

Imdex Limited

1H10 Financial Results

22 February 2010

*Bernie Ridgeway – Managing Director
Paul Evans – Chief Financial Officer*

Providing Drilling Fluids and Down Hole Instrumentation to the World



Presentation Overview

- Overview
- 1H10 financials
- Operational review
 - Drilling Fluids & Chemicals Division
 - Down Hole Instrumentation Division
- Market outlook
- Strategy and growth opportunities

Overview

Bernie Ridgeway – Managing Director

Improved performance on 2H09

Financial

- Improved operating performance on 2H09 – low point in current cycle (1H09 was high point)
- Revenue* of \$58.4m (2H09: \$56.7m; 1H09: \$80.3m)
- Operating EBITA of \$7.5m (2H09: \$4.5m; 1H09: \$20.0m)
- Cash from operations of \$4.6m (2H09: \$9.6m; 1H09: \$6.6m)
- \$28.4m non-cash impairment charges

Operational

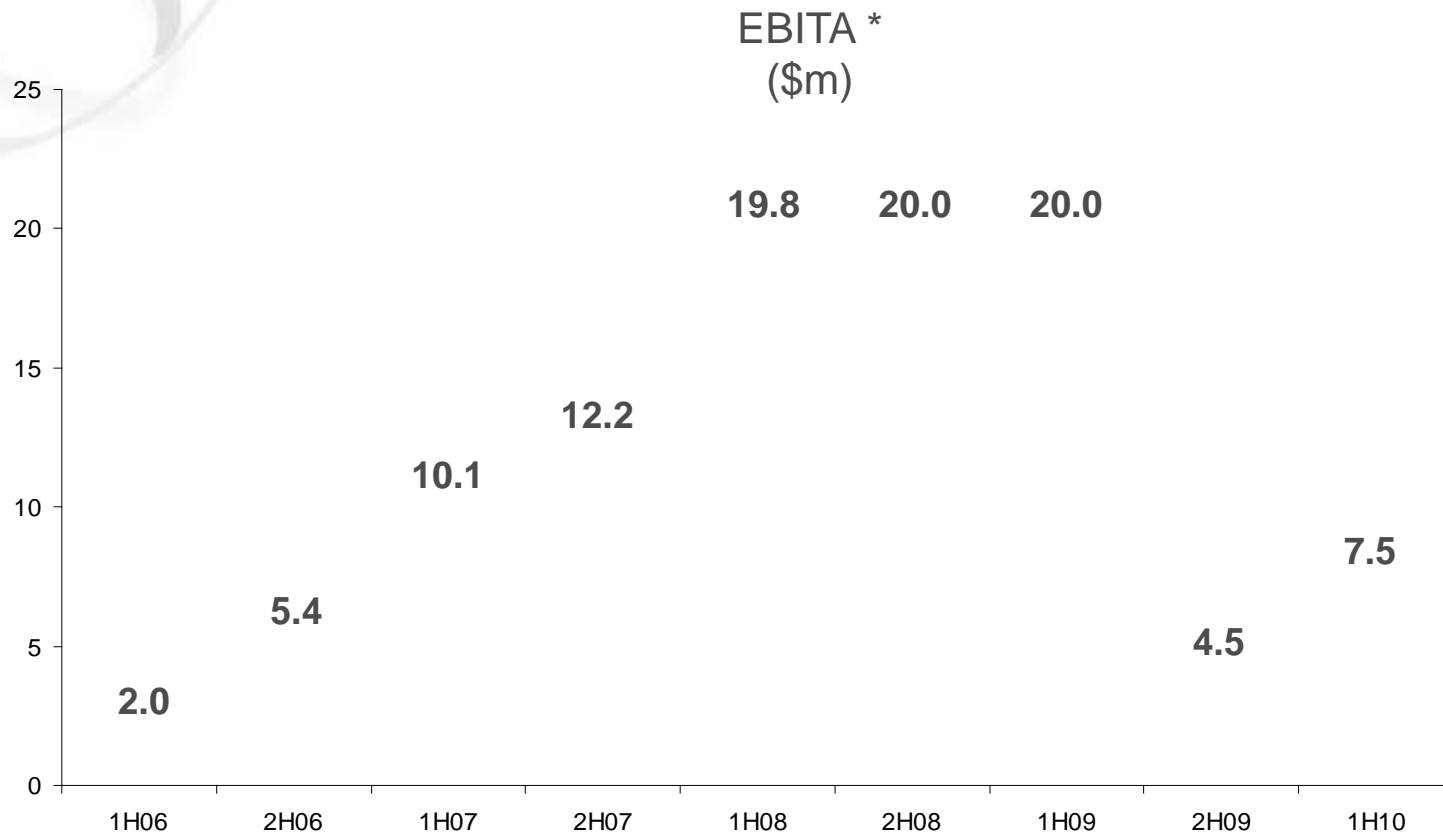
- Commercialised new generation solids control units
- New / improved tools – mining and oil & gas
- Mining tool rental fleet up 90% (31 Jan 10) on low in Apr 09
- 20% of 1H10 revenue from oil & gas market

