHER</b> <b>Non-Executive Director</b>	<p>Since retiring from a highly successful professional rugby league career, Gary has forged a respectable reputation in Sales and Marketing. His background covers a broad spectrum of industries including telecommunications, media, corporate marketing, public relations and consulting.</p>
<b>PAUL BRENTON</b> <b>Chief Financial Officer and</b> <b>Company Secretary</b>	<p>Paul is a CPA with 18 years experience in accounting, corporate finance and commerce. Paul previously held the position of Chief Financial Officer of a large property development group prior to joining Hughes in 2010. Prior to this Paul started his career with PwC working across a range of business sectors including to clients based in mining, manufacturing and construction.</p>



# Review of Operations

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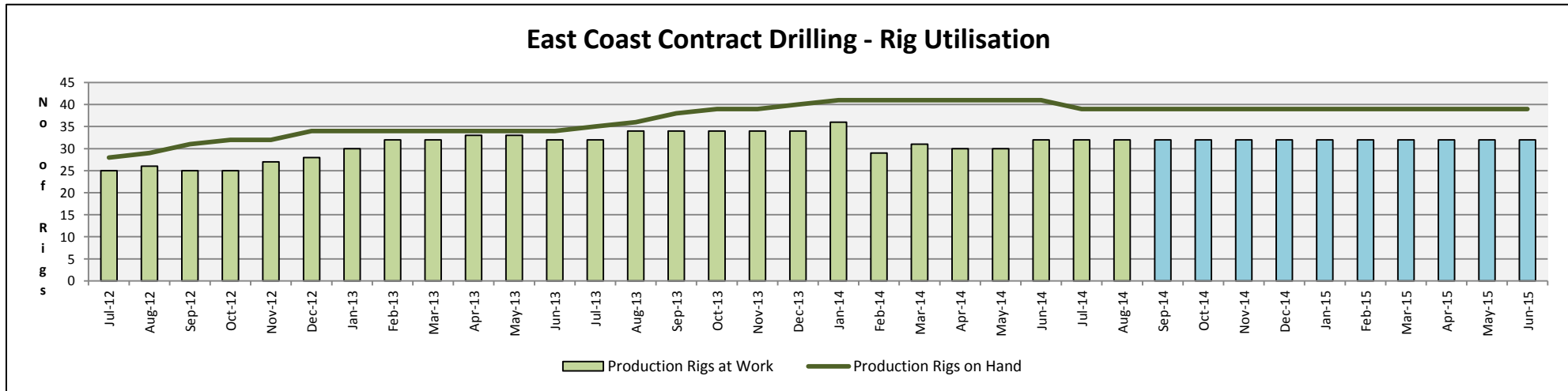
## **Production Blast Hole:**

- Record revenue from East Coast Production Drilling for FY14 of \$42.7m up from FY13 \$40.6m, even though growth has softened in FY14 as expected.
- East Coast Production rig fleet has grown to 41 rigs (compared to 38 in FY13).
- Overall rig utilisation fluctuated between 70.7% and 94.1%, ending FY14 at 78% (32 from 41 rigs), a modestly lower level than historic norms reflecting some loss of efficiency arising from slower client decision making. Two C-700-D rigs were transferred to JSW Australia in July 2014 for the Mineral Resources Carina Iron Ore Production Drill & Blast contract, taking East Coast Rigs to 39.
- It is expected that the underlying EBITDA margins will be a little softer through FY15 in the 32.5% to 37.5% range.
- The 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.

# Review of Operations – East Coast Contract Drilling (Hughes Drilling)

## Contract Summary – East Coast Contract Drilling

Client	Mine	Region	Core/Coal Type	Number of Rigs	Contract Expiry
Anglo American Metallurgical Coal	Foxleigh	Bowen Basin, Qld	PCI, thermal	2	Jan-16
TBA	TBA	Bowen Basin, QLD	PCI, thermal	5	TBA
Anglo Coal (Callide Management)	Callide	Bowen Basin, Qld	PCI, thermal	3	Dec-14
BHP Billiton Mitsubishi Alliance	Poitrel	Bowen Basin, Qld	HCC / SHCC	2	TBA
Downer EDI	Boggabri	Gunnedah Basin, NSW	Export thermal	6	Nov-16
Peabody	Millennium	Bowen Basin, Qld	PCI, coking, thermal	3	Mar-15
Jellinbah Mining	Jellinbah	Bowen Basin, Qld	PCI, SSCC	4	Apr-18
Leighton	Sonoma	Bowen Basin, Qld	HCC, export thermal	6	TBA
Yancoal	Yarrabee	Bowen Basin, Qld	PCI, export thermal	1	Dec-17
<b>HD1 - Total Operational Production Rigs under Contract</b>				<b>32</b>	



# Review of Operations – West Coast Contract Drilling (JSW Australia)

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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 blast hole opportunities in Western Australia, that the business be profitable and that it could possibly absorb the existing delineation operations of Hughes.

