

# IMDEX NEWS



## Shareholder Newsletter FY16

Dear Shareholders,

Our minerals business performed well throughout another challenging year, achieving a 13% increase in normalised EBITDA.

Conditions within the minerals market improved during the fourth quarter and the upward trend continued into the new financial year. This increase in activity was reflected in our REFLEX rental fleet, which was the highest it has been in three years with further increases expected, and suggests a relatively strong first quarter for FY17.

During FY16, we successfully upgraded our existing product range, commercialised new instrumentation and continued to progress our pipeline of new technologies for the global minerals market. We also continued to diversify our client base to include additional resource companies and non-mining applications – for example horizontal directional drilling.

As anticipated, our Group revenue and earnings were impacted negatively by further deterioration within the energy sector. We are, however, divesting our oil and gas

assets via closure and sale, which will eliminate the losses associated with this business. All proceeds from these divestments will be applied to debt reduction.

Weaker conditions within the energy sector, together with our decision to focus on growing our minerals business, where we have a clear competitive advantage, resulted in significant non-cash impairment, restructuring and other one-off costs. These charges were largely brought to account in FY16 and will not affect materially our FY17 results.

Following our decision to exit the oil and gas market, we are implementing a cost reduction programme. This programme will ensure we have the most efficient operating model to capitalise on the minerals industry upswing – the full benefits of this programme will be progressively realized throughout FY17.

We will also review and rigorously manage our cost structure within the minerals business going forward.