Platform for growth

- Moving to regional, single brand structure
- Continued investment in engineering & product development
- Starting to benefit from increase in global drilling activity

* excludes interest income

Half year EBITA from FY06 to current



* excludes discontinued operations and non-operational items

1H10 financials

Paul Evans – Chief Financial Officer

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Profit & loss

(\$m)

	1H09	2H09	1H10
Revenue (excl interest income)	80.3	56.7	58.4
EBITDA	21.8	6.0	9.4
Depreciation	(1.8)	(1.5)	(1.9)
EBITA	20.0	4.5	7.5
Amortisation	(3.6)	(3.0)	(3.1)
Net interest expense	(0.7)	(0.2)	(0.8)
Tax expense	(5.6)	(0.1)	(0.7)
NPAT before non recurring items	10.1	1.2	2.9
Impairment	-	-	(28.4)
Forex on SGE loan	2.1	(1.0)	(0.7)
Tax effect of non recurring items	(0.6)	0.3	1.6
Statutory NPAT	11.6	0.5	(24.6)
<i>Earnings per share (continuing operations)</i>			
<i>Basic (cents per share)</i>	6.12	0.25	(12.63)
Cash flow from operations (\$m)	6.6	9.6	4.6

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Non-cash impairment write downs

Area	\$ m	Comment
Sino Gas and Energy Holdings	4.9	<ul style="list-style-type: none"> ▪ 22,260,000 shares ▪ Mark-to-market valuation ▪ Original cash cost \$0.3m ▪ Non core investment
Fluids Businesses	11.0	<ul style="list-style-type: none"> ▪ AMC performed well. Asia Pacific strong. Other regions slow to recover. ▪ Re-branding to “AMC” globally for both mining and oil & gas markets
SEG/Flexit Business	12.5	<ul style="list-style-type: none"> ▪ Development and market entry of oil & gas tools taking longer to ensure “best in class” ▪ Three tools commercial. Drop tool by end FY10
	28.4	

- All impairment charges are **one off non-cash adjustments** to balance sheet carrying values
- No impact on funding

Conservative balance sheet

(\$ millions)

