

# Imdex Limited

1H11 Results Presentation  
21 February 2011

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

*Providing Quality Drilling Fluids and Leading Down Hole Instrumentation to the World*



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# Today's presenters



Bernie Ridgeway  
Managing Director



Paul Evans  
Chief Financial Officer /  
Company Secretary

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# Presentation overview

- Overview
- 1H11 financial performance
- Operational review
  - Minerals Division
  - Oil & Gas Division
- Strategy and outlook

Bernie Ridgeway

Paul Evans

Bernie Ridgeway

Bernie Ridgeway

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# Overview

*Bernie Ridgeway – Managing Director*

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# Continuation of strong performance rebound

- Record half year performance
- Consistent revenue and EBITA improvement since 2H09 low
- Investing through the GFC is supporting our ability to capitalise on improved industry dynamics
- Simplification of brands and regionalised business well executed and delivering benefits
- Market leading technology
- Exciting new product pipeline

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# Strong financial performance

Key indicator	1H11	1H10	Change
Revenue	\$95.9m	\$58.4m	↑64%
EBITA (excl non-operational items)	\$21.2m	\$7.5m	↑182%
NPAT (excl non-operational items)	\$12.1m	\$2.9m	↑323%
Operational cash flow	\$13.9m	\$4.6m	↑202%
Gearing (net debt / capital)	18.4%	19.6%	-
Interest cover	16 times	9 times	-
Interim dividend (fully franked)	1.75 cents / share	-	-



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# Operational achievements

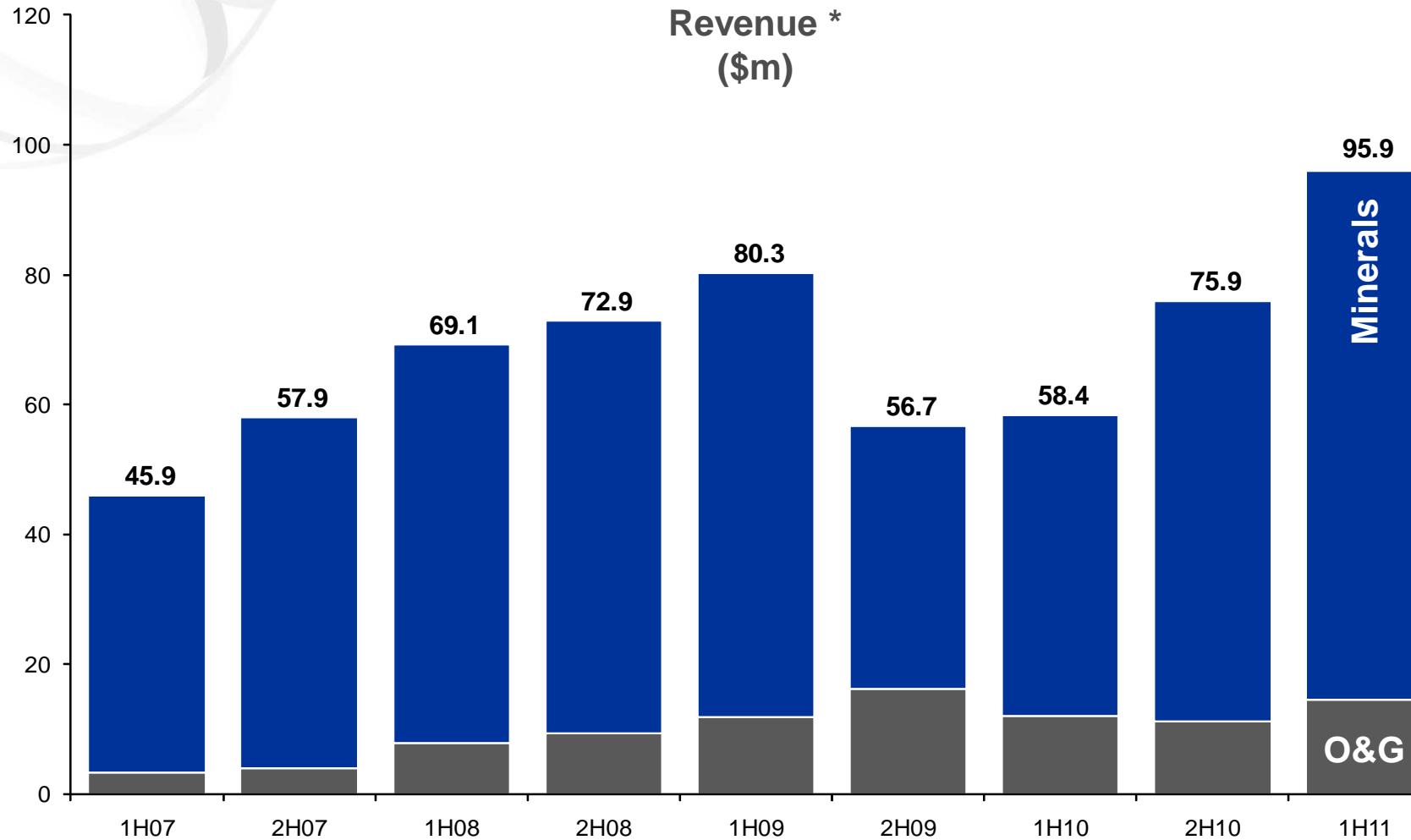
- Strong global uptake of Reflex mining down hole instrumentation
- Rental tool fleet numbers reach historic highs in 1H11 with new record at end Jan 11
- Significant impact globally from regional business model - mining
- Strategic acquisition of Fluidstar, effective 1 September, 2010
- Relocation of Imdex Technology, Sweden to Australia & Germany
- Agreement for DHSO joint venture – down hole survey services - oil & gas
- Potential acquisition of Mud-Data in Germany – drilling fluids and equipment – geothermal and oil & gas, Europe
- Winner - WA Innovator of the Year Award - Solids Control technology



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# Record revenue level achieved

