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

IMDEX
REAL-TIME SUBSURFACE SOLUTIONS

20 August 2018

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

Dear Sir / Madam,

FY18 RESULTS CONFERENCE CALL AND SLIDE SHOW

Please find attached the script from today's FY18 Results Conference Call and Slide Show.

Yours faithfully
Imdex Limited

Paul Evans
Company Secretary

IMDEX Limited

FY18 Webcast Script

<<Slide 1 – Cover >>

Welcome everyone. Thank you for joining us today as we present IMDEX's performance for the 2018 financial year.

Paul Evans, our CFO and Company Secretary, together with Paul House, our newly appointed COO, are also on the call today. Paul Evans will provide further detail regarding our financial performance and Paul House will be happy to answer any questions during the Q&A.

I will begin with a brief overview of our company; however, for listeners who are not familiar with IMDEX, additional information is in the appendices of this presentation. We also encourage you to visit our website or company LinkedIn page.

<<Slide 2 – IMDEX Purpose and Vision>>

We are a leading global mining equipment, technology and services company.

Our solutions improve the process of identifying and extracting what is below the earth's surface for drilling contractors and resource companies – we let clients know where it is and what it is…now.

Our vision is to be the leading provider of real-time subsurface intelligence solutions to the global minerals industry.

<<Slide 3 – FY18 Highlights>>

On Slide 3 we have summarised our highlights for the year.

Financially, we had a strong year and exceeded both revenue and EBITDA targets.

Our REFLEX rental fleet continued to grow, and as at 30 June was up 10% on 30 June 2017.

We maintained a net cash position relative to debt on the balance sheet, while investing in the development of our core products and transformational initiatives.

Some of these key initiatives include our drill and blast project, the option to acquire the CoreVibe™ and MagHammer™ technologies, and our internal digital transformation. I will talk more about these projects later in the presentation.

It is pleasing to report we improved our safety performance for FY18. Safety remains a top priority to ensure the wellbeing of our employees and ultimately, zero harm.

We also made good progress with our transition towards One IMDEX. That is, the provision of integrated AMC and REFLEX solutions via a regional structure. AMC has competitors as does REFLEX, however, no competitor can match IMDEX's integrated solutions. Our ability to offer leading end-to-end solutions is currently unique to our market, delivers greater value to our clients, and provides us with a significant competitive advantage.

In line with One IMDEX, as mentioned earlier, we have appointed Paul House as Chief Operating Officer. Paul will also join us on the east coast roadshow this week.

<<Slide 4 –Key Financial Metrics>>

Moving now to slide 4, which shows our key financial metrics for FY18.

Statutory revenue was $218.5 million for the year, a 24% increase on FY17.

EBITDA was up 35% to $42.4 million.

We recorded a net profit after tax of $21.1 million, up 470%.

EPS was 5.7 cents and our operating cash flow was $15.9 million, a 21% increase on the prior year.

Net assets increased by 16% to $186.1 million.

The Directors have not declared a dividend for FY18, due to the current investment in growth initiatives.

<<Slide 5 – Minerals Revenue by Region>>

Slide 5 shows our revenue for the year by region.

As you can see, all regions grew their revenue from the previous year, which reflects the broad-based recovery across all major mining regions.

Approximately 43% of our revenue is generated in the Americas, 31% in Asia Pacific and the balance in EMEA, which includes Europe, the Middle East and Africa.

It is also pleasing to note the steady increase in activity we experienced throughout FY18 has continued into FY19, as July was the highest monthly revenue since September 2011.

<<Slide 6 – Minerals EBITDA>>

I will now hand over to Paul Evans to discuss the financial aspects of this presentation in more detail.

Paul

Thanks, Bernie

As Bernie has mentioned, our FY18 Revenue and EBITDA have shown strong growth over the prior period. The uplift in revenue contributed to the 35% EBITDA growth, while allowing the investment of $9.7 million in core product development and $6.3 million in our transformational initiatives. These initiatives include our internal digital transformation, drill and blast project and the CoreVIBE™ and MagHAMMER™ technologies.

