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Innovative Technologies  
Integrated Solutions  
Global Support



20 February 2017

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

Dear Sir / Madam,

**1H17 Results Conference Call and Slide Show**

Please find attached the script from today's 1H17 Results Conference Call and Slide Show.

Yours faithfully  
**Imdex Limited**

A handwritten signature in blue ink, appearing to read "P. Evans", with a long horizontal flourish extending to the right.

**Paul Evans**  
Company Secretary



**IMDEX LIMITED**  
**1H17 WEBCAST SCRIPT**

**COVER SLIDE**

Welcome everyone. Thank you for joining us as we present Imdex's results for the first half of the 2017 financial year.

Paul Evans, Imdex's CFO and Company Secretary, is also with me today. Together we will present the company's financial results and provide an update of our operations.

The presentation will take approximately 15 minutes; we will then be happy to answer questions.

**SLIDE 2**

For listeners who may not be familiar with the Imdex Group, we are a leading global mining, equipment, technology and service company.

Our technologies improve the process of identifying and extracting resources for drilling contractors and mining companies. AMC and REFLEX solutions provide geological information in real-time or near real-time, supporting critical decision making for exploration, mining and production.

We have also included some additional information in the appendices to this presentation, or you can visit our new company website.

**SLIDE 3 – 1H17 OVERVIEW**

Looking now at slide 3, which provides an overview of 1H17.

The wellbeing of our employees and clients is paramount, so I am pleased to say that our safety performance was consistently better than the industry benchmarks we measure ourselves against.

On the corporate front, our Board has undergone some renewal with the appointment of Anthony Wooles as Chairman and more recently, Sally-Anne Layman as a Non-Executive Director.

We had a successful capital raising of \$45 million, which significantly strengthened our balance sheet and positioned our business for growth.

We divested our oil and gas operational businesses and entered into a new \$30 million lower cost facility with Bankwest. This new facility replaced the Bain Capital (formerly Sankaty) facility, which attracted an interest rate of 10.75%.

Bain Capital was paid out in full utilising a combination of existing cash resources, proceeds from the capital raising and the sale of AMC Oil & Gas, together with the Bankwest facility.

Activity increased globally and both AMC and REFLEX operated above budget for the half.

The REFLEX rental fleet, which is a reliable barometer of industry activity, was up 20% in 1H17 compared to 1H16.

The increased activity globally, together with demand for our market leading technologies, resulted in a strong financial performance for 1H17 and a positive start to 2H17.

#### **SLIDE 4 – 1H17 KEY METRICS**

Moving on to slide 4 and our key metrics for the half.

Our statutory revenue was \$81.8 million, which generated EBITDA of \$14.5 million. This EBITDA result included approximately \$1.0 million of positive adjustments relating to the divestment of AMC Oil & Gas.

EBITDA from continuing operations was up 24% to \$13.5 million.

We recorded a net loss after tax of \$9.8 million for the half due to bringing to account \$16.2 million of financing costs (\$11.5 million was non cash) associated with the Bain Capital facility, which has now been repaid in full.

Pleasingly, operating cash flow of \$9.8 million (prior to financing costs) was up 263% on the previous period. Paul will provide more details on our cash flow shortly.

At 31 December 2016 we had cash of \$16.8 million and bank loans of \$12.5 million.

As I mentioned earlier, we put a lot of emphasis on safety at Imdex and I am pleased to say that our Lost Time Injury Frequency Rate was below industry benchmarks at 2.32.

Paul will now talk to our balance sheet and working capital on slide 5.

## **SLIDE 5 – BALANCE SHEET & WORKING CAPITAL**

Thank you Bernie.

Slide 5 shows our balance sheet, which has been significantly strengthened when compared to 1H16.

Current assets of \$80.4 million exceed current liabilities of \$35.9 million by \$44.5 million.

We have no exposure to oil and gas as we have completed the divestment of AMC Oil & Gas. We have also written-off the oil and gas technology, which was previously carried in the balance sheet at \$3.6 million.

Pleasingly, net cash at 31 December 2016 was \$3.6 million compared to a net debt position, adjusted for capitalised borrowing costs and warrants, at 30 June 2016 of \$41.5 million. Net proceeds received during the period of \$42.6 million from the capital raising were applied to the repayment of the Bain Capital facility. This was then fully repaid in December 2016 by the partial drawn down of the new \$30 million facility secured with Bankwest.

