

# IMDEX NEWS



## Shareholder Newsletter IH16

Dear Shareholders,

Despite ongoing subdued conditions within the global minerals industry, our minerals business performed well during the first half of this financial year (IH16).

Demand for our new technologies increased and the average number of instruments on hire was up 6% on IH15.

Interest in our solids removal technology also continued to gain momentum. We now have Solids Removal Units (SRUs) on some substantial sites including: BHP Billiton; Rio Tinto; Barrick; Vale; Cameco and Kinross. These large companies are embracing the economic and environmental benefits and we expect to see improved utilization of the fleet during calendar 2016.

This performance by our Minerals Division supports our strategy of being a 'minerals focused business' that invests in technology development through the cycles to maintain our competitive advantage.

As anticipated, our Group revenue and earnings were impacted negatively by the downturn of the energy sector. We are, however, progressing the planned divestment of our oil and gas assets to improve our balance sheet.

Simultaneously, we are heightening our focus on the growth of our mineral business via new technologies to support our global clients.

### OVERVIEW OF GROUP PERFORMANCE

- Statutory revenue from continuing operations of \$74.5 million, up 4% (IH15: \$71.4 million<sup>1</sup>);
- AMC Oil & Gas and Imdex's 30.65% share of VES<sup>2</sup> have now been classified as Assets held for Sale;
- EBITDA of \$10.9 million from continuing operations<sup>3</sup>, down 51% (IH15: \$22.1 million<sup>4</sup>);
- Normalized EBITDA from continuing operation<sup>5</sup> of \$10.9 million, up 27% (IH15: \$8.6 million);
- Net loss after tax of \$1.3 million (IH15: a profit of \$9.7 million) including discontinued operations;
- Gearing ratio of 11.3% (IH15: 13.7%);
- Operating cash outflow of \$1.7 million – including non-recurring outflows of \$5.9 million;
- Normalized EBITDA Interest cover of 4.5 times (IH15: 5 times);
- 6% increase in the average number of REFLEX rental instruments on hire in IH16 versus IH15; and
- Divestment of oil and gas assets in progress.

<sup>1</sup> Excluding AMC Oil & Gas and equity accounted share of VES

<sup>2</sup> Vaughn Energy Services (VES)

<sup>3</sup> Excluding AMC Oil & Gas and equity accounted share of VES

<sup>4</sup> The IH15 result includes profit on sale of remaining investment in SEH (\$14.2m), together with an additional amount provided for in relation the product containment incident announced to the market on 13 March 2014 (\$2.1m). The normalised results excludes these items.

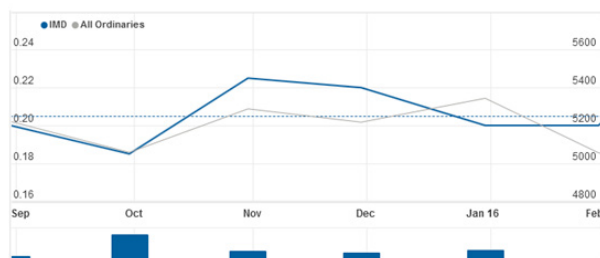
<sup>5</sup> Excluding AMC Oil & Gas and equity accounted share of VES

## COMPANY SNAPSHOT AS AT 31 DECEMBER 2015

Corporate Information		
ASX Listed		IMD
Share Price (31 Dec 2015)	A\$	0.20
Issued Shares	m	248.6
Market Cap (31 Dec 2015)	A\$m	49.7
Cash (as at 31 Dec 2015)	A\$m	18.9
Term Debt (as at 31 Dec 2015)	A\$m	40.9

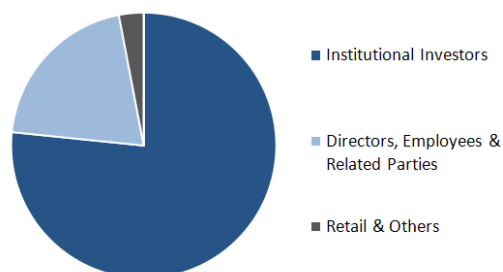
Substantial Shareholders	Shares (m)	%
Fidelity Investments	21.8	8.8
Iron Compass Partners	21.2	8.5
Celeste Funds Management	20.5	8.2
Braeside Capital	14.8	5.9
Northcape Capital	14.0	5.6

