17 February 2020

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

Dear Sir/Madam

1H20 RESULTS CONFERENCE CALL AND SLIDE SHOW

Please find attached the script from today’s 1H20 Results Conference Call and Slide Show.

Yours faithfully

Imdex Limited

Paul Evans
Company Secretary
Welcome everyone. Thank you for joining us today – it is a pleasure to present our half year results for the 2020 financial year.

Joining me on the call today are:

- Paul Evans, our Chief Financial Officer and Company Secretary; and
- Paul House, our Chief Operating Officer and Chief Executive Officer elect. As announced in November last year, Paul House will take over as CEO following my retirement on 1 July this year.

This presentation will take approximately 15-20 minutes and then we will turn the call over to the operator, to moderate a question and answer session.

I will begin with a brief overview of our company and technologies, however, like our previous presentations, we have included some additional information in the appendices.

**A Leading Global Mining-Tech Company**  
Enabling successful and cost-effective operations, from exploration to production

Starting on slide 2.

Who is IMDEX and what do we do?

We are a leading global Mining-Tech company, with operations in all of the key mining regions of the world. Our connected technologies and integrated solutions enable cost-effective operations from exploration to production.

**IMDEX at a Glance**  
Building Solid Growth

Looking at slide 3, which highlights the key points of our investment proposition:

- We have a market cap, which is in excess of half a billion dollars;
• We have been outpacing industry growth, where our revenue and EBITDA compound annual growth rates over the last 3 years, have been 16% and 27.5% respectively. This reflects the investment we have made in technology and value-added solutions for our client base;
• Our balance sheet continues to strengthen and we have a strong net cash position;
• We are present on approximately 70% of drilling programs globally, which provides an excellent opportunity to market a wider range of products to clients;
• We are the only company providing end-to-end solutions to the whole mining value chain; and
• We always have a rich pipeline of new technologies – FY20 is no exception. It is these unique end-to-end solutions and new technologies, which will continue to build sustainable revenue and earnings growth in the coming years.

What Our Technologies Do
Enable successful cost-effective operations

Moving to slide 4, which illustrates what our technologies do. The graphic depicts how our cloud-connected sensors and drilling optimisation products improve the process of identifying and extracting mineral resources globally – for example: drilling optimisation solutions; downhole survey and logging sensors; and real-time subsurface intelligence.

We help drilling contractors and resource companies both. We help them drill faster and smarter, obtain accurate subsurface data and receive critical information anywhere in the world in real-time or near real time.

IMDEX Technologies
Applicable across the whole mining value chain

We have included slide 5 to emphasise that our portfolio of technologies is applicable to the whole mining value chain. At all stages – from exploration to production.

Applying our portfolio of connected sensors and drilling optimisation products to this broad spectrum, is a key part of our strategy for sustainable growth.

IMDEX Integrated Solutions
Strong competitive position – high barriers to entry

Slide 6 highlights our strong competitive position.

Increasingly, our breadth of solutions, means we standalone in the marketplace. We have a first-mover advantage for cloud-enabled technologies in this market.

Our ongoing investment in R&D and the world-class team we have established in the USA and Australia, continue to build our portfolio of IP year-on-year.
Protecting this IP provides a high barrier to entry and is an integral part of our product development stage gate process.

With the inclusion of the Flexidrill patents, our registered patents are up 56% on June 2019.

The breadth of our patent families is largely unrivalled and our IP portfolio currently protects over 80% of current and future revenues.

Our global presence is a key component of our strong competitive position. It enables us to support our clients in their regions of operation and efficiently introduce new technologies to these markets. For listeners who may not be familiar with IMDEX, we have included a map of our IMDEX facilities in the appendices of this presentation.

