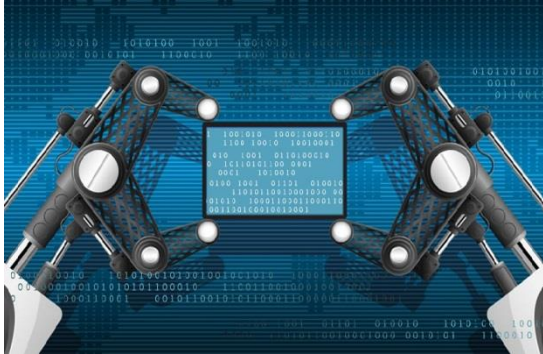


METS investment on the agenda for Imdex Limited

Richard Roberts for Mining Journal. 3rd July 2017



Mining technology was very much in the spotlight at the recent Austmine conference in Western Australia, though investors in the space generally stayed well hidden at the showcase event. That could change in future if companies such as Imdex, a tech firm that led METS-equity risers in Australia over the past year, continues its ascent and demonstration of the enormous value to be added as mining's culture shift matures.

"For over 10 years now we have been developing technology for the global minerals industry to the point where our wholly owned business units, AMC and Reflex, are the market leaders.

"As you indicated ... the industry is very conservative and slow to adopt new technology. However, disruption has occurred in all other industries and it was only a matter of time before it happens to the minerals industry.

"It is a cyclical industry and the industry response to the downturn in 2012 was no different from previous downturns. That is, slash headcount and pressure suppliers and service companies to reduce margins. However, the industry now understands that any further cost reductions and efficiency gains are going to be technology driven.

"In that regard, our technology development is largely driven by the industry and our customers.

"That is, finding ways to do things better in all stages of the mining cycle.

"As Mark Bristow of Randgold pointed out when delivering the keynote address at this year's PDAC in Toronto, despite the massive increase in spending from 2009 through 2012, the industry is not replacing gold reserves it is mining. It's clear the industry must become more efficient [and] understanding what is happening beneath the surface in real time or near real time when drilling is key.

"Generating quality data in a timely manner through streamlined processes where there is secure chain of custody on the information is a big step forward for the industry. Generating data like this which is converted into information for timely and reliable decision making, has been standard in the oil and gas industry for over 15 years and we are making this available for the global minerals industry.

“Resource companies have had a taste of what we have on offer and want more as shareholders demand a better outcome.

“More recently, the large resource companies have [again] started restructuring to include innovation or technology departments that are focused on embracing technology and automation. These are positive developments and the rate of change is increasing.

“We are seeing technology companies like Cisco, IBM and GE Digital enter the industry at a high level and bringing their experience in other industries and applying it to the resource companies operations. We saw this coming and have invested in technology development through the cycle to ensure Imdex has a seat at the table and can increase shareholder returns in this ever changing environment.”

Representatives of big global firms such as Rockwell Automation, Schneider Electric and ABB were certainly among the more visible “investors” at the recent Austmine conference in Perth, which packed in more than 800 delegates – a far cry from when the event started with less than 140 attendees in 2005. It was, said one leader, the largest METS conference in the world.

Rank	Company	SP rise 1yr to June 30, 2017
1	Imdex ASX: IMD	267%
2	Emeco ASX: EHL	255%
3	NRW ASX: NWH	205%
4	Mastermyne ASX: MYE	182%
5	Austin Eng ASX: ANG	162%
6	Ausdrill ASX: ASL	156%
7	Mitchell Drill ASX: MSV	100%
8	Codan ASX: CDA	98%
9	RCR Tom ASX: RCR	93%
10	Swick ASX: SWK	86%

All the above companies have a track record of investment in the Australian METS sector. At one

stage a major tech-company leader invited small firms from the speaker's podium to come and talk to him about getting good ideas funded.

Representatives of private and institutional investors were also floating around the exhibitor floor and conference sessions. The latter heard:

- Mining's data analytics journey has just started but the industry is moving faster into the 21st century IT world of Google, Apple and Amazon. - Returns on capital "stock" are an industry-wide



focus. - Increasing project delays and social-licence costs are adding to mounting cost pressures on miners. - Jobs created and sustained in the METS sector typically outweighed those in mining per se by 10-to-1. - Faster returns on investment in innovation would drive greater investment by miners, and also in companies collaborating to develop innovative solutions to mining's cost, safety and environmental challenges.

Elizabeth Lewis-Gray, cofounder of leading privately-owned METS technology firm Gekko Systems (which has Dale Elphinstone as a cornerstone investor) and chair of METS Ignited, said the Austmine event she helped to shape as a former leader of the organisation had traditionally aimed to connect METS with miners. Promoting Australian METS companies to the capital markets was perhaps a "long term opportunity ... but not as pressing as some others".

