



**HUGHES DRILLING LIMITED**

**ABN 12 124 279 750**

**APPENDIX 4E**



**PRELIMINARY FINAL REPORT**

**30 JUNE 2015**

## RESULTS FOR ANNOUNCEMENT TO THE MARKET FOR THE YEAR ENDED 30 JUNE 2015

Current Reporting Period: 12 Months ended 30 June 2015

Previous Corresponding Period: 12 Months ended 30 June 2014

	Movement	% Change		\$,000's
Revenue from ordinary activities relating to continuing operations	Up	18.7%	to	107,538
Net profit/(loss) after tax from ordinary activities attributable to equity holders	Up	527.6%	to	8,922
Net profit /(loss) after tax attributable to equity holders	Up	527.6%	to	8,922

### Dividends

No dividend from current year operations has been paid or is proposed to be paid in relation to the year ended 30 June 2015.

### Net tangible asset backing per ordinary share

2015	2014
\$0.30	\$0.28

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 \$107.6m and a net profit after tax of \$8.9m for the 12 months to 30 June 2015.

The Net Profit of \$8.9m attributable to equity holders was after impairment charges of \$2.6m associated with the inventory of EDMS acquired via the reverse acquisition by Hughes Drilling in 2012.

The year ended 30 June 2015 was impacted by a number of external factors, the main contributors still being; slower decisions by clients to engage and mobilise 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.

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 provision relates to the carrying value of the inventory that formed part of the original EDMS Coal exploration delineation drilling business. As Hughes is a 100% production drilling focused, the Directors have decided provide of its impairment, to write down the value of the EDMS inventory to Nil (from \$2.6m).

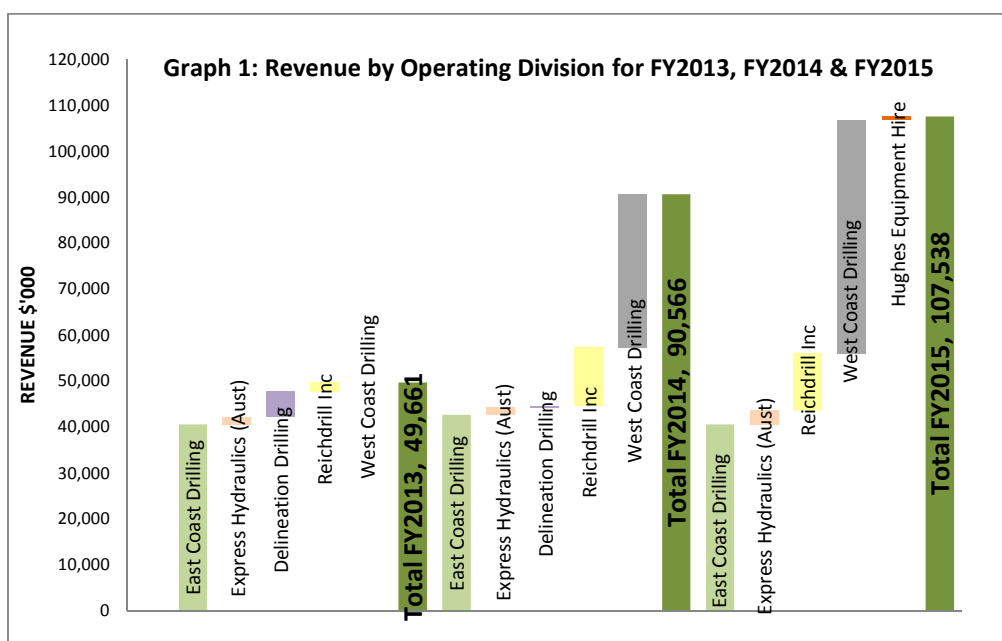
CONSOLIDATED FINANCIAL RESULTS	30 June 2015 *	30 June 2014 *	% Change
	A\$ '000	A\$ '000	
<b>Financial Performance</b>			
Revenue	107,538	90,566	18.7%
EBITDA (ex impairment)	28,365	20,181	40.6%
EBITDA Margin	26.4%	22.3%	18.4%
Impairment	2,591	5,571	(53.5%)
Depreciation & amortization	11,182	9,858	13.4%
Finance Costs	3,191	3,108	2.7%
EBT	11,401	1,645	593.1%
<b>NPAT</b>	<b>8,922</b>	<b>1,422</b>	<b>508.6%</b>
NPAT Margin %	8.3%	1.6%	428.6%
<b>Cash Flow</b>			
Net Cash from Operating Activities	20,206	5,628	259.0%
Net Cash used in Investing Activities	(27,129)	(10,385)	161.2%
<b>Free Cash Flow</b>	<b>(6,923)</b>	<b>(4,757)</b>	<b>45.5%</b>
<b>Debt</b>			
Cash	1,704	426	300.1%
Debt (including overdraft)	54,786	46,113	18.8%
<b>Net Debt</b>	<b>53,081</b>	<b>45,687</b>	<b>16.2%</b>
Debt / Debt + Equity	42.1%	41.7%	1.0%
Note - FY14 comprises full year of Hughes Drilling, and REICHdrill and 9 months of JSW Australia results			