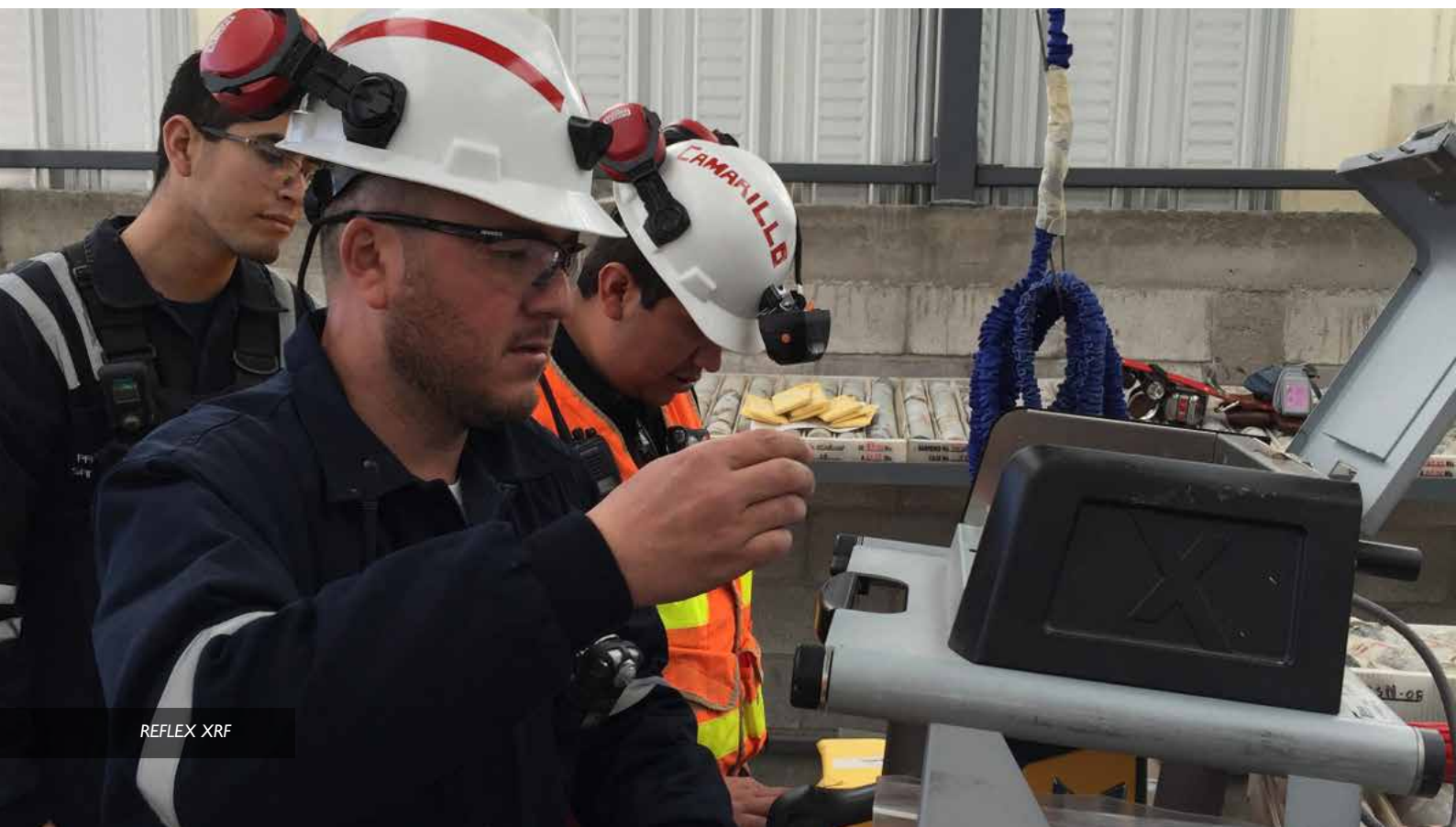
## FY16 OVERVIEW

- Statutory revenue from continuing operations<sup>1</sup> of \$143.3 million, up 1% (FY15: \$142.3 million);
- Normalized EBITDA of \$20.3 million from continuing operations, up 30% (FY15: \$15.6 million);
- EBITDA of \$15.1 million from continuing operations, down 41% (FY15: \$25.6 million). The FY15 result included \$14.2 million profit on sale of Imdex's remaining interest in Sino Gas and Energy Holdings Ltd (SEH);
- EBITDA loss of \$36.3 million (FY15: \$3.8 million loss), including discontinued operations and non-recurring impairment, restructuring and other costs of \$49.9m<sup>3</sup>;
- Net loss after tax of \$56.2 million (FY15: a loss of \$22.5 million), including discontinued operations and non-recurring impairment, restructuring and other costs;
- Gearing ratio of 21.1% (FY15: 17.2%);
- Operating cash outflow of \$6.6 million;
- Normalized EBITDA interest cover of 2.0 times (FY15: 5.2 times);
- 6% increase in the average number of REFLEX rental instruments on hire in FY16 versus FY15;
- Strategic decision to divest non-core oil and gas assets, via sale and closure, to focus on minerals business;
- Restructuring and cost out programme implemented; and
- Appointment of new Non-Executive Chairman, Mr Anthony Wooles, on 1 July 2016 following the retirement of Mr Ross Kelly.

<sup>1</sup> Continuing operations include Minerals and Engineering & Product Development

<sup>2</sup> Discontinued operations includes AMC Oil & Gas

<sup>3</sup> VES impairment, restructuring and other one-off items principally associated with the company's decision to divest its oil and gas assets via sale and closure



## INTRODUCING ANTHONY WOOLLES

On 24 June we announced the appointment of Anthony Woolles as Non Executive Chairman of the Company – effective 1 July 2016. His appointment followed Ross Kelly’s decision to retire on 30 June. Ross provided valuable support and guidance to our company since 2004 and we wish him all the very best.

Anthony is a highly qualified and successful professional who has held executive and advisory roles with leading private and public companies. He also has extensive knowledge of financial and capital markets.

In his advisory capacity Anthony has worked closely with companies including BHP Minerals; Coles Myer; Telstra; Coca-Cola Amatil; FAL and Western Power.

His professional qualifications include: a Bachelor of Commerce (Economics) from Deakin University, a Graduate Diploma of Securities Analysis from the Securities Institute of Australia and a MBA (Finance) from the Wharton School of the University of Pennsylvania.

Anthony is looking forward to working closely with Imdex to optimise our company’s capital structure while growing sustainable revenue and earnings for shareholders.



