IMDEX™

REAL-TIME SUBSURFACE SOLUTIONS

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# Financial Report 2018

**IMDEX** | Real-time subsurface intelligence solutions




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# FY18

# Financial Report

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# IMDEX LIMITED

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# DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

The Directors of Imdex Limited ("Imdex" or "the Company") present their report together with the annual Financial Report of the Company and its Subsidiaries ("the Group") for the financial year ended 30 June 2018.

In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

**Directors**

The names and particulars of the Directors of the Company during or since the end of the financial year are:

| Name | Role | Particulars |
|---|---|---|
| Mr A Wooles | Non Executive Chairman | ▪ Corporate Advisor and Executive<br>▪ Appointed Director and Chairman on 1 July 2016<br>▪ Chairman of the Remuneration and Nomination Committee from 19 August 2016<br>▪ Member of the Audit, Risk and Compliance Committee<br>▪ Has held executive and advisory roles in diverse industries including mining, oil and gas, power generation, manufacturing, telecommunications, food and beverages and retail<br>▪ Non Executive Chairman of High Peak Royalties Limited (2012 – current) and Bhagwan Marine Pty Ltd (2011 – current) |
| Mr B W Ridgeway | Managing Director | ▪ Chartered Accountant<br>▪ Director since 23 May 2000<br>▪ Over 35 years experience with public and private companies as owner, director and manager<br>▪ Member of the Institute of Chartered Accountants in Australia and New Zealand and Australian Institute of Company Directors<br>▪ Non Executive director of Sino Gas & Energy Holdings Ltd (2007-Current) |
| Mr K A Dundo | Independent, Non Executive Director | ▪ Lawyer<br>▪ Member of the Remuneration and Nomination Committee and Audit, Risk and Compliance Committee<br>▪ Director since 14 January 2004<br>▪ Non Executive Director of Red 5 Limited (2010 – Current), Cash Converters International Limited (2015 – Current) |
| Mr I Gustavino | Independent, Non Executive Director | • Corporate Advisor<br>• Appointed as a Director on 3 July 2015<br>• Member of the Remuneration and Nomination Committee from 9 July 2015<br>• Prior to his role as a corporate advisor, Mr. Gustavino was a co-founding shareholder and Director of Surpac Software, now Dassault Systèmes GEOVIA Inc.<br>• Non Executive Chairman of CVCheck (2018 – current) |
| Ms S Layman | Independent, Non Executive Director | • Engineer and Certified Practicing Accountant<br>• Appointed as a Director on 6 February 2017<br>• Chair of the Audit, Risk and Compliance Committee<br>• Member of the Australian Institute of Company Directors and CPA Australia<br>• Extensive experience within the mining sector and financial markets with significant international and cross commodity experience<br>• Previously Division Director – Metals & Energy Capital Division at Macquarie Bank Limited and currently Director of Gascoyne Resources Limited (2017 – current), Perseus Mining Ltd (2017 – current), Pilbara Minerals Ltd (2018 – current) |

**Directors' Meetings**

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member).

| | Board of Directors (Number) | | Audit, Risk and Compliance Committee (Number) | | Remuneration and Nomination Committee (Number) | |
|---|---|---|---|---|---|---|
| | Held | Attended | Held | Attended | Held | Attended |
| A Wooles | 6 | 6 | 5 | 5 | 5 | 5 |
| B W Ridgeway | 6 | 6 | 5 | 5 | 5 | 5 |
| K A Dundo | 6 | 5 | 5 | 4 | 5 | 4 |
| I Gustavino | 6 | 6 | N/A | N/A | 5 | 5 |
| S Layman | 6 | 6 | 5 | 5 | N/A | N/A |

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# DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

**Company Secretary**

Mr P A Evans

Mr Evans, a Chartered Accountant, joined Imdex Limited on 17 October 2006. After leaving professional practice he worked in a range of commercial and financial roles in the media, manufacturing and telecommunications industries. Mr Evans is a Fellow of the Chartered Accountants in Australia and New Zealand.

