



IMDEX LIMITED

2016 annual report

www.imdexlimited.com





Imdex Limited (Imdex)

ABN 78 008 947 813

Australian Securities Exchange (ASX)

Listing Date 24 September 1987

ASX Code: IMD

Registered Office

216 Balcatta Road,
Balcatta, Western Australia 6021

Head Office

216 Balcatta Road,
Balcatta, Western Australia 6021

Directors

Mr Anthony Wooles (Non-Executive Chairman)

Mr Bernie Ridgeway (Managing Director)

Mr Kevin Dundo (Non-Executive Director)

Ms Betsy Donaghey (Non-Executive Director)

Mr Ivan Gustavino (Non-Executive Director)

Company Secretary

Mr Paul Evans

2016 Annual General Meeting

Imdex's AGM will be held at the Company's Head Office located at 216 Balcatta Road, Balcatta Western Australia, commencing at: 11am (AWST) on Friday 25 November 2016.

For further information please contact Paul Evans on +61 (0)8 9445 4010 or visit Imdex's website at www.imdexlimited.com.

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Company History



corporate profile

Index is a leading mining technology provider to the global minerals industry. The Company's strength is derived from its advanced technologies, end-to-end subsurface solutions, global operations and superior service.

Index's range of product and services includes: quality drilling fluids; drilling equipment; advanced downhole instrumentation; data management; and analytical software for geological modelling via its AMC and REFLEX brands.

The Company supports a diverse range of clients at all stages of the mining cycle, from junior explorers to major producers across a wide range of commodities. Clients include exploration, development, production and mining services companies within the minerals sector; together with coal bed methane, geothermal, horizontal directional drilling, waterwell, geotechnical and civil construction companies worldwide.

Index has established operations in all key mining areas including: Africa; Asia Pacific; Europe and the Americas. This global presence allows the Company to provide local and timely support to its clients and have greater access to international mineral exploration markets.

Index's in-house expertise, together with its substantial commitment to ongoing product development, has enabled the Company to achieve market leader status in its fields of operation. It is continuously refining its integrated product and service offering to enhance the productivity and efficiency of clients' operations.



REFLEX Lab-at-Rig on site

our vision and mission

“ Index’s vision is to be the market leader in real-time subsurface intelligence solutions. The Company delivers leading technologies to the global minerals industry and target non-mining markets. Its purpose is to create long-term value for Index’s shareholders, solutions that enhance its clients’ operations and rewards for its employees. ”



Inside AMC's Research and Development Laboratory

key data

AS AT 30 JUNE 2015

Market capitalization:

\$64.9 million

Shares on issue:

216.2 million

Share price at 30 June 2015:

\$0.30

TRIFR (per million hours worked):

7.51

Number of employees:

524

Banking institutions:

HSBC and Westpac

Legal advisors:

Hopgoodganim

Auditors:

Deloitte Touche Tohmatsu

Share registry:

Computershare

AS AT 30 JUNE 2016

Market capitalization:

\$52.2 million

Shares on issue:

248.6 million

Share price at 30 June 2016:

\$0.21

TRIFR (per million hours worked):

4.11

Number of employees:

468*

Banking institutions:

Bain Capital

Legal advisors:

Hopgoodganim

Auditors:

Deloitte Touche Tohmatsu

Share registry:

Computershare

* including 74 oil and gas employees within discontinued operations



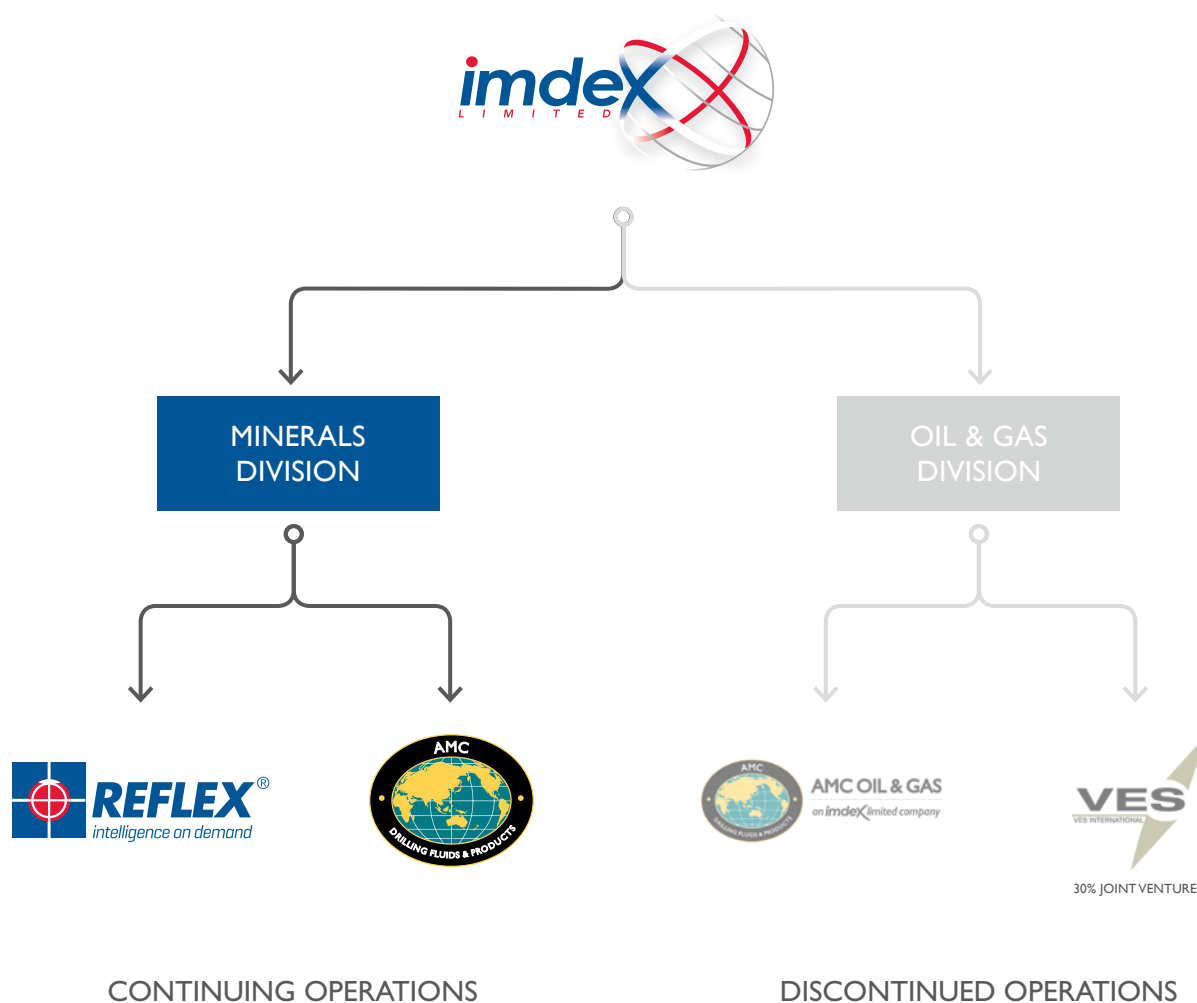
REFLEX XRF collecting geochemical data

company structure

During FY16, Imdex made the strategic decision to exit the oil and gas market to focus on its minerals business where the Company has a differentiated position and clear competitive advantages.

Imdex's refined Company structure includes the AMC Minerals and REFLEX businesses, which are market leaders within the global minerals industry.