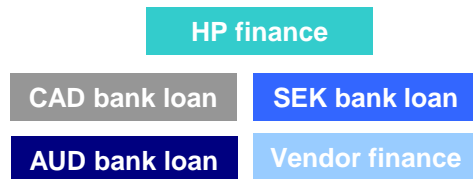
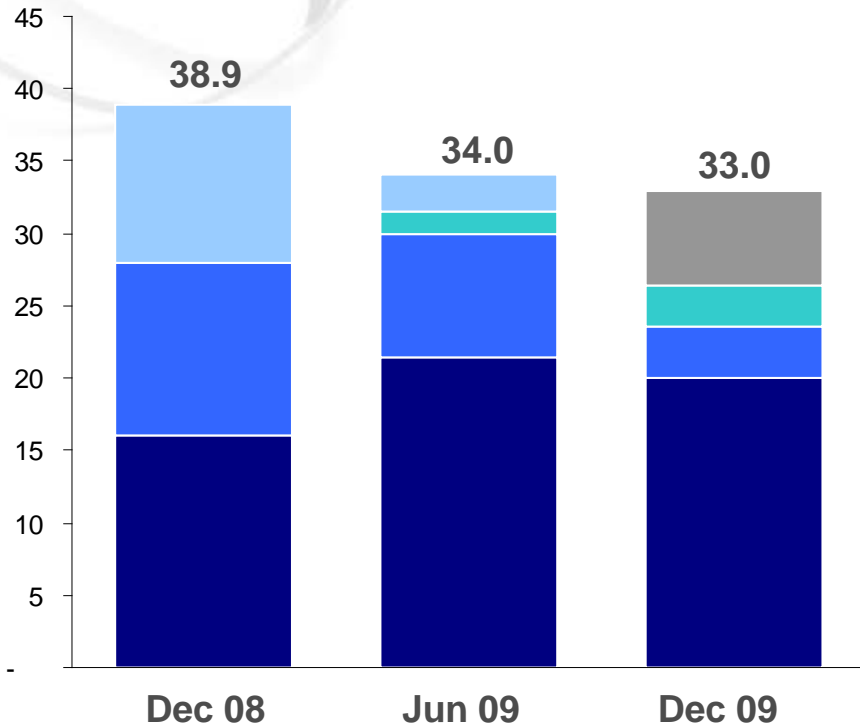
	Dec 09	Jun 09
Net cash	9.7	12.0
Receivables	26.4	23.4
Inventory	26.4	26.4
Investment in SGE	15.1	20.5
Fixed assets	11.9	10.8
Intangibles	53.2	79.2
Other assets	2.3	1.5
Total Assets	145.0	173.8
Payables	21.4	18.1
Commercial bills	20.0	21.5
Bank loan – Canada	6.6	-
Bank loan – Sweden	3.6	8.3
Vendor finance	-	2.5
HP Finance	2.8	1.7
Provisions / Deferred tax	0.1	5.5
Total Equity	90.5	116.2
<i>(CA – Inventory)/CL</i>	1.21	1.62
<i>CA/CL</i>	1.85	2.37
<i>Gearing (net debt / capital)</i>	20.5%	16.0%

- Solid working capital ratios
- Low gearing
- Remain within banking covenants
- \$9.7m cash on hand
- Low capital intensity
- Total debt down \$1.0m to \$33.0m
- SGE
 - Investment \$3.2m (market value)
 - Secured receivable \$11.9m

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Decreasing debt levels



- Vendor payment - \$2.1m 31 July 09
- No outstanding vendor liabilities
- AUD and SEK loans paid down as scheduled
- \$6.8m raised in CAD to provide a natural hedge
- Gearing 20.5% (June 09 – 16.0%)
- Interest cover of 9 times

