



16 August 2010

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

Dear Sir/Madam

FY10 Full Year Results Conference Call and Slide Show

Please find attached the script from today's FY10 Full Year Results Conference Call and Slide Show.

Yours faithfully
Imdex Limited

Paul Evans
Company Secretary

<<Slide 1 – Cover >>

Hello, everyone and thank you.

<<Slide 2 – Presentation overview >>

I will begin by providing an overview of the Imdex Group results for the 2010 financial year. Paul Evans, Imdex's CFO and company secretary will then present a more detailed analysis of the financials. I will then cover the Operations and Divisional performance, comment on the Outlook regarding Imdex's main end markets of mining and oil and gas and outline Imdex's strategy and opportunities for growth in FY11 and beyond.

We have allowed time for questions at the conclusion of the presentation. For listeners who are not familiar with the Imdex Group, some slides have been included in the appendices that provide an overview of the company structure and global reach. Further information can also be found on our website.

<<Slide 3 – Overview >>

<<Slide 4 – Solid performance in challenging conditions >>

Slide 4 lists a number of our key results.

Revenue from continuing operations was \$134.3 million, and roughly in line with the revenue levels achieved in FY09.

EBITA, excluding non-operational items, was down 15% to \$20.7 million with net profit after tax, excluding non-operational items, down 14% to \$9.8 million.

Impairment charges of \$34.0 million were booked in the current period - \$28.4 million in the first half and \$5.6 million in the second half – that resulted in a reported loss after tax of \$21.5 million. Paul Evans will talk to this in more detail shortly.

While Imdex's normalised earnings were slightly down on FY09, the Company performed strongly given the very challenging market conditions experienced in the first half of the 2010 financial year. Pleasingly, Imdex achieved some significant milestones during FY10, including the highest revenue levels in the month of June and record tool numbers on hire in the mining rental fleet.

Our cash flow from operations was down considerably on FY09 at \$5.7 million due to investment in working capital. However, we expect to generate significant free cash in FY11 as trading conditions continue to improve.

Our Balance Sheet remains strong with net debt to total capital still below 20% and interest cover to EBITA of 27 times.

The Directors consider it prudent not to pay a full year dividend at this time. The Board will continue to consider future dividends reflecting the earnings profile of the company while balancing the capital needs of the business.

We experienced a strong 4th Quarter with revenue of \$42.9 million and EBITA of \$8.2 million. Interestingly, this is within 1% of our quarterly record revenue of \$43.2 million in 1Q09. The robust trading conditions of the last quarter of FY10 have continued into FY11, and we expect to see further

growth given Imdex's strong market position, leading technologies, resilient business model and robust strategy.

<<Slide 5 – FY10 a year of 2 halves >>

As listed on Slide 5, the 2010 financial year was a tale of two halves for Imdex. The prolonged trading decline in Canada, Africa and Latin America impacting the first half of FY10, improved significantly by the second half, and continued that improvement throughout the fourth quarter reflecting significantly improved trading conditions globally.

<<Slide 6 – Revenue – returning to growth >>

As illustrated by the bar charts on slide 6, Imdex's revenue levels have returned to those experienced prior to the global financial crisis. Our 2H10 revenue was our second highest on record at \$75.9 million and within 6% of the peak half revenue experienced in 1H09. Both the Drilling Fluids division and the Down Hole Instrumentation division experienced good growth in 2H10 over that achieved in 1H10. The increase in revenue was not only a result of improved trading conditions in the second half of the year, but also due to increased market share for both Divisions.

<<Slide 7 – Global presence >>

Moving to Slide 7, you can see that the Asia/Pacific region remains our main contributor to revenue which is consistent with the earlier recovery in that region versus the other major mining regions. South Africa was hit very hard by the GFC which impacted negatively on the overall performance in the African region where the percentage of group revenue was 12%, down from 17% experienced in FY09.

<<Slide 8 – EBITA – returning to growth >>

Slide 8 clearly shows the recovery in EBITA during FY10, particularly in the second half. Total EBITA for the year was \$20.7 million and overall EBITA margin for the year was 15%. More importantly, it was 19% in Q410 and should continue to improve.