AMC provides quality drilling fluids, specialty products and innovative equipment. REFLEX provides advanced downhole instrumentation, data management and analytical software for geological modeling. Together, AMC and REFLEX offer an integrated range of products and services to enhance clients' operations.



global business

Imdex is an established global business operating in diverse geographical markets.

The Company has operations in all key mining and exploration regions throughout Asia Pacific, Africa, Europe and the Americas.

Imdex's global presence and comprehensive distribution network allows it to: provide local solutions to clients; have greater access to international mineral exploration markets; and

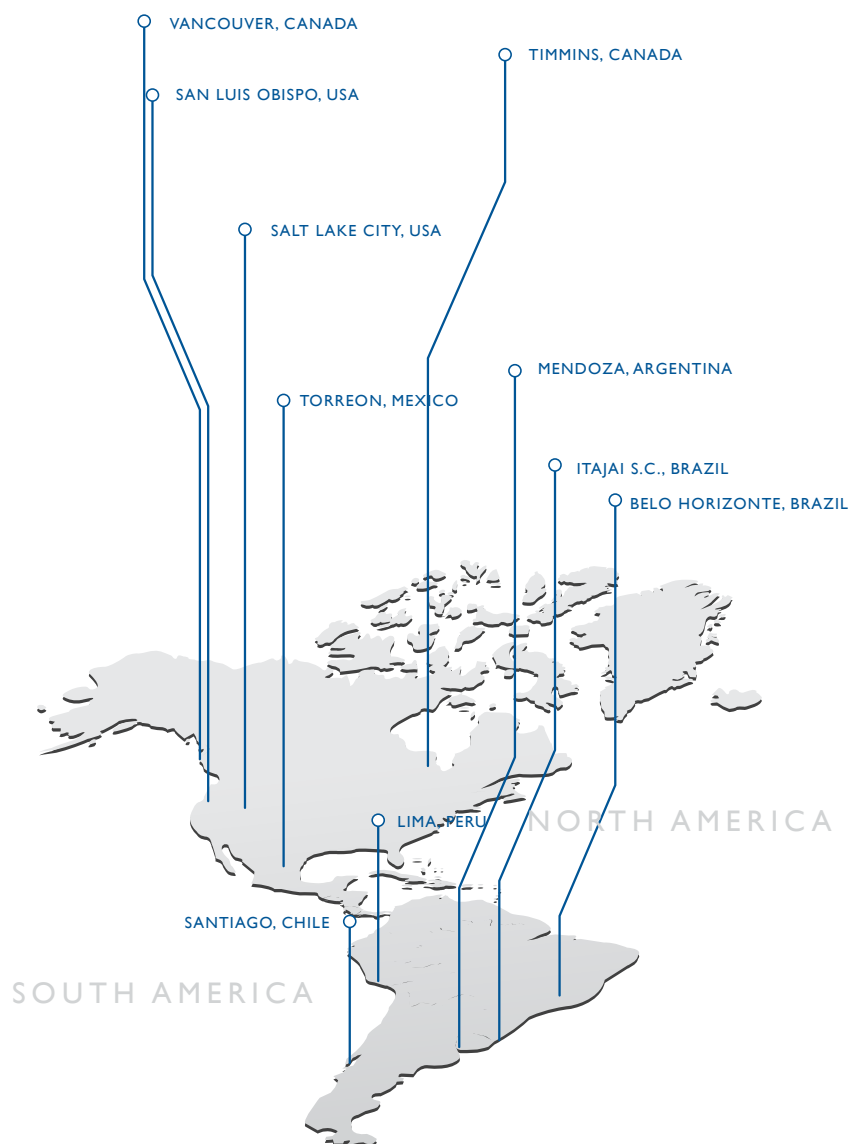
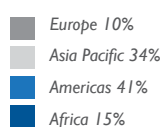
efficiently introduce new technologies to these markets.

During FY16 the Company closed its oil and gas businesses in Asia Pacific and the Middle East. It also consolidated its North American minerals businesses to align with its client base.

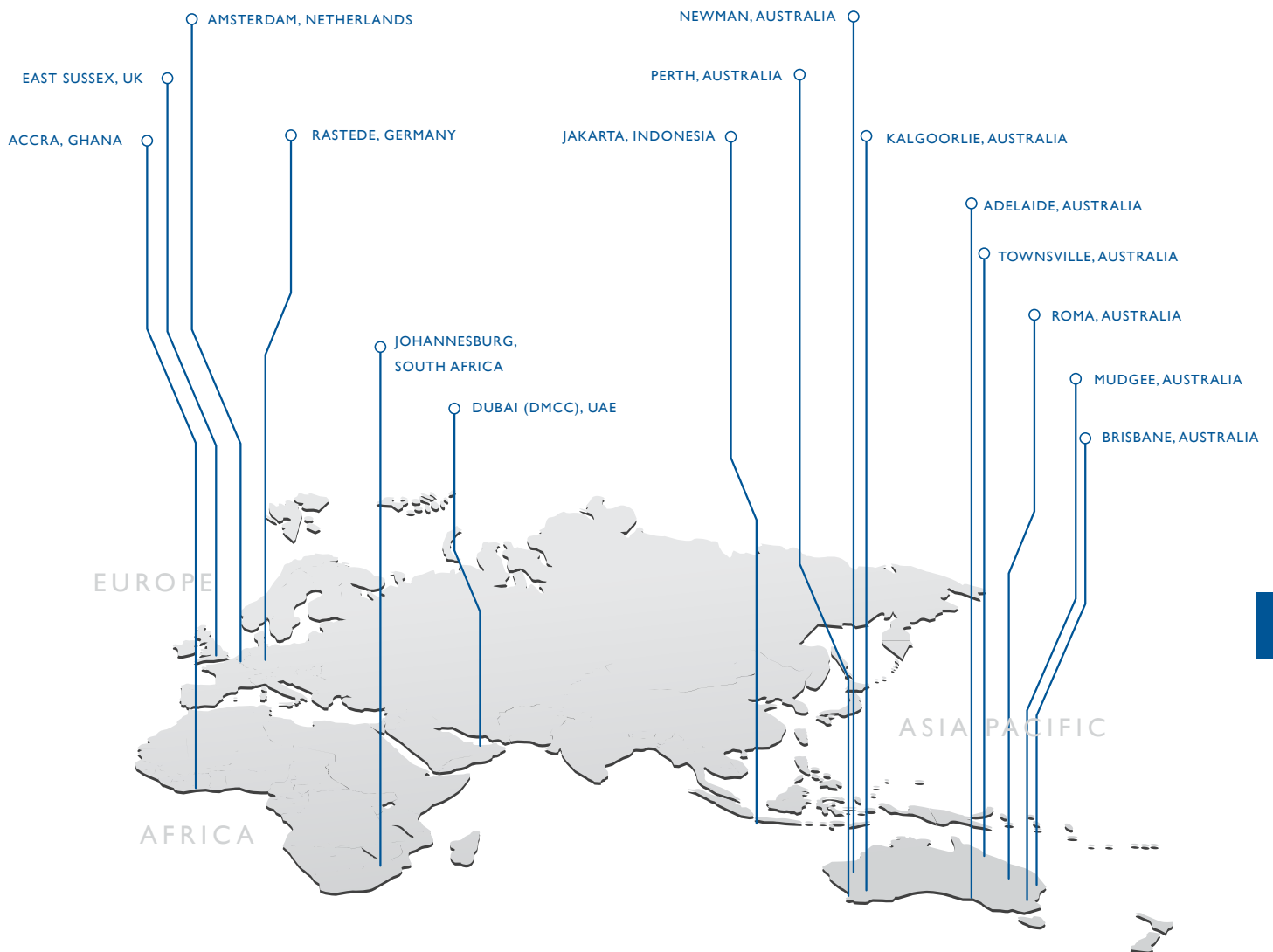
MINERALS REVENUE
BY REGION



FY16



“ The Company has operations in all key mining and exploration regions throughout Asia Pacific, Africa, Europe and the Americas. ”



the imdex way

The Imdex Way sets out the key principles and expected behaviours that govern the Company's decision making, business practices and employee reward programs.