The financing charge for the period of \$16.2 million comprises interest and early repayment penalties of \$4.7 million and non-cash \$11.5 million of accelerated amortisation relating to capitalised borrowing costs and warrants.

The Bankwest facility is a three year, \$30 million USD/AUD facility which is drawn to \$13.0 million. The facility has interest accruing at a weighted average rate of 3.6% compared to the Bain Capital facility of 10.75%. Traditional covenants apply with repayments of \$1.0 million per calendar quarter.

Overall our balance sheet is simplified, strengthened and we are in a good position to drive sustainable earnings growth.

## **WORKING CAPITAL**

The waterfall on the right of the slide shows a reconciliation from the 1H17 EBITDA result to the cash flow from operations, prior to financing costs for the same period.

From the EBITDA result of \$14.5 million there was a net inflow of operating cash prior to financing costs, of \$9.8 million. After an allowance for non-cash items and \$2.0 million of tax paid in certain regions, there has been an investment in working capital over the course of the period of \$1.0 million in response to the increased business activity.

I'll now pass back to Bernie for the remainder of the presentation.

## **SLIDE 6 – MARKET UPDATE**

Thanks, Paul.

Slide 6 provides an update on market conditions within the global minerals industry.

During the half, we saw continuing signs of improvement that were evident in 4Q16. The increased demand was mainly around brownfield operations and were gold related. Key markets such as Canada, Latin America, West Africa and Australia were strong.

We are now witnessing a broader based recovery as other commodity prices improve such as copper, nickel and iron ore.

Our increased revenue can be attributed to increased activity globally, a later rig shut down for the traditional December – January break and our product development activities through the cycle, which provides a more comprehensive portfolio of technologies for the market.

Resource companies are generally well funded as the miners are generating free cash and the explorers are able to raise capital to fund their activities.

Large and small companies have increased budgets for calendar 2017. This stands to reason as the miners are depleting their reserves at a faster rate than replacing them.

Ore bodies are getting harder to find, deeper, more complex and more difficult to develop – grades are also decreasing.

Given the problems just mentioned, it is imperative that resource companies and drillers have new technologies to reduce their costs and increase their efficiencies. We are able to do that and introduce new products to market quickly through our global presence.

We are where the money is being spent. We are well established in the regions and don't have to acquire businesses or people to put on the ground. We are there.

We have world class innovation centres in California and Australia and continue to be excited by our product development pipeline.

One of our key strategies is to develop technologies that are used primarily in the mining phase. We have opportunities in this area and are actively pursuing them. The end result will be more sustainable and predictable revenue and earnings.

#### **SLIDE 7 – MARKET UPDATE continued**

Slide 7 shows calendar year mineral exploration budgets by customer, commodity and project phase and is taken from S&P's research relating to global non-ferrous exploration budgets for calendar 2016.

Gold and copper continued to attract approximately 70% of global exploration budgets. Base metals, as a total, were 31%. It is interesting to note that gold, copper, nickel and zinc made up almost 80% of spend.

Approximately 72% of budgets were allocated to development and production activities and we are seeing some genuine grassroots or greenfields expenditure taking place.

Major and intermediate companies dominated budgets by contributing around 66% of annual spend in calendar 2016. However, we expect that junior companies will make up a

larger proportion of global spend in calendar 2017 as they are significantly better funded and are very active in countries like Canada and Australia.

#### **SLIDE 8 – REVENUE BY REGION**

Turning now to slide 8, which highlights the Americas is now our largest region, generating 40% of revenue. This is further evidence of growing our market share in that area. Approximately half of global mineral exploration expenditure is incurred in the Americas, so we are where the money is being spent.

Asia Pacific and Africa contributed strongly with 34% and 15% of revenue respectively, whilst Europe made up the balance of 10%.

The other key takeaway from this slide is that all regions experienced growth during the half when compared to 1H16.

#### **SLIDE 9 – REFLEX INSTRUMENTS ON HIRE**

Slide 9 shows what our REFLEX rental fleet has been doing.

In 1H17, the average number of instruments on rent was up 20% on 1H16 and the number of instruments on rent held up strongly in the period prior to the traditional slowdown during the Christmas/New Year holiday season.