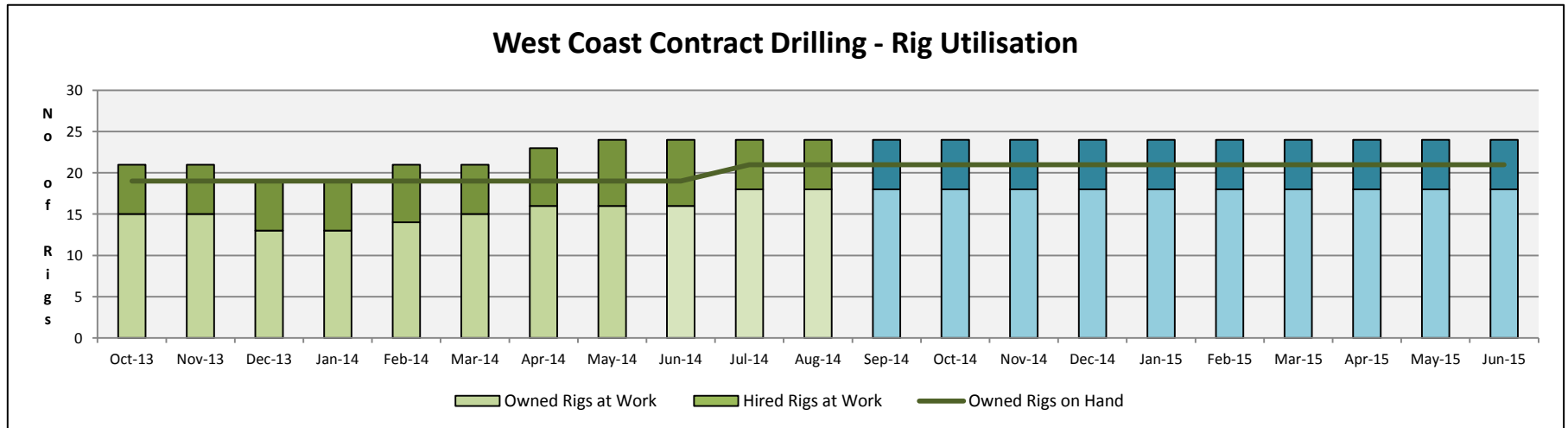
- After a slower than expected start up on a number of large awarded on mine site production contracts, the West Coast Drilling Operations have finished FY14 with 18 of 21 owned rigs contracted, plus an additional 6 specialist rigs on dry hire to service existing work commitments.
- JSW secured Hughes' first Iron Ore Production Drill and Blast contract in June 2014, with drilling commencing in July 2014.
- JSW is profitable, and has a very strong order book for FY15.
- JSW continues to win major long term contracts
  - Two on-mine Grade Control drilling contracts for FMG at their Christmas Creek and Solomon operations.
  - JSW's first contract with the Water Corporation of Western Australia, for a reinjection bore at their Beenyup Waste Water Treatment facilities.
  - Water boring services at Sirius Resources Nova/Bollinger
  - A new sample drilling contract for FMG at Christmas Creek.
  - Another blast hole drilling contract for BHPB.
  - A major Geothermal Bore for City of Canning,
  - Extended a three year old on-mine Grade Control drilling contract in Gold Mining for a further two years
- 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

# Review of Operations – West Coast Contract Drilling (JSW Australia)

## Contract Summary – West Coast Contract Drilling

Client	Mine	Region	Commodity	No of Rigs	Contract Expiry
BHP Billiton	Boddington	South Western Australia	Bauxite (Blast Hole Drilling on Mine)	5	Feb-16
BHP Billiton	Mt Keith	Northern Goldfields	Nickel (Blast Hole and GC Drilling on Mine)	3	Feb-16
BHP Billiton	Worsley Refinery	South Western Australia	Bauxite (Blast Hole Drilling)	1	Jun-15
Local WA Government	Various	South Western Australia	Water Services	3	Mar-15
FMG	Solomon Mine - Newman	Pilbara	Iron Ore (Grade Control on Mine)	5	Nov-16
FMG	Christmas Creek - Tom Price	Pilbara	Iron Ore (Grade Control on Mine)	3	Sep-16
Mineral Resources	Carina	Yilgarn	Iron Ore (Blast Hole Drilling on Mine))	3	Jul-16
Mt Magnet Gold NL	Mt Magnet	Midwest	Gold (Grade Control on Mine)	1	Aug-16
Sirius Resources	Nova / Bollinger	Goldfields	Nickel (Water Services on Mine)	2	Jun-15
City of Canning	Shelly	Perth Metropolitan	Water Services	1	Mar-15
<b>Total Operational Rigs</b>				<b>27</b>	

Note: The above list includes an average of 6-8 hired / sub contracted rigs and excludes rigs in for routine maintenance plus 2 rigs available for work, and 2 C-700D. Total Fleet up to 30 rigs.





