

15 August 2022

Company Announcements Office
ASX Limited Exchange Centre
20 Bridge Street SYDNEY NSW 2001

Dear Sir / Madam,

FY22 RESULTS TELECONFERENCE AND WEBCAST SCRIPT

Please find attached the script from today's FY22 Results Teleconference and Webcast.

Yours faithfully

Imdex Limited



Michael Tomasz
Company Secretary

This announcement has been approved for lodgement by the Company Secretary

ABOUT IMDEX

IMDEX is a leading Mining-Tech company, which enables successful and cost-effective operations from exploration to production. The Company develops cloud-connected sensors and drilling optimisation products to improve the process of identifying and extracting mineral resources for drilling contractors and resource companies globally. www.indexlimited.com

FURTHER INFORMATION

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15 August 2022

FY22 Results Presentation Script

COVER

Slide 2

Forward Looking Statements

Slide 3

IMDEX is a Leading Global Mining-Tech Company

Welcome everyone. Joining me on the call today is Paul Evans, our Chief Financial Officer. We are delighted to provide an update on our performance for the FY22 financial year.

For listeners who are new to IMDEX, we are a leading global Mining-Tech Company. We distinguish our business from the broader mining services arena in the following ways:

- We place technical leadership at the core of our growth strategy.
- We build that technical leadership through consistent and disciplined investment in R&D, to deliver patented technologies to the market.
- We are neither capital intensive, nor people intensive.
- We are truly global, we have limited contract risk, commodity risk and geography risk.
- Finally, we are developing an integrated solution set that works together, rather than as individual products, to build a high-quality revenue base, with increasing EBITDA margins.

As you will shortly see, the features of this business model are evident in our results for FY22.

IMDEX technologies overall, enable resource companies and drilling contractors, to find, define and mine their orebodies – with precision, confidence and at speed.

Slide 4

Presentation Overview

Today's presentation agenda is set out on slide 4.

We will focus on four key areas:

- Our financial and operational highlights, including a deeper dive into our financial performance, which Paul Evans will provide;

- An update on our broader operating environment;
- Growth opportunities within our core business and within the mining production market; and finally
- Our focus areas and our outlook for FY23.

Following the presentation, Paul and I are happy to take any questions.

We have included a number of slides in the appendices covering our corporate profile, our product portfolio, ESG focus areas, and value propositions that we as a business offer clients and employees.

Slide 5

FY22 Highlights and Performance

Turning now to slide 6 and our financial highlights.

Slide 6

FY22 Financial Highlights

The FY22 year was defined by a combination of positive market demand, offset by some challenging labour and supply chain considerations.

Our revenue of \$342m, was an uplift of 29% and a record result. It demonstrates the strength of our business model, our objective to outperform market growth and the responsiveness of our global teams under all operating conditions.

The strong uplift in earnings has been driven by an improvement in integrated offerings to customers and the increasing percentage of revenue coming from our higher-margin sensors and software business. At the close of FY22, rentals and subscriptions represented 58% of revenue. Significantly, we achieved EBITDA margins of 31% and our third consecutive year of EBITDA margin expansion.

Importantly, whilst delivering strong results for our shareholders, we continued to execute our strategy and invest in our business for the future.

Our net cash of \$24m represents a combination of continuing to fund the business during growth and investing in accordance with our strategy. This includes our recent investments in MINEPORTAL™ and Datarock.

Paul Evans will speak later about the investment into our working capital that has supported our growth.

And finally, our directors declared a 1.9cps final dividend, bringing the full year fully franked dividend to 3.4cps. This represents a growth of 42% on the prior year full year dividend of 2.4 and remains in accordance with our well-established 30% NPAT payout ratio.

Slide 7**1H22 Operational Highlights**

Turning to slide 7.

Underpinning our financial highlights are our operational highlights.