1H20 Highlights

Strong performance and a positive outlook

Looking at our 1H20 highlights on slide 7. As we announced in our release this morning, it has been a positive start to FY20 with seven consecutive halves of revenue and earnings growth:

- We achieved our strongest half-yearly revenue, which was up 2% on 1H19 and an underlying EBITDA increase of 12%;
- The Directors declared a fully-franked interim dividend of 1 cent per share, which was up 25% on 1H19. The full year FY19 dividend of 1.4 cents per share was paid during the half, as was a special dividend of 2 cents per share following the sale of Vaughn Energy Services, or VES, our last remaining oil and gas asset;
- Our balance sheet is robust with a net cash position of $25.5 million;
- We continued to strengthen our rental fleet with more sophisticated connected technologies. This enabled a 12.7% increase in the average monthly rental rate from 1H19;
- We exercised our Option to acquire Flexidrill and its COREVIBE™ and MAGHAMMER™ technologies – this transaction was completed on 6 January 2020;
- We remain on track to commercialise and accelerate our new Drilling Productivity and Mining Technologies in the second half of this financial year;
- We continued our disciplined spend on core engineering and product development and our IMDEXHUB™ connected technologies are up 53% on the pcp;
- Safety is an ongoing focus and we are pleased to report our Lost Time Injury Frequency Rate was below our internal targets at 31 December, 2019;
- We achieved the highly sought after Information Security Management standard ISO 27001, which is recognised throughout the world. Importantly, it provides additional assurance to clients regarding the end-to-end security of their information; and finally
• We continued to streamline our operations and realise the benefits of our internal digital transformation.

I will now hand over to Paul Evans to cover the financials in more detail.

1H20 FINANCIAL REVIEW

Paul Evans

Thank you Bernie.

Key Metrics
A strong financial platform

Looking at slide 9 and our key metrics for 1H20.

You will note we have included an additional lightly-shaded column to highlight impacts from the new leasing accounting standard AASB 16, which came into effect for this reporting period. In line with the new standard requirements, comparatives in the 1H20 financial report have not been amended and therefore the table has been extended to demonstrate the reported results removing the impacts of AASB 16, to allow a clear comparison to the prior comparable period.

• We achieved our best half-yearly revenue of $127.9 million, which is a 2% increase on the pcp, the latter being a particularly strong half;
• Underlying EBITDA was up 12% to $28.1 million. This underlying result excludes a $3.6 million gain from the sale of VES, and a $3.2 million benefit from the new leasing standard I mentioned earlier;
• Excluding the AASB 16 impact, we recorded a net profit after tax of $18.5 million, up 37% on the pcp;
• Earnings per share prior to the leasing standard impact was 4.82 cents, up 32% on 1H19;
• Our operating cash flow excluding the AASB 16 impact was $21.7 million, a 14% increase on the prior year;
• Net assets, again excluding the AASB 16 impact, increased by 10% to $225.4 million; and
• Net cash, excluding the AASB 16 impact, was $25.5 million, up 24%.
Given our strong cash generation, our Directors declared a fully-franked interim dividend of 1 cent per share for the half. This equates to a dividend NPAT payout ratio of 21%.

Revenue
Strong half year performance

Moving now to slide 10.

As you can see from the graph we are continuing our positive trend of growth.

Our best half-yearly revenue and our strongest December result was largely driven by increased activity within Asia Pacific, a late Christmas shutdown and growing demand for our integrated solutions and cloud-connected technologies.

The result for the Americas was impacted by client consolidation within the industry in North America, and industrial unrest in South America. Exploration activity within this region is expected to increase. Europe and Africa experienced steady growth.

Approximately 35% of our 1H20 revenue was generated in Asia Pacific, 45% in the Americas and the balance in Africa and Europe.

The pie charts on the right provide more detail regarding our revenue profile generally.

Our percentage of rental revenue is increasing due to market adoption of our integrated solutions and cloud-connected technologies. We are increasing our percentage of revenue from the surface and underground mining phase, which is a key part of our growth strategy.

Underlying EBITDA
Driving operating leverage

Moving now to slide 11 and our underlying EBITDA.

Again, you can see we are achieving a strong trend of earnings growth as demonstrated by our underlying three-year CAGR of 27.5%.

As mentioned, our 1H20 underlying EBITDA result of $28.1 million was up 12% on 1H19. This result largely reflected the increasing percentage of rental revenue, which yields a higher gross margin and our ongoing focus on benefits from our digital transformation and supply chain initiatives.

Reconciliation of underlying EBITDA
Strong cash conversion

Slide 12 shows the reconciliation from our underlying EBITDA result to the net cash flow from operations.
From the underlying EBITDA result of $28.1 million, there was a net inflow of operating cash of $21.7 million, which represents an uplift of 14% on the pcp. This was after our investment in working capital, non-cash items and $4.6 million of tax paid.