# Review of Operations – REICHdrill Inc



- REICHdrill has now been part of the Hughes Group for 15 months, 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
- These new distributors will work closely with REICHdrill and are committed to promoting the REICHdrill rigs in the new territories.
- In addition to these new distributors and new territories increasing its global footprint.
- REICHdrill produced 18 rigs in FY14, 3 for Hughes, and 15 for external customers.
  - The 15 external sales were a mix of rigs, averaging US\$550k per rig
    - 5 x T-690/T-650
    - 6 x C-550
    - 4 x C-450

# Review of Operations – REICHdrill Inc

C-700-D Blast Hole Drill Rig



**Our Drills have Traveled  
from Pennsylvania to  
All Over the World...**

**Not bad, Considering  
Top Speed is 3mph!**

**REICHdrill**  
QUALITY DRILLING EQUIPMENT  
A DIVISION OF HUGHES DRILLING, LTD

MADE IN USA

**Reich Drill has been named this year's North Central Pennsylvania  
winner of the 2014 Governor's Award for Exporting.**

We are truly honored to receive this award and it is  
much appreciated by everyone in our company.

**Governor's  
IMPACT  
AWARDS  
2014  
WINNER**

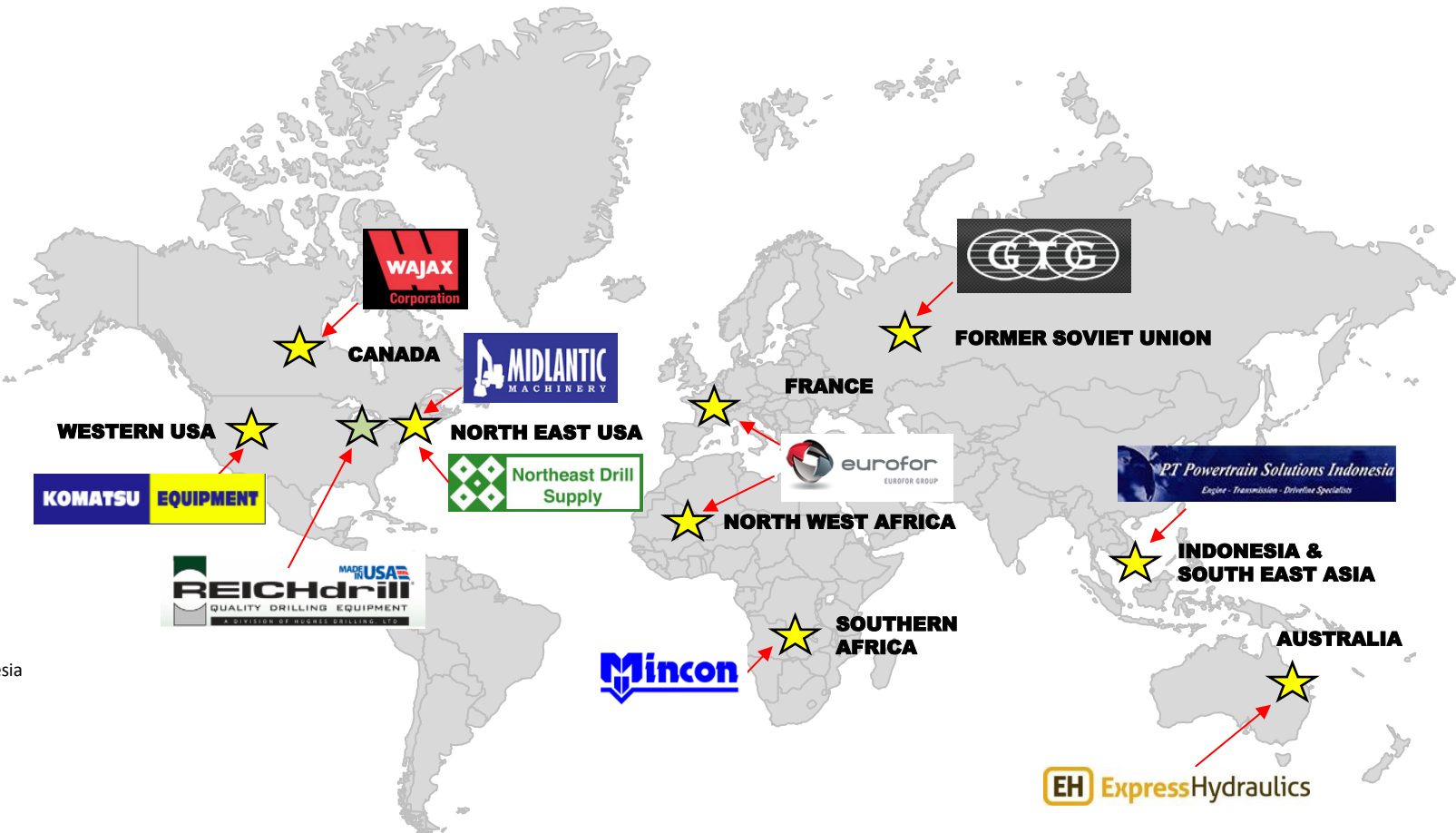
99 Troy Hawk Run Hwy, Philipsburg, PA 16866 • (814) 342-5500 • [www.reichdrill.com](http://www.reichdrill.com)