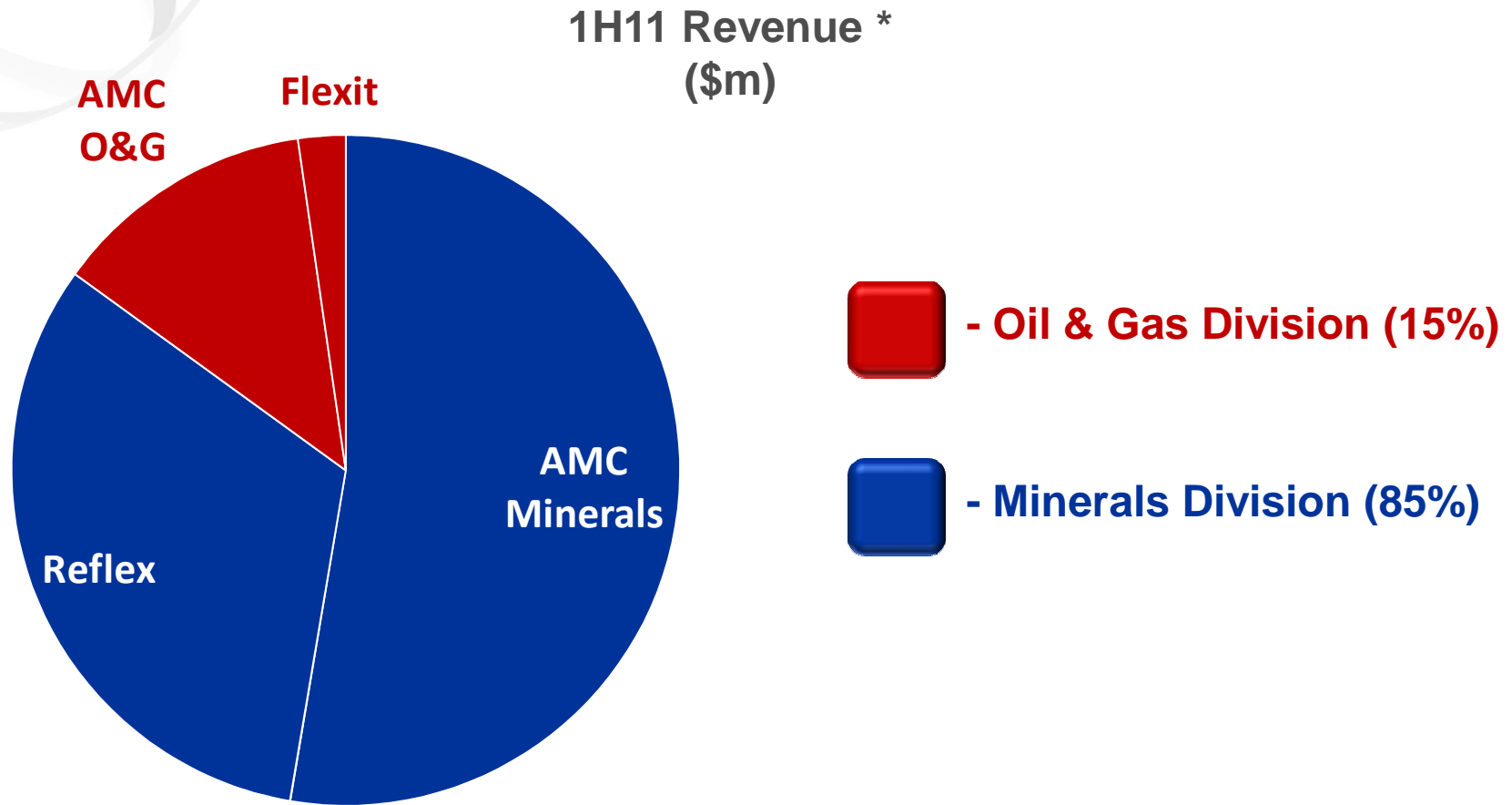


\* excludes other income & discontinued operations



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# Brand representation

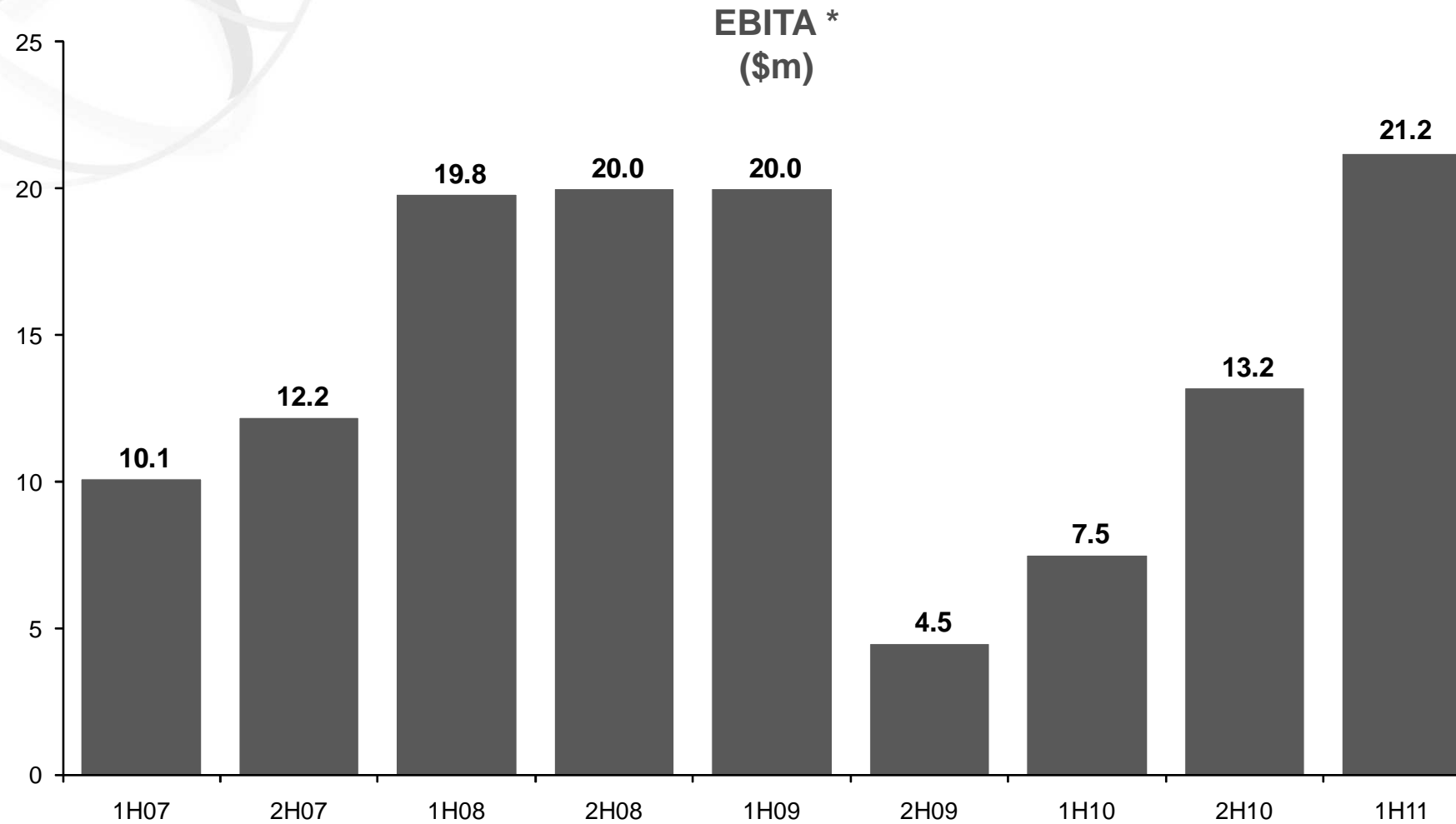


\* excludes other income

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# Record EBITA level achieved



\* excludes discontinued operations and non-operational items



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# 1H11 financial performance

*Paul Evans – Chief Financial Officer*

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# Profit & loss

(\$'000s)

	1H11	1H10	Var %
<b>Revenue (excl interest income)</b>	95,897	58,394	↑ 64%
EBITDA	23,791	9,443	↑ 152%
Depreciation	(2,637)	(1,935)	↑ 36%
<b>EBITA</b>	<b>21,154</b>	<b>7,508</b>	<b>↑ 182%</b>
Amortisation	(3,430)	(3,089)	↑ 11%
Net interest expense	(1,296)	(820)	↑ 58%
Tax expense	(4,348)	(746)	↑ 483%
<b>NPAT before non recurring items</b>	<b>12,080</b>	<b>2,853</b>	<b>↑ 323%</b>
Impairment	-	(28,433)	-
Forex on SEH loan	-	(721)	-
Tax effect of non recurring items	-	1,687	-