"The reality with METS is that the investment story probably follows the cycle," Lewis-Gray said.

"When the mining sector is growing people [investors] want to be in METS, otherwise it's a difficult space.

"Based on industry consultations the feedback to METS Ignited is that there is not so much a problem with lack of capital, but a problem with lack of management expertise in developing the pitch to raise finance [and] capital.

"We [MI] are focusing more on improving management skills for capital/finance and global strategy through our masterclass series rather than promoting the sector to the capital markets."

Detecting value in METS

Codan, a global leader in the metal detector market – giving it exposure to different types of gold and other prospectors – and radio communications, is another company that invested in mining technology with a view to capturing a share of what it sees as a growing spending pie. It bought Minetec for its formative footprint in underground mine communications and safety, and its deal on state-of-the-art CSIRO wireless positioning technology, and proceeded to pump millions into its development.

That investment is starting to pay dividends, with last year's A\$1.2 million loss set to turn into a maiden \$300,000 annual profit this year.

But, similar to Imdex, it's the upside in the market that is the attraction.

New York-based investment bank Moelis & Co is one institutional investor following the Codan story. It says while the mining tech business is likely to contribute only about 5% of Codan's FY17 revenues, significant growth on the back of several years of pipeline building might see FY18 profits balloon to \$2 million.

"Improved commodity conditions should act as a tailwind for Minetec technology in FY18 by encouraging mining companies to invest in mine capex," the bank says. "Based on the CSIRO developed WASP (Wireless Ad hoc System for Positioning) tracking technology, which CDA previously won the licence to commercialise, Minetec has developed its own proprietary mining task management system [SMARTS] which works in conjunction with WASP to produce data that can help drive safety and productivity improvements in mine proximity detection and collision avoidance, and outputs that can help drive decision making.

"[The system has been] deployed in nine operating mines, with customers including Rio Tinto, Newcrest, OZ Minerals and Saracen Minerals, and [Codan's] distribution strategy includes partnering with mining services companies to expand reach."

Alan Fenelon, Minetec's vice-president and general manager commercial development, said the business was *"in a very different place now than even 12 months ago"* and he had every reason to be *"highly optimistic about the landscape in which we've pioneered industry changing enabling technology"*.

"In the last 12-to-24 months we've seen first-hand our clients experiences in utilising the enabling technology in different guises – from an automated and intelligent traffic management solution delivering a dual safety and productivity outcome to a contract miner going on the record to state a 45-50% increase in tonnes delivered after using the system for just four months.

"This latter example was of particular relevance given the nature of mine contracting [and] the minimal complexity of the technology delivered.

"The system provides a measurable return from the day it is activated.

"The ability to track at a high degree of precision as well as provide live data to and from assets in the underground operation is transformational.

"As Minetec secures more wins and gathers more client experiences, the more we realise the impact of the technology. We are no longer being compared to fleet management providers, nor are we seen as communications providers or compared against them. The industry is coming to the conclusion that Minetec has no like-for-like competitor anywhere in the world.

"At a recent industry event surface miners were suggesting the efficiency gains realised using technology

in mining was today still just the tip of the iceberg.

*"We'd argue that in the underground space, we were yet to locate the iceberg.
"Until now."*

While Imdex's Ridgeway suggested Australian-based institutions were the primary source of the 'smart money' behind some METS companies, large underground mining contractor Barminco's recent experience with Asian investors may prove salutary.

The Australian-headquartered multi-national company refinanced existing debt through a new high-yield bond offer that was heavily oversubscribed out of Asia. Barminco chief financial officer Peter Bryant said roadshow meetings in Hong Kong and Singapore demonstrated a strong appetite among various investors for an Australian mining service company with exposure to blue-chip miners and improved commodity prices. Moreover, Asian investors led acceptance of a special provision in the issue which will allow Barminco to retire significant bond debt, with a negligible penalty rate, via a public equity fund-raising.

Barminco, privately owned by Gresham Private Equity and founder Peter Bartlett, has been looking at an initial public offering and stock exchange listing for several years and still has that fund-raising option on its radar.

"We were nearly 2.5-times over-subscribed out of Asia, so there is a significant depth of capital there," Bryant said.

"If we go down the equity path, which one day potentially we will, I think there would be an equally strong appetite coming out of Asia. There is probably not much likelihood we'd be listing on any Asian exchanges; more likely it would be the Australian [Securities] exchange.

"But I do see Asia as perhaps an untapped market for both debt and equity into Australian mining services, and mining more broadly."

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<http://www.mining-journal.com/technology/mining-ict/mets-investment-on-the-agenda/?adfesuccess=0>