### 6 Month Share Price Performance



### Share Register

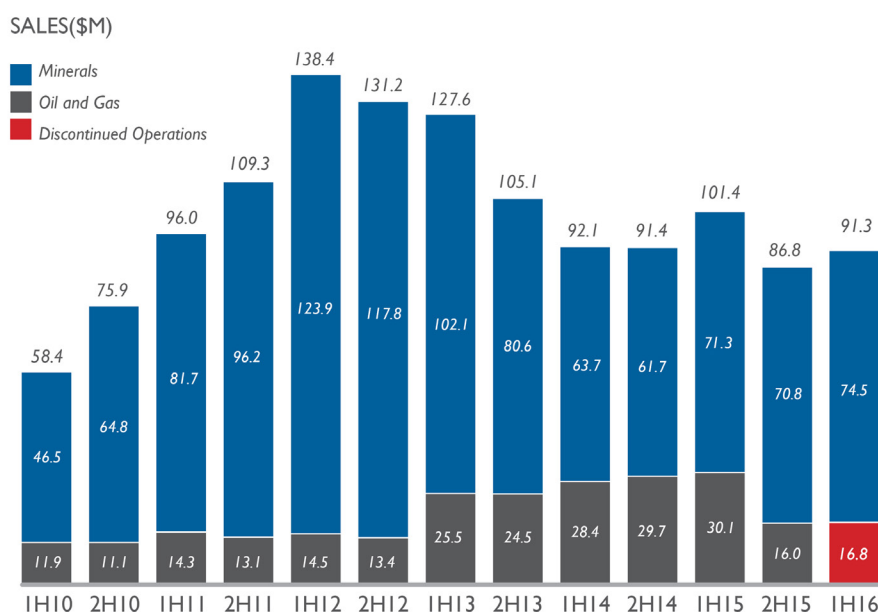
ANALYSIS OF TOP 75% OF SHAREHOLDERS AS AT 31 DECEMBER 2015



## FINANCIAL PERFORMANCE

Our IH16 statutory revenue result from continuing operations was \$74.5 million (IH15: \$71.4 million<sup>6</sup>). This result principally comprised revenue generated by our Minerals Division, which includes the AMC Minerals and REFLEX businesses. AMC Oil & Gas and our share of VES are now classified as Assets Held for Sale, following our decision to divest our oil and gas assets and focus solely on the growth of our minerals business.

The uplift in our minerals revenue was due to: increasing demand for Imdex's technologies; gaining additional market share in the Americas by AMC Minerals; and an increasing number of low-risk metres being drilled, despite a decrease in global minerals exploration expenditure. Positive foreign exchange movement was also a contributing factor.



<sup>6</sup> Excludes AMC Oil & Gas and Imdex's equity accounted share of VES

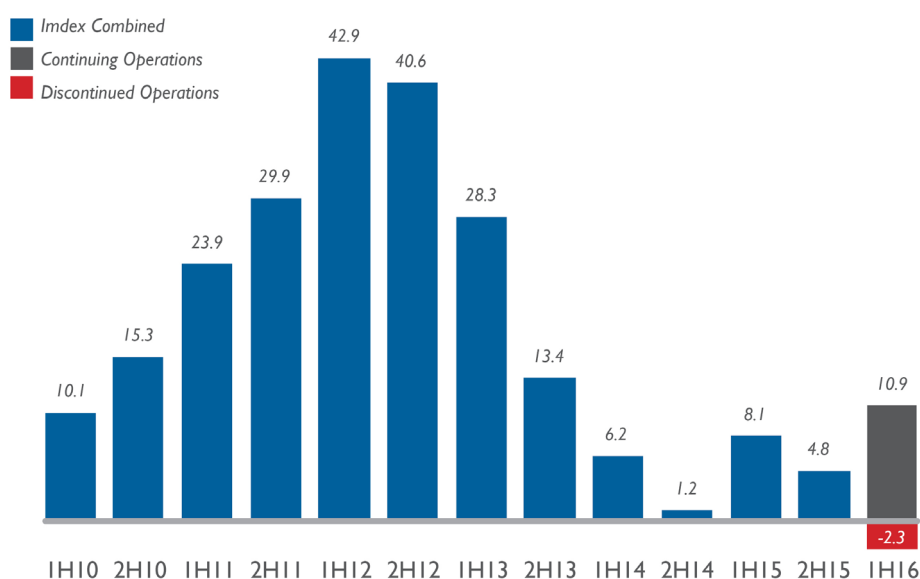
Our Oil & Gas Division, comprising AMC Oil & Gas, generated revenue of \$16.8 million, a 44% decrease on the previous corresponding period (1H15: \$30.1 million).

