



Hughes Drilling

HUGHES DRILLING LIMITED

ABN 12 124 279 750

FINANCIAL REPORT

HALF YEAR ENDED 31 DECEMBER 2020

For personal use only

Contents

	Page
Directors' Report	3
Auditors declaration of independence	4
Statement of comprehensive income	5
Balance sheet	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	12
Independent Auditor's Report	13

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Hughes Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

For personal use only

Directors' Report

Your directors present their report on the Company consisting of Hughes Drilling Limited at the end of, or during, the period under review from 1 July 2020 to 31 December 2020.

Directors

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

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

Company Secretary

Mr Stephen Hewitt-Dutton Appointed 16 August 2017

Review of Operations

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

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

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

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

Dividends

No dividends were declared or paid during the period.

Events After the Reporting Date

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

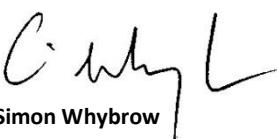
No other matter of circumstance has arisen since reporting date that has significantly affected the company's operations, results or state of affairs, or may do so in future years.

Auditor's Independence Declaration

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

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

For and on behalf of the Directors



Simon Whybrow
Non-Executive Director
Perth, 17 March 2021



Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

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

As lead auditor for the review of Hughes Drilling Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'L G Mylonas', is written over a horizontal line.

L G Mylonas
Director

BDO Audit Pty Ltd

Brisbane, 17 March 2021

For personal use only

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

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

The accompanying notes form part of the financial statements

For personal use only

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

BALANCE SHEET

AS AT 31 DECEMBER 2020

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

The accompanying notes form part of the financial statements.

For personal use only

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

STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

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

The accompanying notes form part of the financial statements.

For personal use only

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

STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

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

The accompanying notes form part of the financial statements.

For personal use only

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This condensed financial report for the half-year reporting period ended 31 December 2020 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This condensed half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Hughes Drilling Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

a) Changes in accounting policy

There were no changes in accounting policy of the Company during the half year ended 31 December 2020 other than what has been disclosed at note 6 of this interim financial report.

b) Going Concern

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

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

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

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

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

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

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

c) New and amended standards adopted by the group

In the half-year ended 31 December 2020, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for reporting periods beginning on or after 1 July 2019. As a result of this review, the Company has initially applied AASB 16 from 1 July 2019.

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

d) Impact of standards issued but not yet applied

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

2. SEGMENT REPORTING

Reportable segments

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

3. EXPENSES

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

4. CASH AND CASH EQUIVALENTS

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

5. CONTRIBUTED EQUITY

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

For personal use only

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

6. OTHER EQUITY

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

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

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

7. COMMITMENTS AND CONTINGENCIES

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

8. EARNINGS PER SHARE

No shares have been excluded from the calculation of diluted earnings per share that could potentially dilute the earnings per share in the future because they are anti-dilutive. There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

Earnings per share are calculated based on the following:

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

9. RELATED PARTIES

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

10. EVENTS OCCURRING AFTER THE REPORTING DATE

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

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

For personal use only

Directors' Declaration

The directors of Hughes Drilling Limited declare that:

- (a) in the directors' opinion the financial statements and notes set out on pages five (5) to eleven (11), are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 31 December 2020 and of their performance, for the financial half-year ended on that date, and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*, and
- (b) subject to note 1(b), there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



Simon Whybrow
Non-Executive Director
Perth, 17 March 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Hughes Drilling Limited

Report on the Half-Year Financial Report

Conclusion

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

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

- (i) Giving a true and fair view of the company's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

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

Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

For personal use only

Responsibility of the directors for the financial report


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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BDO Audit Pty Ltd

BDO


L G Mylonas
Director

Brisbane, 17 March 2021

For personal use only