T-650-W Legend 4 Water Well Drill Rig



# Global Distributors – REICHdrill Rigs

- ★ **REICHdrill FACTORY**  
United States - Phillipsburg PA
- ★ **CANADA**  
Wajax Corporation
- ★ **NORTH EAST USA**  
Midlantic Machinery  
Northeast Drill Supply
- ★ **WESTERN USA**  
Komatsu Equipment Company
- ★ **AUSTRALIA**  
Express Hydraulics
- ★ **FRANCE & NORTH WEST AFRICA**  
Eurofor SAS
- ★ **INDONESIA & SOUTHEAST ASIA**  
PT. Powertrain Solutions Indonesia
- ★ **FORMER SOVIET UNION**  
Global Technology Group
- ★ **SOUTH AFRICA**  
Mincon

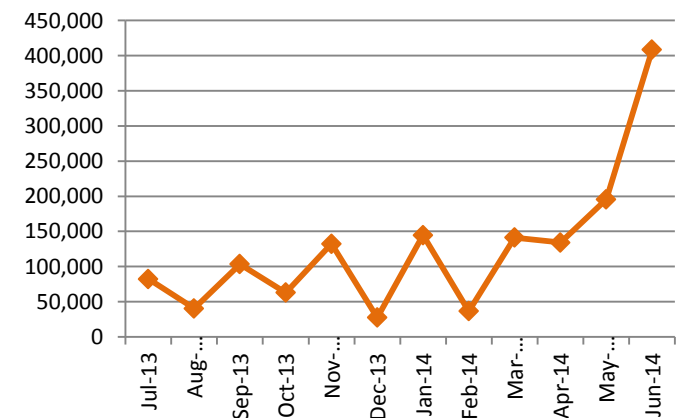


# Review of Operations – Express Hydraulics

- 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's full rig service agreement.
- 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 has opened a new facility in Mackay. This facility will also hold fast moving inventory for Hughes and 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
- The establishment of the new Mackay facility further demonstrates Hughes' and Express Hydraulics' commitment to customers and the local mining communities.
- The new Mackay facility is responsible for the increased turnover through the 4th quarter of FY14.



**Express Hydraulics External Sales**





# Geographic & Commodity Diversification



## ★ JSW OFFICES + SUPPORT CENTRES & EXPRESS HYDRAULICS DEPOTS

Bibra Lake – Head Office  
Kalgoorlie – Service Centre  
Port Hedland – Service Centre  
Boddington – Service Centre

## ▲ JSW LOCATIONS – IRON ORE

Christmas Creek Mine Site – Grade Control  
Solomon Mine Site – Grade Control  
Carina Mine Site - Production Drill & Blast

## ▲ JSW LOCATIONS - GOLD

Mt Magnet Gold Mine

## ▲ JSW LOCATIONS – NICKEL

Mt Keith – Blast Hole & De-Watering  
Rockys Reward Mine Site – Grade Control

## ▲ JSW LOCATIONS - BAUXITE

Boddington Mine Site - Blast Hole  
Worsley Refinery – Blast Hole

## ▲ JSW LOCATIONS – WATER SERVICES

Local WA Government– Water Services  
Beenyup Perth Metro – Water Services  
Sirius Resources – Water Services

## ★ HUGHES OFFICES & EXPRESS HYDRAULICS DEPOTS

Head Office - Yatala QLD  
Service Centre - Mackay QLD  
Service Centre - Singleton NSW

## ▲ HUGHES LOCATIONS - COAL

Callide QLD  
TBA QLD  
Foxleigh QLD  
Jellinbah QLD  
Millennium QLD  
Poitrel QLD  
Sonoma QLD  
Yarrabee QLD  
Boggabri NSW



## ★ REICHdrill FACTORY

Pennsylvania USA



\* Not to scale



# Client Diversification



## Financial Overview

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**HD** HughesDrilling



**EH** ExpressHydraulics



# FY14 Performance at a glance

## Revenue

- FY14 growth particularly reflects
  - Maintaining Hughes market share of contract drilling on the east coast
  - Full year contribution of Reichdrill
  - JSW Aust acquisition in October 2013

## Margins

- EBITDA and subsequent margins were impacted by the delineation drilling division (EMDS/HD2) and expensed non-recurring costs associated with corporate restructuring and the acquisition of JSW Aust.