Protecting our people remains at the forefront of every initiative we undertake. Pleasingly, we saw a 146% increase in safety engagement, which is the prime leading indicator of HSE behaviour. In turn, our LTIFR for the year was 0.77, representing a 58% improvement.

Moving from HSE engagement to employee engagement.

During the year we engaged Gallup to conduct a worldwide remeasurement of our employee engagement. The improvement of 15% from our prior Gallup survey, achieved at a time when many workforces around the world experienced heightened disengagement, is a credit to our leadership group, our people, and our focus on enhancing our employee value proposition.

Also during the year, we engaged ESG Risk Rating Agency, Sustainalytics, to assess our company. Once again, we saw a marked improvement from 16.2 to 11.9, which classifies IMDEX as Low ESG Risk. We are pleased that this score reflects our commitment to ESG and how we operate as a business internally, and how we place sustainability at the forefront of the products we develop for our customers externally.

Paul will elaborate on supply chain; however, I would like to draw your attention to the shift in inventory volumes. Whilst these peaked in the third quarter, pleasingly, volumes eased in the fourth quarter. Broadly speaking, inventory volumes today tend to be at warehouse stocking points within our global network, as opposed to in transit as they were for the majority of FY22. We continue to remain watchful on supply chains in general for the balance of FY23. We remain well-positioned today to serve our customers.

Drawing your attention now to our research and development effort for the year at the bottom centre of the slide.

Our R&D team had a very productive year with two objectives in mind.

The first objective, to maintain the technical leadership in our core product portfolio. We achieved a number of new and next generation product releases including:

- Our OMNI™ sensor;
- Our next generation IQ-LOGGER™;
- A fully automated version of our aiSIRIS software offering; and
- The first chargeable IMDEX HUB-IQ™ Quality Assurance module.

The second objective, to accelerate the development of BLAST DOG™ and our move into the mining production space made great progress. In late FY22, our BLAST DOG™ project moved from engineering prototype to commercial prototype, enabling us to commence revenue earning trials.

Most pleasingly, included in our announcements today, is our first three-year commercial contract for BLAST DOG™. I will elaborate on this milestone a little later in the presentation.

Finally, and most importantly, I want to acknowledge our IMDEX employees and partners around the world. The value I place in our team's work effort, intelligence, and ability to challenge each other, makes for the most rewarding work environment I have ever known. In turn, their ability to build, align and lead their own teams is exemplary, particularly under such challenging conditions as we have experienced these past two year.

Slide 8

FY22 Financial Performance

I will now hand over to Paul, to discuss the financials in more detail.

Slide 9

Key Metrics

Thanks Paul.

Paul has covered the headline numbers, so I will expand on some of the key metrics on slide 9.

- Our net profit after tax of \$44.7m was up 41%;
- We achieved strong EPS growth at 41.3%; and
- Our Return on Equity of 16.2% and Return on Capital Employed of 19.3%, were up from 13.3% and 15.5% respectively.

Net cash was down from the pcp. As Paul mentioned, the majority of the reduction can be attributed to supporting our growth strategy. Outside of the working capital, which I will explain in more detail shortly, the most notable included:

- A \$1m AusSpec deferred consideration payment contingent on meeting a number of post-acquisition milestones, which were achieved; and
- \$14.4m for our MINEPORTAL™ and Datarock investments made during the year.

Additional capex expenditure to support strong industry demand, together with the higher dividend payments, were also contributing factors.

Our FTEs were up 19.4% to 622. Of this increase, approximately a third relates to supporting revenue growth in operations, which you will recall was up 29%, reinforcing the value of our Digital 1.0 project and the leverage in our business. The remainder of the increase is largely associated with product and software development, IMDEX Mining Technologies, or IMT, and Digital 2.0., which tracked to plan.

I would like to point out our operating EBITDA of \$104.9m differs from the reported statutory EBITDA of \$102m, as it excludes a net impairment loss of \$2.9m.