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## Review of Revenue

Revenue for the 12 months ending 30 June 2015 was \$107.6m, an increase of 18.7% from \$90.6m for the corresponding 12 months to 30 June 2014, the increase in revenue was driven by;

- **East Coast Drilling Operations (Production Blast Hole Drilling)** (37.7 % of Group revenue): Revenue for FY15 was \$40.6m, a slight decrease of 4.9% from FY14. Rig numbers for East Coast Drilling remain at 39, compared to 41 for FY14 (two REICHdrill C700s transferred to JSW Australia in June 2014). Rig utilisation has remained relatively consistent for FY15; however, certain mines have scaled back monthly drill metres, which has led to some reduced revenue, this has been offset with a number rigs being deployed to either existing mine sites to bolster the drilling or to new mine sites.
- **West Coast Drilling Operations (JSW Aust – Production Blast Hole, Water Well and Resource Definition Drilling)** (47.1% of Group revenue): FY15 is the first full year contribution to Hughes from JSW Aust. Current owned rigs are 24 (including 2 C700 REICHdrill production rigs and 1 Hydco 1200, transferred from QLD and NSW), this is bolstered by an additional 7 rigs on hire. JSW has been able to continue to win quality drilling contracts during FY15 due to its focus on safety, and professional and cost effective execution of drilling contracts. Revenue for FY15 is \$50.7m, up from \$33.2m. The growth of the WA revenue base has been from all 3 divisions, Production Drilling, Mineral Drilling (resource definition) and Water Well drilling.
- **REICHdrill** (11.6% of Group revenue): REICHdrill sold 11 rigs in FY15, 1 to Hughes (C700), and 10 for external customers. The 10 external sales, \$12.5m, were a mix of rigs, T690W, T650D, C550D, C700D, & C750D's. REICHdrill enquiry rate remains high, however, converting to rig sales continues to be a long process. Spare part sales continue to remain strong.
- **Express Hydraulics** (2.8% of Group revenue): FY15 revenue of \$3.0m was a 100% increase on FY14 of \$1.5 m. The increase in FY15 was driven by the new Mackay facility (opened in November 2013) winning ongoing work with Peabody and Rio Tinto.
- **Delineation Drilling** (0.0% of Group revenue): This division did not operate in FY15 due to the depressed delineation / exploration drilling market. Hughes has impaired all related inventory to Nil. The rigs have been absorbed into the West Coast Drilling Operations where possible.
- **Hughes Equipment Hire** (0.7% of Group revenue): FY15 revenue of \$0.8m. Hughes Equipment Hire was established in FY15; the equipment hire will initially focus on the hire of Sullivan Palatek compressors to the mining and construction industries. The establishment of the hire fleet has been driven by the customers holding off on the acquisition of new equipment, and requesting the option to hire the equipment.



## Review of Profitability

Net Profit After Tax (NPAT) for the 12 months to 30 June 2015 was \$8.9m, an increase of 527.6% on the corresponding 12 months to June 2014, \$1.4m. The underlying changes in NPAT were driven by;