Through the GFC, Imdex continued to carry costs associated with the specialist skills set built up over a number of years across the Group and the improving financial performance is a direct result of being able to respond quickly and benefit from the current recovery.

Before moving onto the Operational Review and Outlook for Imdex's principal markets, strategies and opportunities for future growth, I will hand over to Paul Evans for a more detailed look at Imdex's financial performance.

<< Slide 9 – FY10 financial performance >>

<< Slide 10 - Profit and Loss >>

Thank you Bernie. Slide 10 outlines the financial results in more detail. As Bernie indicated, revenue from continuing operations for the full year was \$134.3 million. Compared with FY09, this was only

marginally down by 2%. More relevant was the performance of the 2H10 compared with 1H10, which showed an improved performance up 30%, clearly indicating the ongoing strengthening of earnings following the downturn arising from the global financial crisis.

FY10 operating profit after tax before non recurring items was \$9.8 million, down 14% on the prior period.

After non operational items, including one-off non cash impairment charges of \$34.0 million and FX losses of \$0.7 million on the Sino Gas and Energy US\$ loan, the Group reported net loss after tax totaled \$21.5 million.

The effective tax rate (excluding non operational items) was 27.9%, compared to 34.3% last year. The majority of the decrease in the effective tax rate is attributable to the tax benefit arising from R&D and investment allowance concessions not previously brought to account. The first claims for these allowances were finalised in FY10.

Cashflows from operations have decreased 65% from the prior year reflecting the very different operating conditions leading up to each balance date. For the year ended 30 June 2009 the Group was running down stock and working capital levels as it responded to the reduced exploration activity, whilst in the lead up to 30 June 2010 the Group is again re-investing into working capital as it responds to the growth in trading activity.

<< Slide 11 >> Non-cash impairment write downs

As I mentioned on the previous slide, Imdex incurred non-cash impairment write downs totalling \$34.0 million. As you can see from slide 11, \$28.4 million was brought to account in 1H10, and \$5.6 million in 2H10.

The impairments incurred in the 1H10 were outlined in our half-year results presentation materials. In terms of the additional \$5.6 million charge incurred in the 2H10, this related to the mark-to-market valuation of Imdex's shareholding in Sino Gas & Energy Holdings Limited to its 30 June 2010 ASX share price of 2.7 cents per share. As a result of the rights issue undertaken by Sino Gas and Energy, of which Imdex was called on to sub underwrite and from which the \$11.3 million loan owed to Imdex was repaid, Imdex received a net \$4.1 million into the Group and now holds a 26.95% interest in Sino Gas and Energy. Imdex is escrowed on the majority of its investment until September 2011.

It is important to note that these write downs are all non-cash and they have had no impact on our operating capability or funding arrangements.

<< Slide 12 >> Conservative balance sheet

Moving to slide 12, total assets have decreased \$10.4 million since 30 June 2009 largely due to the repayment of the Sino Gas and Energy Loan to Imdex and the impairment charges incurred in FY10.

Our working capital investment has increased in line with the growth in business activity.

In terms of our debt funding, this has decreased by \$2 million following the payment of our last vendor instalment in July 2009 and the repayment of part of the Swedish facility in favour of a new facility in Canada. The Canadian facility provides the Group with a more effective natural hedge against foreign exchange movements as Canadian revenues grow.

The increase in our deferred tax asset arises largely due the ramp up of the global rental tool fleet and tax paid on the sale of rental tools from Australia to our overseas subsidiaries that we will only claim a deduction for in later years as the tools are depreciated in their respective regions.

<< Slide 13 >> Decreasing debt levels

Slide 13 outlines our current debt profile in more detail. At 30 June 2010 Imdex had \$32 million total debt with the composition changing for the reasons previously stated.

Despite debt levels being down \$2 million from 30 June 2009, gearing levels have increased slightly to 19.6% from 16.0% due to the reduced equity position arising from the impairment charges mentioned previously.