<b>Reported NPAT</b>	<b>12,080</b>	<b>(24,614)</b>	-
<i>NPAT / Weighted average shares on issue (cents)</i>	<b>6.17</b>	<b>(12.63)</b>	-
Cash flow from operations (\$'000s)	13,857	4,587	↑ 202%

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# Conservative balance sheet

(\$ millions)	Dec 10	Jun 10
Net cash	15.9	9.0
Receivables	39.8	41.2
Inventory	36.5	28.6
Investment in SEH	16.6	6.8
Fixed assets	15.1	13.6
Intangibles	54.9	50.0
Other assets / Deferred tax	14.2	14.2
<b>Total Assets</b>	<b>193.0</b>	<b>163.4</b>
Payables	25.6	25.7
Commercial bills	27.4	19.5
Bank loan – Canada	8.6	5.7
Bank loan – Sweden	1.4	2.9
HP Finance	3.2	3.9
Provisions / Current tax	17.2	11.2
<b>Total Equity</b>	<b>109.6</b>	<b>94.5</b>
<b>(CA – Inventory)/CL *</b>	<b>0.89</b>	<b>1.03</b>
<b>CA/CL *</b>	<b>1.43</b>	<b>1.58</b>
<b>Gearing (net debt / capital)</b>	<b>18.4%</b>	<b>19.6%</b>

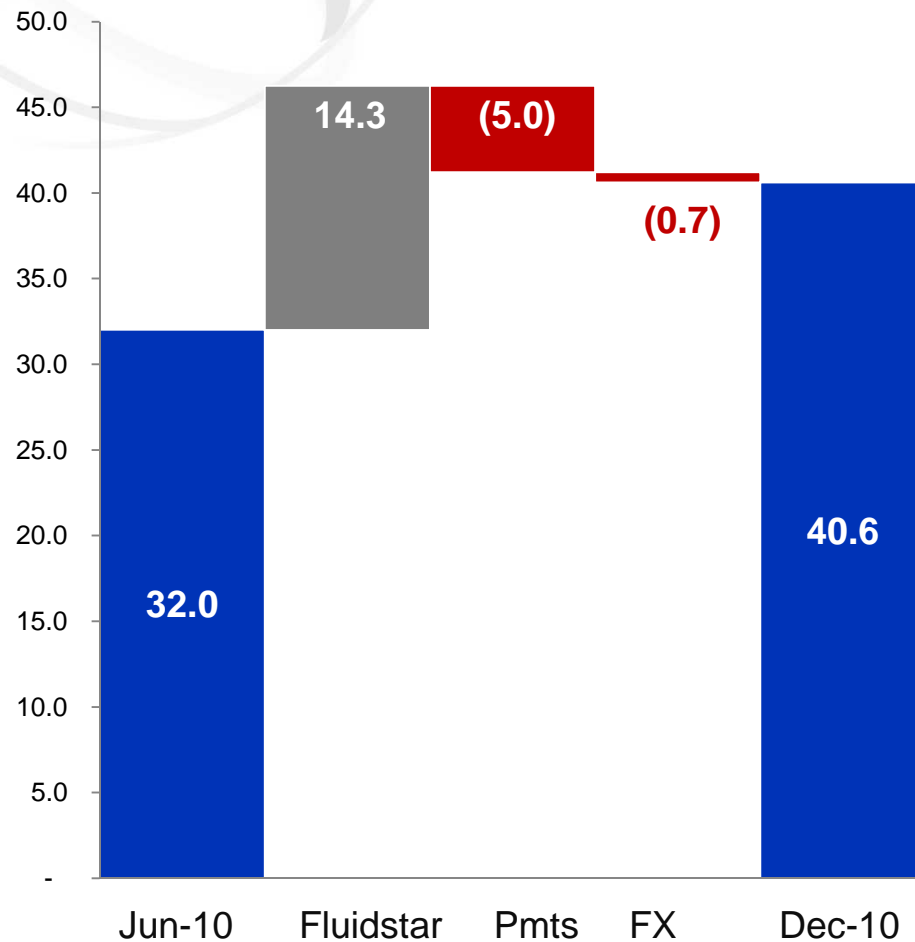
- Strong liquidity and working capital ratios
- Decreased gearing due to strong profits and cash on hand
- Low capital intensity
- Deferred tax asset on unrealised profits in tools