## Continuing operations from established clients

- Hughes production drilling: Stable blue chip client base with mines generally lower on the cost curve. Low counter party risk.
- REICHdrill: Revitalisation/renewal of the global distribution network (USA, Africa, Indonesia, South America) is delivering an order book dominated by third party clients (USA, Africa in particular).
- JSW drilling: Stable blue chip client base with mines generally lower on the cost curve. Low counter party risk. Solid forward order book.
- Express Hydraulics has established itself in Central Queensland as the premier Drill Rig repair and maintenance centre, revenue continues to grow month on month, key clients being Peabody and Rio Tinto

(A\$m)	Underlying FY14*	FY14	FY13	FY13 to FY14 change
<b>Revenue</b>	<b>90.2</b>	<b>90.6</b>	<b>49.8</b>	<b>+82.0%</b>
<b>EBITDA</b>	<b>21.9</b>	<b>14.5</b>	<b>18.1</b>	<b>(19.6%)</b>
<i>EBITDA %</i>	24.3%	16.0%	36.3%	(20.3 points)
<b>EBIT</b>	<b>13.9</b>	<b>4.7</b>	<b>12.5</b>	<b>(62.6%)</b>
<i>EBIT %</i>	15.4%	5.2%	25.2%	(20.0 points)
<i>PBT</i>	10.9	1.6	10.4	(84.1%)
<b>NPAT</b>	<b>10.7</b>	<b>1.4</b>	<b>10.4</b>	<b>(86.3%)</b>
<i>NPAT Margin</i>	11.9%	1.6%	20.8%	(19.2 points)
<b>Earnings per Share</b>	<b>5.3 cents</b>	<b>0.7 cents</b>	<b>7.8 cents</b>	<b>(91.0%)</b>

### Notes:

FY14 is still in the process of being audited

FY14 comprises full year of Hughes Drilling and REICHdrill Inc. and 9 months of JSW

FY13 comprises full year of Hughes Drilling and 3 months of REICHdrill Inc.

\* Underlying core operations – see page26 for further information

## Diversity of service/product offering is winning new contracts

- Hughes and JSW has won contracts in FY14 by offering existing and new customers a variety of drilling solutions including:
  - Traditional contract drilling services;
  - Sale/supply of drill rig to mine owner operator, with a service and supply of drill consumables contract through Express Hydraulics; and
  - A hybrid of contract drilling and direct sale of drill rig, with a buy price after a period of time.

# Business Activities Review

## Blast hole production operations:

- Revenue and profitability maintained by focusing on delivering high utilisation of rigs to our clients and managing costs, by putting in place long term pricing agreements with key suppliers.
- Rig fleet growth rate moderated, and reflects the subdued nature of the market.
- The recent blast hole related debt reduction profile is expected to continue through FY14.

## REICHdrill:

- FY14 contribution saw a high percentage of sales to third parties.
- FY15 order book overwhelmingly comprises sales to third parties.
- Global distribution network re-development well advanced and generating sales.

## 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.
- The Mackay facility grows month on month, building its presence as the premier rig refurbishment facility in QLD.
- Australia focused agency and distribution activities on-going, with an increased focus on the CSG market.

## JSW Aust:

- FY14 contribution of 9 months.
- Continues to be the preferred specialist driller in WA.
- Blue Chip client base.
- FY15 order book very strong.

## Delineation / Exploration operations:

- Virtually no revenue generated from the Delineation Assets.
- These drill rig assets have been impaired in FY14 to the value of ~\$2.0m.
- Hughes/JSW will continue to market the assets for contracting work, but will be driven by achieving an acceptable margin.
- JSW has identified significant inventory and support assets for use in their WA operations.
- Refer to page 26 For the dissection of the loss generated by this business unit.