<< Slide 14 - Operational Review >>

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

<< Slide 15 – Drilling Fluids and Chemicals Division - Graph>>

<< Slide 16 – Drilling Fluids and Chemicals Division - Words >>

Thanks, Paul. As many of you know Imdex operates two divisions being Drilling Fluids and Chemicals, and Down Hole Instrumentation. These two divisions mainly supply two key global end markets namely mining and mineral exploration, and oil and gas. Other markets which Imdex supplies include Coal Bed Methane, Water well and Horizontal directional drilling.

On to Slide 15, despite the slow recovery in mineral exploration expenditure in Africa, Canada and Latin America in 1H10, revenue of approximately \$90 million for the Drilling Fluids and Chemicals (DFC) division was in line with that achieved in FY09, an excellent performance under the circumstances. This Slide shows that DFC revenue of \$48.6 million in 2H10 was up 18.5% on 1H10 and this trend should continue into FY11.

Pleasingly, DFC revenue for the month of June was a record across the Group with all regions performing strongly.

On Slide 16, we note that 22% of DFC revenue came from the Oil & Gas industry and the DFC division contributed 67% of total revenue.

Revenue was underscored by the continued support of our global alliances with Boart Longyear, Major Drilling, Layne Christensen and a host of other leading drilling contractors around the world.

All customers reported increased drill rig utilisation.

DFC margins are on an increasing trend from 5.5% in 1H10 to 12.75% in 2H10. Given the specialised nature of the drilling fluids business and the continued growth of Imdex's global footprint, certain costs were carried in the first half that positioned this division for the current upswing. It is expected that DFC margins will continue to trend upwards to around the mid teens.

We have continued to develop our unique surface and underground solids control equipment for the diamond drilling industry. It is becoming environmentally unacceptable to have sumps with the drilling fluids next to the drilling rig. Our technology allows drilling fluids to be contained while the solids are removed from the fluid and disposed of separately. Water conservation and zero footprint with no environmental damage are key advantages of using this technology.

A small number of commercial units are in the field as the industry undertakes a slow transition from current practices and the technology is further refined.

<< Slide 17 – Down Hole Instrumentation Division - Graph>>

<< Slide 18 – Down Hole Instrumentation Division - Words>>

Moving onto the Down Hole Instrumentation division on slides 17 and 18, FY10 revenue was roughly in line with the previous financial year at \$44.7 million. This division accounted for 33% of Group revenues.

The mining tool rental model proved resilient throughout the GFC and increased drilling activity saw 2H10 revenue increase by in excess of 50% over 1H10.

The earnings margin in this division increased from 27% in 1H10 to 33% in 2H10, mainly due to the continued growth in the rental fleet.

Despite the increase in earnings, we continued to carry the cost of the development spend in the commercialisation of a suite of tools for the oil and gas industry. Through these efforts, it is expected that significantly increased revenue from these initiatives will emerge in FY11 that will also increase earnings.

We have continued to expand the number of preferred supplier agreements with global and region specific drilling contractors that helped underpin performance.

Ongoing product development ensured that Reflex remained the number one supplier of down hole instrumentation to the mineral exploration industry globally.

<< Slide 19 – Mining tool rental fleet at a high >>

Slide 19 clearly shows the benefit of this spending and being the technology market leader. After the seasonal slowdown in December 2009, we witnessed a sharp increase in activity from January 2010 onwards. Mining tools on rental at 30 June 2010 reached a new high and were 6% above the previous peak reached in July 2008.

This trend has continued into FY11 and the mining rental fleet has set a new high at the end of July 2010 where it was over 15% above the July 2008 peak. If drill rig utilisation continues to increase in line with predictions by drilling companies, we would expect further marginal increases in the mining tool rental fleet before tailing off in the run up to the traditional seasonal slowdowns in Canada in October and the other regions in December/January.

That covers Imdex's performance in FY10.

<< Slide 20 – Strategy and Outlook >>

Now I'd like to spend a few minutes on the Company's outlook and prospects in FY11 and beyond.