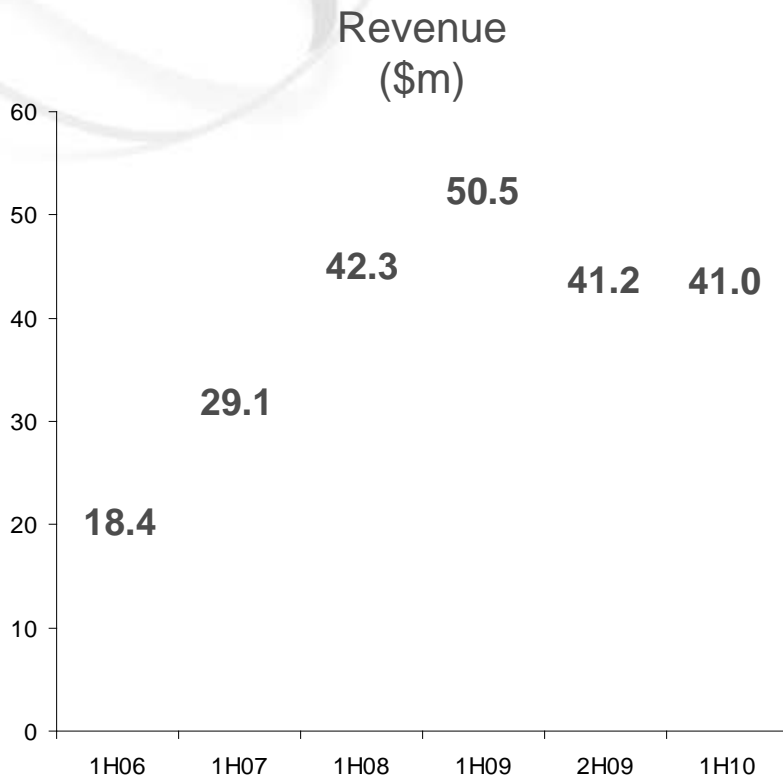
Operational review

Bernie Ridgeway – Managing Director

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Drilling Fluids and Chemicals Division



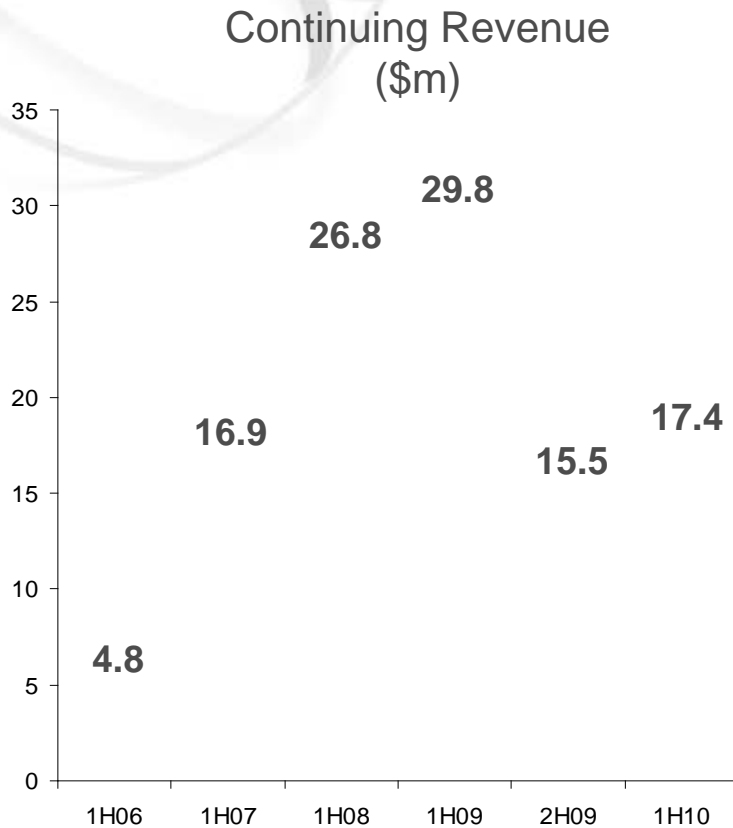
1H10 Divisional Revenue Split

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- Performance in line with 2H09
- 19% below 1H09 peak
- Recovery in 4Q09 followed into 1H10
- Africa, Canada and Latin America slower
- 25% of revenue from oil & gas market
- New generation solids control unit commercial – early stages of roll out
- Strong relationships with global and local customers
- Lower material input costs and better regional structure
- Single AMC brand globally replacing local geographic brands



Down Hole Instrumentation Division



1H10 Divisional Revenue Split

- 12% improvement on 2H09
- DHI – Oil & Gas
 - Target tool commercial – ongoing development to ensure “best in class”
 - High temperature tools - commercial
 - Drop tool - near commercial
- Mining tool rental fleet up 90% (Jan 10) from low (Apr 09)
- Successful relocation of mining tools manufacturing from UK to Australia
- Strong relationships with global and local customers
- Continued product development

Market outlook

Bernie Ridgeway – Managing Director

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Market recovery FY10/FY11

Greater
drilling activity
globally

Drillers
reporting
increased
quality and
number of
tenders

Increased
commodity
prices

USA land
based oil &
gas industry
more active

Long term
supply/
demand
imbalances
remain

Early stages of recovery are present

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Global exploration spend (non ferrous)