Integrity

Communicating openly and honestly. Avoiding activities or organizations that are unethical, harm people or the environment.

Teamwork

Working collaboratively, safely and with respect for diversity within Imdex's Group to achieve the best results for the Company, clients and colleagues.

Accountability

Taking responsibility for and delivering on Imdex's commitments to the Company, clients and colleagues.

Being Dynamic

Maintaining an efficient global Company with the flexibility to provide localised client solutions and the adaptability to react quickly to new opportunities and change.

Innovation

Leveraging Imdex's advanced technologies, research and development capabilities to deliver innovative, leading edge products and services that optimise client operations.

Continuous Improvement

Pursuing Imdex's strategy of ongoing growth and reward for shareholders, clients and employees through continuous improvement of the Company's products, services and work practices.





FY16 objectives & outcomes

FY16 OBJECTIVES

Pursuing the orderly sale of Imdex's oil and gas businesses.

Commercializing new technologies that are currently being trialled or are in the later stages of development.

Marketing new technologies to new and existing clients via the Company's established global operations.

Increasing annuity revenue streams via real-time data solutions.

Working closely with and supporting clients to increase the productivity and efficiency of their operations.

Diversifying the Company's client base to include additional resource companies and non-mining applications, including HDD and waterwell markets.

Leveraging Imdex's specialist expertise and product development capabilities.

Increasing market share in previously underpenetrated regions.

FY16 OUTCOMES

During FY16 the Company closed its loss making AMC Oil & Gas businesses and continued to progress the strategic sale of its remaining oil and gas assets.

Imdex successfully commercialized its REFLEX EZ-GYRO and REFLEX EZ-GAMMA technologies. The Company also unveiled its REFLEX IQ-LOGGER prototype at the PDAC.

Despite challenging market conditions, the Company achieved a marginal increase in revenue from continuing operations and recorded a 6% increase in the average number of REFLEX instruments on hire.

REFLEX HUB throughput continued to increase year on year.

Imdex continued to work closely with its clients, which resulted in a marginal uplift in revenue and an increase in the average number of instruments on hire.

The number of resource companies in the Company's top 25 direct clients increased throughout the year.

The Company commenced a number of new product development initiatives that are expected to be commercialized during FY17.

Imdex achieved a significant increase in sales in USA and Europe. This additional market share was predominately driven by drilling fluids.



AMC's Surface SRU on site in Canada



FY16 market overview

GLOBAL MINERALS INDUSTRY

- ♦ Subdued drilling activity globally;
- ♦ Commodity prices strengthened – particularly gold;
- ♦ Additional capital raisings and further expenditure on greenfield and brownfield projects during 2H16; and
- ♦ Growing client interest in technologies to reduce costs and increase operational efficiencies.

OIL AND GAS SECTOR

- ♦ Oil prices reached a 12 year low;
- ♦ Highly competitive with intense pricing pressure; and
- ♦ Heightened uncertainty placed pressure on oil and gas companies globally.

FY16 operational highlights & challenges

HIGHLIGHTS

- ♦ 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.

CHALLENGES

- ♦ Subdued market conditions within the global minerals industry;
- ♦ Further deterioration of the global oil and gas industry;
- ♦ Sale of AMC Oil & Gas due to downturn of the energy sector; and
- ♦ Volatile macro-economic conditions.

FY16 group financial performance

- Statutory revenue from continuing operations¹ 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 45% (FY15: \$27.6 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 operations² and non-recurring impairment, restructuring and other costs of \$50million³;
- 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 costs⁴;
- Gearing ratio of 21% (FY15: 17%)⁵;
- Pro-forma gearing ratio of 4% (following capital raising as announced to the market 5 September 2016 and subject to shareholder approval at the General Meeting⁶);
- Normalized operating cash flow (excluding financing costs) of \$9.4 million;
- Normalized EBITDA interest cover of 2.0 times (FY15: 5.2 times); and
- Pro-forma normalized interest cover of 21 times (following capital raising as announced to the market 5 September 2016 and subject to shareholder approval at the General Meeting⁶).

¹ Continuing operations include Minerals and Engineering & Product Development

² Discontinued operations includes AMC Oil & Gas

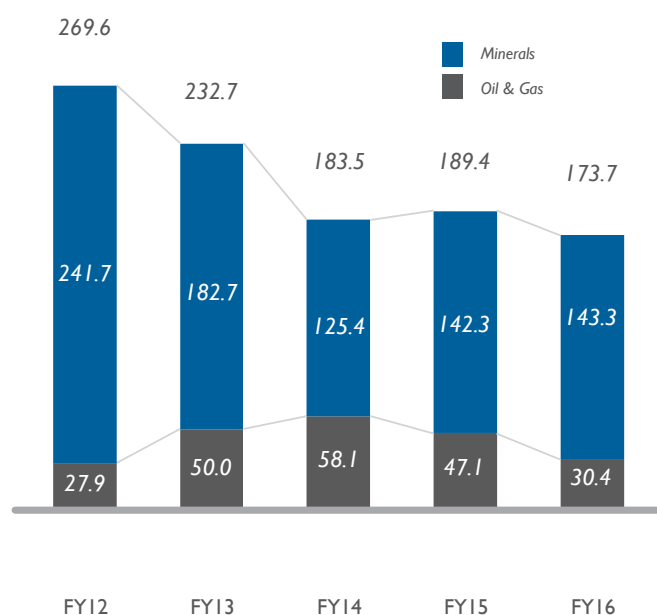
³ VES impairment, restructuring and other one-off items principally associated with the Company's decision to divest its oil and gas assets via sale and closure

⁴ Non-cash impairment of the investment in VES of \$32.2 million and restructuring and other costs of \$17.8 million (net cash outflow of approximately \$2 million) largely related to the sale / closure of our oil and gas assets

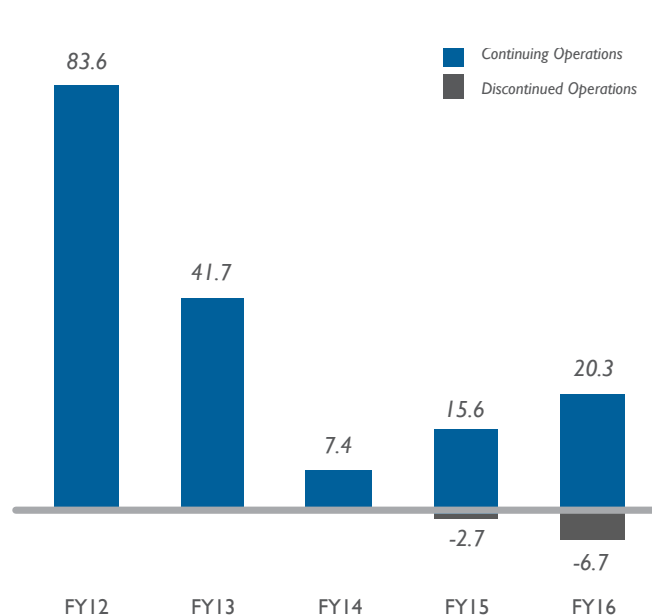
⁵ 27% based on total net debt (FY15: 17%)