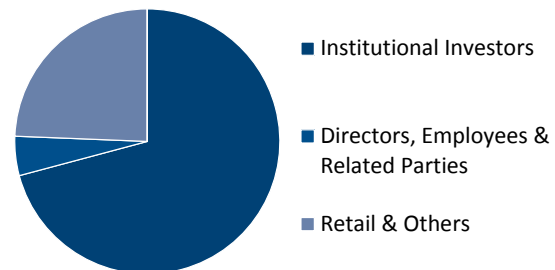
*“Imdex’s strength and point of difference is its global presence, market leadership position, technologies and its ability to provide end-to-end solutions across all mining phases – no other competitor can currently offer this. The company has now refined its business model and continues to address its cost structure in a meaningful way; hence Imdex has the ability to leverage its fixed costs as conditions within the minerals market improve. I am enthusiastic about the prospects for the company and look forward to working closely with the management team to achieve sustainable earnings growth and optimise the company’s capital structure in FY17.” - Imdex Non-Executive Chairman, Anthony Woolles*

## COMPANY SNAPSHOT

CORPORATE INFORMATION		
ASX Listed		IMD
Share Price (30 June 2016)	A\$	0.21
Issued Shares	m	248.6
Market Cap (30 June 2016)	A\$m	52.2
Cash (as at 30 June 2016)	A\$m	13
Total Debt (as at 30 June 2016)	A\$m	44.2

## SHARE REGISTER – JUNE 2016

ANALYSIS OF TOP 75% OF SHAREHOLDERS AS AT 30 JUNE 2016



SUBSTANTIAL SHAREHOLDERS – JUNE 2016	SHARES (m)	%
Fidelity Investments	24.8	10
Iron Compass Partners	21.2	8.5
Celeste Funds Management	19.9	8
Braeside Capital	15.5	6.2
Endeavour Asset Management	13.4	5.4

## FINANCIAL PERFORMANCE

Our FY16 statutory revenue result from continuing operations was \$143.3 million (FY15: \$142.3 million).

This revenue was generated by our Minerals Division, which includes the AMC Minerals and REFLEX businesses. AMC Oil & Gas is disclosed as discontinued operations and our strategic oil and gas technology is classified as Assets Held for Sale. Our share of VES has been written-off due to continuing deterioration of the oil and gas industry.

Our Oil & Gas Division, comprising AMC Oil & Gas, generated revenue of \$30.4 million, a 34% decrease on the previous corresponding period (FY15: \$45.9 million).

Our earnings were impacted negatively by deteriorating conditions within the oil and gas sector. Group EBITDA from continuing operations for the full year was \$15.1 million (FY15: \$25.6 million).

Late in FY16, there was increased activity within the gold sector globally and this renewed activity is expected to continue given the number of gold capital raisings and increased profitability of the gold miners.

The normalized Group EBITDA from continuing operations increased by 30% (FY16: \$20.3 million versus FY15: \$15.6 million).

Encouragingly, normalised EBITDA for our Minerals Division increased 13.6% to \$27.1 million for the full year (FY15: \$23.9 million).

Non-recurring charges for FY16 totalling \$49.9 million included non-cash VES impairment, restructuring and other one-off items principally associated with our decision to divest our oil and gas assets via sale and closure. All of these non-recurring outflows were largely expensed in 2016; accordingly, they have no material impact on the 2017 financial year.

Our balance sheet has a net debt / capital ratio of 21.1% (FY15: 17.2%) and normalized EBITDA interest cover of 2.0 times (FY15: 5.2 times).

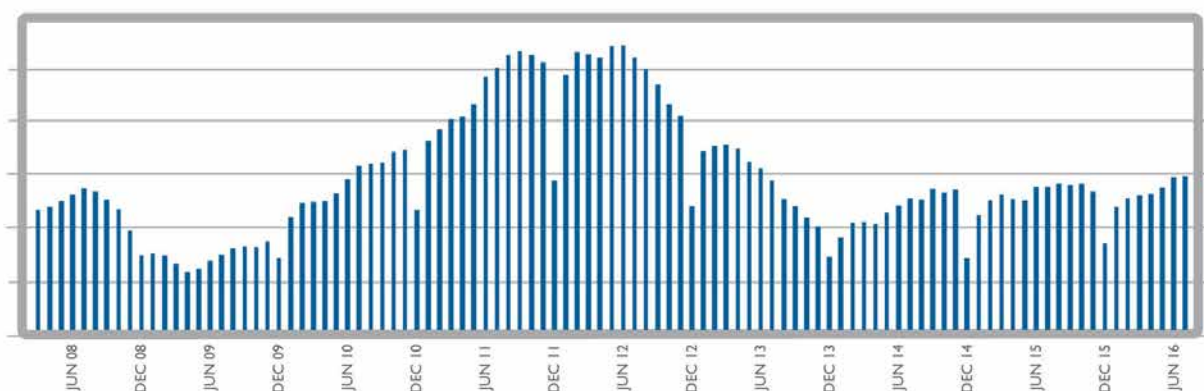
We remain focused on reducing debt and borrowing costs, while continuing to grow our minerals business.