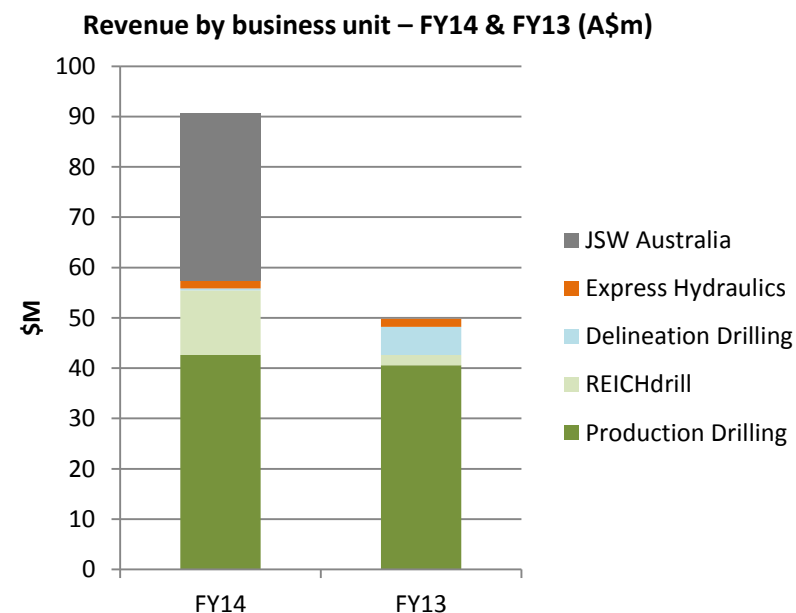
Activity	FY14 A\$m	FY13 A\$m
Production Drilling	42.7	40.6
REICHdrill	12.8	2.0
Delineation Drilling	0.3	5.6
Express Hydraulics	1.5	1.6
JSW Australia	33.2	-
<b>Total Revenue</b>	<b>90.6</b>	<b>49.8</b>

### Notes:

FY14 is still in the process of being audited

FY14 comprises full year of Hughes Drilling and REICHdrill Inc. and 9 months of JSW

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# Balance sheet

## Depreciation profile:

- Depreciation of rigs is 10% (higher than peers – typically 8 years) to reflect the REICHdrill / Specialist JSW Fleet useful life of the rigs (useful life of rigs is 11-14 years)

## Average age of rig fleet:

- Average age of rig fleet is 3.5 years
- Average rig life is 11 to 14 years
- Of the 73 rigs owned in the fleet, 13 rigs are at zero book value with an average age of 8 years and residual operating life of 3-6 years

## Increase in inventory reflects:

- Growth of production drilling fleet
- New Reichdrill contract in WA
- Addition of REICHdrill inventory and growth to match increased spare part sales
- Addition of JSW inventory

## Debt management:

- 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

Balance sheet	FY14	FY13
Cash and cash equivalents	0.4	5.3
Trade and other receivables	18.1	9.1
Inventories	37.8	24.7
Other	0.2	1.1
<b>Current assets</b>	<b>56.5</b>	<b>40.2</b>
Property, plant and equipment	63.6	41.6
Deferred tax asset	4.2	1.3
Intangible assets	8.0	7.6
<b>Non-current assets</b>	<b>75.8</b>	<b>50.5</b>
<b>TOTAL ASSETS</b>	<b>132.3</b>	<b>90.7</b>
Trade and other payables	19.2	8.1
Bank overdraft	4.3	0.6
Borrowings	24.2	11.2
Provisions	1.2	0.6
<b>Current liabilities</b>	<b>48.9</b>	<b>20.5</b>
Borrowings	17.7	15.5
Provisions	1.1	0.3
<b>Non-current liabilities</b>	<b>18.8</b>	<b>15.8</b>
<b>TOTAL LIABILITIES</b>	<b>67.7</b>	<b>36.3</b>
<b>NET ASSETS</b>	<b>64.5</b>	<b>54.4</b>

### Notes:

FY14 is still in the process of being audited

FY14 comprises full year of Hughes Drilling and REICHdrill Inc. and 9 months of JSW

FY13 comprises full year of Hughes Drilling and 3 months of REICHdrill Inc.