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\* using CIBC repayment terms  
not reported disclosure



# Comfortable gearing levels



- Additional debt of \$14.3m for Fluidstar acquisition
- \$5.0m of AUD debt swapped into CAD. Better natural hedge – no net impact on debt levels
- \$5.0m of loan repayments as scheduled
- Net debt \$24.7m (\$23.0m – June 10)
- Gearing 18.4% (June 10 – 19.6%)
- Interest cover of 16 times (EBITA over net interest)



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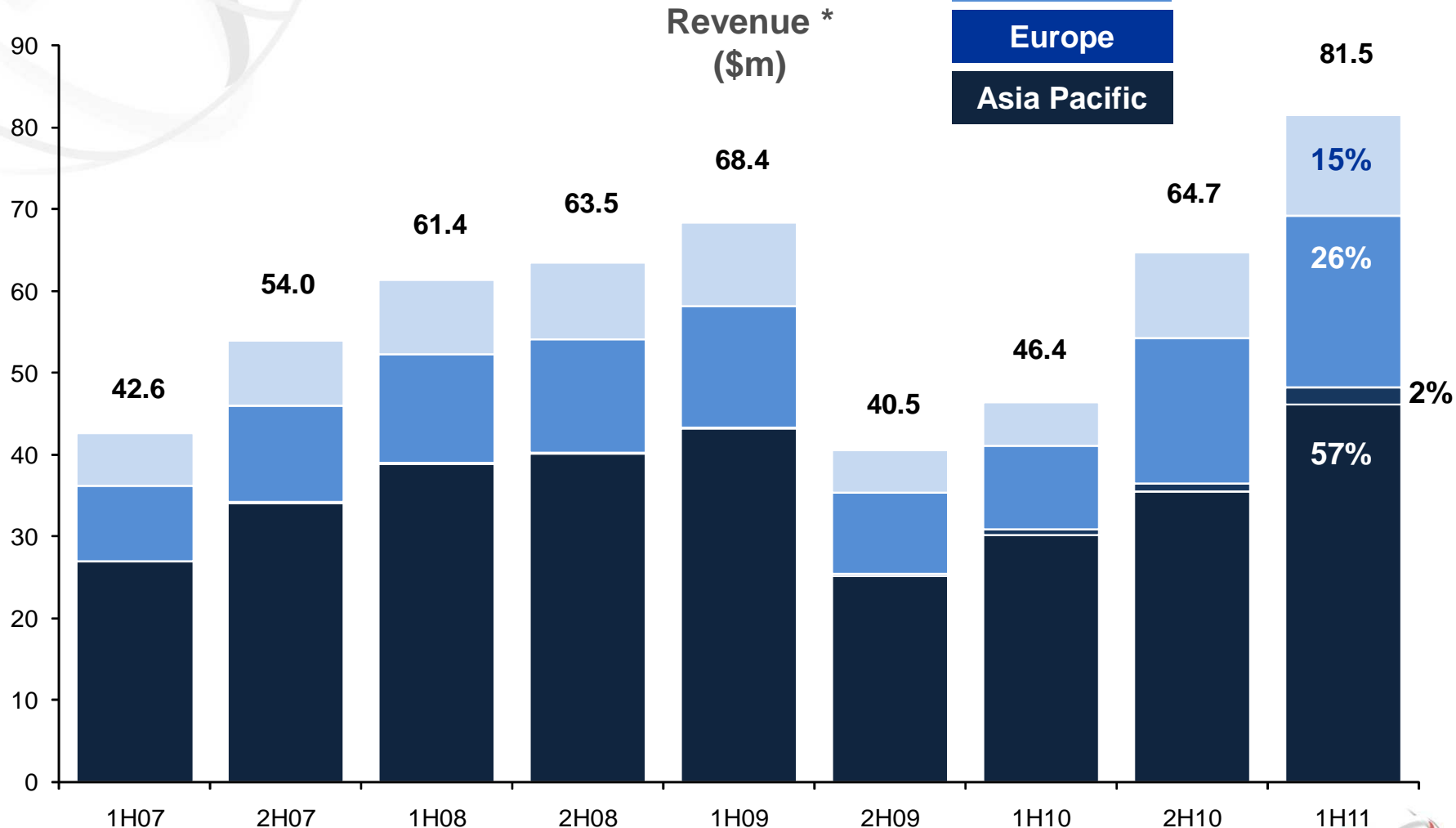
# Operational review

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# Minerals Division



NB: Regional structure adopted 1 July 10 – Comparatives have been reconstructed using assumptions for illustrative purposes



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\* excludes other income & discontinued operations