- **East Coast Drilling Operations (Production Blast Hole Drilling):** Underlying NPAT of \$11.4m (a period to period decrease of \$0.7m or -6%). This reduction was mainly driven by the lower rig utilisation at mines sites in FY15.
- **West Coast Drilling Operations (JSW Aust – Production Blast Hole, Water Well and Resource Definition Drilling):** Underlying NPAT contribution for FY15 of \$6.0m, an increase of \$4.0m from FY14.
- **REICHdrill:** NPAT contribution of -\$0.8m for FY15, compared a slight profit in FY14 of \$0.1m. This small loss was due to the lower than budgeted rig revenue for FY15.
- **Express Hydraulics:** Underlying profit of \$0.3m for FY15, a \$0.2m increase on FY14. The profit was driven by the improved part sales, and the ongoing works with significant clients from the new Mackay facility.
- **Hughes Equipment Hire:** First partial period contribution for this business with a \$0.05m positive NPAT.
- **Delineation Drilling:** Loss of \$3.3m, including the \$2.6m impairment of the EDMS inventory.
- **Corporate:** Corporate overheads, interest and tax NPAT of -\$4.8m, an increase of \$1.3m on FY14, this has been driven by tax and treasury interest costs.

## Review of Borrowings

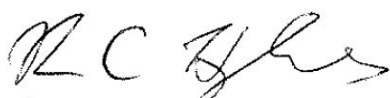
Repayment of debt has remained a focus of the Hughes Group, and during 2H15 the Hughes Group restructured some of the Westpac debt facilities to better service the expanding business, and some additional equipment was funded also;

- The 2 year AUD\$2.5m commercial bill was restructured into a 2 year AUD\$5.0m commercial bill,
- The USD\$2.5m 90 day trade finance facility, was restructured to operate as a AUD\$5.0m overdraft, hence the increase in the overdraft as at 30 June 2015;
- The acquisition of AUD\$4.5m intellectual property by REICHdrill was funded by a 12 month commercial bill, which on maturity converts to a 2 year loan.
- REICHdrill will build 5 new rigs for JSW Aust financed by a AUD\$6.0m trade finance facility. On delivery of rigs, the trade finance will convert to hire purchase. These new rigs will replace the various rigs JSW currently either hire or sub contract
- Equipment funded by existing hire purchase facility, included REICHdrill C700 drill rig \$2.5m and support trucks \$0.2m

## 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**  
31 August 2015

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated 30 June 2015 \$ '000	Consolidated 30 June 2014 \$ '000
<b>Revenue</b>		
Revenue	107,538	90,566
Cost of Goods Sold	(81,965)	(71,126)
Gross Profit	25,573	19,440
Other Income	254	311
General and Administrative Expenses	(8,426)	(8,963)
Selling and Marketing Expense	(218)	(464)
Operating Profit	17,183	10,324
Impairment	(2,591)	(5,571)
Finance Costs	(3,191)	(3,108)
Profit for the year before income tax	11,401	1,645
Income tax (expense)/benefit	(2,479)	(223)
<b>Profit for the year attributable to Equity holders</b>	<b>8,922</b>	<b>1,422</b>
<b>Profit for the year attributable to:</b>		
Owners of Hughes Drilling Ltd	8,740	1,377
Non-controlling- interest	182	45
	8,922	1,422
<b>Earnings per share for profit attributable to ordinary equity holders of the company – cents/share</b>		
- Basic profit per share	4.28c	0.70c
- Diluted profit per share	4.22c	0.69c
<b>Profit for the year attributable to Equity Holders</b>	<b>8,922</b>	<b>1,422</b>
<b>Other comprehensive income</b>		
- Exchange differences on translation of foreign operations	1,891	70
<b>Total comprehensive income attributable to Equity holders</b>	<b>10,813</b>	<b>1,492</b>
<b>- Total comprehensive income for the year attributable to:</b>		
Owners of Hughes Drilling Ltd	10,556	1,445
Non-Controlling-interest	257	47
	10,813	1,492

The accompanying notes form part of the financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED 30 JUNE 2015**

