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Chairman's address to shareholders

I assume shareholders have read the detail in the 2018 Annual Report released in October. It provides a detailed review of the Company's activities and performance for the year to June 2018. On that basis I will not labour information in the document other than to summarise the highlights of the year:

- Firstly, and importantly the board was pleased to note the outstanding safety performance of our Australian business for the June 2018 year. It continues the exemplary performance of previous years and is an aspect of our business for which we are so well regarded in the coal industry. The dedication to safe working practices and keeping our employees from harm is the result of a lot of planning and reinforcement from senior management and Brett Tredinnick as CEO of the Drilling Division can be proud of this achievement.
- The performance of the Drilling Division improved considerably from the previous period, recording an underlying EBITDA of $19.7m against $2.5m for 2017. In summary this was achieved through a refocus on our core skills in servicing the coal industry and particularly our differentiated offerings of large diameter and directional drilling services. It was also aided by an uplift in demand from the East Coast coal market. The market and our results so far this year indicate that this performance will continue for some time. This has been supported by securing 2 long term contracts since year end.
- During the year we began the task of exiting the LEC Division following a thorough review of our prospects in this segment. Subsequently we have completed this divestment save for repatriating some funds tied up in working capital and finishing up 2 contracts that were in progress at the time the decision was made.
- As part of an ongoing review of funding requirements and balance sheet structure a number of initiatives were undertaken during the year in review and immediately subsequent. They included:
    - A capital raise of $51.4 m by way of a placement and an entitlements offer.

- Partial repayment of the OCP and Kerogen facilities as a result of the above along with other initiatives which has resulted in a reduction in interest expense of approximately $7 m per annum.
- Deferral, to June 2019, of the obligation to reduce our senior note facility with OCP to $US 20m and an extension on the term of the facility to the end of January 2020 from what was originally July 2019. In addition, we redraw $9 m under the facility to allow for ongoing commitments to our UK investment.

- As reported, during the year under review we received an offer to acquire the Drilling Division, prompting a program to examine options for the future of the Division. The results of this review are expected early in the first quarter 2019.
- Most importantly, throughout the year the company oversaw the progress towards completing the appraisal of the PNR shale gas exploration project that included the completion of well 1 and 2 and the preparation for hydraulic fracturing of these wells. After the year end Cuadrilla has begun the fracturing and flow testing of well 1 and I shall come back to this later in this address as will Francis Egan in his video address.

Most of the events detailed above go to a continuing initiative of the Board to transition AJL with more deliberate focus and support of our UK investments in the shale gas exploration and appraisal assets. As part of this initiative your board is exploring ways for AJL to have a more direct presence in the UK which should better position us to access the UK and northern hemisphere for funds to further the development of our investment. As our UK investment matures there will be a greater need to raise funds to support it and a direct presence in the UK will facilitate this need.

Before moving to Francis's video address, I would like to summarise the most current position hydraulic fracturing operations and briefly outline more recent developments that are perhaps more current than the video:

- As reported in the media and our releases, the limit of 0.5 ML of measured induced seismicity within the "Traffic Light System" are proving challenging in completing the hydraulic fracturing of well 1. It should be noted that sub-surface seismic activity in the order of 1.5 ML occurs regularly in the UK and seismic activity less than 2.0 ML is seldom felt at surface. To date Cuadrilla has encountered 4 events that have required a pause in operations for 18 hours required in the approval plan.

- Cuadrilla considers the upper limit of 0.5 ML overly conservative and this is supported by evidence from other industries operating in the UK and other countries engaged in shale gas fracturing. Cuadrilla is however working on the assumption that this constraint will not be altered for the current hydraulic fracturing operations. The company has therefore devised a work-plan to optimise fracturing and well performance whilst operating within the 0.5 ML limit. In summary, it will involve a greater flow-back of fracturing fluid between fracturing stages by lengthening flowback periods and increasing the sand to water ratio in the fluid composition. Any gas recovered in the flowback water recovery and recycling will be measured and flared if necessary. On completion of the fracturing phase a flowtest program will take place to evaluate well 1 before embarking on the well 2 program.
- Concurrently Cuadrilla will engage with the regulators and the industry to clearly demonstrate that a more appropriate upper limit on seismic monitoring should be set to enable optimal testing without compromising on world class environmental and safety measures.

You will see from the video the Cuadrilla team are encouraged by both the fracturing properties of the shale and the early showings of gas during the fracturing process.