- Exploration by commodity:

- Gold 44%
- Base Metals 33%
- Diamonds 5%
- Uranium 8%

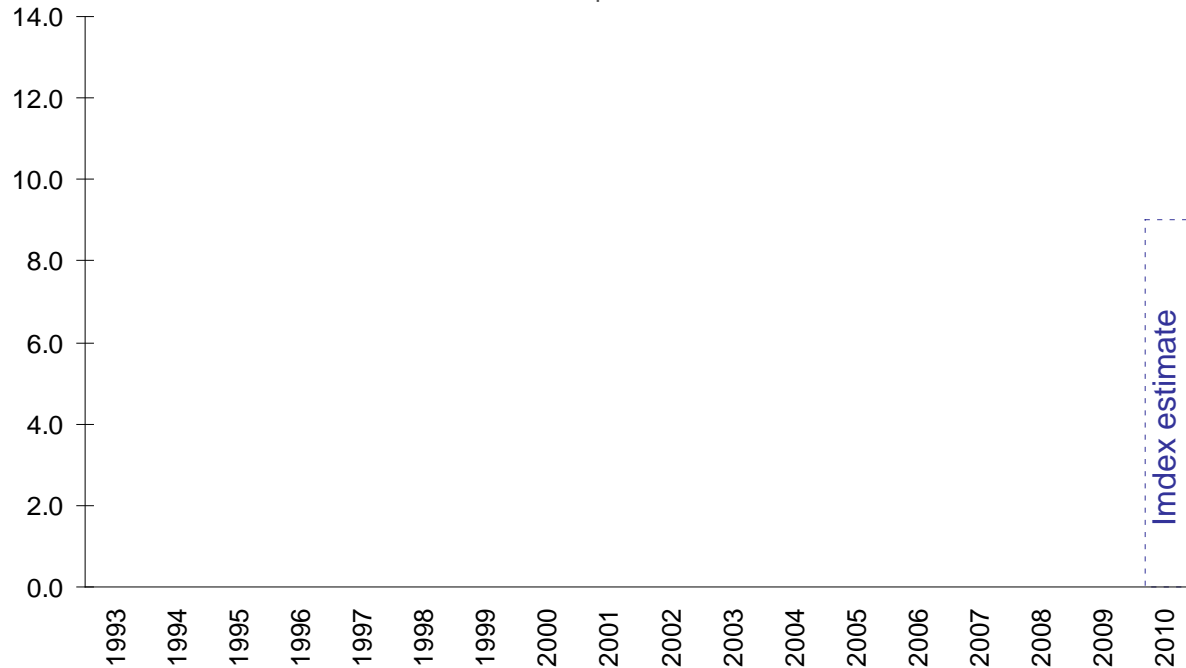
- Exploration by stage:

- Greenfields 33%
- Minesite/late stage 67%

- Early signs in 2010 indicate that 2009 was the bottom

- Dearth of new discoveries
- Deeper and more complicated ore bodies
- Longer timeframes from discovery to production
- Rising exploration, development and production costs