⁶ A General Meeting of the Company's shareholders is expected to be held on Thursday, 13th October 2016

FY16 REVENUE (\$m)



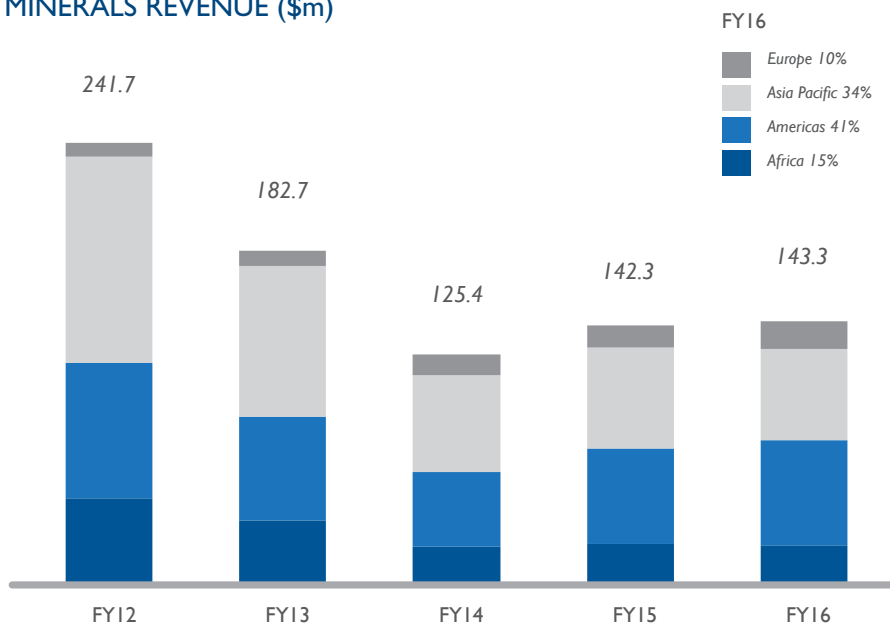
NORMALIZED EBITDA (\$m)



Discontinued operations includes AMC Oil & Gas for FY16 and is separated in FY15 for comparative purposes

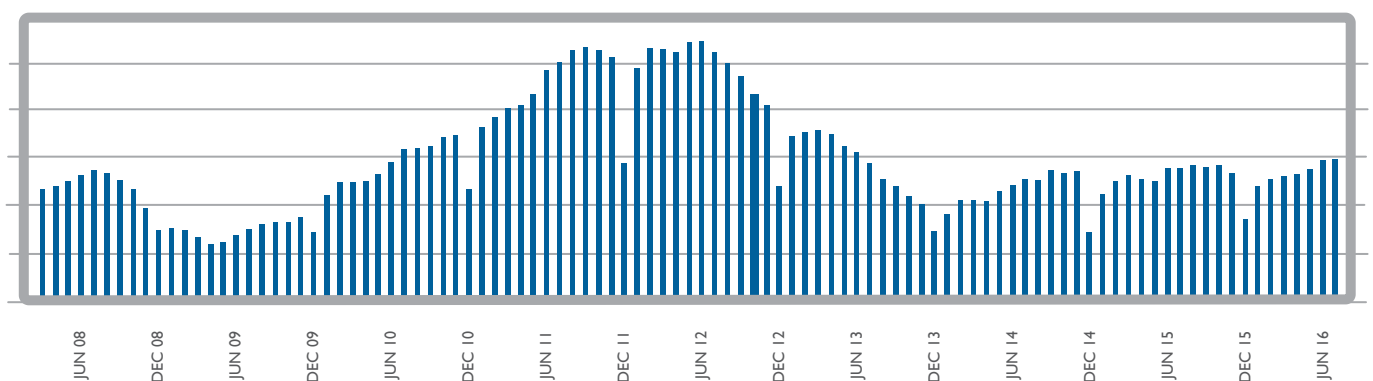
FY16 minerals division performance

MINERALS REVENUE (\$m)



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

REFLEX BAROMETER - THE AVERAGE NUMBER OF INSTRUMENTS ON HIRE WAS UP 6% ON FY15



summary of financial highlights

FOR THE YEAR ENDED 30 JUNE
(AUDITED RESULTS)

	2016 \$'000	2015 \$'000	15-16 Var %
Revenue from continuing operations (excluding interest income)	143,346	142,299	1%
Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA) from continuing operations	15,078	27,623	(45%)
EBITDA margin	10.5%	19.4%	(46%)
Depreciation and impairment	(8,830)	(8,384)	5%
Amortisation	(592)	(1,506)	(61%)
Earnings before Interest & Tax (EBIT) from continuing operations	5,656	17,733	(68%)
Net interest expense	(10,052)	(2,925)	244%
Net profit/(loss) before tax	(4,396)	14,808	(130%)
Income tax benefit/(expense)	535	(3,859)	(114%)
Net Profit/(Loss) after Tax from continuing operations	(3,861)	10,949	(135%)
Loss from discontinued operations	(52,392)	(33,452)	57%
Net Loss for the Year after Tax	(56,253)	(22,503)	150%
Basic loss per share from continuing and discontinued operations (cents)	(23.11 ¢)	(10.44 ¢)	-
Net Cash (used in)/provided by Operating Activities	(6,567)	8,814	(175%)
Cash on hand	12,977	8,417	54%
Net Assets	115,593	160,816	(28%)
Total Borrowings	44,159	41,840	6%
Net Tangible Assets per Share	22.03 ¢	45.42 ¢	(51%)



index board

Index's Board of Directors has extensive professional expertise, business experience and technical knowledge of the mineral exploration, mining and technology industries.

Members of the Board are well respected in these sectors and play an active role in the generation and management of the Company's strategic planning.

The objective of Index's Board is to provide an acceptable rate of return to the Company's shareholders and takes into account the interests of its employees, clients, suppliers, lenders and the wider community. The Board must at all times act honestly, fairly and diligently in all respects in accordance with the law applicable to Index. Furthermore, the Board will at all times act in accordance with all relevant Index policies. Each of the Directors, when representing Index, must act in the best interest of Index's shareholders and in the best interests of the Company as a whole.

The Board has a process to enable the Chairman to discuss and evaluate with each Director their contribution to the Board and to enable that Director to comment on all facets of the operation of the Board – Chief Executives are also subject to formal annual reviews of their performance.

FY16 DEVELOPMENTS

On 24 June Index announced the appointment of Mr Anthony Wooles as Non - Executive Chairman of the Company – effective 1 July 2016. His appointment followed Ross Kelly's decision to retire on 30 June 2016. Mr Kelly has provided valuable support and guidance to the Company since 2004. Index's Board, management and employees thank him for his contributions and wish him all the very best for the future.

Mr Wooles 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 Mr Wooles 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.

Mr Wooles is looking forward to working closely with Index to achieve sustainable earnings growth through FY17 and beyond.

On 21 July 2016, the Company also announced the resignation of Non-Executive Director, Mr James Hegyi, who was appointed to the Board on 1 December 2015.