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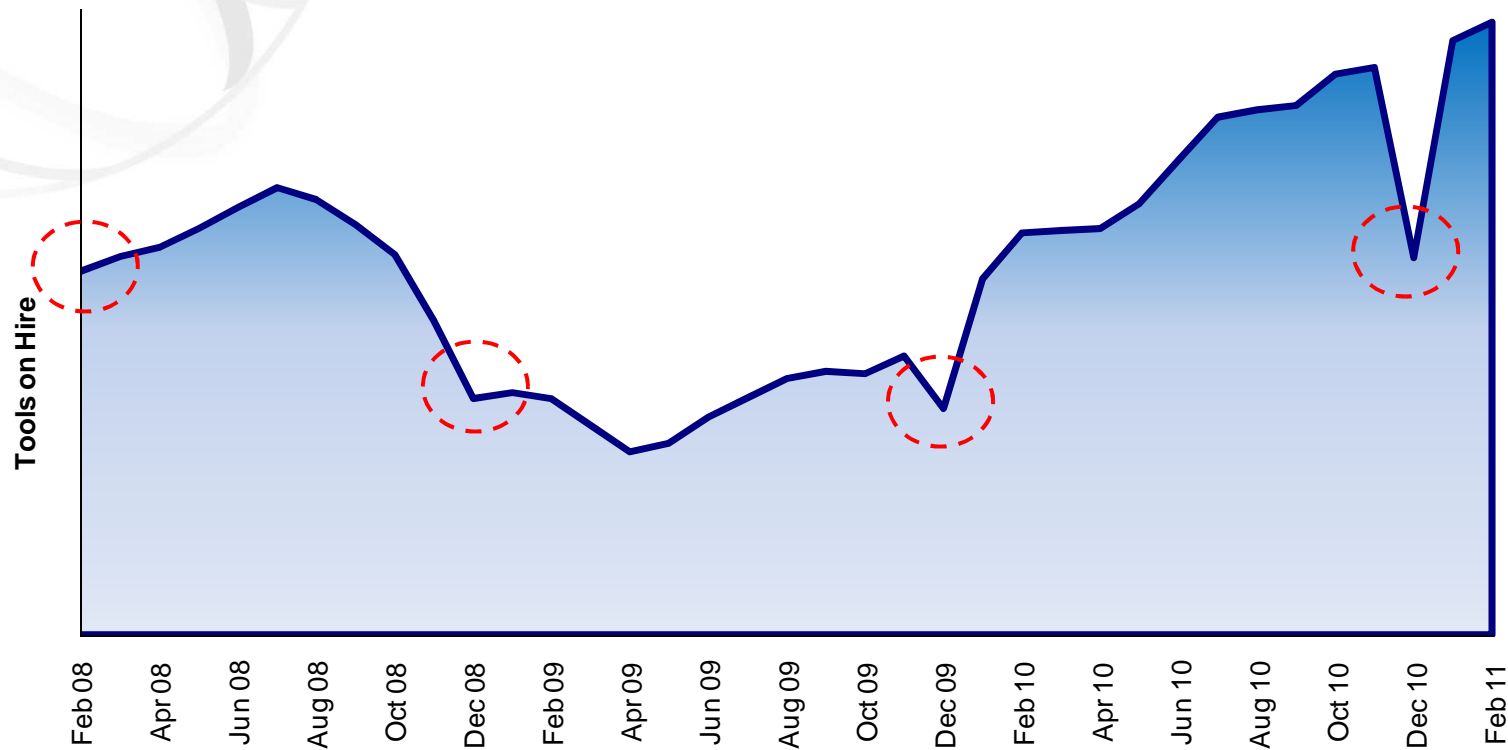
# Minerals Division

- ↑ 26% on 2H10 revenue
- ↑ 75% on 1H10 revenue
- 85% of Imdex Group revenue
- Record tool fleet numbers achieved. Further records created early 2H11
- Strong uptake of Reflex tools with increased market share
- AMC drilling fluids brand rolled out globally
- Regional structure delivering cross selling advantages
- Seamless integration of Fluidstar into AMC
- Solids control commercial - early stages of market introduction
- Strong relationships with global and local customers
- Upward trend in revenue and margin expected to continue

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# Record mining tool rental fleet