## Remuneration Report (Audited)

### 1. Non Executive Directors

**Remuneration policy**

The Board seeks the approval of Shareholders in relation to the aggregate of Non Executive Directors' remuneration and any options and performance rights that may be granted to Directors. The remuneration for Non Executive Directors is reviewed from time to time, with due regard to current market rates. The cash remuneration of Non Executive Directors is not linked to the Company's performance in order to preserve independence. Other than statutory superannuation, no Non Executive Director is entitled to any additional benefits on retirement from the Company.

Management of the Company believes that in order to retain quality Non Executive Directors on the Board, some incentive to maintain their future involvement, commitment and loyalty to the Company is required on certain occasions over and above nominal Directors' fees. No Director received a payment during the current or prior years as consideration for agreeing to hold the relevant position.

The maximum total remuneration payable to Non Executive Directors was approved by Shareholders at the 2015 Annual General Meeting and is currently $700,000. In the current year remuneration to Non Executive Directors totalled $472,100, including statutory superannuation. The Board determines the apportionment of Directors' fees between each Director.

No options were issued to, granted to or exercised by Directors in the current financial year.

***a) Mr A Wooles, Non Executive Chairman***

**Equity holdings**

| Type | 30-Jun-17 | Movements | | | 30-Jun-18 |
|---|---|---|---|---|---|
| | | Granted as compensation | Received on exercise of options | Purchased / (Sold) | |
| Directly | - | - | - | - | - |
| Indirectly | 1,818,183 | - | - | (318,183) | 1,500,000 |
| Total | 1,818,183 | - | - | (318,183) | 1,500,000 |

| Type | 30-Jun-16 | Movements | | | 30-Jun-17 |
|---|---|---|---|---|---|
| | | Granted as compensation | Received on exercise of options | Purchased / (Sold) | |
| Directly | - | - | - | - | - |
| Indirectly | - | - | - | 1,818,183 | 1,818,183 |
| Total | - | - | - | 1,818,183 | 1,818,183 |

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## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

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***b) Mr K A Dundo, Independent, Non Executive Director***

**Equity holdings**

| Type | 30-Jun-17 | Movements | | | 30-Jun-18 |
|---|---|---|---|---|---|
| | | Granted as compensation | Received on exercise of options | Purchased / (Sold) | |
| Directly | - | - | - | - | - |
| Indirectly | 204,546 | - | - | - | 204,546 |
| Total | 204,546 | - | - | - | 204,546 |

| Type | 30-Jun-16 | Movements | | | 30-Jun-17 |
|---|---|---|---|---|---|
| | | Granted as compensation | Received on exercise of options | Purchased / (Sold) | |
| Directly | - | - | - | - | - |
| Indirectly | 150,000 | - | - | 54,546 | 204,546 |
| Total | 150,000 | - | - | 54,546 | 204,546 |

**Other transactions with Key Management Personnel (and their related parties) of Imdex Limited**

(a) Mr K A Dundo was a Partner of the legal firm HopgoodGanim up to 30 June 2017, and since that time has not been a partner of HopgoodGanim. The legal services provided by HopgoodGanim to Imdex Group in the prior year were on normal commercial terms and conditions for the period Mr Dundo was a Director.

Transactions with Directors

| | 2018 $ | 2017 $ |
|---|---|---|
| Profit from ordinary activities before income tax includes the following items of income and expenses relating to transactions, other than compensation, with Directors or their related entities: | | |
| Legal services expense | - | 198,375 |

***c) Mr I Gustavino, Independent, Non Executive Director***

**Equity holdings**

| Type | 30-Jun-17 | Movements | | | 30-Jun-18 |
|---|---|---|---|---|---|
| | | Granted as compensation | Received on exercise of options | Purchased / (Sold) | |
| Directly | - | - | - | - | - |
| Indirectly | 62,077 | - | - | - | 62,077 |
| Total | 62,077 | - | - | - | 62,077 |

| Type | 30-Jun-16 | Movements | | | 30-Jun-17 |
|---|---|---|---|---|---|
| | | Granted as compensation | Received on exercise of options | Purchased / (Sold) | |
| Directly | - | - | - | - | - |
| Indirectly | 62,077 | - | - | - | 62,077 |
| Total | 62,077 | - | - | - | 62,077 |

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# DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

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**Share options held by Directors**

In 2014, Mr I Gustavino was indirectly issued 900,000 options through Atrico Pty Ltd, a consulting company whom he is a Partner in. During the current financial year those options expired. At the end of the financial year, Mr Gustavino did not hold any options.

