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

Dear Sir / Madam,

**1H16 Results Conference Call and Slide Show**

Please find attached the script from today's 1H16 Results Conference Call and Slide Show.

Yours faithfully  
**Index Limited**

A handwritten signature in blue ink, appearing to read "P. Evans".

**Paul Evans**  
Company Secretary

# ***Imdex Limited***

## ***1H16 Webcast Script***

### **<<Slide 1 – Cover >>**

Welcome everyone. Thank you for joining us as we present Imdex's results for the first half of the 2016 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 – including progress with the divestment of our oil and gas assets.

The presentation will take approximately 15-20 minutes; we will then be happy to answer any questions you may have.

For listeners who are not familiar with the Imdex Group, additional information has been included in the appendices to the presentation slides and is available on our company website.

### **<<Slide 2 – 1H16 Key Metrics>>**

Commencing with our key metrics on slide 2.

You will note that AMC Oil & Gas and Imdex's share of VES are now classified as Assets Held for Sale; therefore, statutory revenue from continuing minerals operations was \$74.5 million for the half. This result represents a 4% increase on the previous corresponding period.

EBITDA from continuing operations was down 51% to \$10.9 million; however, the normalized result was up 27%

We recorded a net loss of \$1.3 million for the half and an operating cash outflow of \$1.7 million. This result included non-recurring outflows that Paul will cover shortly.

Our gearing remains low, with net debt to total capital at 11.3% and normalized EBITDA interest cover of 4.5 times.

As at 31 December 2015, our global workforce had reduced by 11% to 519 people. Even though our workforce is down materially on 1H15, we will continue to streamline our structure without impacting our ability to service our clients and grow our minerals business.

As previously announced to the market, we are in the process of selling AMC Oil & Gas as a going concern. Following this divestment our total number of employees will be approximately 400.

Given the trading results of the business, the Directors have not declared an interim dividend.

### **<<Slide 3 – Group Revenue>>**

Slide 3 shows Index's statutory revenue from continuing minerals operations for the half.

We achieved a 4% increase in our minerals revenue on 1H15. Some of this was due to favorable foreign exchange movements, however, we believe that it shows increasing demand for our technologies in a tough market.

### **<<Slide 4 – EBITDA>>**

Paul will now comment on slide 4, which sets our EBITDA result.

Thank you Bernie

With the decision to sell the AMC Oil & Gas business and our interest in VES, the EBITDA result has been separated to report the result from the discontinuing business and from the continuing business. The former represents the EBITDA result of AMC Oil & Gas and the latter, the EBITDA result of the ongoing Minerals

business. We no longer equity account for our interest in VES since it is Held for Sale.

Slide 5 separates this further by segment.

**<<Slide 5 – EBITDA Segment result>>**

On lower revenues to the prior corresponding period, AMC Oil & Gas achieved a 1H16 EBITDA loss of \$2.3 million. Encouragingly, our Minerals business held up well in the challenging conditions. The Division increased trading EBITDA by 17% to \$14.2 million over the prior corresponding period.

**<< Slide 6 – Balance Sheet >>**

Moving to slide 6.

Net debt at 31 December 2015 was \$21.6 million. Gearing, as measured by net debt to capital, was at 11.3% compared to 13.7% at 31 December 2014 and 17.2% at 30 June 2015. At 31 December 2015 borrowings represent the new Sankaty funding facility, which was put in place in September 2015 and finalized in December 2015. It is a three year, interest only, \$54 million fully drawn facility. Interest is at 10.75% being 8% cash and 2.75% PIK. The borrowings of \$54 million are offset by the cost of the 37.1 million warrants issued to Sankaty and fees associated with this funding facility. These costs will be amortized to the profit and loss over the period of the loan.

Net assets “Held for Sale” represent AMC Oil & Gas and the 30.65% interest in VES. This totals \$41.8 million. In recognition of the expected receipt of these proceeds from the sale of these businesses and the requirement within the Sankaty facility agreement to use these proceeds to pay down the facility, it has resulted in part of the borrowings being treated as a current liability.

The Balance sheet will become much stronger as we progressively dispose of the oil and gas assets.

**<< Slide 7 – Working Capital Management>>**

Looking now at slide 7.

During the half, there was a net outflow of operating cash of \$1.7 million. When the impact of the final payment for the product containment incident, the FY15 impairment and provisioning and costs associated with financing events is removed, this results in a normalized cash inflow from operations of \$4.2 million.

Financing costs include expenses and interest associated with financing events, including the new Sankaty facility plus the prior Club facility.

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

**<< Slide 8 – Operational review >>**

**<< Slide 9 – Minerals division >>**

Thanks, Paul.

Turning to slide 9 for a more detailed review of our operations.

Our Minerals Division's half year revenue of \$74.5 million was up 4% on 1H15. The Division's EBITDA was \$14.2 million, which was a 17% increase on 1H15.