Estimated Exploration Spend Worldwide
US\$ Billions

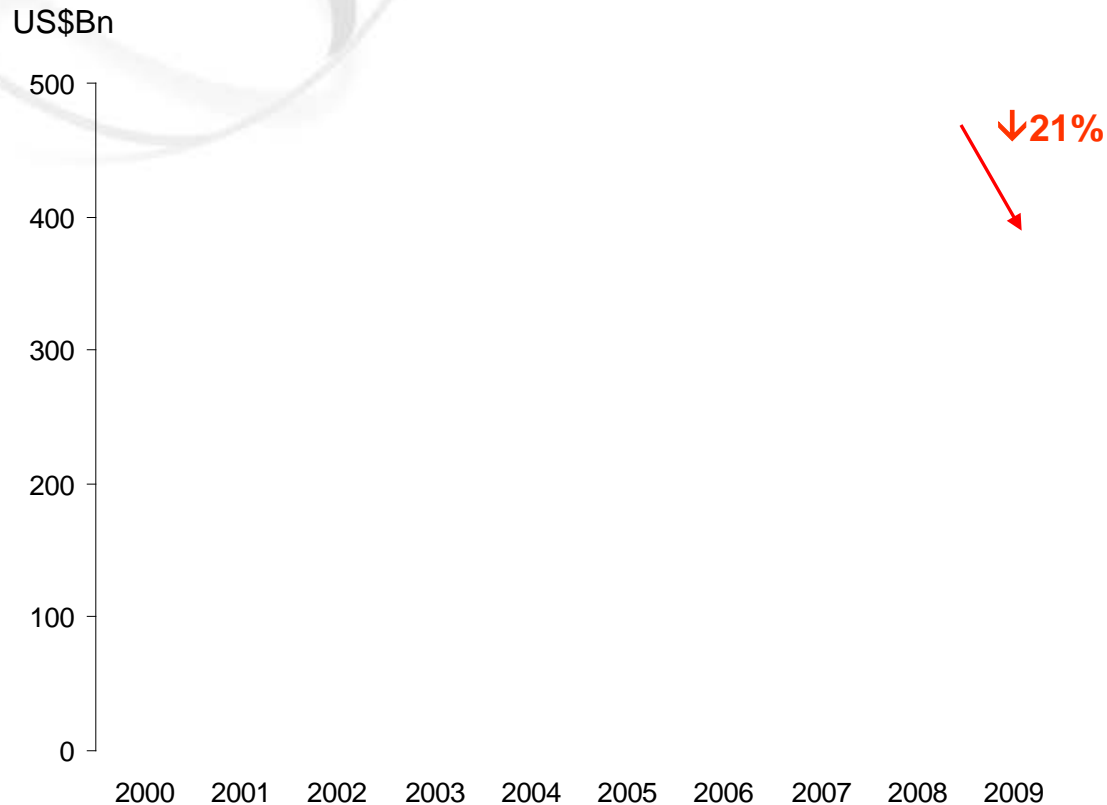


Source: Metals Economics Group

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Oil & gas – worldwide upstream capex



- Global spend estimated to have dropped 21% in 2009
- Still high in historical terms
- Medium/long term supply/demand imbalances remain
- Exploration - increasingly complex
- Good opportunities for Imdex's technology

Source: APPEA 2009 presentation "Energy Security in an Insecure Financial World"