**Other transactions with Key Management Personnel (and their related parties) of Imdex Limited**

(b) Mr I Gustavino is a Partner of the consulting company Atrico Pty Ltd, that provided consulting services to the Imdex Group on normal commercial terms and conditions. Total consulting costs arising from Atrico Pty Ltd were $61,200 (2017: $61,400).

Transactions with Directors

| | 2018 $ | 2017 $ |
|---|---|---|
| Profit from ordinary activities before income tax includes the following items | | |
| Consultancy expense | 61,200 | 61,400 |

## 2. Managing Director

**Remuneration policy**

The Managing Director's remuneration is determined by the Remuneration and Nomination Committee with due regard to current market rates.

For FY18, the Managing Director has a short term incentive bonus that is related to key performance indicators (KPIs) set each year by the Remuneration and Nomination Committee. These KPIs typically include financial, strategic and risk based measures. The Remuneration and Nomination Committee set these performance hurdles as they are significant profit and cash flow drivers which are linked to Imdex's increased growth and profitability and hence shareholder value. Performance is measured relative to budget and forecast results as these are the most accurate measures available against which to assess the achievement of set hurdles. The balance of his cash compensation package for the current year is not linked to the Group's performance.

From time to time performance rights may be issued to the Managing Director as a long term performance incentive. The portion of the Managing Director's compensation package that comprises performance rights is linked to the Company's performance. The number of performance rights granted is determined with regard to current market trends. The issue of any such performance rights requires the approval of Shareholders at the Annual General Meeting.

Notwithstanding the above, the Board has engaged a remuneration consultant to review the design of the current short term incentive plan, the outcomes of which are reflected in the FY19 plan.

The Managing Director is employed under a permanent contract that provides for a 6 month termination period. No additional benefits above those already entitled to will become payable on termination.

**Elements of Director Remuneration packages**

Short-term benefits – salary/fees, bonuses and non monetary benefits;

Post-employment benefits – superannuation;

Equity – share options granted under the Staff Option Scheme (note 5.3) or performance rights granted under the Performance Rights Plan (note 5.3) or any other equity related benefits granted as approved by Shareholders at the Annual General Meeting; and

Other benefits – comprise payments made under the Imdex Loyalty Programme rewarding long term service with the Imdex Group.

**Value of performance rights granted to the Managing Director**

Performance rights are granted to the Managing Director at 50% of his base salary. Each performance right is to be satisfied by the allocation/allotment of one fully paid Imdex Limited ordinary share for nil consideration should specified performance hurdles be met. Value of performance rights granted and allocated as shares during the year are disclosed in the Managing Director's Performance rights holdings table.

No options were issued to, granted to or exercised by the Managing Director in the current financial year.

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## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

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**Bonuses granted to the Managing Director**

Bonuses are paid on the achievement of performance criteria and if achieved could result in a bonus of 30% (up to 60% if 200% of the target is achieved) of his base salary. Where performance hurdles are not met, no bonus is paid. The performance criteria used are chosen by the Remuneration and Nomination Committee annually and are linked to the financial performance of the company and hence shareholder value. Performance criteria typically revolve around areas of risk management, people development, systems improvement and EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) performance. For the 2018 financial year and the prior year, the performance criteria was the achievement of EBITDA and EVA (Economic Value Add) targets. Performance criteria are reviewed by the Remuneration and Nomination Committee against budgeted outcomes before granting bonuses.

**Imdex Loyalty Programme**

Imdex Limited has in place a global Loyalty Programme in recognition of employees with long standing years of service. Employees with 5, 10, 15, 20 or 25 years employment with Imdex will be entitled to rewards for their years of service. Rewards range from a $500 voucher for 5 years' service through to a cash bonus of $5,000 for employees who remain with the business for 25 years.

