

**IMDEX Limited**  
ABN 78 008 947 813  
216 Balcatta Road, Balcatta WA 6021 Australia  
PO Box 1262, Osborne Park WA 6916 Australia

**imdexlimited.com**  
**T** +61 (0) 8 9445 4010  
**E** [imdex@imdexlimited.com](mailto:imdex@imdexlimited.com)



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

Dear Sir/Madam

**1H18 RESULTS CONFERENCE CALL AND SLIDE SHOW**

Please find attached the script from today's 1H18 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**  
**1H18 WEBCAST SCRIPT**

**COVER SLIDE**

Welcome everyone. Thank you for joining us as we present IMDEX's results and operational highlights for the first half of the 2018 financial year.

Paul Evans, our CFO and Company Secretary, is also with me today and we will be happy to answer any questions following the presentation.

**SLIDE 2**

For listeners who may not be familiar with IMDEX, we are a leading global mining equipment, technology and services company.

Our technologies improve the process of identifying and extracting resources for drilling contractors and mining companies. We deliver integrated solutions – incorporating our leading AMC and REFLEX brands – which provide geological information in real-time or near real-time, supporting critical decision making for exploration, development and mining. In simple terms, we let our clients know where it is and what it is...now.

Additional information is also included in the appendices to this presentation, or you can visit our company website.

**SLIDE 3 – 1H18 HIGHLIGHTS**

Looking now at slide 3, which provides an overview of our financial performance and operations during 1H18.

It is pleasing to report we delivered a significant increase in revenue and earnings with a strong forecast in the second half of FY18.

We increased our investment in working capital to achieve additional revenue and earnings and the balance sheet remains robust. We are well-positioned to drive further organic and transformational growth within the mining value chain.

Operationally we have seen strong activity globally and notably within Canada, western USA, Latin America, West Africa and Australia.

The continued recovery is broad-based with the majority of activity associated with gold, copper, iron ore, nickel and lithium.

Our REFLEX rental fleet is always a good barometer of activity and we have seen a strong increase in the number of instruments on hire over the half and into January this year.

As an industry leading technology company, it is imperative that we continue to invest in new product development and we are executing an exciting roadmap for the future.

On 18 January this year we announced an option to acquire the near-commercial CoreVIBE™ and MagHAMMER™ technologies and we will say more about this strategic opportunity later in the presentation.

The wellbeing of our employees and clients is paramount; therefore, safety remains a major focus across the entire organisation.

#### **SLIDE 4 – 1H18 KEY FINANCIAL METRICS**

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

Our revenue was \$104.7 million, up 28% on the prior corresponding period, which generated EBITDA of \$20.1 million, an increase of 49% on 1H17.

We recorded a net profit after tax of \$10.6 million compared to a normalised loss of \$9.9 million in 1H17.

Operating cash flow of \$2.4m, which excludes finance costs of \$0.4 million, was down 76% on the previous period and Paul will provide more details on that shortly.

## **SLIDE 5 – REVENUE BY REGION**

Slide 5 shows our revenue by region. Pleasingly all regions increased revenue on the pcg, which is strong evidence of the global recovery.

The Americas, shown in light blue, is now our largest region, generating 42% of revenue. Approximately half of global mineral exploration expenditure is incurred in the Americas, so we are where the money is being spent.

Asia Pacific contributed 31.5% and Europe and Africa made up the balance of 26.5%.

Given current demand trends, expectations are for a strong second half.

## **SLIDE 6 – EBITDA**

Moving to our earnings on slide 6.

As I mentioned earlier, EBITDA was strong and up 49% on the pcg.

One of the challenges in an industry upturn like this is to leverage the opportunities whilst controlling costs. We remain focused on both of these aspects and longer-term growth.

We expect EBITDA margins to improve in 2H18 versus 1H18. This uplift can be achieved while continuing to invest approximately \$5 million in our business – specifically our internal digital transformation project and further development of technologies to support transformational growth within the mining value chain.

I will now hand over to Paul to talk about our balance sheet and working capital.

## **SLIDE 7 – BALANCE SHEET & WORKING CAPITAL**

Thank you Bernie.

Slide 7 shows our balance sheet, which has continued to strengthen since 30 June 2017.

Current assets of \$95.7 million exceed current liabilities of \$34.2 million by \$61.5 million.

Net cash at 31 December 2017 was \$6.8 million compared to \$12.3 million at 30 June 2017.

Inventory levels increased to support new contract wins and the increase in market activity generally.

Supplier balances have decreased by \$6.3m, or 21% over the same period.

Quarterly principal payments on the Bankwest facility are now optional with \$1 million paid during the period. Pleasingly, financing charges for the period reduced significantly with \$0.4 million compared to the pcg of \$16.2 million. This represents the lower interest obligation of the Bankwest facility accruing at a weighted average rate of 3.6% compared to the Bain Capital facility of 10.75% and on a reduced principal sum.

Overall our balance sheet is simplified, strengthened and we are in a good position to drive organic and transformation growth within the mining sector.

## **WORKING CAPITAL**

The waterfall on the right of the slide shows a reconciliation from the 1H18 EBITDA result to the cash flow from operations.

From the EBITDA result of \$20.1 million there was a net inflow of operating cash of \$2.4 million, prior to financing costs.

After an allowance for other items and \$4.1 million of tax paid in certain regions, there has been an investment in working capital over the course of the period of \$11.4 million.

This investment in the business included the increase in inventory to support new contracts and activity levels I mentioned earlier. Similarly our debtors and receivable days outstanding have increased since 30 June 2017 and we remain focused on reducing our DSOs in 2H18.

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

## **SLIDE 8 – GLOBAL BUSINESS**

Thanks, Paul.