As mentioned previously, our earnings were impacted negatively by lower activity levels within the oil and gas sector. Our Group EBITDA for the half was \$10.9 million – a 51% decrease on 1H15 (1H15: \$22.1 million). The normalized Group EBITDA has increased by 27% (1H16: \$10.9 million versus 1H15: \$8.6 million).

Encouragingly, EBITDA for our Minerals Division increased 17% to \$14.2 million for the half (1H15: \$12.1 million).

#### NORMALIZED EBITDA

\$M



Comparatives exclude VES

Our non-recurring outflows for 1H16 included a final settlement payment relating to the product containment incident (which was expensed in 2015 and paid in 1H16; accordingly, it has no impact on profit), impairments and provisions and costs associated with financing events.

As at 31 December 2015, our balance sheet had a net debt / capital ratio of 11.3% (1H15: 13.7%) and normalized EBITDA interest cover of 4.5 times. We remain focused on eliminating debt while aggressively growing our minerals business.



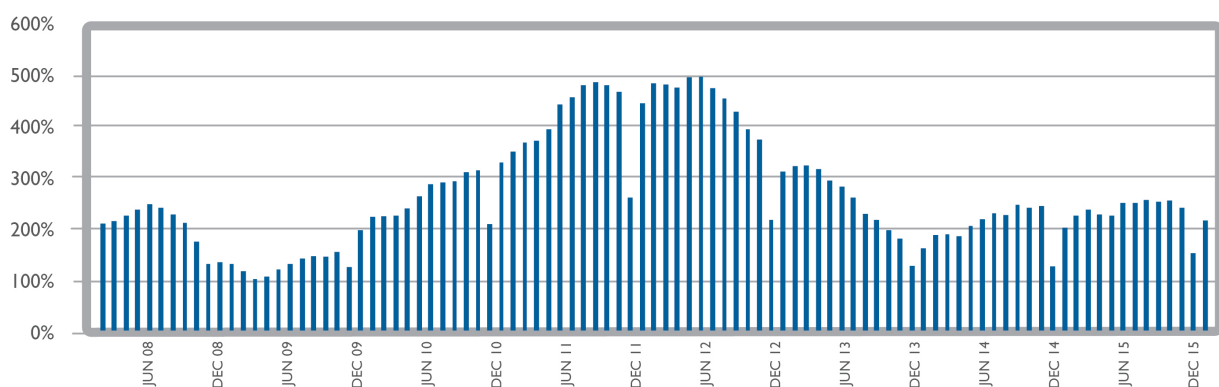




## REFLEX RENTAL FLEET BAROMETER

Our average number of instruments on rent during IH16 was up 6% on IH15 and numbers held up well leading into the traditional seasonal slowdown towards the end of the calendar year. Encouragingly, instruments have been going back out on hire and as at 31 January 2016, we have seen a 46% rebound from the 31 December 2015 low point.

The low point at 31 December 2015 was 20% up on 31 December 2014 and the number of instruments on rent at 31 January 2016 was 10% higher than at 31 January 2015. As more rigs return to work we expect additional instruments will be on active rental in the coming months.



## OUTLOOK

We do not anticipate any material improvement in market conditions for the balance of FY16. With such challenging conditions, however, clients are increasingly focused on reducing costs and achieving operational efficiencies – our technologies can assist them to achieve this.

We are aligning our business to suit to these market conditions and we are in a stronger position – as a minerals focused company – to leverage our leading technologies.

We will continue to diligently manage our costs and remain on track to achieve minerals growth for the full 2016 financial year.

## KEY AREAS OF FOCUS FOR FY16

For the balance of this financial year we remain committed to:

- Divesting our oil and gas assets;
- Leveraging our specialist expertise and product development capabilities;
- Marketing new technologies to new and existing clients via our established global operations;
- Commercializing new technologies that are currently being trialled or are in the later stages of development;
- Increasing market share in previously underpenetrated regions;
- Working closely with clients to increase the productivity and efficiency of their operations; and
- Increasing annuity revenue streams via our technologies.