	Note	Consolidated 30 June 2015 \$ '000	Consolidated 30 June 2014 \$ '000
<b>Current assets</b>			
Cash and cash equivalents	3	1,704	426
Trade and other receivables	4	23,672	18,066
Inventories	5	43,770	37,830
Available-for-sale financial assets		-	-
Non-current assets held for sale		1,629	130
<b>TOTAL CURRENT ASSETS</b>		<b>70,775</b>	<b>56,452</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	73,875	63,569
Deferred tax asset		2,244	4,228
Intangible assets	7	12,641	8,016
<b>TOTAL NON-CURRENT ASSETS</b>		<b>88,760</b>	<b>75,813</b>
<b>TOTAL ASSETS</b>		<b>159,535</b>	<b>132,265</b>
<b>Current liabilities</b>			
Trade and other payables	8	26,119	19,237
Bank overdraft	3	11,210	4,288
Tax payable		-	-
Borrowings	9	20,376	24,170
Provisions		2,036	1,834
<b>TOTAL CURRENT LIABILITIES</b>		<b>59,741</b>	<b>49,529</b>
<b>Non-current liabilities</b>			
Borrowings	9	23,200	17,655
Provisions		1,242	542
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>24,442</b>	<b>18,197</b>
<b>TOTAL LIABILITIES</b>		<b>84,183</b>	<b>67,726</b>
<b>NET ASSETS</b>		<b>75,352</b>	<b>64,539</b>
<b>EQUITY</b>			
Contributed equity	10	38,227	38,227
Reserves		3,200	1,385
Retained earnings		33,251	24,511
Equity attributable to group members		74,678	64,123
Non-controlling interest		674	416
<b>TOTAL EQUITY</b>		<b>75,352</b>	<b>64,539</b>

The accompanying notes form part of the financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENED 30 JUNE 2015**

	Contributed equity	Share option reserves	Retained earnings	Total	Non- controlling Interest	Total
	\$ '000	\$ '000	\$ '000	\$'000	\$'000	\$ '000
<b>CONSOLIDATED</b>						
Balance 1 July 2013	<b>29,783</b>	<b>1,217</b>	<b>23,134</b>	<b>54,134</b>	<b>223</b>	<b>54,357</b>
Profit for the year attributable to Equity holders	-	-	1,377	1,377	45	1,422
Other Comprehensive Income	-	68	-	68	2	70
<b>Total comprehensive income</b>	<b>-</b>	<b>68</b>	<b>1,377</b>	<b>1,445</b>	<b>47</b>	<b>1,492</b>
<b>Transactions with owners in their capacity as owners:</b>						
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)
<b>Balance at 30 June 2014</b>	<b>38,227</b>	<b>1,385</b>	<b>24,511</b>	<b>64,123</b>	<b>416</b>	<b>64,539</b>
Balance 1 July 2014	<b>38,227</b>	<b>1,385</b>	<b>24,511</b>	<b>64,123</b>	<b>416</b>	<b>64,539</b>
Profit for the year attributable to Equity holders	-	-	8,740	8,740	182	8,922
Other Comprehensive Income	-	1,815	-	1,815	76	1,891
<b>Total comprehensive income</b>	<b>-</b>	<b>1,815</b>	<b>8,740</b>	<b>10,555</b>	<b>258</b>	<b>10,813</b>
<b>Transactions with owners in their capacity as owners:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 30 June 2015</b>	<b>38,227</b>	<b>3,200</b>	<b>33,251</b>	<b>74,678</b>	<b>674</b>	<b>75,352</b>

The accompanying notes form part of the financial statements.



**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENED 30 JUNE 2015**

	Note	Consolidated 30 June 2015 \$ '000	Consolidated 30 June 2014 \$ '000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from customers		103,420	83,747
Payments to suppliers and employees		(79,989)	(73,380)
		<u>23,431</u>	<u>10,367</u>
Interest paid		(3,225)	(3,108)
Income tax paid		-	-
<b>Net cash generated by operating activities</b>	11	<u>20,206</u>	<u>7,259</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payment for Acquisition of Subsidiary		-	-
Net movement of investments		-	-
Net movement in intangible assets		(4,237)	-
Net cash acquired from subsidiary		-	(695)
Loans advance related party		-	(2,500)
Proceeds from sale of plant and equipment		106	534
Purchase of plant and equipment		(22,998)	(9,354)
<b>Net (cash used) in investing activities</b>		<u>(27,129)</u>	<u>(12,015)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		-	-
Transaction with non-controlling interest		-	146
Payment for capital raising costs		-	(170)
Proceeds from borrowings		24,070	14,093
Repayment of borrowings		(22,550)	(17,908)
<b>Net cash (used in) / generated by financing activities</b>		<u>1,520</u>	<u>(3,839)</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(5,403)</b>	<b>(8,595)</b>
<b>CASH AT THE BEGINNING OF THE YEAR</b>		<b>(3,862)</b>	<b>4,736</b>
Effects of exchange rate changes on cash and cash equivalents		(241)	(3)
<b>CASH AT THE END OF THE YEAR</b>	3	<u><b>(9,506)</b></u>	<u><b>(3,862)</b></u>

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 2015**

**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 2014 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 2014 annual report.