The impairment relates to COREVIBE tangible and intangible assets that were acquired with the Flexidrill transaction. During the period we completed a body of test work on COREVIBE. As a result, the decision was made to cease further development as it did not meet the stage gate hurdle rates, both operational and financial, that we had set for it to be an IMDEX product.

Concurrently, we completed a body of test work on MAGHAMMER, which also formed part of the Flexidrill transaction. This work validated its valuation on the balance sheet. Whilst the business case continues to be supported; we recognise the need to find the right partners in order to bring the technology to market. This will include exploring partnership opportunities or possible divestment.

A feature of the Flexidrill transaction structure and the ability to share risk, has meant the net adjustment from the impairment is not material.

As an R&D organisation, a core discipline is the ability to cease or continue investment, as projects move through the stage gate process.

It is important to acknowledge the teams involved and the significant advancements they have made with both of these technologies. We also recognise the support we had from the prior Flexidrill shareholders.

I would now like to refer you to the graph on the top right. This illustrates our half-on-half revenue profile since 1H20, being the last period not impacted by COVID. Paul mentioned revenue had increased 29% over the pcp and it is now 36% over 1H20's pre-COVID peak with all regions comfortably above pre-COVID levels.

Slide 10

A Strong Financial Platform

Moving now to slide 10.

In line with our objective, we continued to outperform industry growth rates, as demonstrated by our 5-year revenue CAGR of 14%. One of our internal benchmarks is the S&P exploration expenditure for nonferrous metals, which had a 5-calendar year CAGR of 9%.

The graph in the centre illustrates our strong trend of earnings growth with a 5-year EBITDA CAGR of 27%.

Despite increasing supply chain costs, particularly in our fluids business, this demonstrates the strength in our gross margins, our ability to manage input costs, and revenue from our sensors and software continuing to grow at a faster rate. This has allowed the business to fund additional investment to support growth, together with the initiatives we have called out throughout the year, which included:

- IMT acceleration;
- Investment in MINEPORTAL™ and Datarock; and
- Digital 2.0 investment.

The graph on the right shows our continued EBITDA margin expansion and demonstrates ongoing price leverage as our revenue base has increased. You will note our EBITDA margin has continued to be maintained above 30% at 30.7% for FY22 and is up from 28.5% in FY21.

Slide 11

Strong Cash Generation

Looking at Slide 11.

From the EBITDA result of \$104.9m, there was a net inflow of operating cash of \$55.9m. Pre-tax, this represented a 66% conversion rate and was lower than historical levels. The lower rate largely represents the additional investment in inventory to mitigate supply chain delays for our customers. As Paul highlighted, inventory volumes peaked in 3Q22 and started to ease in 4Q22. Of the \$38.6m working capital investment made, approximately 20% of this related to inventory to mitigate supply chain delays, whilst the balance related to supporting the 29% revenue growth.

As supply chain pressures ease, we expect to see some, or all of this additional inventory investment unwind over FY23.

Slide 12

Commitment to R&D and Technology Leadership

Turning to slide 12 and a very important part of the IMDEX DNA. Our investment into R&D in all market conditions is to maintain our technology leadership and continue to deliver value to our customers.

In FY22, \$26.2m was expensed on product development and \$3.2m was capitalised in relation to software. This represents 8.6% of total revenue and a 30% increase on FY21. Of note, is the increase we have previously

mentioned to accelerate IMT, BLAST DOG™, and our acquisition of the MINEPORTAL™ software. This overall investment remains well within industry benchmarks and is conservative as a growth company.

I would like to mention three further points on this slide:

- Firstly, IMDEX has a long development 'wish-list' that is governed by a disciplined staged-gated R&D process as illustrated at the bottom right of the slide.
- Secondly, it is critical we invest in our core business, or horizon 1, however, it is also important we invest for the future into horizon 2 and 3. BLAST DOG™ being an example of the latter.
- And finally, in recent years we have seen a larger percentage of our spend directed towards software products that support our hardware and we expect this to continue.