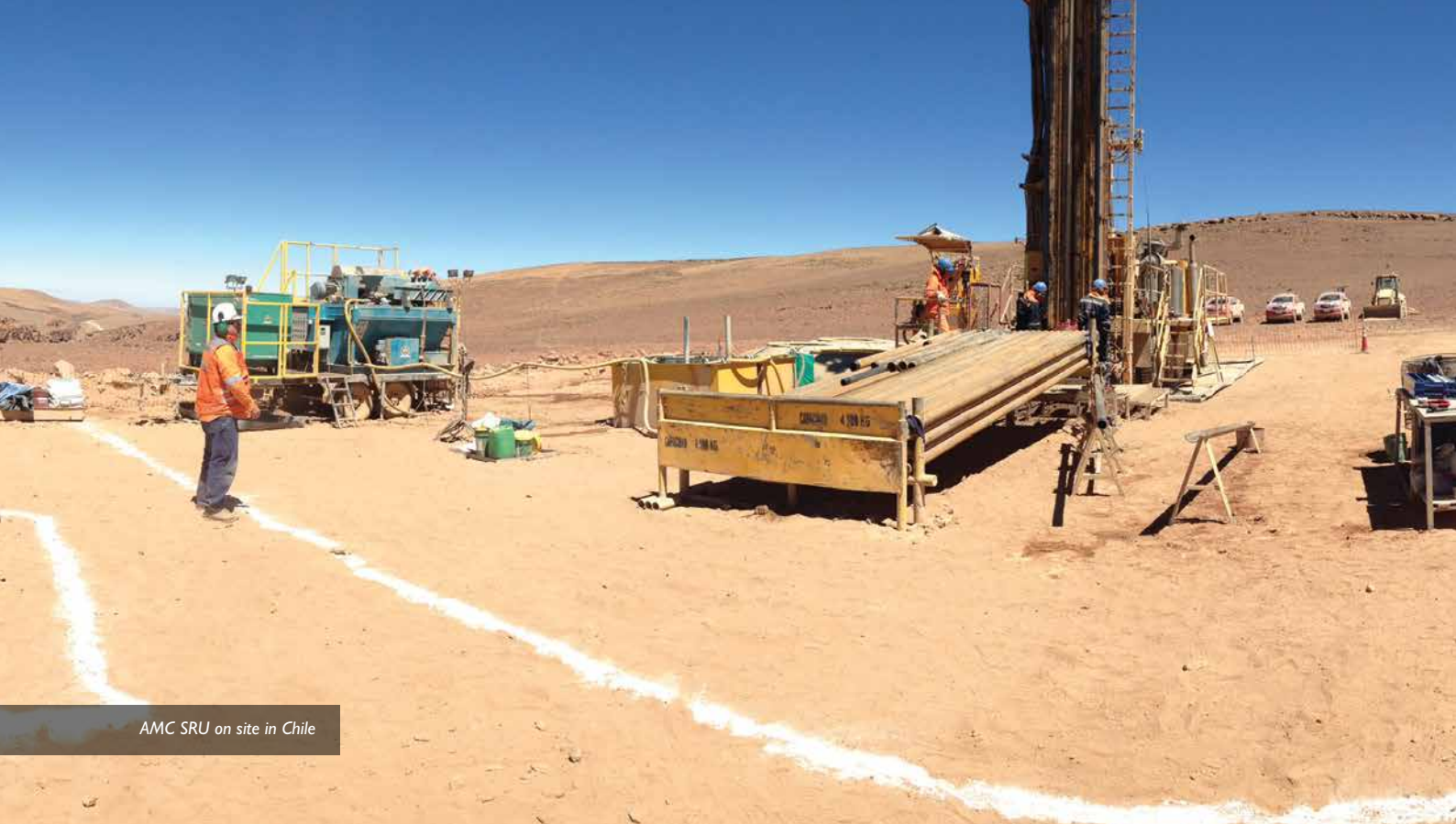
## REFLEX RENTAL FLEET BAROMETER

As at 30 June 2016, our average number of instruments on hire was at the highest level it has been in three years – with further increases forecast.