We expect a similar level of investment in core product development in FY19 and approximately $8 million investment in transformational initiatives. We expect these initiatives will reduce the cyclicality of our revenue and provide more sustainable earnings over the coming years.

<< Slide 7 – Balance Sheet >>

Looking briefly now at our Balance Sheet on slide 7.

We have a robust balance sheet where net assets increased by $26.3 million, or 16%.

Gross bank debt is circa $6.0 million versus our cash position of $13.9 million.

I would also like to note that maintaining a robust balance sheet is a priority and we are comfortable with our current net cash position.

<< Slide 8 – Reconciliation of EBITDA>>

Slide 8 shows the reconciliation from our EBITDA result to the net cash flow from operations.

During the year, our investment in working capital increased in line with higher activity. As anticipated, our working capital investment scaled back in 2H18, when inventory shipments for US contract wins were delivered and our client collections were returned to normal levels.

The increased activity saw a greater demand for rental instruments and in FY18; $18.2 million was invested in new plant and equipment, $2 million of which was drawn from inventory. We expect similar levels in FY19 as demand for the new technologies continues to grow.

From the EBITDA result of $42.4 million, there was a net inflow of operating cash of $15.9 million. This was after our investment in working capital, non-cash items and $6.8 million of tax paid. Comparable working capital ratios are expected in FY19.

Also highlighted here, is the $9.7 million core product development spend and $6.3 million investment in the transformational initiatives. In FY19 we have budgeted for similar levels of investment in core product development. We also expect our investment in transformational initiatives to be approximately $1.5 million up on FY18.

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

<< Slide 9 – Established Global Business >>

Thanks, Paul.

As shown on slide 9, the large bubbles capture share of global exploration expenditure and the small dots are where we have operations. You can see we have facilities to support the main activity areas in Canada, the western part of the United States, Latin America, West Africa and Australia – we are where the money is being spent.

<< Slide 10 – FY18 Market Overview >>

On slide 10 we have summarised some key points regarding what we are seeing in the market.

- There is a broad-based recovery in the minerals sector globally;
- Major, intermediate and junior companies are generally well-funded with increased budgets. Miners are also generating significant free cash as a result of cost reduction and efficiency programs, together with robust commodity prices. However, commodity prices did soften somewhat towards the end of FY18, due to the potential US/China trade war.
- New technologies are continuing to gain momentum in order to drive efficiencies and productivity; and
- Resource companies are not replacing what they are mining, which provides a good segue into the next slide.

<< Slide 11 – Mineral Exploration Expenditure>>

S&P Global Market Intelligence has estimated exploration expenditure for CY18 will be up 15% - 20% on CY17, as shown on slide 11. In our view, this estimate may be slightly optimistic.

You can see that 2016 was the low point in the cycle, so we are still in the early stages of the recovery.

Gold and copper represent approximately 70% - 75% of the expenditure, so it is worth taking a closer look at what is happening with these commodities.

<< Slide 12 – Gold in Major Discoveries>>

Looking at slide 12. S&P data highlights that the easy gold deposits have been found and that there has been a dearth of discoveries over the last 10 years.

From 1990 to 2007, some US$32.2b was spent to yield 1,726m oz across 122 discoveries. From 2008 to 2017, approximately US$54.3b – almost double – was spent to yield 215.5m oz in 41 discoveries.

New mines will typically be under groundcover. They are also likely to be deeper, which require more drilling – this is good news for IMDEX. Similarly, these new mines are likely to be more expensive with longer development times.

<< Slide 13 – Copper in Major Discoveries>>

Slide 13 shows that copper is a very similar story to gold. In the last 10 years, there has been a lack of world-class discoveries.

Declining grades in both gold and copper mean more material being moved and processed, together with increased water and energy consumption to achieve the same unit of produced metal.

The license to operate is also becoming more difficult, which is increasing the time taken to get development projects approved. Longer lead-times mean that supply is restricted, which should result in higher commodity prices in the future.