Further information relating to the Board of Directors, including details of meetings and remuneration can be found on pages 4 to 18 of Index's FY16 Financial Report.





board member profiles

“ I look forward to working with Imdex’s Board and management team to further refine its business model and deliver value for all Imdex shareholders. ”



Mr Anthony Wooles
BCom, MBA (Finance)

Non-Executive Chairman

Age 55 years

- ♦ Appointed as Chairman 1 July 2016
- ♦ Bachelor of Commerce (Economics)
- ♦ MBA (Finance) from the Wharton School of the University of Pennsylvania
- ♦ Graduate Diploma of Securities Analysis
- ♦ Fellow of the Australian Institute of Company Directors
- ♦ Senior Associate of the Financial Services Institute of Australasia
- ♦ Chairman of Bhagwan Marine Pty Ltd
- ♦ Diverse industry experience including: mining; oil and gas; power generation; manufacturing; telecommunications; food and beverages and retail
- ♦ Previously Principal at Marakon Associates, a management consulting firm
- ♦ Founder of PearlStreet Limited and the Trudo Group, a Perth-based shareholder value advisory firm
- ♦ Consultant to a number of major companies including: BHP Minerals; Coles Myer; Telstra; Coca-Cola Amatil; FAL; and Western Power.



Mr Bernie Ridgeway
B.Bus (ACCTG) ACA

Managing Director

Age 62 years

- ♦ Appointed to the Board 23 May 2000
- ♦ Bachelor of Business and Qualified Chartered Accountant
- ♦ Member of the Institute of Chartered Accountants Australia and the Australian Institute of Company Directors
- ♦ Non-Executive Director of Sino Gas and Energy Holdings Limited
- ♦ Over 30 years' experience with public and private companies as a business owner, Director and Manager.



Mr Kevin Dundo

B. Comm, LLB

Non-Executive Director

Age 64 years

- ♦ Appointed to the Board 14 January 2004
- ♦ Bachelor of Commerce and Bachelor of Laws
- ♦ Member of the Law Society of Western Australia, Law Council of Western Australia, Australian Institute of Company Directors and a Fellow of the Australian Society of Certified Practicing Accountants
- ♦ Practicing lawyer, specializing in commercial and corporate law and in particular, mergers and acquisitions, with experience in the mining services and financial services industries
- ♦ Director of Red 5 Limited and Cash Converters International Limited
- ♦ Previously a Director of ORM Limited



Ms Betsy Donaghey

B.S. Civil Engineering, M.S. Operations Research

Non-Executive Director

Age 58 years

- ♦ Appointed to the Board 28 October 2009
- ♦ Bachelor of Civil Engineering A & M University, Texas, and Master in Operations Research University of Houston
- ♦ Extensive experience within the energy sector, including 19 years with BHP Billiton and 9 years with Woodside Energy
- ♦ Formerly Non-Executive Director of Australian Renewable Energy Agency
- ♦ Previously Non-Executive Director of St Barbara Limited.



Mr Ivan Gustavino

B. Bus

Non-Executive Director

Age 57 years

- ♦ Appointed to the Board 3 July 2015
- ♦ Bachelor of Business from the Curtin University of Technology, Western Australia
- ♦ 25 years' experience developing global technology businesses
- ♦ Extensive experience as a corporate advisor within the resources sector
- ♦ Previously a co-founding shareholder and Director of Surpac Software, now Dassault Systèmes GEOVIA Inc.

chairman's report



Mr Anthony Wooles
BCom, MBA (Finance)
Chairman

Dear Shareholders,

On behalf of Imdex's Board of Directors, it is a pleasure to present the Company's Annual Report for the 2016 financial year, my first as the company's Non-Executive Chairman.

I am delighted to lead the Imdex organization, because in my view, the Company possesses a number of valuable and unique attributes. Imdex has an excellent safety record, an established international platform, significant potential operating leverage and demonstrable competitive advantages within the global mining services industry.

As a result of Imdex's decision to exit the oil and gas market – and the uncertainty currently associated with the sector – the Company can now focus on the sustainable growth of its core business, including its in-house product and technology development expertise. As activity and volumes increase within the global minerals industry, Imdex is strongly positioned for sustainable earnings growth.

FY16 FINANCIAL PERFORMANCE

As announced to the market on 22 August 2016, statutory revenue from continuing operations was \$143.3 million, a marginal increase on the Company's 2015 result. Group EBITDA was a loss of \$36 million, which included substantial non-recurring impairment and restructuring costs associated with the strategic closure and divestment of Imdex's oil and gas assets.

More encouragingly, Imdex's minerals business achieved a 13% increase in normalized EBITDA, which highlights the strength of the Company's underlying operations.

Based on the Group financial results, Imdex will not be issuing a dividend for the 2016 financial year. The Company is, however, looking forward to returning to sustainable earnings performance and an attractive dividend policy for shareholders in the future.

POST 30 JUNE EVENTS – \$40 MILLION PLACEMENT

On 5 September 2016, the Imdex Board announced a capital raising to reduce debt and strengthen the Company's balance sheet. Support for the raising was strong and I'm pleased to say that the placement was significantly oversubscribed.

The two tranche placement of approximately 72.72 million new ordinary shares was offered to qualified institutional and sophisticated investors at an issue price of A\$0.55 to raise \$40 million before issue costs.

Tranche 1 was an unconditional placement of 37.29 million shares, whereas Tranche 2 was a conditional placement of approximately 35.43 million shares and is subject to shareholder approval at a General Meeting on the 13 October 2016.

Imdex also provided eligible shareholders with the opportunity to acquire new shares in the Company at the same price as the placement via a share purchase plan, which was capped at A\$5 million.

The capital raising substantially de-risks the balance sheet and results in an enhanced capital structure for the Company in the long-term.

THE FUTURE

The future for Imdex involves a clear focus on the core minerals business to achieve sustainable earnings growth. Imdex's ability to provide end-to-end real-time data collection solutions is unique and the company has an exciting opportunity to become an integral part of clients' long-term operations.

I believe the company has now implemented important refinements to its capital and corporate structure. I look forward to working with Imdex's Board and management team to further refine its business model and deliver value for all Imdex shareholders.

Yours Sincerely

A stylized, handwritten signature in black ink, appearing to read 'Anthony Wooles'.

Mr Anthony E Wooles
Chairman

“ The capital raising substantially de-risks the balance sheet and results in an enhanced capital structure for the Company in the long-term. ”



AMC's Surface SRU on site

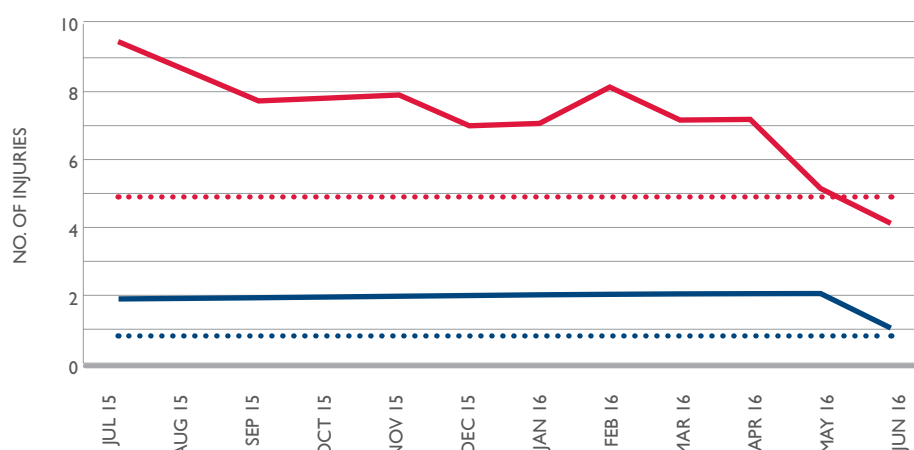
quality, health, safety & environment

During FY16, Imdex's safety performance was measured against the competitive APPEA oil and gas industry results.