A handwritten signature in black ink, reading "Bernie Ridgeway".

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





## Operational News & Case Studies



Derek Loughlin, REFLEX CE, with Professor Ben Adair, Managing Director & CEO of CRC ORE.

### INDUSTRY COLLABORATION

REFLEX recently formalized its collaboration with CRC ORE – a not-for-profit organization funded by the Australian Federal Government and the global minerals industry. CRC ORE undertakes research projects to ‘optimize resource extraction’ utilizing on-site innovations to improve overall productivity.

Mr. Derek Loughlin, REFLEX Chief Executive, said:

*“We are very pleased to work with CRC ORE to advance technologies that can make a real difference to the future of the global minerals industry. We are also very proud to be acknowledged as a thought leader in this field.”*

In addition to the company’s ongoing research with CRC ORE, REFLEX is also working closely with: the Deep Exploration Technologies Cooperative Research Centre (DET CRC); the Canadian Mining Innovation Council; Amira International; and the National Sciences and Engineering Research Council of Canada (NSERC). Each of these research-based organizations is focused on advancing innovation and technology to benefit the global minerals industry.

### MINING MAGAZINE EXPLORATION AWARD

In July 2016, REFLEX was the winner of the Mining Magazine Exploration Award. The award recognised the company’s logging and surveying instruments – the REFLEX EZ-GAMMA and the REFLEX EZ-GYRO – which assisted drilling contractor FORACO Australia to complete the deepest diamond hole ever drilled within the Kalgoorlie Golden Mile, Western Australia.

REFLEX’s technology enabled FORACO to receive accurate information relating to drill-bit position and lithology of the formation to a record depth of 3,011 metres. This data was provided in near real-time via the company’s cloud-based REFLEX HUB.







## SOLIDS REMOVAL UNITS DELIVERING SAFETY, PRODUCTION AND COST SAVING ADVANTAGES

The benefits of AMC's Solids Removal Unit (SRU) were recently recognized by client FORACO Australia. The testimonial highlighted the unit's safety, production and cost saving advantages.

FORACO Australia Area Manager – Western Australia, Mr. Paul Allen, said:

*As a leading global drilling service provider committed to a safe working environment, we are always looking to innovate and seek ways to exceed our clients' expectations. With the experience of our crews, the AMC SRU, support and teamwork, we have been able to complete the deepest diamond hole in Australia – a tremendous effort by our crew and support teams.*

*The SRU has made a noticeable difference in many areas, notably safety, production and cost savings.*

*The unit's closed-loop system has reduced the amount of product required, which means less time mixing and handling product. It also reduces substantially the amount of water needed and therefore the need for water carting in heavy vehicles – a key risk to personnel. Offsiders can stay at the rig monitoring operations, we reduce fuel consumption and there is lower requirement for track and vehicle maintenance.*

*The SRU has assisted us to achieve and surpass our targets. Even at depth, we have been able to record very good production rates. The unit enables us to rely on the mud we are using to be consistent and clean – something that could not always be achieved when using ground sumps.*

*We have also seen significant cost savings when compared to the traditional sump system. The mud systems needed are smaller and more effective, which reduces the need to constantly top up and treat some 100,000 litres of mud; water cartage and associated costs are substantially lower; and the cost of digging and rehabilitating ground sumps is eliminated. We have also reduced the down time required to clean out sumps when there was an excessive build-up of cuttings.*

## NEW LIGHT-WEIGHT SRU - THE AFRICAN SOLUTION

Following strong demand from clients, AMC has been developing a smaller light-weight Solids Removal Unit.

The new unit has now been built and is currently being trialled in the field with GeoServe in South Africa.

The new highly mobile SRU will be available in trailer mounted, skid mounted, heli-portable and containerized options.



New light-weight highly mobile SRU



## About Imdex Limited

Imdex is an ASX listed industrial company (ASX: IMD) with a market capitalisation of approximately \$49.7 million and 519 employees (as at 31 December 2015).

Imdex delivers leading innovative technologies to the global minerals industry and niche oil and gas markets, focusing on integrated solutions that enhance customers' operations and deliver value for its shareholders. The company achieves this by its extensive industry knowledge and commitment to product development, ensuring innovative, simple to use and fit-for-purpose technologies.

Imdex supports a diverse range of customers 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 customers, Imdex has 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.