<< Slide 14 – Significant Financings>>

Once again relying on the resources of S&P, slide 14 shows resource company financings on the global stock exchanges.

As I mentioned earlier, commodity prices have been weaker over recent months due to concerns about the US / China trade dispute and a stronger US$. Despite these concerns, there has been steady funding activity in both gold and base metals up to the end of June this year.

This funding activity is important for the junior companies, however, it is not their only source of funding.

It is not shown on this slide, but what we have seen much more in this cycle is larger companies taking stakes in many junior companies to effectively increase their chance of exploration success.

<< Slide 15 – Gold and Base Metals Financings>>

Slide 15 shows gold and base metals financings by exchange. It is interesting that 65% of gold raisings for the June quarter were on the TSX, while 53% of base metals raisings were on the ASX during the same quarter.

<< Slide 16 – Exploration Budget Allocation>>

Looking now at slide 16. The graph on the left hand side shows grassroots exploration decreased from 50% of global spend in 1997 to under 30% twenty years later.

Mine site expenditure has increased from 17% to approximately 40% in the same period.

This shift in emphasis is less risky, yet it is a key reason for the lack of discoveries in recent years. Having said that, more recently, we are seeing some companies embarking on greenfields exploration.

The graph on the right hand side of the slide shows the allocation of expenditure in terms of dollars spent.

<< Slide 17 – REFLEX Instruments on Hire>>

Our REFLEX rental fleet has traditionally been a lead indicator of market conditions within the minerals industry – as more rigs return to work, more instruments are required.

In our view the cycle is still in its early stages. Rig utilisation rates were approximately 45% - 50% at the close of the financial year, drilling contractors are achieving some increases in rates and exploration expenditure is approximately half of the 2012 peak.

We have made this point in previous presentations, however, it is interesting to note that instruments on hire increased during CY14-CY16 despite significant decreases in exploration expenditure over those 3 years. We believe this is vindication of our investment in product development through the cycle to deliver differentiated technologies in the new upswing.

At 30 June, 2018, the number of instruments on rent was up 10% compared to 30 June, 2017 and was the highest since September 2012. I would also like to highlight that even though we had a smaller fleet on hire – approximately 15% less than the peak in late FY12 – REFLEX generated record revenue in June and July of 2018.

This reflects increased demand for traditional instrumentation, together with more recent technologies that generally yield higher rental rates.

Our instruments are not commodity specific; however, the largest driver of rentals is gold and copper.

<< Slide 18 – Summary of Strategy>>

Slide 18 reiterates our growth strategy.

To achieve our objective of delivering sustainable earnings growth for shareholders, we are committed to a two-tiered strategy, which includes organic and transformational growth. Other key elements include: maintaining our market leading technologies; enhancing client intimacy; and driving operational excellence globally.

We will maintain our market leadership position by continuing to develop our core products. At the same time we are investing in transformational growth, for example our drill and blast project and drilling productivity technologies such as the CoreVIBE™ and MagHAMMER™.

I will provide more detail regarding our drill and blast and drilling productivity projects in the next few slides.

<< Slide 19 – Drill and Blast>>

Slide 19 shows a typical bench in a mining environment, where multiple blast holes are drilled.

Our drill and blast project is centred around material characterisation pre-blast, to facilitate differential blasting on the bench and is being developed with Orica, Anglo American and Teck Resources.

The project has attracted the attention of our industry and METS Ignited – an industry-led, government-funded, Growth Centre for the METS sector. Its mission is to strengthen Australia's position as a global hub for mining innovation, and, enhance the global competitive advantage of the Australian METS industry.

<< Slide 20 – Drill and Blast>>

Slide 20 provides more detail around what will occur with the IMDEX technology, once developed.

The initial iteration will characterise the material, which will be fed into Orica's Blast IQ™ System to allow for different explosives to be loaded into the blast holes to improve ore and waste tracking and enable the ideal fragment size to be generated by the blast to optimize production and recoveries.

<<Slide 21 – CoreVIBE™ and MagHAMMER™>>

Looking now at our option to acquire the CoreVibe™ and MagHammer™ technologies.