***Mr B W Ridgeway, Managing Director***

Mr B W Ridgeway is a party to an ongoing, permanent employment contract with Imdex Limited, which sets out a fixed compensation package that is reviewable annually. The contract specifies that Mr B W Ridgeway or the Company may terminate the agreement without cause by giving 6 months written notice. In addition to payment for accrued but untaken annual and long service leave, an additional payment of 6 months' base salary is payable on termination by the Company where termination is effected without cause on 6 months' notice, inclusive of any redundancy payment payable to Mr B W Ridgeway. The Company may otherwise terminate the contract on 3 months' notice (due to illness or incapacity), 1 months' notice (for misconduct) or no notice (if engaged in criminal activity which brings the Company into disrepute). Imdex is able to make a payment in lieu of notice for all or some of the applicable notice period. Additional LTIP and STIP bonuses may be payable, subject to eligibility criteria being met.

There is no cash bonus in the current year as specified targets were not met. In the prior year, Mr Ridgeway earned a cash bonus of $257,324.

The grant of 643,762 performance rights to Mr Ridgeway in the current year was approved by the Shareholders at the Annual General Meeting on 19 October 2017. The hurdles relating to these performance rights are detailed at note 5.3 under the Managing Director's Performance Rights.

The grant of 2,268,946 performance rights to Mr Ridgeway in the prior year was approved by the Shareholders at the Annual General Meeting on 25 November 2016. The hurdles relating to these performance rights are detailed at note 5.3 under the Managing Director's Performance Rights.

**Equity holdings**

| | | Movements | | | |
|---|---|---|---|---|---|
| Type | 30-Jun-17 | Granted as compensation | Received on exercise of options | Purchased / (Sold) | 30-Jun-18 |
| Directly | 128,876 | - | - | - | 128,876 |
| Indirectly | 2,269,176 | - | - | - | 2,269,176 |
| Total | 2,398,052 | - | - | - | 2,398,052 |

| | | Movements | | | |
|---|---|---|---|---|---|
| Type | 30-Jun-16 | Granted as compensation | Received on exercise of options | Purchased / (Sold) | 30-Jun-17 |
| Directly | 128,876 | - | - | - | 128,876 |
| Indirectly | 2,214,630 | - | - | 54,546 | 2,269,176 |
| Total | 2,343,506 | - | - | 54,546 | 2,398,052 |

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## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

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**Performance rights holdings**

| | Movements | | | | | |
|---|---|---|---|---|---|---|
| 30-Jun-17 | Granted as compensation (MD Tranche) | Satisfied by the allocation | Expired (MD Tranche) | 30-Jun-18 | Value of performance rights at grant date | Percentage of remuneration for the year that consisted of performance rights |
| 4,550,640 | 643,762 | - | (723,226) | 4,471,176 | 350,528 | 39% |

| | Movements | | | | | |
|---|---|---|---|---|---|---|
| 30-Jun-16 | Granted as compensation (MD Tranche) | Satisfied by the allocation | Expired | 30-Jun-17 | Value of performance rights at grant date | Percentage of remuneration for the year that consisted of performance rights |
| 2,281,694 | 2,268,946 | - | - | 4,550,640 | 857,435 | 21% |

### 3. Key Management Personnel

**Remuneration policy**

All Executives and staff of the Company are subject to a formal annual performance review. The remuneration of Executives comprises a fixed monetary total, which is not linked to the performance of the Company, although bonuses related to the performance of the Company may be agreed between that Executive and the Company from time to time. The base component of Executive salaries is benchmarked against current market trends and is not linked to Company performance as it serves to attract and retain suitably qualified and experienced staff. Performance incentives that are linked to Company performance are used to reward Executives for exceptional performance that benefits the Company and Shareholders.

Each year the Remuneration and Nomination Committee sets the KPIs which are then filtered to the relevant key management person. These KPIs typically include people, customer, system, financial, strategic and risk based measures. The Remuneration and Nomination Committee sets these performance hurdles as they are significant profit and cash flow drivers which are linked to Imdex's increased growth and profitability and hence shareholder value. Performance is measured relative to budget and forecast results as these are the most accurate measures available against which to assess the achievement of set hurdles. No bonus is awarded where the hurdles are not met.

