



FY16 FINANCIAL RESULTS

Imdex Limited (ASX: IMD) (“Imdex” or the “Company”), a leading mining technology provider to the global minerals industry, today announces its full year results for the financial year ended 30 June 2016 (FY16).

Overview

- 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 \$50m³;
- 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;
- Normalized operating cash flow (excluding financing costs) of \$9.4 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;
- Non-core oil and gas assets include AMC Oil & Gas, Imdex’s 30.65% interest in Vaughn Energy Services (VES) and the company’s technology for the oil and gas industry;
- Restructuring and cost out programme implemented with the full benefits progressively realised in FY17; and
- Appointment of new Non-Executive Chairman, Mr Anthony Wooles, on 1 July 2016 following the retirement of Mr Ross Kelly.

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 are 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%)



Commenting on the company's FY16 results, Imdex's Managing Director, Mr Bernie Ridgeway said:

"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 has continued into the new financial year. This increase in activity is reflected in our REFLEX rental fleet, currently at the highest level it has been in three years with further increases forecast.

As anticipated, our Group revenue and earnings were impacted negatively by the deterioration within the energy sector. The downturn, which commenced towards the end of calendar 2014, has this year seen companies such as Imdex review the strategy and carrying value of oil and gas assets. We are divesting AMC Oil & Gas, which will eliminate the losses associated with this business in the future. We remain committed to divesting our remaining oil and gas assets. Proceeds from the divestment will be applied to debt reduction.

The severe downturn in the energy sector, together with our decision to focus on growing our minerals business resulted in significant 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 it will not affect materially our results for FY17."

Restructuring and Cost Reduction Programme

Following the company's decision to exit the oil and gas market, Imdex is implementing a cost reduction programme. This programme will ensure the company has the most efficient operating model to capitalise on the minerals industry upswing. The full benefits of this programme will be progressively realized throughout FY17.

FY16 Financial Performance

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

Revenue from continuing operations was generated by the company's core Minerals Division, which includes the AMC Minerals and REFLEX businesses. AMC Oil & Gas is disclosed as discontinued operations and Imdex's oil and gas technology developed outside of VES is classified as Assets Held for Sale. Imdex's share of VES has been written-off consistent with the Company's review of the strategy and carrying value of its oil and gas assets.

The company's 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).



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

Late in FY16, there was increased activity within the gold sector globally and this renewed activity is expected to continue given: the positive recent movement in many commodity prices; the number of capital raisings, principally in the gold sector; and increased profitability of gold miners.

Encouragingly, normalised EBITDA for the 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 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. All of these non-recurring outflows were largely expensed in 2016; accordingly, they have no material impact on the 2017 financial year.

Imdex's 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).

The company remains focused on reducing debt and borrowing costs, while continuing to grow its minerals business.

Outlook

Current operating conditions within the global minerals market are encouraging for Imdex.

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

The company's established operations in all of the key mining regions of the world and market leadership status, place it 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. Imdex's strategic investment in driller operated instrumentation, real-time data solutions and geoscience expertise throughout the industry downturn, complement its traditional product offering and provide the company with a first mover advantage.

The new Non-Executive Chairman of Imdex, Mr Anthony Wooles, said:

"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 through FY17."

Mr Ridgeway added:

"There is now a genuine sense that conditions are improving. This sentiment is reflected by the performance of our minerals business, our REFLEX rental fleet and increasing demand for our new technologies."

2016 Annual General Meeting

Imdex's Annual General Meeting will be held on 25 November 2016 at 11:00 am (WST) at the company's Head Office located at 216 Balcatta Road, Balcatta Western Australia. Imdex's Board and leadership team will be available to discuss the company's performance and operations.