The uplift in numbers is driven by increased activity within the minerals sector and growing demand for our new technologies.

**Average Number of REFLEX Instruments on Hire**





AMC SRU on site in Chile

## OPERATING ACHIEVEMENTS

During FY17 we continued to strengthen our product and service offering for the global minerals industry – the key operating achievements are set out below:

- Commercialization of new instrumentation and technologies;
- Industry recognition of Imdex's leading technologies including winning the Most Innovative Collaborative Technology and The Minister's Award for Excellence in Innovation for REFLEX HUB-IQ at the 2016 WAITTA INCITE Awards;
- Expansion of client base, together with greater exposure to resource companies and the production phase of the mining cycle;
- Greater exposure to non-mining applications, particularly horizontal directional drilling; and
- Further product development with the design and manufacture of new capabilities that will be released to the market in FY17.

## OUTLOOK

Conditions within the global minerals market remain encouraging for our company.

Strengthening commodity prices, particularly gold, is driving additional capital raisings and further expenditure on greenfield and brownfield projects.

Our well established operations in all of the key mining regions of the world and strong market share, place us in a strong position as drilling activity increases.

The use of innovative technologies to increase efficiencies and reduce costs is also continuing to gain momentum within the global minerals industry. Our strategic investment in driller operated instrumentation, real-time data solutions and geoscience expertise throughout the industry downturn, complement our traditional product offering and provide our company with the first mover advantage.

There is now a genuine sense that conditions are improving. This sentiment is reflected by the performance of our minerals business during FY16, our REFLEX rental fleet and increasing demand for our new technologies. We are committed to optimizing our core business and remain on track for a stronger 1Q17.

## KEY AREAS OF FOCUS

For the balance of FY17 we will remain focused on reducing debt and borrowing costs, while continuing to grow sustainable revenue and earning via our minerals business. Our broader strategy is to:

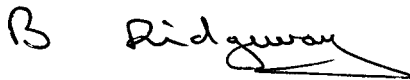
- Focus on markets where the company has a clear competitive advantage;
- Develop leading technologies and Imdex solutions;
- Expand and diversify its global client base;
- Engage, develop and retain talented people; and
- Build a resilient business by becoming an integral part of clients' operations.

Operationally our objectives are to:

- Achieve or exceed financial targets for FY17;
- Achieve or exceed sales targets for FY17;
- Prioritize product development priorities and capabilities and commercialize new products; and
- Improve systems and process to assist the business with its growth strategy.

## 2016 ANNUAL GENERAL MEETING

Our Annual General Meeting will be held on 25 November at 11:00 am (WST) at our Head Office located at 216 Balcatta Road, Balcatta Western Australia. Our Board and Leadership Team will be available to discuss company performance and operations.

A handwritten signature in black ink that reads "Bernie Ridgeway".

**Bernie Ridgeway**  
**Managing Director**



## Operational News & Case Studies



AMC's Heli-portable SRU

### HELI-PORTABLE SRU PERFORMS IN EXTREME CONDITIONS

Our heli-portable SRU (AMC HP-SRU) has been delivering some positive results on a drill site within the Canadian Arctic / Tundra area, some 450km from Yellowknife in Canada.

Conditions at the site are extreme. At this time of the year temperatures drop to  $-50^{\circ}\text{C}$  to  $-60^{\circ}\text{C}$  and there is almost 24 hours of darkness.