Strategy & growth opportunities

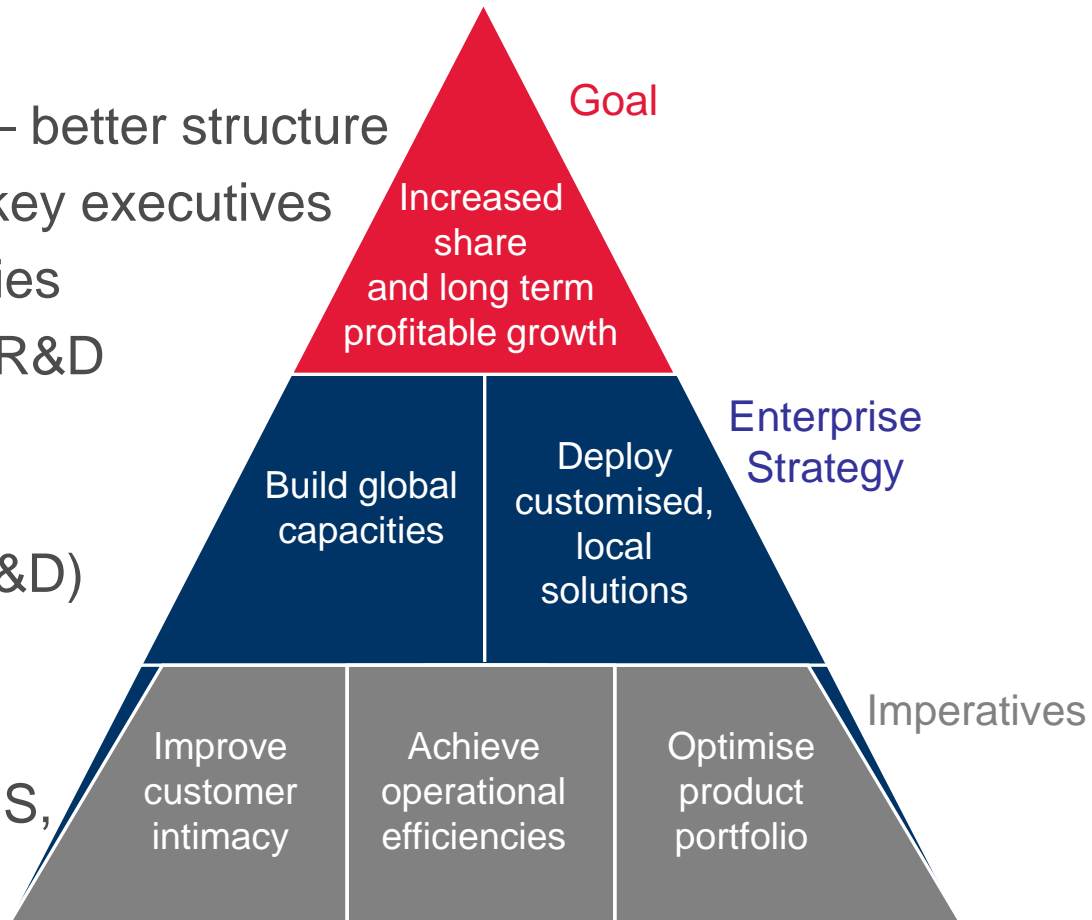
Bernie Ridgeway – Managing Director

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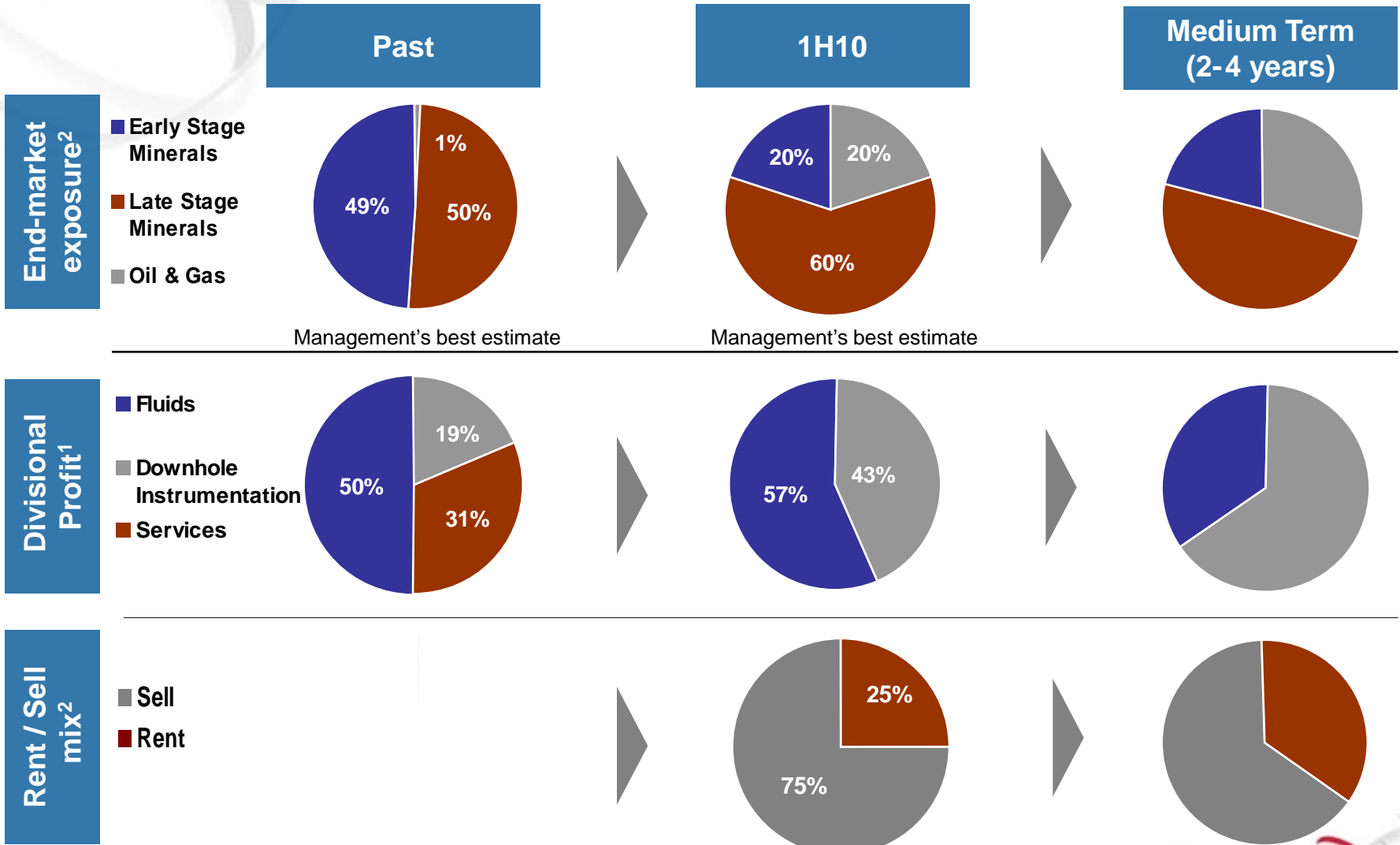