<< Slide 21 – On track with strategy >>

Our focused strategy of having two distinct operational divisions, Drilling Fluids and Down Hole Instrumentation supplying two end markets, mining and oil and gas has survived the GFC in good shape and will continue. As illustrated by slide 21, Imdex will continue to concentrate on late stage minerals applications and further penetrate underdeveloped mining markets globally while growing our oil and gas business for both Drilling Fluids and Down Hole Instrumentation.

Our objective over the next two to four years continues to focus on generating at least 40% of Group revenue from the oil and gas industry. In FY11 revenue from this sector should exceed 20%, which is up on the 17% in FY10 and on the way to achieving our target of 40%. Such business sector diversification is logical and is an extension of our existing business into a sector in which we have considerable expertise.

In addition to increasing our business within the oil and gas sector we will continue to implement the rental model, where possible, which has proven to be resilient and has underpinned our earnings' stream in the DHI division.

<< Slide 22 – Key business drivers and outlook >>

On Slide 22, we have listed the key drivers for our business where mineral exploration spend and drill rig utilisation are very important. Drilling rigs require drilling fluid and down hole instrumentation and as utilisation levels increase, the demand for Imdex products increases. This in turn drives increases in the mining tool rental fleet and our growing relationships with global customers ensures a more sustainable business. Investing in research and product development to continue technology leadership and enhancing operational efficiencies are key components in maintaining these strong relationships and we will continue to do that.

<< Slide 23 – Global exploration spend (non ferrous) >>

FY10 was a period of consolidation where we took the opportunity to position the business for the recovery which is clearly taking place. Large and intermediate companies are back exploring as are the well funded juniors with good projects.

Metals Economics Group estimated that global non ferrous exploration expenditure in calendar year 2010 would be up 35%-40% on 2009. Given the current levels of activity globally, this estimate may prove to be very accurate.

Commodity prices appear robust and resource companies generally appear to be well funded.

The recovery is occurring in all major mining regions. Globally, the main activity is around gold, copper, nickel and uranium. There is also much activity in the iron ore and coal sectors.

Many of you have seen Slide 23 previously, however, the facts remain the same. That is, there are long lead times from discovery to production and discovery is becoming increasingly challenging. Ore bodies are deeper, more complicated and cost significantly more to bring into production.

This is good news for Imdex because mining companies will need to continue spending on exploration and development requiring Down Hole instrumentation and Drilling Fluids to be able to access deeper and more complicated ore bodies.

<< Slide 24 – Oil and Gas E&P expenditure >>

A similar picture applies to the oil and gas industry on slide 24 where new discoveries are deeper and more complicated and more costly to develop. The International Energy Agency has estimated E & P spending in 2010 to be up on those levels experienced in 2009.

<< Slide 25 – New structure >>

We have moved to a regional management structure and simplified the business by having only three brands globally, being AMC, Reflex and Flexit. The new regional structure is outlined on slide 25. The benefits of this structure are already starting to be derived with a number of cross-selling opportunities being pursued and realised.

<< Slide 26 – Summary >>

In summary, I would like to close with the following remarks on slide 26:

We finished FY10 strongly, with 2H10 revenue being the second highest recorded by Imdex, and with our mining tool rental fleet at 30 June 2010 being 6% above the previous peak reached in July 2008. This has carried over into FY11 where the rental tool fleet at 31 July, 2010 was 15% above the July 2008 level.

Our balance sheet is in good shape and we continued spending on product development through the cycle which has delivered a wider suite of tools and further improved technologies. The strength of our balance sheet allows us to pursue attractive growth opportunities.

We continued to strengthen the Company's management and global structure to ensure Imdex is well positioned to take advantage of current robust levels of industry activity.

We have simplified our business by moving to the regional structure with only three brands and we are prepared to make sensible bolt on acquisitions as opportunities arise.

Given the underlying fundamentals of Imdex's core markets, we believe the trend experienced in 2H10 will continue into FY11. As outlined on this call, in addition to increasing revenues, we also expect the margins of both our operating divisions to improve.

Imdex is well positioned to capitalise on a number of growth opportunities and increase shareholder value over the longer term given the Company's market positioning, unique suite of proprietary technologies, customer relationships and global footprint.

That brings the formal part of our presentation to an end. Paul and I are now happy to answer any questions you may have.