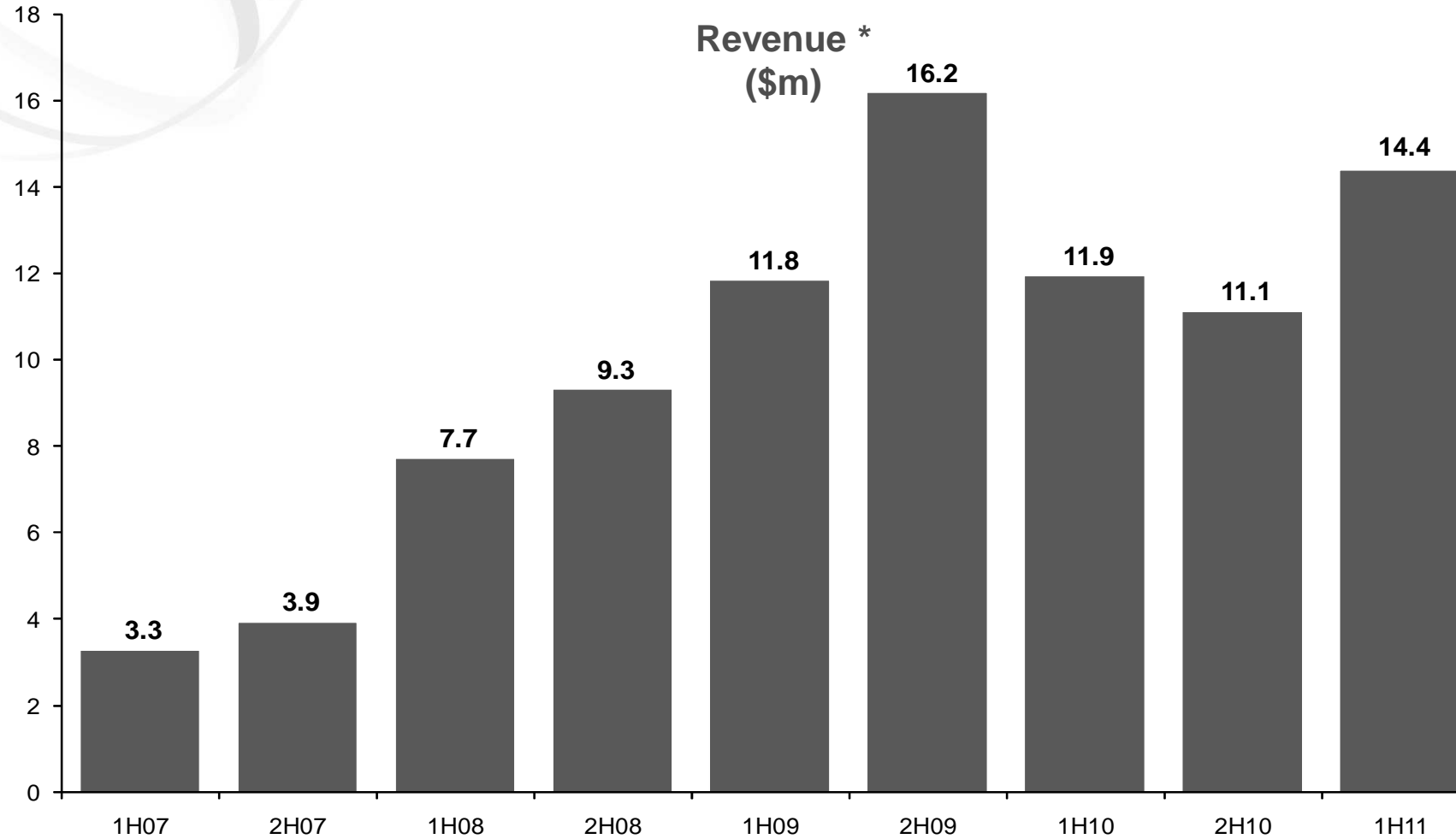


- Significant growth from April 09 low point
- Seasonal slowdown over December - highlighted
- New records being set in 2H11

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# Oil & Gas Division



\* excludes other income & discontinued operations



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# Oil & Gas Division

- ↑ 21% on 2H10 revenue
- ↑ 21% on 1H10 revenue
- 15% of Imdex Group revenue – drilling delays experienced due to persistent wet weather in eastern Australia
- Adjusted Flexit path to market strategy from products to services
- Continued product development on existing/new tools
- Growth expected in fluids, completion and production chemicals
- Proposed Mud-Data acquisition to contribute mainly from FY12 and beyond
- Upward trend in revenue and margin expected to continue

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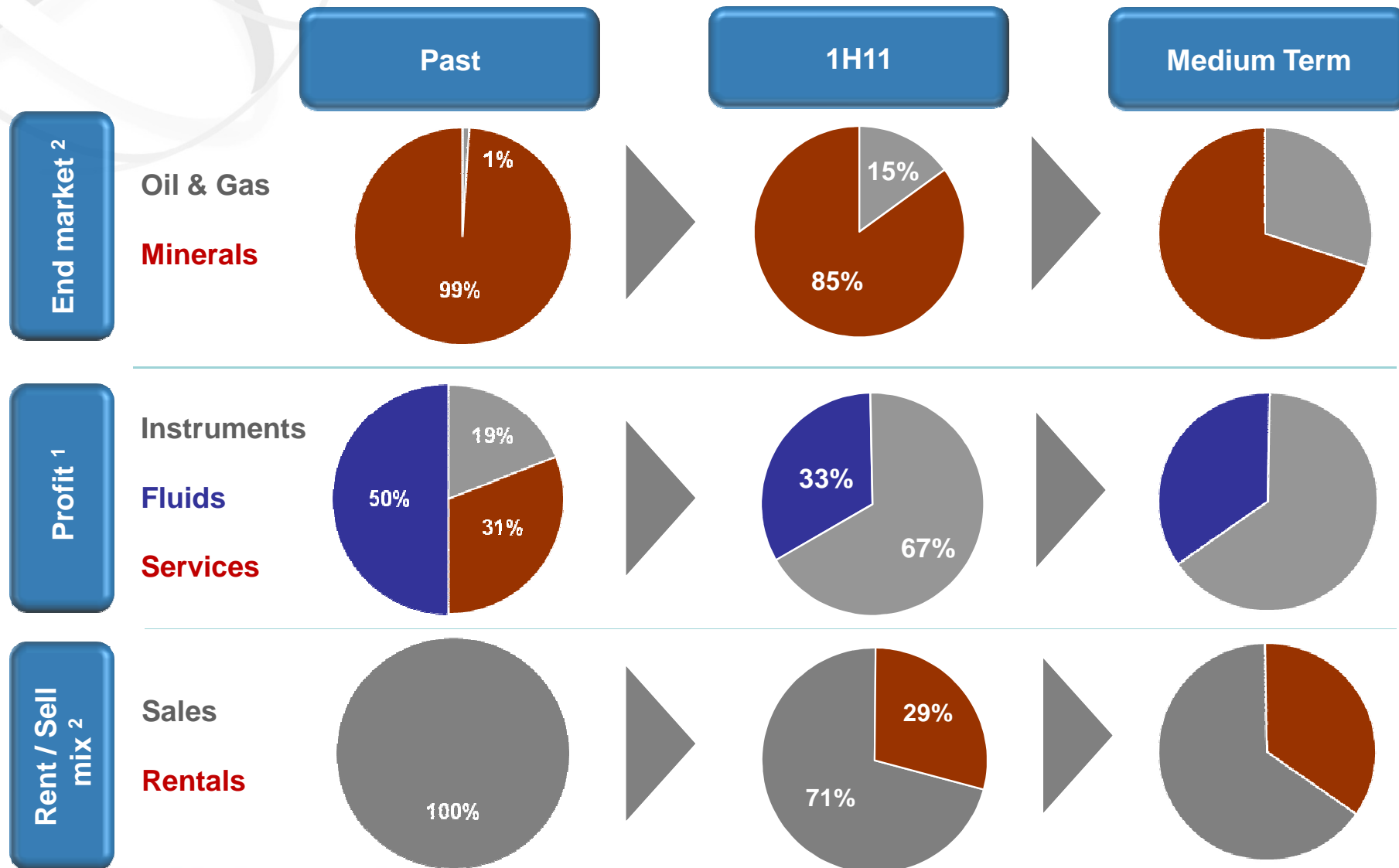
# Strategy and Outlook