From time to time performance rights may be issued to Executives and staff as a long term performance incentive. The portion of remuneration package that comprises performance rights is linked to the Company's performance. The number of performance rights granted is determined with regard to current market trends.

Notwithstanding the above, the Board has engaged a remuneration consultant, The Reward Practice, to review the design of the current short term incentive plan, the results of which are reflected in the FY19 plan.

All Executives are employed under permanent contracts. All Executive contracts provide between three and six month notice periods upon termination and up to six months pay out on termination.

No additional benefits above those already entitled to will become payable on termination.

**Elements of Key Management Personnel Remuneration packages**

Short-term benefits – salary, bonuses and non monetary benefits;

Post-employment benefits – superannuation;

Equity – share options granted under the Staff Option Scheme (note 5.3) or performance rights granted under the Performance Rights Plan (note 5.3) or any other equity related benefits granted as approved by Shareholders at the Annual General Meeting; and

Other benefits – comprise payments made under the Imdex Loyalty Programme rewarding long term service with the Imdex Group.

**Value of performance rights granted to Key Management Personnel**

Performance rights are granted to Key Management Personnel at 35% of their base salaries. Each performance right is to be satisfied by the allocation/allotment of one fully paid Imdex Limited ordinary share for nil consideration should specified performance hurdles be met. Value of performance rights granted and allocated as shares during the year are disclosed in each Key Management Personnel's Performance rights holdings table.

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## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

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**Share options held by Key Management Personnel**

No options were issued to, granted to or exercised by Key Management Personnel in the current or prior year.

**Bonuses granted to Key Management Personnel**

Bonuses are paid on the achievement of performance criteria and if achieved could result in a bonus of 25% (up to 50% if 200% of the target is achieved) of their base salary. Where performance hurdles are not met, no bonus is paid. The performance criteria used are chosen by the Remuneration and Nomination Committee annually and are linked to the financial performance of the company and increase shareholder value. Performance criteria typically revolve around areas of risk management, people development, systems improvement and EBITDA performance. For the 2018 financial year and the prior year, the performance criteria was the achievement of EBITDA and EVA (Economic Value Add) targets. Performance criteria are reviewed by the Remuneration and Nomination Committee against budgeted outcomes before granting bonuses.

**Imdex Loyalty Programme**

Imdex Limited has in place a global Loyalty Programme in recognition of employees with long standing years of service. Employees with 5, 10, 15, 20 or 25 years employment with Imdex will be entitled to rewards for their years of service. Rewards range from a $500 voucher for 5 years' service through to a cash bonus of $5,000 for employees who remain with the business for 25 years.

***a) Mr D Loughlin, Global Business Development Director***

Mr D Loughlin is a party to an ongoing, permanent employment contract with Imdex Limited, which sets out a fixed compensation package that is reviewable annually. The contract specifies that Mr D Loughlin or the Company may terminate the agreement without cause by giving 6 months' written notice. Imdex is able to make a payment in lieu of notice for all or some of the applicable notice period. A payment of 6 months' base salary (exclusive of any redundancy payment payable if Mr D Loughlin's position is made redundant) is also payable on termination by the Company where termination is effected without cause on 6 months' notice. The Company may otherwise terminate the contract without notice if Mr D Loughlin engages in serious and wilful misconduct. On termination, Mr D Loughlin will also be entitled to receive payment for accrued but untaken annual and long service leave. Additional LTIP and STIP bonuses may be payable, subject to eligibility criteria being met.

There is no cash bonus in the current year as specified targets were not met. In the prior year, Mr D Loughlin earned a cash bonus of $109,528.

Mr D Loughlin was granted 228,528 performance rights (tranche 19) in the current period under the Performance Rights Plan. The hurdles relating to these performance rights are detailed at note 5.3 under employee level 7 and 8.

Mr D Loughlin was granted 796,713 performance rights (tranche 18) in the prior period under the Performance Rights Plan. The hurdles relating to these performance rights are detailed at note 5.3 under employee level 7 and 8.