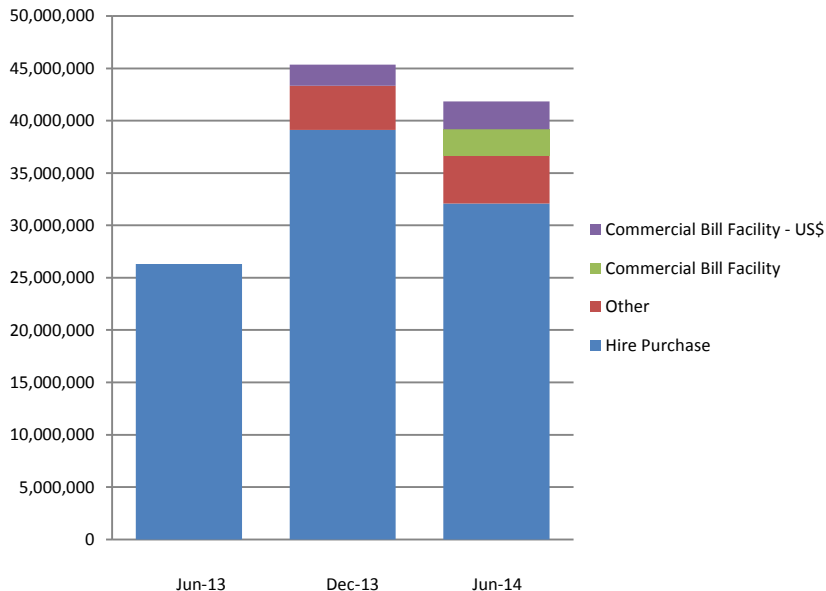


# Debt Management

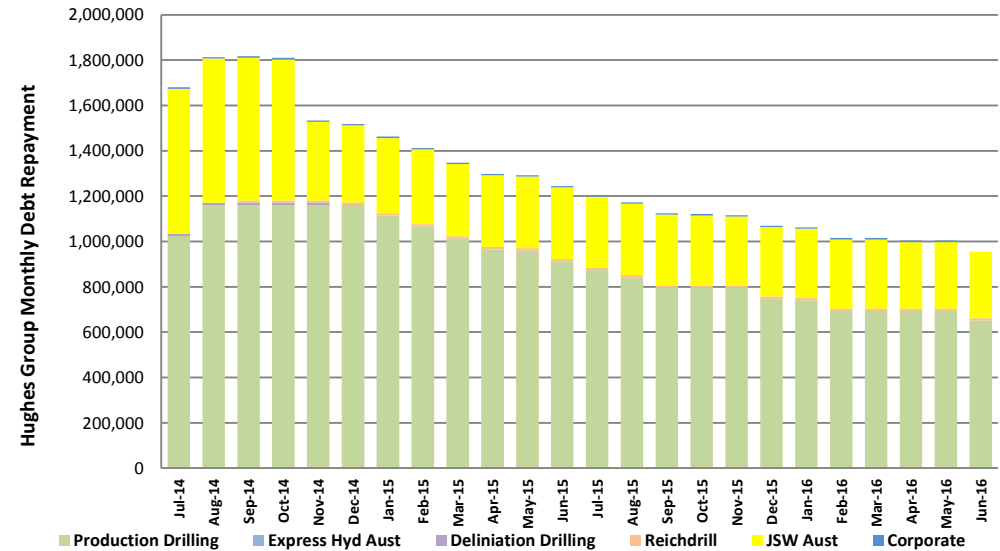
Hughes continued focus on debt reduction has seen a significant reduction in overall debt and restricting of some facilities to better suit Hughes ongoing requirements:

- 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
- 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.

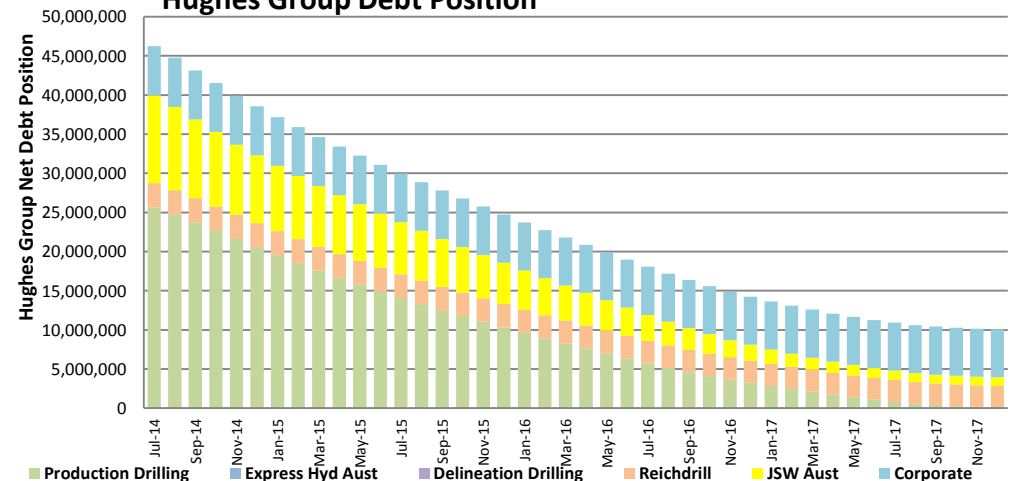
**Composition of Drawn Down Finance  
(Revolving Facilities Only) (A\$M)**



**Hughes Group Equipment Finance Repayment Summary**



**Hughes Group Debt Position**



# Cash flow

## FY2014 Cash flow:

- The cash generated by operating activities is consistent with expectations reflecting the subdued mining contracting environment and the costs relating to the set up of numerous new contacts commenced during FY14, the majority of these costs are one off, and will not occur in FY15, therefore much stronger cash flows from operations are expected.
- Modest drag on operating cash flow from a slowing of payment cycles by some clients.
- The decrease in cash outflow from investing activities relates to the acquisition of 3 new Reichdrill blast hole rigs (compared to 11 in FY13) and the acquisition of JSW Aust.
- The increase in repayment of borrowings is due to the additional debt brought through to the balance sheet from the JSW Aust acquisition.