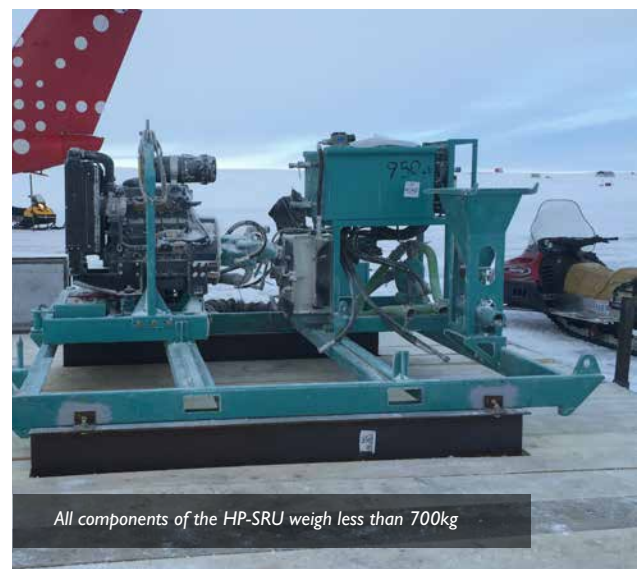
Both the drilling client and resource company have been very happy with the performance of the unit in such adverse conditions. Data gathered from the site shows fresh water consumption has reduced by 90% and the efficiency and ease of operation has increased dramatically.

The HP-SRU has also reduced time and fuel costs associated with removing cuttings from the drill hole. Previously the drill cuttings were highly liquid and difficult to remove. Since using the unit, the cuttings are drier and are fed directly from the HP-SRU into a Mega-Bag. This bag is then lifted via a helicopter long-line to the waste dump, freeing up one person per shift.

The auxiliary hydraulic circuit on the HP-SRU has also proven beneficial, giving the drillers an option to run a remotely operated hydraulic sump pump, independent of the drill's hydraulic system. This means that when the drill is shut down, the closed-loop system continues to flow, reducing incidents of frozen water lines or over flowing tanks.

The Canadian Arctic / Tundra area is an extremely environmentally sensitive region. Some plants, for example Lichens, take 50 – 100 years to re-generate if damaged. Water sources are also strictly monitored by Government agencies, particularly during the warmer months when the water begins to flow.

Representatives from the Government of Northwest Territories Land & Resource-Use support this technology – particularly our HP-SRU's ability to recycle drilling fluid and substantially reduce water use in the area.



All components of the HP-SRU weigh less than 700kg



### AMC BORE HOLE STABILISER

We have been making excellent progress towards commercializing our AMC BORE HOLE STABILISER for the drill and blast market.

This new high-performance additive has been developed for air drilling to combat a variety of problems caused when drilling unconsolidated zones and has the potential to significantly reduce costs associated with re-drills, applying casings and drilling consumables such as fuel and labour.

The innovative product provides an opportunity for AMC to extend its product offering for this market.



*Trial hole using AMC BORE HOLE STABILISER*

### POWER SAVING INITIATIVE AT HQ

Planning approval is being sought for the installation of approximately 400 solar panels. The panels are expected to meet the energy needs of both buildings and save some \$60,000 per year.



*Imdex Head Office*

### REFLEX SUPPORTS WOMEN IN MINING

Our REFLEX team in Mexico has been volunteering time to establish the first Women in Mining (WIM) group in Sonora, one of Mexico's 31 states. The team has also been involved in establishing the first WIM groups in Durango and Chihuahua states.





### A DOUBLE WIN FOR REFLEX

On Friday 24 June, REFLEX won the Most Innovative Collaborative Technology Award and the Minister’s Award of Excellence in Innovation for its REFLEX HUB IQ at the WAITTE INCITE Awards.

Western Australia’s Minister for State Development, Finance and Innovation, the Honourable Bill Marmion, attended the event and said:

“Special congratulations go to REFLEX for winning the Minister’s Award for Excellence in Innovation. This is a fantastic example of West Australians leveraging our natural mining advantage to springboard into new business opportunities. Initiatives such as this have the ability to fundamentally transform the economy of our State.”



Double win for REFLEX at the WAITTE INCITE AWARDS



### 2564 SAMPLES ANALYSED WITH THE REFLEX XRF

The REFLEX XRF provided significant benefits during the exploration of a new Polymetallic discovery in the Central Andes region of Chile.

2564 samples were tested using the XRF and geologists recognized the advantage of the on-site geochemical analysis it provided.