## 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. The results from continuing operations are reflected in the table below.

<b>AS AT JUNE 2015 - in \$'000</b>	<b>Drilling</b>	<b>Non Drilling</b>	<b>Total</b>
Sales to external customers	91,235	16,303	107,538
Other income	200	54	254
Inter-segment revenue	-	3,656	3,656
<b>Total Revenue</b>	<b>91,435</b>	<b>20,013</b>	<b>111,448</b>
Cost of sales	(62,469)	(15,476)	(77,945)
Overhead	(3,852)	(1,339)	(5,191)
Depreciation	(10,586)	(596)	(11,182)
Interest Expense	(2,350)	(841)	(3,191)
Profit/(Loss) on Asset Sales	34	18	52
Impairment Write Down	(2,591)	-	(2,591)
<b>Total Expense</b>	<b>(81,814)</b>	<b>(18,234)</b>	<b>(100,048)</b>
<b>Segment profit/(loss) before tax</b>	<b>9,621</b>	<b>1,779</b>	<b>11,401</b>
Tax Expense	(3,063)	584	(2,479)
<b>Profit from operations</b>	<b>6,558</b>	<b>2,364</b>	<b>8,922</b>
<b>Assets</b>			
Total assets	<b>121,641</b>	<b>37,894</b>	<b>159,535</b>
<b>Liabilities</b>			
Total liabilities	<b>(60,067)</b>	<b>(24,116)</b>	<b>(84,183)</b>

## 2. SEGMENT REPORTING (continued)

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
<b>Total revenue</b>	<b>76,438</b>	<b>17,215</b>	<b>93,653</b>
Cost of sales	(51,094)	(11,751)	(62,845)
Depreciation	(9,580)	(278)	(9,858)
Interest expense	(3,087)	(21)	(3,108)
Overhead	(7,775)	(2,875)	(10,650)
Profit/(loss) on asset sales	24	-	24
Impairment Write Down	(5,571)	-	(5,571)
<b>Total expense</b>	<b>(77,083)</b>	<b>(14,925)</b>	<b>(92,008)</b>
<b>Segment profit/(loss) before</b>	<b>(645)</b>	<b>2,290</b>	<b>1,645</b>
Tax Expense	(536)	313	(223)
<b>Profit from Operations</b>	<b>(1,181)</b>	<b>2,603</b>	<b>1,422</b>
<b>Assets</b>			
Total assets	111,457	20,809	132,266
<b>Liabilities</b>			
Total liabilities	(50,047)	(17,679)	(67,726)

<b>Consolidated</b>	<b>Consolidated</b>
<b>30 June 2015</b>	<b>30 June 2014</b>
<b>\$ '000</b>	<b>\$ '000</b>

### 3. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	1,704	426
Bank overdraft	(11,210)	(4,288)
Balances as per the statement of cash-flows	<b>(9,506)</b>	<b>(3,862)</b>

### 4. TRADE AND OTHER RECEIVABLES

Trade receivables	22,856	17,480
Prepayments	328	258
Sundry debtors	488	328
	<b>23,672</b>	<b>18,066</b>

### 5. INVENTORIES

Consumable and spare parts at cost	43,798	34,954
Provision for Impairment	(2,591)	-
Work in progress - Drill Rigs at cost	2,563	2,876
	<b>43,700</b>	<b>37,830</b>

## 6. PROPERTY, PLANT AND EQUIPMENT

	Consolidated 30 June 2015 \$ '000	Consolidated 30 June 2014 \$ '000
<b>Freehold Land and Buildings</b>		
At cost	1,562	1,540
Accumulated depreciation	(282)	(194)
	<b>1,280</b>	<b>1,346</b>
<b>Motor Vehicles</b>		
At cost	5,848	6,261
Accumulated depreciation	(3,168)	(2,825)
	<b>2,680</b>	<b>3,436</b>
<b>Office Equipment</b>		
At Cost	1,496	1,375
Accumulated depreciation	(825)	(733)
	<b>671</b>	<b>642</b>
<b>Plant and equipment</b>		
At cost	123,382	103,161
Accumulated depreciation	(57,536)	(46,915)
Accumulated impairment	(3,270)	(2,179)
	<b>62,576</b>	<b>54,067</b>
<b>Capital Work in progress</b>		
At cost	6,668	4,079
	<b>6,668</b>	<b>4,079</b>
<b>Total Property, plant and equipment</b>		
Cost	138,956	116,416
Accumulated depreciation	(61,811)	(50,668)
Accumulated impairment	(3,270)	(2,179)
<b>Total written down value</b>	<b>73,875</b>	<b>63,569</b>