Injuries decreased significantly throughout the year resulting in a total reportable injury frequency rate (TRIFR) of 4.11 injuries per million hours worked. This result was well below the FY15 TRIFR (7.51) and the industry benchmarks the Company's measures its performance against.

Imdex's Lost Time Injury Frequency Rate was 1.03 injuries per million hours worked. Globally, the Company's LTIFR is consistently well below industry standards. These high standards are achieved by fostering a common-sense working culture that is based on Imdex's ImSafe 10 Safety Principles.

TOTAL REPORTABLE INJURY FREQUENCY RATE (TRIFR) & LOST TIME INJURY FREQUENCY RATE (LTIFR)



TRIFR = Number of total recordable injuries / diseases for each one million hours worked.

LTIFR = Number of lost time injuries / diseases for each one million hours worked

— LTIFR
— TRIFR
... LTIFR Benchmark
... TRIFR Benchmark

“During FY17 we will continue to enhance our safety culture and performance by implementing an internal 4 Star QHSE Rating System.”



corporate governance

Imdex's Board and Executive Management Team strive to achieve best practice in all aspects of corporate governance.

The Company's practices and disclosures are underpinned by the Australian Securities Exchange Corporate Governance Council recommendations. The key principles include:

- ♦ Laying a solid foundation for management and oversight;
- ♦ Structuring the Board to add value;
- ♦ Promoting ethical and responsible decision-making;
- ♦ Safeguarding integrity in financial reporting;
- ♦ Making timely and balanced disclosure;
- ♦ Respecting the rights of shareholders;
- ♦ Recognizing and managing risk; and
- ♦ Remunerating fairly and responsibly.

Further information relating to Imdex's Corporate Governance during FY16 can be found on pages 24 to 28 of the Company's Financial Report.



managing risk

The identification and management of risk is central to delivering long-term value to Imdex's shareholders.

Each year, as part of the Company's annual strategic planning cycle, the Board reviews and considers the risk profile for the entire organization.

Imdex has also established a formal framework for governance of managing risk. The principal aim of Imdex's risk management governance structure is to: enhance the system of internal control to create a culture of risk-informed decision making to manage business risks; enhance the value of shareholder investments; and safeguard assets.

The Company is committed to an effective risk management process, which enables management to operate a risk-based approach in establishing internal control systems to

effectively identify, mitigate and/or control significant risks.

The risk management framework is used to provide governance for the identification, assessment and management of risks. Risks are rated using a methodology outlined in ISO 31000:2009 – Risk Management – Principles and Guidelines. When a risk is assessed as material, it is reported to the senior management group on a monthly basis until it is satisfactorily mitigated.

All employees globally are responsible for being aware of potential business and operational risks and the supporting risk management framework established by the Audit, Risk and Compliance Committee (ARCC).

Employees are also requested to promptly communicate significant issues to their line manager in accordance with the Group's risk management framework.

Each business unit is responsible for incorporating risk management activities and controls into their daily operations and to monitor risks relating to the unit. The risk

management framework incorporates the following factors:

- ♦ Consideration of other ASX principles on corporate governance as they relate to risk management;
- ♦ Consultation with the Board, senior management and the leadership group in identifying the business risk areas;
- ♦ Consideration of the Imdex quality assurance, quality control and health and safety risk assessment system to ensure a common language is used across both operational and commercial environments;
- ♦ Development of a corporate risk register to record and manage risks by assigning an owner; designing mitigating treatments and then applying the treatment; and
- ♦ Identification of areas where additional work is required by an internal audit and/or business unit to reduce risk exposure.



managing director's report



Mr Bernie Ridgeway
B.Bus (ACCTG) ACA
Managing Director

Dear Shareholders,

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

During FY16, we successfully upgraded our existing product range, commercialized 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 the 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.

The downturn in the energy sector, together with our decision to focus on growing our minerals business resulted in non-recurring impairment charges, restructuring and other one-off costs for the year of \$50m. These charges were largely brought to account in FY16 and will not affect materially our results for FY17.

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 capitalize on the minerals industry upswing. The full benefits of this programme will be progressively realized throughout FY17.

FINANCIAL PERFORMANCE

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

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 consistent with the review of our strategy and carrying value

of our oil and gas assets.

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: \$27.6 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, normalized EBITDA for our Minerals Division increased 13% to \$27.1 million for the full year (FY15: \$23.9 million).

Non-recurring charges for FY16 totalling \$50 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.

As at 30 June 2016, our balance sheet has a net debt / capital ratio of 21% (27% based on total net debt) versus 17% in FY15 and normalized EBITDA interest cover of 2.0 times (FY15: 5.2 times).

Following the capital raising announced to the market on 5 September 2016, we anticipate our net debt / capital ratio, based on our pro-forma 30 June 2016 balance sheet, will be 4%. Our normalized EBITDA interest cover is expected to be 21 times, subject to shareholder approval at the General Meeting to be held on 13 October 2016.

The raising will enable us to move forward with a reset capital and organizational structure that will allow us to take full advantage of the minerals cycle upswing. We thank our existing shareholders for their strong support and welcome several new, high quality institutions to the Imdex share register.

We remain focused on diligently managing our costs, while continuing to grow our minerals business.



REFLEX RENTAL FLEET BAROMETER

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

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

“The raising will enable us to move forward with a reset capital and organizational structure that will allow us to take full advantage of the minerals cycle upswing.”

OPERATING ACHIEVEMENTS

During FY16 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.

Importantly, our total recordable injury frequency rate of 4.11 for the year was well below the industry safety benchmarks we measure ourselves against. During FY17 we will continue to enhance our safety culture and performance by implementing an internal 4 Star QHSE Rating System.

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 market leadership position 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 a 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.

KEY AREAS OF FOCUS AND GROWTH INITIATIVES FOR FY17

For the balance of FY17 we will remain focused on divesting our remaining oil and gas assets, 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;

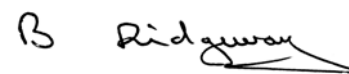
- ♦ Achieve or exceed sales targets for FY17;
- ♦ Prioritize product development priorities and capabilities and commercialize new products; and
- ♦ Improve systems and process to assist the business with its growth strategy.

A TALENTED TEAM

As I have said in previous years, I am very proud of our global team and the level of in-house expertise it brings to our Company. My sincere thanks to all of our employees for their hard work, innovation and commitment to working safely throughout another challenging year.

I would also like to express my gratitude to Ross Kelly. As Non-Executive Chairman and member of our Board, he provided valuable guidance and support to our Company for twelve years. It was a pleasure to work with Ross and I wish him the very best for his future. I would also like to thank our clients and shareholders for their ongoing support of our Company.

Yours faithfully



Mr Bernie Ridgeway
Managing Director

executive management team



Mr Paul Evans

Chief Financial Officer and
Company Secretary

- ♦ Chartered Accountant
- ♦ Fellow of the Institute of Chartered Accountants in Australia
- ♦ Chief Financial Officer and Company Secretary since 17 October 2006
- ♦ Extensive experience in commercial, general management and financial roles
- ♦ Industry experience covering the media, manufacturing, mining services and telecommunications industries.



