

# 2014 Annual General Meeting Chairman's and Managing Director's Addresses

RungePincockMinarco Limited ACN 010 672 321

Annual General Meeting Held at:

<b>Location</b>	Katana Room, Christie Conference Centre, Level 2, 320 Adelaide Street Brisbane, Queensland, Australia
<b>Date</b>	Friday, 24 October 2014
<b>Time</b>	10:00 am (Brisbane time)

## Chairman's Address

Dear fellow shareholders,

The 2014 financial year was another challenging one for the mining industry.

Low cost producers have continued to expand production, with supply growth outstripping demand growth. As a result prices for most mineral commodities have declined over the last year, especially iron ore, coal, and copper – the three biggest sectors of the company business. We expect most of our clients to be subjected to similar commodity pricing pressure in the year ahead.

The year was also another grim one for exploration companies whose ability to raise capital in the current market is very limited.

As you would expect we too were negatively impacted. Our Advisory and Laboratory business units both suffered reduced demand. In addition, pricing competition for the small amount of work available continued to intensify which adversely impacted our project margins.

In last year's report I assured our shareholders that we would closely monitor the dynamics and unfolding events within the market and respond swiftly and decisively if needed. This we have done, with downsizing in both the Advisory and Laboratory divisions based on our active Book of Work. As such we again reduced our operating costs and capital expenditure.

As a result of restructuring activities undertaken by Richard and his management team, operating expenditure before amortisation and depreciation reduced by 15%, to \$61.3 million during the year from \$72.0 million in 2013. Most significantly, Employee Benefits expense reduced by 15% to \$44 million, from \$51.7 million, as restructuring and redundancies reduced headcount to 284, from 341 at the start of the year. As the majority of our costs are employee related, this downsizing cost the company \$1.0 million in redundancy and \$0.5 million in other one-off impairment and restructuring expenditure.

Throughout this difficult period we have ensured that we retained our core capabilities and capacity.

While we have reduced the operating costs of the business, we have continued to invest in our technology products. We have added additional features and functions to all of our products and at the same time have released two new Commodity Based Solutions (Oil Sands and Diamonds) and a new advanced Simulation product (HaulSim).

This investment in the software division resulted in a 44% increase in Software Licence revenue for 2014. We believe this percentage increase was the highest in the industry and represents a clear illustration of the success of the companies' software strategy.

As a result of the change in revenue mix the software business now makes up the majority of the business both in terms of revenue and contribution.

For the third year in a row we are pleased to report there has been good liquidity in the company's shares which has enabled longer term shareholders with good sized parcels to trade out of the stock if desired. We have also seen another year of shareholder consolidation with the percentage of shares held by financial institutions at the end of September 2014 increasing to 56%.

Given demand for the stock, in August 2014 the company executed an Institutional Share Placement Scheme (SPS), placing 35,000,000 ordinary shares at \$0.60 cents (an 8% discount to the then trading price) and \$20.3 million in capital was raised (after fees of \$0.7 million). The company also undertook a Share Purchase Plan (SPP), for retail shareholders who were able to purchase up to \$15,000 of the company's stock. Participation in this plan included all of your Directors. The SPP placed 1,106,512 shares at \$0.60 cents, raising \$0.66 million (after fees). The funds raised will be used to advance the companies software strategy.

At 30 September 2014 after a number of employees exercised their company options the company had 177,653,062 shares on issue and 2,328,000 options.

The Board has resolved not to pay a dividend this financial year.

It has been another difficult year which has tested everyone in the business and I would like to acknowledge the effort and commitment our staff demonstrated during the year. As a Board, we support and commend Richard and his management team for making timely and appropriate decisions in response to market conditions and the significant progress made in the year on delivery of our software strategy.

With no signs that the market is about to turn any time soon, we are expecting another tough year for our Advisory and GeoGAS divisions. However, given the changes made during the last year we believe both divisions will report better financial results than they did in 2014.

We remain excited about the momentum of the software division. The new products released during the back end of the year each have a supportive initial customer which positions us well leading into the 2015 financial year. There is no doubt that the company took a major step forward during the year in relation to its competitiveness and relevance to the industry.

I would like to once again thank you our Shareholders for your continued support and encouragement.

## Managing Director's Address

Thank-you Allan.