Slide 13

Balance Sheet

Looking briefly now at our balance sheet on slide 13.

I have spoken to the net cash and mentioned the inventory balance increase. Other notable balances include intangibles and investment in associates.

- **Intangibles** includes the increased IP of \$16.2m from the acquisition of MINEPORTAL™ and \$4.7m of capitalised software costs. \$3.2m relating to R&D, with the balance relating to internal systems.
- **Investment in Associates** relates to our initial 30% investment in Datarock.

As I mentioned with the key metrics, our Return On Equity and Return On Capital Employed were strong for the year and our dividends were in line with our historical payout ratio.

Slide 14

Industry and Market Update

I will now hand back to Paul for an industry and market update commencing on slide 15.

Slide 15

Around Our Regions

Thank you, Paul.

Whilst all regions grew in FY22, the strongest growth at 39% was in the Americas. The Americas now represents 47% of total revenue, up from 44% in FY21. 29% of revenue is from Asia Pacific and the balance from Africa and Europe.

Activity in the Americas was supported by demand for IMDEX solution offerings and notably the 5-year revenue CAGR for this region sits at 18.5%.

Revenue from our Africa and Europe region was up 21%. We saw strong 4Q growth activity, particularly in fluids products, whilst Europe remained steady. Importantly, our decision to withdraw from the Russian market was not material and represents less than 1% of total revenue.

Revenue from our Asia Pac region was up 22%. Activity was strong in Australia across all aspects of our business, whilst largely steady in Asia.

Notwithstanding the strong activity in all regions, the pace of industry growth continued to be tempered by rig availability, supply chain pressures, and skilled labour shortages, predominantly in North America and Australia.

Slide 16

Strong Industry Fundamentals

Moving now to slide 16.

We regard the industry as continuing to have strong underlying fundamentals and this is reflected in the FY22 activity that you saw on the previous slide.

Whilst there has been a recent decline in capital raisings, juniors and producers both remain well funded with ongoing exploration budgets and commitments to their drilling programs.

The volatility in commodity prices is creating some uncertainty in the capital markets, however, it is not as yet impacting exploration activity.

The underlying fundamental around diminishing reserves and long-term demand, particularly for battery metals, suggests that this uncertainty is likely to be short-term.

Slide 17

Market Constraints Easing for IMDEX

Turning to slide 17.

At the half year, we highlighted a number of constraints that were facing the exploration market as a whole.

At the full year, I am pleased to advise that those constraints continue to ease for IMDEX.

In particular, access to mine sites, which was previously restricted due to COVID, is improving. Although working with COVID means employee absenteeism remains a factor impacting productivity.

Introducing new products during periods of high activity remains a challenge and our ability to redirect R&D efforts and deliver next generation existing products, as we outlined in our operational highlights, is a feature of our agility in responding to current market needs.

Supply chains appear to be easing globally and specifically for IMDEX, as Paul referred to earlier.

And whilst IMDEX is relatively immune to the impact of labour shortages, we do expect attracting labour to the market and navigating employee absenteeism will remain a challenge for our clients in the short term.

Slide 18

Growth Opportunities

Moving now to slide 19 to recap our growth strategy.

Slide 19

Four Compelling Drivers

While the industry is actively navigating evolving market conditions, our underlying strategy remains the same.

The key components include:

- Grow our core business in exploration and development; and
- Leverage our core competencies into mining production.

As we have consistently reported, our growth drivers fall into four key areas.

1. Technical leadership in our core;
2. Extension into mining production;
3. Integrated solution offerings; and
4. Making disciplined complementary acquisitions where possible.

Pleasingly, we have made significant progress with each of these drivers during FY22. I will now provide a brief update in the coming slides on each.

Slide 20

Technology

On slide 20.