Mr Charlie Oliver

General Manager, AMC Minerals

- ♦ 31 years' experience in the minerals drilling and oil and gas industries including 16 years' with Halliburton (formerly Baroid Drilling Fluids)
- ♦ 15 years experience with AMC Drilling Fluids and Equipment including warehousing, logistics, purchasing and operations
- ♦ Extensive senior management and business development experience
- ♦ Extensive international business experience.



Mr Derek Loughlin

Chief Executive, REFLEX

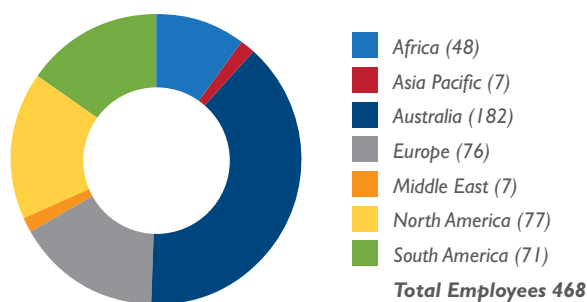
- ♦ 27 years' experience within the drilling industry
- ♦ 10 years in executive management positions at Imdex
- ♦ 17 years with leading drilling company Boart Longyear in engineering, operations, sales and global exports, working in Ireland, Australia and Germany
- ♦ Honours Degree in Mining Engineering from the Camborne School Of Mines, UK
- ♦ Diploma of Executive Development at the International Institute for Management and Development in Lausanne.

global team

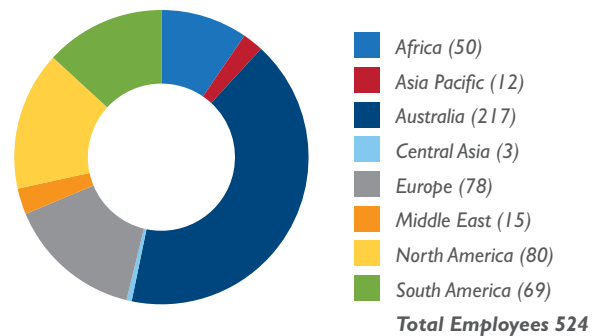
During FY16 Imdex's global workforce reduced by 11% to 468 people (FY15 524), which included 74 oil and gas employees that form part of the Company's discontinued operations.

Following the divestment and closure of AMC Oil & Gas, the total number of employees will be approximately 400.