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# On track with strategy



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<sup>1</sup> Based on actual or anticipated EBITA

<sup>2</sup> Based on actual or anticipated Revenue

# Key business drivers and outlook

Mineral exploration spend



Strong commodity prices  
Exploration activity levels and spend increasing

Client rig utilisation %



Current high utilisation levels expected to continue

Level of tool rentals



New tool records set in 1H11  
Already exceeded in 2H11

Development of new instrumentation



R&D investment spending continued on both mining and oil & gas tools  
Further tool releases expected in 2H11 and beyond

Key growth strategy



Increasing # of preferred supplier agreements

Revenue and cost synergies



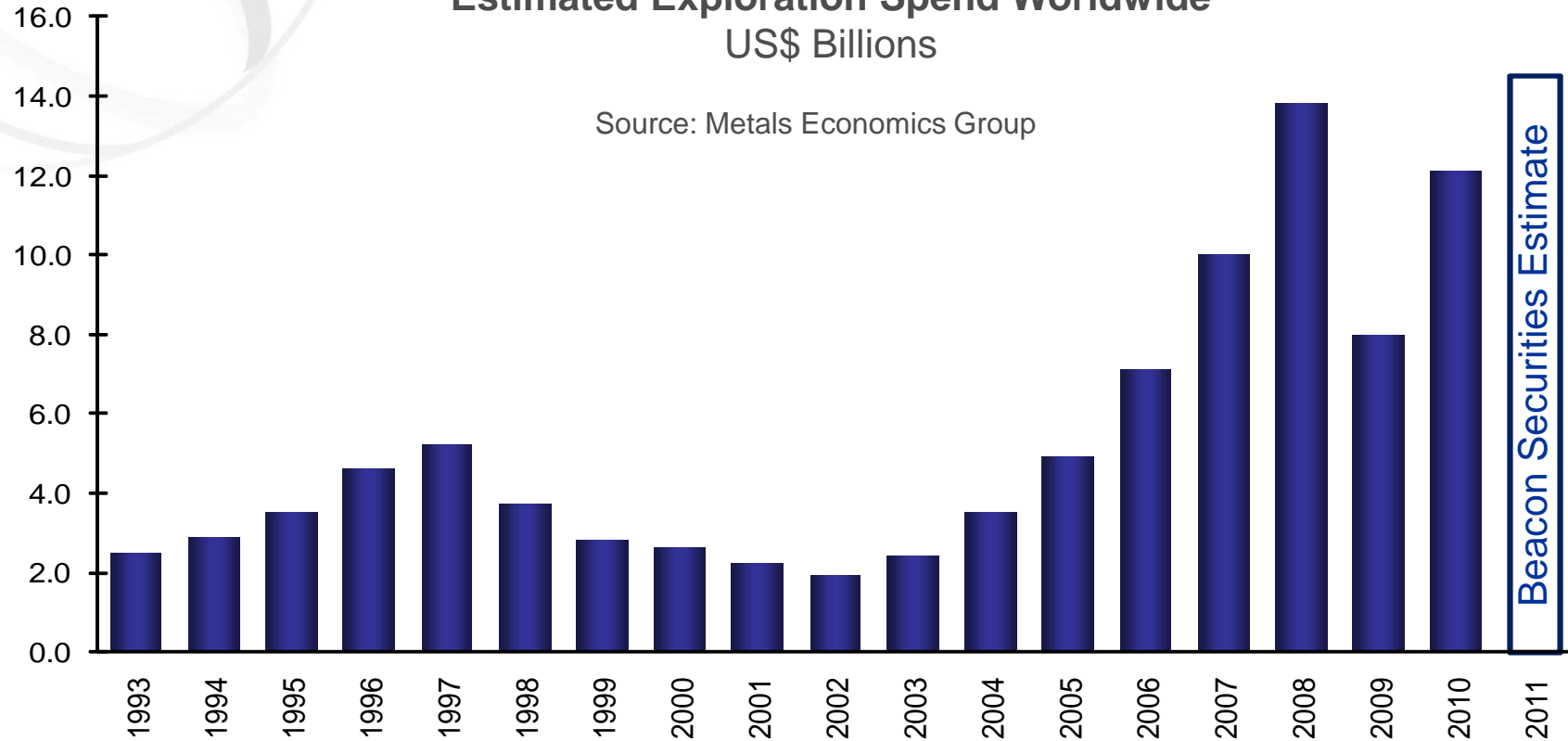
3 global brands (AMC, Reflex, Flexit)  
Regional structure = more effective cross selling

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# Global exploration spend (non ferrous)