Imdex's booth at PDAC 2016

## REFLEX IQ-LOGGER 'THE MOST EXCITING THING AT PDAC'

REFLEX and AMC showcased their technologies at the annual Prospectors & Developers Association of Canada (PDAC) Conference in Toronto from 6 – 9 March. Despite ongoing challenging market conditions, attendees felt there was greater, although still very cautious, optimism about the future.

REFLEX unveiled its IQ-LOGGER and Sample Press at the Conference and was overwhelmed by the interest and positive response to these new technologies – particularly the IQ-LOGGER, which was described by a geologist as 'the most exciting thing he had seen at PDAC 2016'.

These new technologies will be commercialized during FY17.

## ARANZ GEO LYCEUM INNOVATION AND IDEAS FORUM

On 7 April, Mr Dave Lawie (REFLEX Chief Geoscientist) was invited to speak at the ARANZ GEO Lyceum Innovation and Ideas Forum held at the Quarry Amphitheatre in City Beach, Perth, Western Australia.

In ancient Greece, the Lyceum was the meeting place for discussing and debating mathematics, science and philosophy; today, ARANZ Geo has created a forum for sharing innovative thinking and showcasing innovations in technology and mining. The forum is a unique opportunity to hear how innovators in other fields have embraced fresh thinking to solve problems and create real business value.

The keynote speaker at the event was Glenn Martin, a developer of personal jetpacks and the founder of Martin Jetpack. Glen's success motivated him to find innovative ways to 'solve problems many technologists had believed were insurmountable.' He spoke about the importance of vision and tenacity to drive innovation, 'making the impossible possible.'

In his presentation, Mr Lawie discussed REFLEX's focus on innovation. He highlighted the impact of game changing technologies – including our ioGAS, REFLEX EZ-GYRO and REFLEX EZ-GAMMA – on creating significant shifts in the mining industry's workflows. He also emphasised the importance of continuing innovation to achieve the ultimate vision of real-time 3D geology.



Dave Lawie presenting at the ARANZ GEO Lyceum Innovation and Ideas Forum

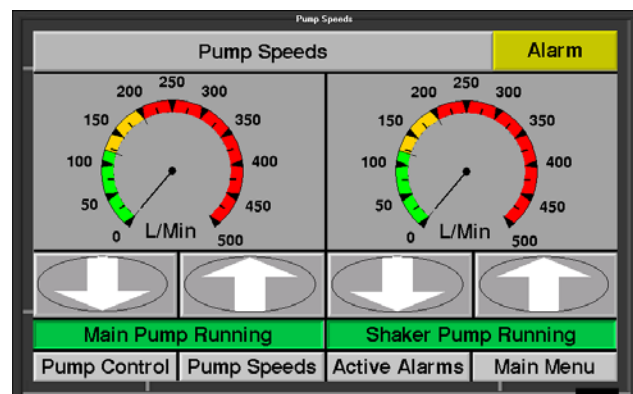
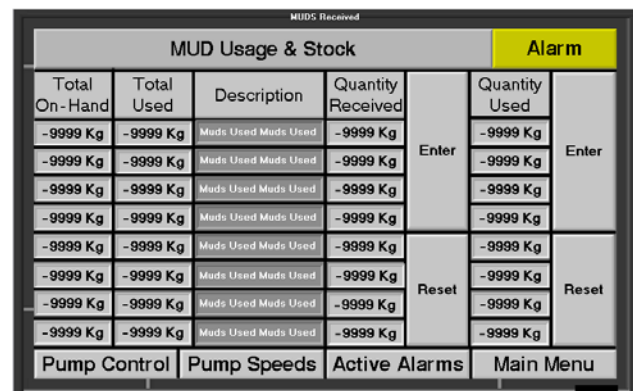
## AMC'S PREDICTIVE MAINTENANCE MONITORING SYSTEM

AMC has been developing a predictive maintenance monitoring system (PMMS) for its solids removal units (SRUs) to enhance safety and operational efficiency for clients.