Platform for growth

- Improved customer intimacy
 - Geographic organisation – better structure
 - People strategy – added key executives
- Achieving operational efficiencies
 - Ongoing consolidation of R&D and manufacturing
 - Supply chain
- Optimising product portfolio (R&D)
 - Release of ACT II
 - Reflex Gyro
 - Commercialised Target INS, HTGS, HTMS
 - Drop Tool – near commercial
 - New generation Solids Control Units commercialised



On track with strategy



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¹ Based on actual or anticipated EBITA
² Based on actual or anticipated Revenue



Outlook for 2H10

Key initiatives

- Continued R&D investment to maintain technology leadership
- Expansion of solids control fleet in Australia
- Global roll out of next generation core tool
- Further expansion into the oil & gas market (DFC and DHI)
- Global rebranding of fluids businesses to AMC

Financial/operational outlook

- More rigs back at work in all major mining regions
- Margins should improve
- 2H10 started well – revenue and EBITA expected to be higher than 1H10

In summary

- Whilst market conditions in 1H10 were tough, they were an improvement on 2H09 (cyclical low)
- Imdex's strategy is sound
 - two divisions – DFC & DHI
 - supplying two main end markets – mining and oil & gas
- Market fundamentals are improving
 - buoyant commodity prices
 - large, intermediate and junior companies spending again
- Imdex is exiting the downturn stronger with a solid platform for growth
- Well positioned to grow shareholder value

Appendices

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A snapshot of Imdex's business

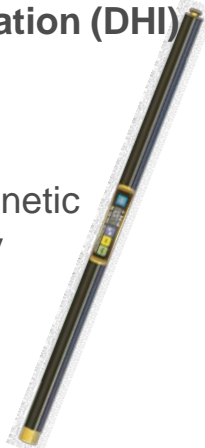
Drilling Fluids & Chemicals (DFC)

- Consumable item
- Keep drill holes open and lubricate moving parts while removing cuttings to the surface
- Environmental focus
- Manufacture & supply



Down Hole Instrumentation (DHI)

- Core orientation
- Survey tools
- Magnetic and non-magnetic
- World class technology
- Innovation
- Rental model
- Manufacture & supply



Key markets

Mining & Mineral Exploration



Oil & Gas



Other markets

- Coal Bed Methane (CBM)
- Water well
- Horizontal directional drilling / Civil



Global Reach

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