Estimated Exploration Spend Worldwide  
US\$ Billions

Source: Metals Economics Group

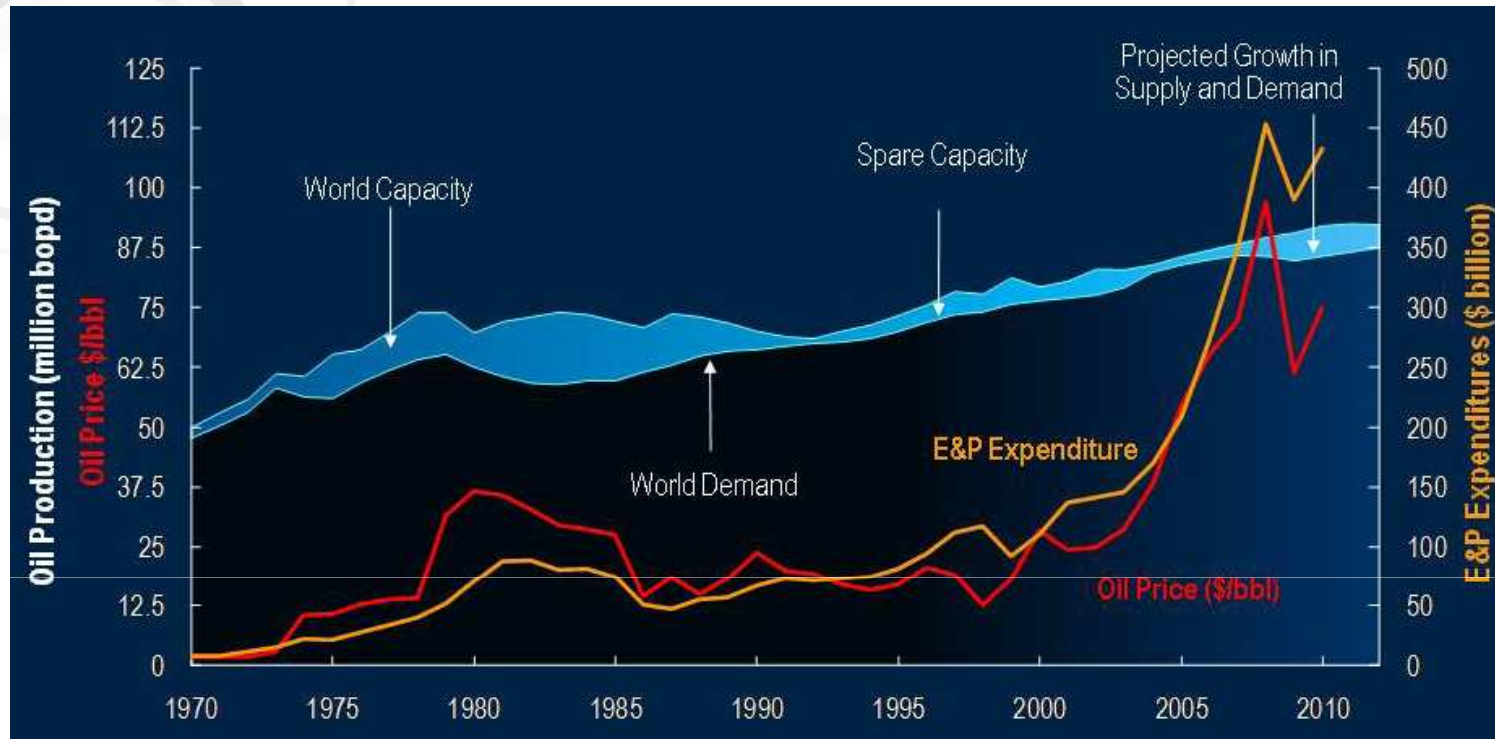


- Rising metals prices and more stable markets drove spending ↑44% on 2009
- Major, Intermediate and Junior companies all spending
- Main commodities include gold and copper
- C2011 expenditure forecast to return to pre-GFC levels

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# Oil and Gas E & P expenditure



Source: BP Statistical Review, IEA World Energy Outlook, Monthly Oil Market Report, Medium-Term Oil Market Report, Barclays. Revised 0310

- E&P spending up in 2010 after decreasing in 2009 due to GFC
- More drilling needed to sustain and increase world oil & natural gas production
- Deeper and more complex reserves mean greater drilling intensity and complexity
- Unconventional hydrocarbons - increased drilling intensity and complexity to reach remote reserves and improve recovery rates



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# Summary

- **Strong financial results delivered**
  - 1H11 record revenue and profit levels
  - 1.75 cents per share fully franked interim dividend
  - Record mining tool rental numbers
  - Strong balance sheet with comfortable gearing
- **Growth initiatives**
  - Mud-Data acquisition drives Oil & Gas fluids growth in Europe
  - DHSO joint venture drives Oil & Gas instrumentation/services market growth
  - Further market share gains expected from new/improved instrumentation
  - Organic growth in DFC and DHI, primarily in Africa and the Americas
  - Proven solids control technology in FY12 and beyond



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# Appendices

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# Business overview








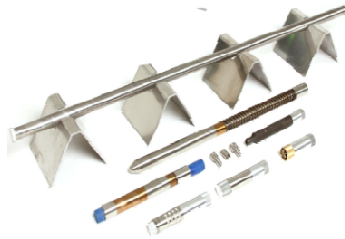





- 2 divisions defined by 2 end markets
  - mining/mineral exploration
  - oil & gas
- Own IP, manufacture products which are sold / rented to 3<sup>rd</sup> parties
- Strong investment in product development
  - leading technology
  - continuous innovation and product development
- Global footprint
  - ~320 employees
  - significant presence in all major mining regions

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# Structured to meet client needs

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 <p>Market</p>	 <p>Minerals</p>		 <p>Oil &amp; Gas</p>	
 <p>Product</p>	 <p>Fluids</p>	 <p>Instruments</p>	 <p>Fluids</p>	 <p>Instruments</p>
 <p>Brand</p>				

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# Comprehensive product portfolio

Fluids



Cool and lubricate the drill bit while returning cuttings to the surface and stabilising the bore hole

Core Orientation



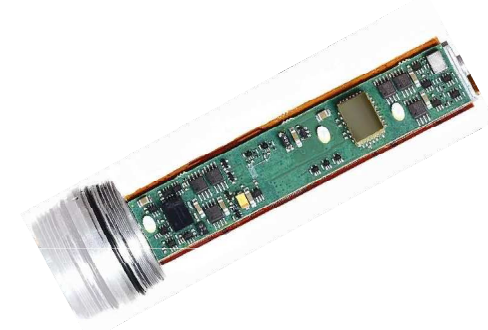
Determines the exact position of a core sample within a bore hole prior to extraction

Survey



Allows geologists to determine the exact trajectory of a bore hole

Gyroscopes



Allows precision drilling in complex multiple well environments or where drilling for small targets

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