Cash Flow (A\$m)	FY14	FY13
Receipts from customers	83.7	50.9
Payments to suppliers and employees	(75.0)	(40.9)
Other	(3.1)	(2.1)
<b>Net cash (used in) / generated by operating activities</b>	<b>5.6</b>	<b>7.9</b>
Purchase of plant and equipment	(9.3)	(17.2)
Proceeds from sale of plant and equipment	0.5	-
Net movement in intangible assets	1.6	-
Net cash acquired from subsidiary	(0.7)	1.0
Payment for acquisition of subsidiary	-	(5.0)
Loans advanced to related party	(2.5)	-
<b>Net cash used in investing activities</b>	<b>(10.4)</b>	<b>(21.2)</b>
Net proceeds from issue of shares	-	18.9
Non controlling interest contribution	0.2	0.2
Payment for capital raising costs	(0.2)	(0.9)
Proceeds from borrowings	14.1	11.6
Repayment of borrowings	(17.9)	(13.4)
<b>Net cash generated by financing activities</b>	<b>(3.8)</b>	<b>16.4</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(8.6)</b>	<b>3.1</b>
<b>CASH AT THE BEGINNING OF YEAR</b>	<b>4.7</b>	<b>1.6</b>
<b>CASH AT THE END OF THE YEAR</b>	<b>(3.9)</b>	<b>4.7</b>

### Notes:

FY14 is still in the process of being audited

FY14 comprises full year of Hughes Drilling and REICHdrill Inc. and 9 months of JSW

FY13 comprises full year of Hughes Drilling and 3 months of REICHdrill Inc.

# Note to Financials

## Non-IFRS Financial Information

Hughes Drilling Limited results are reported under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The Company discloses certain non-IFRS measures that are not prepared in accordance with IFRS and therefore are considered non-IFRS financial measures. The non-IFRS measures should only be considered in addition to and not as a substitute for, other measures of financial performance prepared in accordance with IFRS.

^ The term 'underlying core operations' used within this document, is a non-IFRS profit measure which refers to the statutory result for the full-year ended 30 June 2014 excluding the loss from impaired delineation drilling operations (which includes impairment charges related to the carrying values of exploration delineation drill rigs and goodwill recognised in the original EDMS Coal exploration delineation drilling business). This measure is important to management as an additional way to evaluate the Company's performance. The underlying profit measure is unaudited.

Underlying core NPAT and Underlying core operations EPS are non-IFRS earnings measures which do not have any standardised meaning prescribed by IFRS and therefore may not be comparable to NPAT or EPS as presented by other companies. Underlying core operations NPAT represents NPAT excluding the after tax loss from impaired delineation drilling operations. Underlying core operations EPS represents EPS excluding the after tax loss from impaired delineation drilling operations.

(A\$m)	FY14	HD2*	FY14 Underlying core
Revenue	90.6	0.3	90.2
Cost of Goods Sold	60.1	1.4	58.6
<b>Gross Profit</b>	<b>30.5</b>	<b>(1.1)</b>	<b>31.6</b>
Overheads	9.7	-	9.7
Bad Debt Written Off (Tom Browne)	0.7	0.7	-
Impairment – Goodwill	4.0	4.0	-
Impairment – PP & E	1.6	1.6	-
<b>EBITDA</b>	<b>14.5</b>	<b>(7.4)</b>	<b>21.9</b>
Depreciation	9.8	1.8	8.0
<b>EBIT</b>	<b>4.7</b>	<b>(9.2)</b>	<b>13.9</b>
Interest	3.0	0.1	3.0
<b>NPBT</b>	<b>1.6</b>	<b>(9.3)</b>	<b>10.9</b>
Tax	0.2	-	0.2
<b>NPAT</b>	<b>1.4</b>	<b>(9.3)</b>	<b>10.7</b>
<b>Earnings per share (cents)</b>	<b>0.7</b>		<b>5.3</b>

\*HD2: Hughes Drilling 2 Pty Ltd – Delineation / Exploration Drilling Entity

**Thank You**