Slide 8 shows a heat map of where the main areas of activity are for the global minerals industry.

Expenditure is principally around brownfield operations and key markets such as Canada, western USA, Latin America, West Africa and Australia are strong.

One of the key differentiators for IMDEX over its competitors is our global footprint, which ensures we are where the money is being spent. We are well established in these regions and don't have to acquire businesses or people to put on the ground. We are there and have been there for a number of years. We are the industry constant and that is appreciated by our clients.

## **SLIDE 9 – MARKET UPDATE**

Slide 9, notes a number of observations on the market.

For the first time in a number of years, we have synchronised global growth and are not just reliant on China to drive the demand for commodities.

Given global growth projections, commodity prices are generally at their highest level in a little over three years.

Major, intermediate and junior resource companies have strong balance sheets and are well-funded to conduct increased levels of exploration and development.

Resource companies remain focused on increasing efficiencies and further cost reductions.

This is positive for our company as new technologies are the answer in driving the next round of efficiency and productivity gains.

The biggest issue and they all admit it, is that mining companies need to replace depleting reserves. That is, generally they are mining at a faster rate than their discovery rate.

Given that it is 15-20 years from discovery to production for the average gold/copper mine, this is a major industry issue.

#### **SLIDE 10 – REFLEX INSTRUMENTS ON HIRE**

Slide 10 shows the level of activity for our REFLEX rental fleet.

As the industry gains momentum, more rigs return to work. These rigs need instrumentation irrespective of what commodity is being drilled for.

An interesting observation is that instruments on hire increased during CY14-CY16 despite significant decreases in exploration expenditure over those three years. This demonstrates the impact of our leading technologies and is vindication of our significant product development spend on an annual basis.

We have had a strong start post the Christmas/New Year holiday season with instruments on rent at 31 January 2018 up 25% on 31 January 2017.

Another interesting observation is that our 2017 December low point is the highest in our history which, once again, points to the strength of the recovery and demand for our instrumentation.

It is also important to note, our newer, more complex technologies generally yield higher rentals, as they offer considerable value add to clients.

#### **SLIDE 11 – STRATEGY**

Slide 11 reiterates our growth strategy and operational leverage.

We will maintain our market leadership position by continuing to develop new and exciting technologies to drive organic growth.

At the same time we are focused on 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 – COREVIBE and MAGHAMMER**

In the highlights at the beginning of this presentation, I mentioned the option over the CoreVIBE™ and MagHAMMER™ technologies. Given that the details were contained in the ASX Announcement of 18 January, I will not go into great detail here.

I would, however, like to emphasise some main points:

- We entered into a Heads of Agreement with Flexidrill in July last year. Following that time we have conducted extensive due diligence and carried out testing, mainly on the CoreVIBE™ instrument.
- The due diligence also included an extensive examination of the IP protection around the technologies.
- Post testing, our confidence was sufficiently high to proceed and the transaction has been structured to allow for further testing and market acceptance before committing to purchase.
- The CoreVIBE™ and MagHAMMER™ technologies are patent protected and align with IMDEX's rental model.
- The technologies complement IMDEX's Drilling Optimisation Solution and would strengthen the Company's competitive position in this market segment.
- Should IMDEX exercise its option, the technologies are expected to provide a significant additional global revenue stream for IMDEX in the near-term and be EPS accretive within 12 months of option exercise.

## **SLIDE 13 – COREVIBE™**

In trials conducted by IMDEX, the CoreVIBE™ has the potential to increase average diamond drilling productivity rates by approximately 30%.

The CoreVIBE™ can achieve this increase in productivity by: minimising hole deviation; reducing tripping of inner tube for core blockages; improving penetration rates; and extending bit life.



This technology fits onto existing diamond drilling rigs, so there is no capex required by the driller to adopt it.

Again, should IMDEX exercise its option, we would rent the CoreVIBE™ along with other integrated IMDEX solutions.

#### **SLIDE 14 – MAGHAMMER**

The MagHAMMER™ is not as advanced as the CoreVIBE, however, we will be working aggressively to reach commercialisation as soon as possible.

Essentially, it is RC drilling without compressed air. There are significant economic, capital, safety and operational benefits for clients. For example, normal practice is to contract an RC rig to do the pre-collar then bring in a diamond drill rig to undertake the coring.

Using the MagHAMMER™, one rig can cover both applications. No mobilisation and demobilisation of two rigs, just the one. That saving alone is significant without the increased productivity getting through the pre-collar zone.

Zero dust is generated and penetration rates are not affected by water intrusion, which is the case with traditional RC drilling.

#### **SLIDE 15 – SUMMARY and OUTLOOK**

In summary, we had a strong performance in 1H18 and are forecasting a strong 2H18.

Our confidence is high given the robust activity in the major mining regions globally.

There is no doubt that we are continuing to experience a broad-based recovery across a range of commodities.

Resource companies have strong balance sheets and are increasing budgets, particularly around existing operations. This is driven by a fundamental need to replace diminishing resources and reserves.

As a proven indicator of activity, the total number of REFLEX instruments on hire at 31 January 2018 was 25% up on 31 January 2017.

We are positioning IMDEX to achieve sustainable earnings growth for shareholders.

The option to acquire the CoreVIBE™ and MagHAMMER™ drilling productivity technologies is well structured and we are confident that the technologies will yield significant benefits for IMDEX shareholders over many years.

Our balance sheet is in good shape to drive organic and transformational growth within the mining value chain.

We look forward with optimism as we leverage our strengths to increase revenue and sustainable earnings.

#### **CLOSING COMMENTS**

Many thanks for dialling in to this call and we look forward with optimism for the balance of the financial year.

Thank you again.