Our 1H20 working capital investment ratio was approximately 30 cents for every dollar of incremental revenue. We anticipate a similar ratio for the full year.

**Balance Sheet**
**Strong net cash position**

Looking briefly now at our balance sheet as at 31 December 2019 on slide 13:

- Excluding the impacts of AASB 16, the strong cash generation was reflected in our net cash position, which was up 24% on the pcp;
- Excluding the impacts of AASB 16 our net assets increased by $22.6 million, or 11% since 31 December 2018;
- We paid a FY19 final and special dividends in the half totalling 3.4 cents per share; and
- We continued to invest in leading technologies to drive future growth for shareholders.

As at 31 December 2019, our Return on Equity and Return on Capital Employed were 17% and 19% respectively – both were up on 30 June 2019.

Maintaining a robust balance sheet remains a priority and we are comfortable with our current net cash position.

I will now hand over to Paul House to cover our growth strategy and operations.

**STRATEGY**

**Paul House**

Thank you Paul, Thank you Bernie.

**Committed to ESG Activities and Disclosure**
**A step-wise approach**

Before providing an update on our growth strategy and operations, I would like to briefly review our recent ESG activities on slide 15.

We are taking a step-wise approach to ensure consistent, quality and relevant information is provided and we are working towards preparing a Sustainability Report in accordance with the Global Reporting Initiative Standards within three years.

In December 2019, our Board endorsed the establishment of an ESG Committee to enhance reporting for our stakeholders and the broader investment community. This Committee will be
responsible for identifying activities that support our ESG position both internally and how we engage with our clients.

As referenced in the appendices, we already have a suite of products and services embedded in our business that support the sustainable operations of our mining industry stakeholders.

**Consistent Strategy**

**Compelling opportunities for sustainable growth**

Looking now at our strategy on slide 16.

We remain committed to our two-tiered strategy, which expands our presence within the complete mining value chain. It includes:

- Growing our core business by enhancing our technical leadership, technical integration and increasing our share of client spend; and
- Further extension into the larger adjacent mining market, to build our non-cyclical revenue.

Our growth has been driven by offering more comprehensive value through the real-time power of IMDEXHUB-IQ™ and provision of integrated solutions for our clients.

The quadrants on the slide depict our growth strategy in products and markets.

Product extension within the exploration and development market is on the left, with ongoing core R&D and the development of new drilling productivity technologies – for example COREVIBE™, XTRACTA™ and MAGHAMMER™, which I will elaborate upon.

Market extension into mining production is on the right and includes existing products plus the development of new technologies – including BLAST DOG™ – for Drill & Blast applications.

Our strategy opens the door to an addressable market that is far greater than our traditional business within the exploration and resource development sector. It provides more value to our clients and to the industry as a whole; and importantly, it is less exposed to cyclical impact.

**Ongoing R&D Core Business**

**Connecting and enhancing our traditional technologies**

On slide 17 I’d like to highlight several points in relation to our ongoing R&D for our core business – which is depicted in the bottom left quadrant of our strategy graphic:

- It is a continuous process – albeit a very disciplined one – and is the reason we have market leading technologies and are present in some form across 70% of mineral drilling projects globally;
- Connecting our technologies to IMDEXHUB-IQ™ is a priority and as at 31 December 2019, 58 of our top 100 clients were HUB-enabled – this number is up from 49 clients as at 30 June, 2019;
• Our connected clients continue to generate over 60% more revenue for IMDEX by pulling together an increased number of our product offerings into comprehensive real-time solutions; and
• Our connected instruments are up 53% on the pcp. This has been partially driven by the issuance of new instruments and partially by the release of our new Survey-IQ app, which works across all tools and has been designed to connect some of the older generation instruments in our fleet.

Increasingly, our clients are demanding real-time ore body knowledge and this is what we are delivering.

Optimised Drill Site
Providing clients with Economic Value

Slide 18 shows our extensive range of integrated end-to-end solutions.