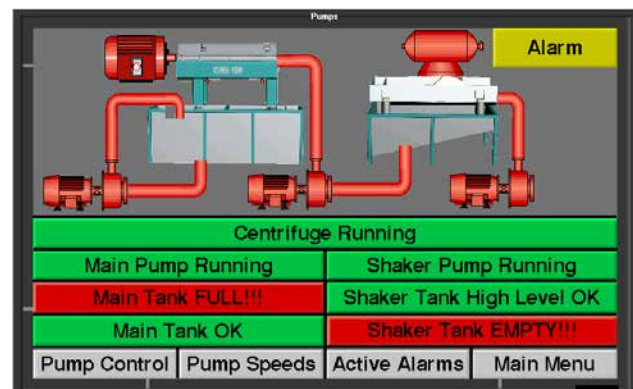
The PMMS can be fitted to the SRUs to monitor and log a range of data for clients, technicians or safety representatives. It currently provides the following features:

- Daily pre-start checklist
- Pump, centrifuge, agitator and motor control
- Bearing temperature and vibration monitoring
- Interlocks – for example the centrifuge shuts down when bearing temperature is too high
- Monitoring of opening and closing of lids
- Total running hours
- Countdown timer indicating next unit service
- Mud usage, stock on hand and muds received
- Drill monitor – for example current hole depth, end of hole depth and meters drilled
- Remote log-in for monitoring and control via PC software, Android and iPhone apps.

All of these features can be logged internally or remotely and data can also be distributed via email. Remote connections are made possible by a dual sim LTE/3G router with failover. For locations without cell / mobile phone reception, a satellite link option is available.

Total On-Hand	Total Used	Description	Quantity Received	Quantity Used
-9999 Kg	-9999 Kg	Muds Used Muds Used	-9999 Kg	-9999 Kg
-9999 Kg	-9999 Kg	Muds Used Muds Used	-9999 Kg	-9999 Kg
-9999 Kg	-9999 Kg	Muds Used Muds Used	-9999 Kg	-9999 Kg
-9999 Kg	-9999 Kg	Muds Used Muds Used	-9999 Kg	-9999 Kg
-9999 Kg	-9999 Kg	Muds Used Muds Used	-9999 Kg	-9999 Kg
-9999 Kg	-9999 Kg	Muds Used Muds Used	-9999 Kg	-9999 Kg
-9999 Kg	-9999 Kg	Muds Used Muds Used	-9999 Kg	-9999 Kg
-9999 Kg	-9999 Kg	Muds Used Muds Used	-9999 Kg	-9999 Kg



## GAME CHANGING TECHNOLOGIES ARE GAINING MOMENTUM

Imdex's work with the Deep Exploration Technologies Cooperative Research Centre was recently featured in the Mining Journal.



The South Australian Mineral Resources Minister, Tom Koutsantonis, commented on the impact of real time exploration on the resources sector.

"Real time analysis allows people in the field to make decisions then and there," he said.

"People in boardrooms can be analysing this data, making decisions about where the next hole will be and how to invest those vital exploration dollars.

"This is a game changer for mining and is being developed right here in South Australia."



## About Imdex Limited

Imdex is an ASX listed industrial company (ASX: IMD) with a market capitalisation of approximately \$52.2 million and 468 employees (as at 30 June 2016).

At Imdex our vision is to be the market leader in real-time subsurface intelligence solutions. We deliver leading technologies to the global minerals industry and other targeted non-mining markets. Our purpose is to create long-term for shareholders, solutions that enhances clients' operations and rewards for our employees.

We support a diverse range of clients at all stages of the mining cycle, from junior explorers to major producers across a wide range of commodities. To provide optimal service to these clients, we have operational centres in key mining regions of the world, including: Asia-Pacific, Africa, Europe and the Americas.

Further information can be found at [www.imdexlimited.com](http://www.imdexlimited.com)

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### IMDEX NEWS - SHAREHOLDER NEWSLETTER

*Imdex News* is published quarterly to keep Imdex's valued shareholders informed of the company's performance and operational highlights.

Your feedback and questions are always welcome. Please send all investor communication to Imdex's Communications Manager, Ms. Kym Clements at [kym.clements@imdexlimited.com](mailto:kym.clements@imdexlimited.com).

Alternatively contact Managing Director, Mr. Bernie Ridgeway or the Chief Financial Officer and Company Secretary, Mr Paul Evans on +61 8 9445 4010.