These technologies are patent protected, fit our rental model and are capable of having a significant impact on the cost and efficiency of drilling.

The deal structure allows for extensive testing by IMDEX on both technologies prior to exercising the option. Testing continues in order to reduce component capital expenditure, increase deployment time and decrease repair costs.

<<Slide 22 – CoreVibe>>

CoreVIBE™ is progressing towards commercialisation. In trials conducted by IMDEX, it has the potential to increase average diamond drilling productivity rates by some 30%.

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

The CoreVIBE™ also minimises hole deviation, reduces core blockages, improves penetration rates and extends bit life.

<<Slide 23 – MagHammer>>

The MagHammer™ is not as advanced as the CoreVibe™, however, is being worked aggressively to reach commercialisation.

Essentially, it is reverse circulation – or RC drilling – without compressed air, which provides 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. When using the MagHammer™, the one diamond rig can cover both applications. No mobilisation and demobilisation of two rigs.

There is also a significant capital expenditure saving as you can eliminate the traditional RC capex of $2m - $3m and deploy the typical diamond drilling rig set up of approximately $1m.

Other benefits include: the elimination of dust that typically surrounds RC drilling; penetration rates are not affected by water intrusion; and the depth of the hole is only limited by the rigs ability to retrieve the drill string.

Resource companies and drilling contractors are excited by the potential industry advantages of the CoreVibe™ and MagHammer™ technologies.

<<Slide 24 – Sustainable Competitive Advantage>>

Before I finish with the key points of this presentation and outlook for FY19, slide 24 summarises our competitive advantages.

- We are the industry leader of subsurface intelligence solutions globally and have economies of scale, which should generate increased fixed cost leverage as the cycle gathers further momentum;
- We have a robust balance sheet with a net cash position and the ability to leverage opportunities for organic and transformational growth;
- We are developing integrated solutions for all phases of the mining value chain, which provide more sustainable revenue and earnings;
- Our leading brands – AMC and REFLEX – are dominant within the global minerals industry and have a solid reputation for quality and ease-of-use;
- We have long-standing relationships with major resource companies and drilling contractors; and finally
- We have unique patent protected technologies, world-class R&D facilities and capabilities, and an established global presence.

<< Slide 25 – Summary & Outlook>>

Turning now to the summary and outlook on slide 25.

Our business performed strongly during the year as shown by revenue growth of 24% with increased EBITDA of 35%.

As a proven indicator of activity, the number of REFLEX instruments on hire at 30 June was 10% up on 30 June, 2017 and has increased further in early FY19.

We invested in our strategic positioning throughout the year and are committed to maintaining our competitive advantage within the industry. Investment in R&D during FY19 is expected to be at similar levels to FY18. At the same time, organic growth is set to deliver increases in EBITDA during FY19.

Our balance sheet is in good shape and will improve further as FY19 progresses.

The outlook for IMDEX remains positive. We believe the global minerals industry is in the early stages of a cyclical upswing and activity has increased in all major mining regions, which is flowing into the early part of FY19. In that regard, our July revenue was the highest since September 2011.

There remains a fundamental need to replace diminishing reserves; resource companies are well-funded; and new technologies are gaining momentum within the industry to drive greater efficiency and productivity – IMDEX is delivering these real-time or near real-time technologies.

IMDEX is in a strong position to leverage improving market conditions, new technologies and our unique competitive position.

That completes the formal part of our presentation and we are happy to take questions.

Closing Comments

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

- Our balance sheet is in good shape and we are well placed to support the growth of our business.
- We have invested in technology development through the cycle and have a strong market position.
- The resource companies and service providers are looking at ways to reduce costs and increase efficiencies – it is technology and the One IMDEX solutions which are assisting them do that.
- We have considerable operating leverage and investing in transformational initiatives, which are anticipated to provide sustainable revenue and earnings growth.
- We believe the cycle has some years to run and look forward with optimism as we apply our strengths to increase revenue and profits and shareholder returns.

Thank you again and we are looking forward to seeing many of you during the week.