**7. INTANGIBLE ASSETS AND GOODWILL**

	Consolidated 30 June 2015 \$ '000	Consolidated 30 June 2014 \$ '000
<b>Trademarks</b>		
At cost	3	3
Accumulated impairment	-	-
	<u>3</u>	<u>3</u>
<b>Intellectual Property</b>		
At cost	4,625	-
Accumulated impairment	-	-
	<u>4,625</u>	<u>-</u>
<b>Goodwill</b>		
At cost	8,013	12,018
Accumulated impairment	-	(4,005)
	<u>8,013</u>	<u>8,013</u>
<b>Total Intangibles and goodwill</b>		
At cost	12,641	12,021
Accumulated impairment	-	(4,005)
<b>Total Intangibles and Goodwill</b>	<u>12,641</u>	<u>8,016</u>
<b>Reconciliation</b>		
<b>Trademarks</b>		
Opening net book amount	3	3
Additions	-	-
Amortisation	-	-
Closing net book amount	<u>3</u>	<u>3</u>
<b>Intellectual Property</b>		
Opening net book amount	-	-
Additions	4,625	-
Amortisation	-	-
Closing net book amount	<u>4,625</u>	<u>-</u>
<b>Goodwill</b>		
Opening net book amount	8,013	7,575
Additions	-	5,892
Adjustment - REICHdrill Inc, goodwill	-	(1,449)
Impairment – EDMS goodwill	-	(4,005)
Closing net book amount	<u>8,013</u>	<u>8,013</u>
<b>Total Intangibles and Goodwill</b>	<u>12,641</u>	<u>8,016</u>

## Intellectual Property

REICHdrill acquired the intellectual property to build, market and sell an additional style of drill rig. Production and sales are expected in FY16.

## Goodwill

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 prior year;

- REICHdrill : 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.
- EDMS: 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 2015 \$ '000	Consolidated 30 June 2014 \$ '000
Trade payables	12,483	12,085
Other payables	13,636	7,152
	<b>26,119</b>	<b>19,237</b>

## 9. BORROWINGS

### Current

#### Secured

- Hire Purchase	13,659	15,104
- Mortgage	50	-
- Commercial bill / trade finance facility	2,750	2,500
- Commercial bill / trade finance facility – US\$	-	2,654
- Other	3,917	3,912
	<b>20,376</b>	<b>24,170</b>

### Non-Current

#### Secured

- Hire Purchase	12,996	16,971
- Mortgage	204	-
- Commercial bill / trade finance facility	9,500	-
- Commercial bill / trade finance facility – US\$	-	-
- Other	500	684
	<b>23,200</b>	<b>17,655</b>

Note: Other debt comprises of Silverthorne Loan \$3.704m and Eastern Guruma \$0.712m

## 10. CONTRIBUTED EQUITY

	Number of shares 000's	Value \$'000s	Attributable Costs \$'000s	Net \$'000s
Balance 1 July 2014	208,670	39,549	(1,322)	38,227
Shares issued	-	-	-	-
On issue at 30 June 2015	208,670	35,549	(1,322)	38,227

## 11. RECONCILIATION OF PROFIT AFTER INCOME TAX TO OPERATING CASH INFLOWS FROM OPERATING ACTIVITIES

	Consolidated 30 June 2015 \$ '000	Consolidated 30 June 2014 \$ '000
Operating profit after taxation	8,922	1,422
Movement in reserves	-	104
Impairment expense	2,591	5,571
Depreciation	11,182	9,888
(Profit)/loss on disposal of assets	(54)	(24)
Movement in assets / liabilities:		
(Increase)/decrease in trade and other receivables	(4,479)	(7,129)
(Increase)/decrease in stock	(7,065)	(9,906)
(Increase)/decrease in deferred tax assets	2,479	239
Increase/(decrease) in trade and other payables	5,728	6,483
Increase/(decrease) in provisions	902	611
<b>Net cash (used in)/provided by operating activities</b>	<b>20,206</b>	<b>7,259</b>

## 12. DIVIDENDS

No dividend was paid during the 12 months period ended 30 June 2015.

## 13. EVENTS AFTER BALANCE DATE

There were no significant events after the balance sheet date