The uplift in minerals revenue and earnings was due to: increasing demand for Imdex's technologies; gaining additional market share in the Americas by AMC Minerals; and an increasing number of low-risk metres being drilled, despite a decrease in global minerals exploration expenditure. Favorable foreign exchange movement was also a contributing factor.

**<< Slide 10 – Minerals division regional revenue>>**

The graph on slide 10 shows that the Americas is now our largest region by revenue, generating 41% of minerals revenue. This is further evidence of growing our market share in that region.

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

You can see that over the last 5 half year periods, our minerals revenue has stabilized and is showing a consistent growth trend, albeit minor. Nevertheless, it is there.

Despite the challenging environment, AMC remains a leading brand of drilling fluids for the global mining industry and REFLEX is the leading global provider of downhole instrumentation, data management and data analysis solutions to that industry.

Given these market leading positions, we are well placed to continue to grow our minerals business in the current market.

AMC's solids removal technology is continuing to gain interest from our clients. We have SRUs on some substantial sites including BHP, Rio, Barrick, Vale, Cameco and Kinross. The large companies are continuing to embrace the economic and environmental benefits and we expect improved utilization of our existing SRU fleet during calendar 2016.

#### **<< Slide 11 – Minerals barometer>>**

Slide 11 shows what the REFLEX rental fleet has been doing.

In 1H16, the average number of instruments on rent was up 6% on 1H15 and the number of instruments on rent held up well in the period prior to the traditional slowdown during the Christmas/New Year holiday season. As at 31 December 2015, you can see the negative seasonal impact; nevertheless instruments have been going back out on hire post the traditional holiday slowdown period and we have seen a 46% rebound from the 31 December low point as at 31 January 2016.

The low point at 31 December, 2015 was 20% up on 31 December, 2014.

The number of instruments on rent at 31 January, 2016 was 10% higher than at 31 January, 2015.

As more rigs return to work we expect additional instruments will be on active rental during the balance of FY16.

The bottom part of this slide provides an overview of our minerals revenue base. During 1H16, gold and copper continue to make up approximately 55% of our minerals revenue and iron ore a smaller but decent contributor at 10%. Just over 62% of revenue came from development and production activities and we are aiming to increase this percentage over time.

Our share of revenue from non-mining activities was 16% during the half.

Major and intermediate companies dominated our client base by contributing almost 68% of our Minerals revenue in 1H16.

### **<< Slide 12 – Reflex Leading Technologies>>**

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

The slide 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 mining cycle. This is a significant shift, whereby we are positioning the business to generate more revenue from the development and production 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 their 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. It also provides leading analytics and consulting advice for effective decision making.

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 grow our business and provide solutions to our clients. 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 implement our technologies into many of the leading resource companies and drilling contractors and other mining service clients.

### **<< Slide 13 – Oil & Gas Division >>**

Our Oil & Gas Division includes AMC Oil & Gas and our 30.65% equity in VES.

The Division's revenue was down 44% to \$16.8 million when compared to 1H15.

Challenging market conditions remained during the half and are expected to continue for the foreseeable future given the continued weakness in the oil price.

As mentioned earlier in this presentation, the decision has been made to divest our oil and gas businesses in order to repay debt and focus entirely on the global minerals business.

By way of update, the divestment of AMC Oil & Gas as a going concern is progressing through Simmons & Co, a global leader in mergers and acquisitions for the oil & gas industry.

Simmons & Co are short-listing interested buyers to move through the due diligence process.

In relation to the divestment of VES, we are also progressing our divestment strategy as announced to the market on 28 August 2015.



Proceeds from the sale of the company's oil and gas assets will be applied to debt reduction and working capital.

**<< Slide 14 – Summary>>**

Finally looking at the summary and key areas of focus on slide 14.

Our minerals businesses performed well during the half, boosted by demand for the efficiencies our technologies are delivering.

The performance of our Minerals Division in current market conditions supports our strategy of focusing on our minerals business and investing in technology development through the cycles to maintain our competitive advantage.

Accordingly, we are advancing the divestment of our oil and gas assets. The proceeds will be applied to debt reduction and working capital.

At the same time, we are heightening our focus on the growth of our mineral business via new technologies to support our global clients. Some of our technologies in development are exciting and have the ability to change the way our industry operates.

A key focus is marketing our technologies to resource companies to assist them to reduce costs and increase efficiencies.

That brings the formal part of our presentation to an end. I thank you for your interest in our company. 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:

- Our top priority is to dispose of the oil & gas businesses and strengthen our balance sheet. This process has commenced and we are making good progress and remain confident of generating at least book value for these assets over the next 12 months
- We have invested heavily in technology development. A number of these technologies are commercial and in product development which allows us to increase revenue in the Minerals business
- The large resource companies 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 apply our strengths to increase revenue and profits.

Thank you again.