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### **Chairman's address to shareholders**

The performance of the business for the year in review has been covered quite comprehensively in our results announcement and the Annual Report sent to shareholders and I will therefore cover off some highlights as well as provide an update of where we see this year, to the extent I am able.

Year end June '16 operating performance for the Australian businesses was pleasing, with underlying EBITDA of \$14.5 million up 55% on the previous year. This result was achieved despite a decline in revenue of 13% and reflects the continuation of a relentless focus on cost management together with some changes within the senior management structure that streamlined reporting lines and materially reduced overhead costs. The Drilling Division had an outstanding year in a flat market, surpassing their 2015 underlying EBITDA target by 83% whilst Engineering and Construction fell short of last year's target despite benefitting from a successful cross country pipeline contract completed during the year ahead of time and budget.

The year ahead for the Australian Drilling business will continue to be challenging as conditions in the coal sector remain flat from a volume perspective, although recent demand and price uptick may translate into an increase activity for our business. The Drilling business has proven through the downturn year that it has a solid foundation of key customers and it will continue its focus on securing work from the "majors", leveraging our HSE and service record rather than price.

The Drilling team are examining opportunities to take their skills to adjacent markets such as the Water and Coal Seam Gas markets and this will assist in repeating the operating results of 2016.



The Pipeline business within LEC will again face a challenging year with fewer large cross country pipeline projects on offer, however the Division has secured invited bidder status for a number of smaller committed projects for the year ahead. As part of our JV relationship with Spiecapag the Division will continue with the execution of the VNIE pipeline contract for APA in Southern Victoria due for completion first half calendar year 2017. The Division is currently bidding projects in NZ that offer opportunities for this financial year.

The Division's health and safety record remains industry best with a Total Recordable Injury Rate of Zero. This has been recognised at a recent International Pipeline Association Safety presentation for work on the Eastern Goldfields Project.

From a balance sheet perspective initiatives undertaken in the 2016 year allowed a clean-up of some legacy issues including the settlement of the long standing liability to the ATO and a court order against the company arising from a pipeline contract undertaken in 2011. This was achieved through a \$21 million entitlements offer to all shareholders, realising \$6 million in cash and reducing the Kerogen debt by \$13.4 million and a new \$US45 million debt facility structured over 2 tranches. This debt facility has been previously reported to the market as has our ability to draw down the second tranche following on the appeal approval granted in early October. In addition to the balance sheet repair these funds will be directed to support our contribution to the 4 well program to be commenced in the UK early next year and also provide some working capital headroom for the Australian business.

As a result of the second tranche drawdown referred to earlier and in accordance with commitments given to our senior debt provider, Kerogen, the company has announced its intention to conduct a further entitlements issue to shareholders to repay at least \$US25 million of the Kerogen facility.

The slide behind me summarises the impact of these various initiatives on the balance sheet.



Whilst the company is excited about the opportunity presented to it in the UK as you will hear first-hand in a moment from Francis Egan, we are also mindful of opportunities that will arise in the Australian businesses and will be alert to pursue sensible step outs should they arise.

I would like to express my gratitude to my fellow directors who have contributed their time and skills in a year that has required extra effort from them. Of course the Board's thanks must go to senior management who have likewise applied themselves to their tasks in a challenging year.

Finally, on behalf of the board and management I would like to thank shareholders for their commitment and patience and assure you that your interests are our interests.