For the reason's Allan has already outlined, the company's absolute financial performance in 2014 was another poor one. However it was also a year in which the first tangible results of our software strategy have been delivered in the form of new software product sales and in the emergence of the Software Division as our largest in terms of both Revenue and Contribution.

Today I would like to update our shareholders on three key topics:

1. How we are improving our competitive position in the market?
2. The progress we made on the software business?
3. Our expectations and goals for FY2015

I have a short presentation I would like to take you through which addresses these topics.

Our Advisory and GeoGAS divisions both responded strongly to the market conditions we experienced during the last twelve months and from a competitive position both have made good progress.

Demand for mining Advisory services, desktop software products and coal gas exploration testing continues to be severely impacted by the pressure on commodity prices and the associated drive from the mining companies to reduce their costs.

Our Advisory division and GeoGAS division are both sensitive to coal exploration, which was almost non-existent during the year. Demand for services associated with mergers and acquisition, bank financing and company listing activities were all less than the previous year which impacted the Company.

While Management believes our Advisory business will remain under pricing pressure during the 2015 financial year we also believe that it has grown market share over the last 12 months. We have seen many of our competitors dramatically reduce the size of their businesses particularly in the second half of the year. Certainly Advisory companies who have limited global reach have and will continue to find it hard to address the requirements of multinational mining companies who have large and complex assets. In this area we believe we are leading the market now.

The Research and Development team have had another very busy year and with each new product delivered have contributed to the enhancement of our reputation as an innovative and energetic technology solutions provider. During the year, we released new versions of our desktop products and released two new Commodity Based Solutions (Oil Sands and Diamonds) as well as an advanced Simulation product (HaulSim).

Open Pit Metals Solution and Xeras for Enterprise (which were released during the 2013 financial year) both had particularly good years in terms of software license sales. They also both had their second major functionality upgrade following feedback from customers who are implementing these products into their businesses.

Management is firmly of the opinion that the investments made over the last two years have laid the foundation for growth now that the value propositions of our new products are becoming better understood and accepted by the market. We continue to work closely with SAP as we extend our integrated offering. This relationship is providing our joint customers with real productivity opportunities that were not available two years ago, and opening new doors for us to engage with clients at the highest executive levels – such as the invitation I had to present at SAP's Global Mining Conference three weeks ago in Germany.

The focus that mining companies continue to place on productivity improvements aligns with our software strategy.

While we expect little change in the demand for desktop products, we are enthusiastic about the way our Commodity Based Solutions and enterprise products are being accepted by the market. We believe that our relationship with SAP and the progress we are making to get our products to the enterprise is positioning us as the only credible enterprise technical mining vendor to the major mining houses of the world. We appreciate that it will take time to win the hearts and minds of the corporate offices across the industry but we are now seeing real progress in this area.

The incremental enhancements we have commenced on our new products are making them more competitive and better integrated with the rest of our software suite. As an example over the last five months the following companies have purchased the latest version of our Open Pit Metals Solution - BHPB Iron Ore, Mt Gibson Iron, Worley Alumina, Citic Pacific and Roy Hill.

We have also recently made the first sale of our Operational Mining Integration (OMI) platform to one of the world's largest diversified miners for one of their key assets, which again reinforces to us that the path we are on is the right one.

Whilst the market for our GeoGAS divisions is not expected to significantly improve in 2015, the year has started well for our GeoGAS business as coal companies continue to increase output. This business is positioned well for the return of exploration, although we are not expecting any revival in the short term.

The market for our Advisory business is also expected to remain patchy, with increased activity being seen in the mergers and acquisition space but continued stagnation and delay in operational advisory projects.

Pleasingly, our software business (particularly software license and support revenues) has gotten off to a good start and are trading ahead of plan. Our software license pipeline continues to improve both in terms of quality and quantity which supports our goal of significantly growing software license revenue organically this financial year. While this may sound a very ambitious objective given the depressed state of the market we believe we now have the people and products to make this happen.

The cost structure changes and the productivity improvements we made during the 2014 financial year have positioned us well for a successful year ahead. We expect all of our divisions to show improved contributions for this financial year compared against last financial year.

Thank you once again for the opportunity to share with you the progress we are making and our plans for the future. While we have worked hard and made a lot of changes over the last 24 months it feels like we are just getting started.