As at 31 December 2016, you can see the negative seasonal impact, however, the low point is higher than the low points in the previous three years. Given the earlier than usual start up, instruments have been going back out on hire post the traditional holiday shut down and as at 31 January 2017, were 26% higher than 31 January, 2016.

There is increased demand for our traditional technologies as well as our newer, more complex technologies that generally yield higher rentals.

## SLIDE 10 – IMDEX TECHNOLOGIES

This presentation would not be complete without addressing our technologies.

Over time we have been transforming Imdex into a mining technology company as opposed to a mining services company, through innovation in both REFLEX and AMC.

Having said that, slide 10 largely covers off on REFLEX and, I believe, is a really informative slide.

It shows that our technologies are relevant in each phase of the project life cycle. This is a significant shift, whereby we are positioning the business to generate more revenue from the development and mining phases of projects.

The *Act of Drilling* covers the drilling contractors; and the *Reason for Drilling* is driven by the resource companies. Both the drilling contractors and resource companies are very important to us, however, there is a growing percentage of our revenue from resource companies as we assist them to reduce costs and increase their efficiencies.

The slide also shows the benefits of REFLEX HUB – our cloud solution. It enhances data accuracy, provides real-time or near-real time visibility and enables greater accessibility of data globally.

Resource companies and drilling contractors want more information faster so that they can drill and mine smarter and have more time to make the right decisions. As I have mentioned, these initiatives assist our clients to reduce costs and increase efficiencies.

The new technologies, when combined with our global presence and specialist skill set, are allowing us to provide solutions to our clients and grow our business. In many cases, we have a first mover advantage due to our continuous product development.

We believe our strategy is right and we are confident of continuing to introduce our technologies into many of the leading resource companies and drilling contractors and other mining service clients.

## **SLIDE 11 – STRATEGIC UPDATE**

Slide 11 reiterates our growth strategy and operational leverage:

We will:

- Maintain our market leadership position by continuing to develop new exciting technologies to drive organic growth;
- Leverage our first mover advantage – cloud solutions, connectivity and established geoscience expertise;
- Maximise our established global presence and distribution channels;
- Expand and diversify our global client base, focusing on resource companies, drillers and other service companies;
- Gain additional exposure to mining and production activities; and
- Build a resilient business with sustainable earnings by becoming an integral part of our clients' operations.

As I mentioned earlier, we have clever innovation centres in California and Australia delivering market leading technology and key differentiators in relation to our competitors. We are also driving strategies to generate more revenue from mining activities which, over time, should reduce the cyclical nature of our business and support sustainable earnings growth.

## **SLIDE 12 – SUMMARY and OUTLOOK**

Finally, slide 12 summarises the key points from the half and the outlook for the balance of FY17.

We have a much stronger balance sheet to drive the growth of our business.

We have a \$30 million Bankwest facility in place with lower costs. This facility was drawn to \$12.5 million at 31 December 2016 and will reduce further during 2H17.

In a difficult environment, we were able to divest AMC Oil & Gas and are now able to focus 100% on our core business.

We achieved strong financial performance during 1H17 and we have experienced a positive start to 2H17.

REFLEX instruments on hire at 31 January 2017 were up 26% on the previous corresponding period. This is an important lead indicator of demand growth and profit contribution for our company.

We are in the early stages of a cyclical upswing and have significant operational leverage.

Major, intermediate and junior companies are generally well funded and have increased budgets for calendar 2017.

We anticipate a stronger financial performance for FY17 compared to FY16.

That brings the formal part of our presentation to an end and I thank you for your interest in Imdex. Paul and I are now happy to answer any questions you may have.

## **CLOSING COMMENTS**

Many thanks for dialing in to this call and your questions. Before finishing, we would like to leave you with the following comments:

- We have divested the operational oil and gas businesses and significantly strengthened our balance sheet.
- We have invested wisely in technology development. A number of these technologies are commercial and in product development which allows us to increase revenue going forward.
- Resource companies and drillers are looking at ways to reduce costs and increase efficiencies – it is these new products and services which are assisting them do that.
- The depth of experience across our business and the sophistication and application of our technologies has never been better.
- We look forward with optimism as we leverage our strengths to increase revenue and profits.

Thank you again.