Prioritising our technology leadership and competitive position is key and I will draw your attention to two statistics:

- The first, while total revenue was up 29% for the year, our IMDEX HUB-IQ™ connected revenue was up 58%; and
- The last, our HUB-connected survey sensors are increasingly being used to drive day to day decision making and operational behaviour, with meters surveyed exceeding 223m metres for the year, an uplift of 26% from the pcp.

Slide 21**Extension into Mining Production**

Turning to slide 21.

Our extension into mining production has made considerable progress in FY22.

Engineering trials with customers in Australia, North America, and South America have continued to refine this technology. The resultant progression of BLAST DOG™ from engineering prototype to the commercial prototype phase in 4Q22 is a significant milestone.

This now commits us to building the operating model required to support both trials and commercial contracts. Included in our announcements this morning, the was the first commercial contract for BLAST DOG™ at Iron Bridge in the Pilbara. This agreement provides for the staged utilisation of up to three BLAST DOG™ sensors, together with associated products, software, and support, over the initial term. This will result in an estimated contract value of \$13m.

Beyond BLAST DOG™, other products for the mining production phase are under development and we will continue to invest in these in FY23.

Slide 22**Integrated Solution Selling**

Turning to slide 22.

Our focus on providing clients with integrated solutions incorporating a full range of IMDEX products is tracking well.

During the year, 44% of our top 250 clients had more than three products working together as a solution, this is up from 33% in FY21.

Slide 23**Strategic Acquisitions**

Slide 23 provides an update on our most recent investments.

AusSpec is progressing well, and during the year we released the next generation fully automated aiSIRIS software version. The volume of mineralogical spectra analysed was up 62% on FY21.

Our MINEPORTAL™ software, which we acquired from DataCloud in September 2021, has been instrumental in demonstrating the value of BLAST DOG™ to customers. Our focus now is on integration of MINEPORTAL™ with IMDEX HUB-IQ™.

Finally, an update on our initial 30% investment in Datarock, made in November last year.

- Datarock processed and analysed more than 1 million metres of new core imagery for the year;
- Its SaaS revenue was up; and
- Its product development roadmap is tracking ahead of schedule.

We love working with the Datarock team.

Slide 24

FY23 Focus Areas and Outlook

Moving now to the final section of this presentation and our focus areas and outlook on slide 25.

Slide 25

FY23 Focus Areas

Protecting our people will remain our priority. We will continue to pursue the following growth drivers and operational initiatives:

- Investment in our core;
- Investment in IMT;
- Investment in Digital 2.0; and
- Maintaining a disciplined approach to product portfolio management.

Slide 26

A Positive Outlook for FY23

We have a positive outlook for FY23.

IMDEX has had a strong start to the new financial year and demand across our product portfolio remains strong in all areas.

The underlying long-term demand drivers for the industry are robust. Our drilling clients are reporting strong forward looking order books with many continuing to expand rig fleets, and our resource company clients are reporting sustained exploration budgets.

In the near-term, we anticipate workplace absenteeism will continue to impact labour availability for customers and their ability to maximise their drilling programs. Similarly, whilst there are early signs of supply chain pressures easing, we are watchful of its potential impact on exploration activity should this change.

These current uncertainties will not substantially impact our industry's activity, nor its commitment to medium and long-term development.

IMDEX is well positioned to leverage these robust industry fundamentals and the unique competitive position its global presence, leading technologies and integrated solutions provide.

That concludes our presentation for today. Paul and I are now happy to take any questions.

Slide 28

**“We believe mining is essential
to every aspect of modern life.**

Our opportunity, indeed our responsibility, is to change the global minerals industry forever.”

Closing comments.

FURTHER INFORMATION

Kym Clements – IMDEX Investor Relations Officer

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ABOUT IMDEX

IMDEX is a leading global Mining-Tech company that enables drilling contractors and resource companies to safely find, mine and define orebodies with precision and at speed.

The Company's product offering includes an integrated range of drilling optimisation products, cloud-connected rock knowledge sensors and data and analytics.

www.imdexlimited.com