While we are present on 70% of mineral projects globally, we can expand our offering to clients and provide greater value. For example, where we have traditionally had 1 – 2 product lines at a project, we can now provide many more.

This allows us to grow our business within our current core strategy quadrant without being dependent on growth in the exploration and development cycle.

Drilling Productivity Technologies
Product Extension

Like our core business, we have made good progress with our new Drilling Productivity technologies throughout the first half. As a quick recap, these technologies include:

• COREVIBE™, which utilises high-frequency pulse-assisted drilling and can increase productivity by more than 30%;
• MAGHAMMER™, a new hybrid form of drilling that achieves high penetration rates compared to conventional coring – it is also significantly safer and delivers cost and environmental benefits; and
• XTRACTA™, which was developed by IMDEX. This technology enables drillers to inspect or change the drill bit when core is retrieved and there is no need to pull the rods. For those of you who may not be familiar with this practice, tripping the rods is time consuming, non-productive and increases the risk of injury.

Looking now to the progress update on the right of the slide.

Successful client trials with COREVIBE™ were undertaken throughout the first half. These trials continue to validate the significant benefits of this unique technology, including substantial increases in productivity. For the balance of FY20, we have a full pipeline of client trials and we are confident of converting trials into active rentals.
XTRACTA™ has been extensively trialled at our test site in New Zealand for the past 12 months and client trials are scheduled to commence late 3Q20.

Development of the MAGHAMMER™ at our test site is also progressing well and we intend to commence client trials in 4Q20.

The key takeaway is our new Drilling Productivity technologies remain on track to generate revenue in the second half with significant growth forecast in FY21 and beyond.

**Mining Technologies**

**Market Extension – BLASTDOG™**

Moving now to our BLAST DOG™ for IMDEX Mining Technologies, which is the top right quadrant of our strategy graphic.

Our BLASTDOG™ project is one of the most exciting developments we have. It enables optimised blasting outcomes based on high-resolution 3D material models and material tracking in the pit. The potential upside for the global mining industry and our company is substantial.

As the BLAST DOG™ is commodity agnostic, our trials to-date have included precious and base metals, together with bulk commodities, with global resource companies in Australia and the Americas.

IMDEX’s track record of successfully developing new technologies is further strengthened with this project. We are hitting our milestones and anticipate generating revenue in 4Q20 with further revenue generation in FY21 and beyond.

That concludes the review of our strategy and operations, so I will now hand over to Bernie for the Outlook and Summary.

**OUTLOOK & SUMMARY**

Bernie Ridgeway

Thanks Paul.

**Positive Growth Outlook**

**A strong start to FY20**

As the title of slide 22 suggests, we are confident the outlook for IMDEX is positive and the fundamentals underpinning business growth continue to be strong.

Positive drivers include:
• The major and intermediate resource companies are increasing their 2020/2021 expenditure to replace diminishing reserves;
• New discoveries are likely to be under cover and at depth resulting in larger drilling campaigns; and
• Resource companies are embracing innovation and new technologies to lower costs, increase safety and achieve greater productivity.

Importantly, there has been a positive start to drilling activity in 2H20 and the Company generated its highest January revenue. The number of IMDEX instruments on rent at 31 January 2020 was up considerably on the prior corresponding period.

Summary
Positioned to deliver attractive returns

Moving now to the key points we would like to leave you with on slide 23:

• IMDEX has a strong financial platform generating recurring revenue, strong cash flow from operations and increasing shareholder returns;
• We are outperforming market growth, largely due to our continued investment in R&D to deliver market leading technologies;
• We are expanding market share and margins, driven by an unrivalled range of technologies and the benefits of being the first mover to cloud-enabled instruments;
• We are building sustainable revenue and earnings growth – generated by our core business and via product and market extension;
• IMDEX is an established global company with an ability to leverage our extensive client network and achieve economies of scale; and
• We have a strong and disciplined leadership team with a successful track record of developing and commercialising technologies.

That concludes the formal presentation and I would like to hand over to the moderator for questions.

Closing comments

IMDEX’s core business is performing well and through the introduction of a number of new, patent protected technologies, the Company is poised to deliver substantial growth in revenue and earnings in the coming years.

Many thanks for listening into this call and we look forward to seeing many of you during the course of this week.