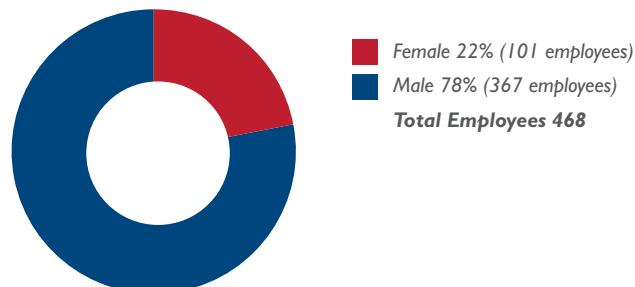
FY16 EMPLOYEES BY REGION



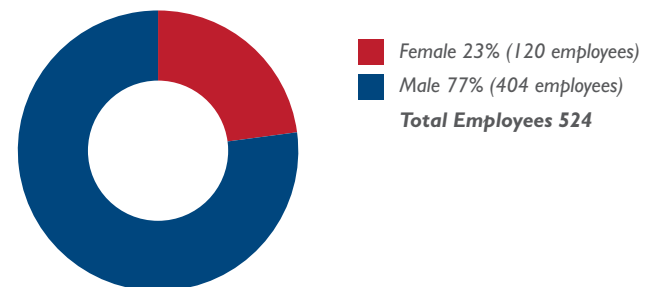
FY15 EMPLOYEES BY REGION





FY16 EMPLOYEES BY GENDER



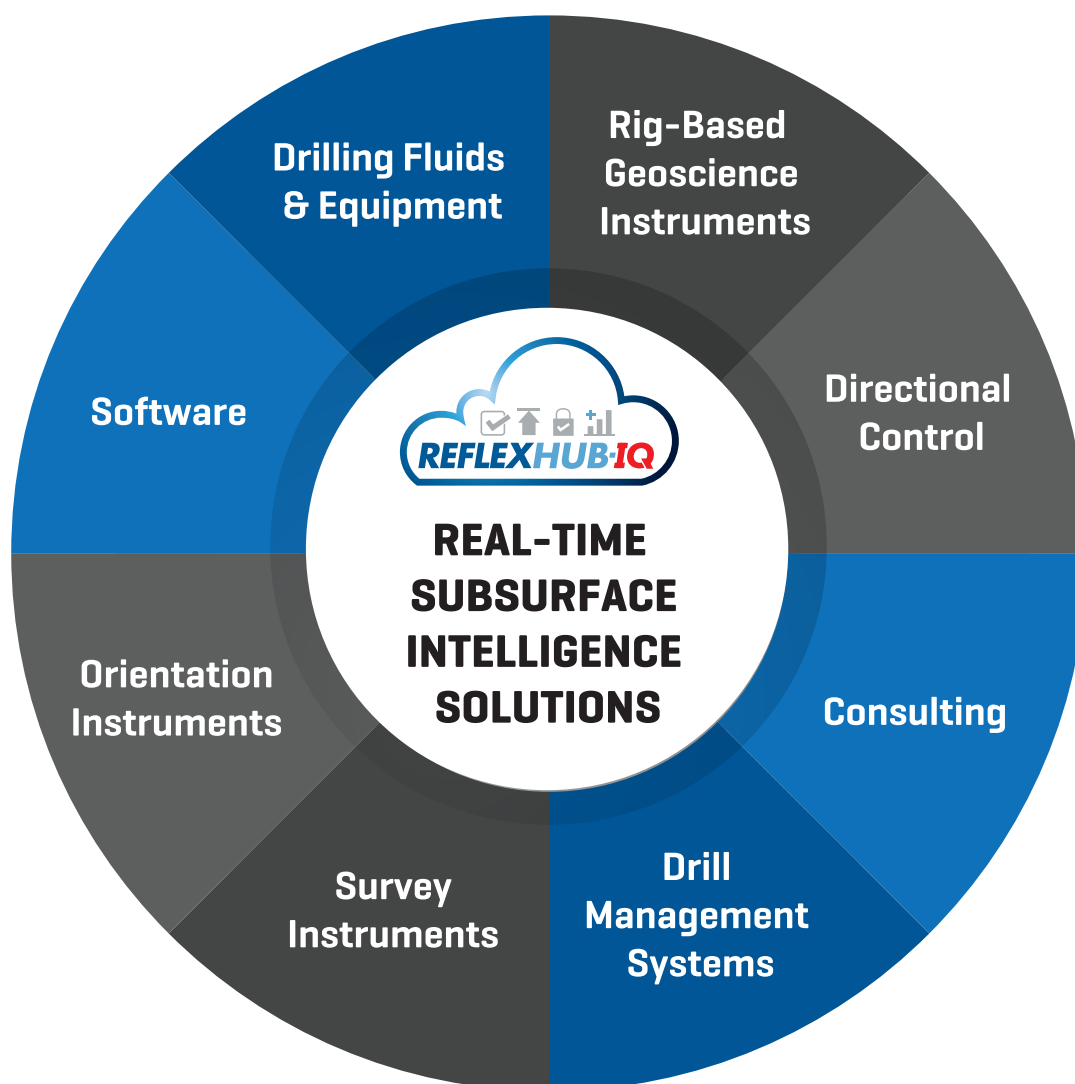
FY15 EMPLOYEES BY GENDER



technologies & services

BRANDS	PRODUCT & SERVICE RANGE	MARKET
	<p>REFLEX ACT III: Digital core orientation</p> <p>REFLEX HT ACT: Digital core orientation</p> <p>REFLEX EZ-Shot: Single-shot magnetic survey</p> <p>REFLEX EZ-Trac: Multi-shot magnetic survey</p> <p>REFLEX HT EZ-Trac: Multi-shot magnetic survey</p> <p>REFLEX Maxibor II: Optical survey</p> <p>REFLEX Gyro: Gyroscopic survey</p> <p>REFLEX HT Gyro: Gyroscopic survey</p> <p>REFLEX EZ-Gyro: Gyroscopic survey</p> <p>REFLEX EZ-Gamma: Gamma logging</p> <p>REFLEX TN I 4 Gyrocompass: Rig aligner</p> <p>REFLEX EDR: Rig monitoring</p> <p>REFLEX XRF: On-site geoanalysis</p> <p>REFLEX HUB: Data management solutions</p> <p>REFLEX Geochemistry: Geochemical data analysis</p> <p>ioGAS: Geochemical data analysis software</p> <p>Customised downhole motor</p>	<p>Global mining / minerals exploration, CBM, geothermal, horizontal directional drilling, water well, geotechnical and civil construction markets</p>
	<p>Drilling fluids and chemicals</p> <p>Fluid containment and transfer equipment</p> <p>Waste management equipment</p> <p>Solids removal units (surface, underground & heli-portable SRUs)</p>	

End-To-End Real-Time Solutions



“Index can assist clients to control their costs and increase their productivity by providing end-to-end solutions across the full mining life cycle – currently no other competitor has this capability and we have a first mover advantage.”

a year in review – 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 recognized 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 cartage 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.

Heli-Portable SRU Performs in Extreme Conditions

AMC's 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°C to -60°C and there is almost 24 hours of darkness.

Both the drilling client and resource company have been 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.



AMC's Heli-portable SRU in Canada



REFLEX Supports Women in Mining

Employees at REFLEX Mexico have 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 WAITTA 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."

Power Saving Initiative at HQ

Planning approval is being sought for the installation of approximately 400 solar panels at Imdex's Head Office in Balcatta, Western Australia. The panels are expected to meet the energy needs of both buildings and save some \$60,000 per year.



New Light-Weight SRU - The African Solution

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

The new unit is currently being trialled in the field in South Africa.

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

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.



AMC and REFLEX 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'.

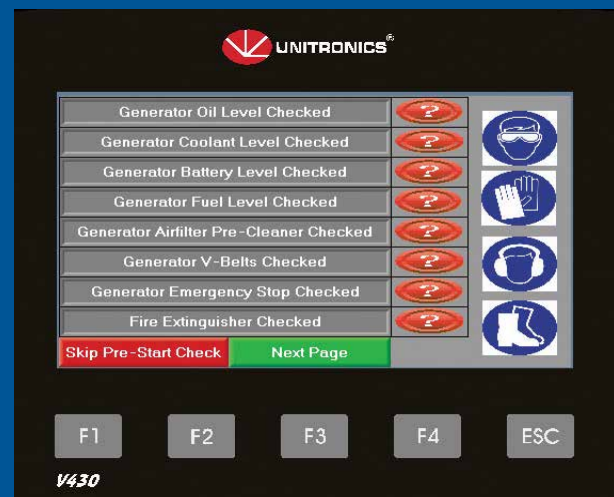
These new technologies will be commercialized during FY17.

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.



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.

Game Changing Technologies are Gaining Momentum

Index's work with the Deep Exploration Technologies Cooperative Research Centre was featured in the August edition of 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."



AMC BORE HOLE STABILISER For Drill & Blast

After identifying a new market in the Drill & Blast industry, AMC has developed an industry specific product, known as AMC BORE HOLE STABILISER, which will combat a wide range of down hole problems including: poor collaring; hole decay; and sidewall instability. The product also provides lubrication to the hole and significantly increases lifting capacity for cuttings transportation.

Scott Sholer (AMC Fluids Specialist – R&D and Technical Support) said the new product is "set to change the way the Drill & Blast industry operates."

"It has the potential to significantly reduce costs associated with re-drills, applying casings and drilling consumables such as fuel and labour."

FY17 key areas of focus

Exceeding industry QHSE benchmarks

Divest remaining oil and gas assets

Achieve or exceed financial targets for FY17

Achieve or exceed sales targets for FY17

Prioritize new product development projects and capabilities and commercialize new products

Improve Imdex's systems and processes to enable business to achieve its strategy

Leveraging our specialist expertise and product development capabilities

Increasing market share in previously underpenetrated regions



company history

17 December 1980	Australian company Pilbara Gold NL incorporated
21 July 1985	Pilbara Gold NL changed name to Imdex Limited
24 September 1987	Imdex Limited listed on the ASX
1988	Formation of Australian Mud Company
1997	Acquisition of Surtron Technologies Pty Ltd and Ace Drilling Supplies
2001	Joint venture formed with Imdex and Rashid Trading Establishment (RTE) in Saudi Arabia
1 July 2005	Sale of Imdex Minerals
1 August 2005	Acquisition of African based company Samchem
1 August 2006	Acquisition of Swedish based REFLEX Group of Companies and United Kingdom based company Chardec
1 May 2007	Acquisition of Swedish based company Flexit
1 July 2007	Ace merged with REFLEX. Imdex finalised the sale of its interest in Imdex Arabia to RTE. Acquisition of Canadian based Poly-Drill and a 75% interest in Kazakhstan based Suay Energy Services
31 October 2007	Sale of Surtron Technologies
1 November 2007	Acquisition of Chilean based company Southernland
1 January 2008	Acquisition of German based company System Entwicklungs
1 July 2008	Acquisition of the remaining 25% of Kazakhstan based Suay Energy Services
1 September 2008	Acquisition of Australian based company Wildcat Chemicals Australia
1 July 2010	New regional structure implemented and business reporting streamlined into Minerals and Oil & Gas Divisions
1 September 2010	Acquisition of Australian based companies Fluidstar and Ecospin
1 March 2011	Acquisition of German based company Mud-Data
1 July 2011	Formation of DHS Services joint venture
1 July 2011	Acquisition of Australian based company Australian Drilling Specialties Pty Ltd
1 August 2011	Acquisition of Brazilian based company System Mud Indústria e Comércio Ltda
1 January 2012	Acquisition of Vaughn Energy Services (VES) by Imdex's DHS Services joint venture
1 November 2012	Acquisition of ioGlobal Pty Ltd, ioAnalytics Pty Ltd and ioGlobal Solutions Inc. (together ioGlobal)
1 December 2012	DHS Services and Vaughn Energy Services rebranded as VES International
1 September 2014	Acquisition of 2iC
30 June 2015	Divestment of Suay Energy Services
2016	Closure of AMC Oil & Gas (Asia Pacific and Middle East)

Imdex's vision is to be the market leader in real-time subsurface intelligence solutions. The Company delivers leading technologies to the global minerals industry and target non-mining markets. Its purpose is to create long-term value for Imdex's shareholders, solutions that enhance its clients operations and rewards for its employees.

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