**Performance rights holdings**

| | Movements | | | | | |
|---|---|---|---|---|---|---|
| 30-Jun-17 | Granted as compensation (Tranche 18) | Satisfied by the allocation | Expired (Tranche 14) | 30-Jun-18 | Value of performance rights at grant date | Percentage of remuneration for the year that consisted of performance rights |
| 1,597,902 | 228,528 | - | (253,952) | 1,572,478 | 125,976 | 22% |

| | Movements | | | | | |
|---|---|---|---|---|---|---|
| 30-Jun-16 | Granted as compensation (Tranche 18) | Satisfied by the allocation | Expired | 30-Jun-17 | Value of performance rights at grant date | Percentage of remuneration for the year that consisted of performance rights |
| 801,189 | 796,713 | - | - | 1,597,902 | 96,402 | 14% |

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### *b) Mr T Giesler, Global Sales Director*

Mr T Giesler is a party to a service contract with AMC USA LLC, which sets out a fixed compensation package reviewable annually. The service contract specifies a twelve week notice period in the event that the contract is terminated or a twelve week pay out in lieu of notice upon termination. Additional performance incentives may be agreed between Mr Giesler and Imdex from time to time.

There is no cash bonus in the current year as specified targets were not met. In the prior year, Mr Giesler earned a cash bonus of $97,571.

During the current year, 30,184 shares were issued to Mr Giesler due to the vesting of tenure based performance rights granted in previous years related to Tranche 14. 25% of the entitlement was tenure based and the balance performance based, the latter of which was not achieved.

Mr Giesler was granted 202,763 performance rights (tranche 19) in the current period under the Performance Rights Plan. The hurdles relating to these performance rights are detailed at note 5.3 under employee level 7 and 8.

Mr Giesler was granted 736,911 performance rights (tranche 18) in the prior period under the Performance Rights Plan. The hurdles relating to these performance rights are detailed at note 5.3 under employee level 7 and 8.

**Equity holdings**

| | Movements | | | |
|---|---|---|---|---|
| 30-Jun-17 | Granted as compensation | Received on exercise of options | Purchased / (Sold) | 30-Jun-18 |
| - | 30,184 | | - | 30,184 |

| | Movements | | | |
|---|---|---|---|---|
| 30-Jun-16 | Granted as compensation | Received on exercise of options | Purchased / (Sold) | 30-Jun-17 |
| - | - | - | - | - |

**Performance rights holdings**

| | Movements | | | | | |
|---|---|---|---|---|---|---|
| 30-Jun-17 | Granted as compensation (Tranche 18) | Satisfied by the allocation (Tranche 14) | Expired (Tranche 14) | 30-Jun-18 | Value of performance rights at grant date | Percentage of remuneration for the year that consisted of performance rights |
| 1,173,158 | 202,763 | (30,184) | (90,552) | 1,255,185 | 111,773 | 20% |

| | Movements | | | | | |
|---|---|---|---|---|---|---|
| 30-Jun-16 | Granted as compensation (Tranche 17) | Satisfied by the allocation | Expired | 30-Jun-17 | Value of performance rights at grant date | Percentage of remuneration for the year that consisted of performance rights |
| 436,247 | 736,911 | - | - | 1,173,158 | 89,166 | 13% |

### *c) Mr P Evans, Chief Financial Officer / Company Secretary*

Mr P Evans is a party to an ongoing, permanent employment contract with Imdex Limited, which sets out a fixed compensation package that is reviewable annually. The contract specifies that Mr P Evans or the Company may terminate the agreement without cause by giving 6 months' written notice. Imdex is able to make a payment in lieu of notice for all or some of the applicable notice period. A payment of 6 months' base salary (exclusive of any redundancy payment payable if Mr P Evans' position is made redundant) is also payable on termination by the Company where termination is effected without cause on 6 months' notice. The Company may otherwise terminate the contract without notice if Mr P Evans engages in serious and wilful misconduct. On termination, Mr Evans will also be entitled to receive payment for accrued but untaken annual and long service leave. Additional LTIP and STIP bonuses may be payable, subject to eligibility criteria being met.

There is no cash bonus in the current year as specified targets were not met. In the prior year, Mr Evans earned a cash bonus of $106,922.

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Mr Evans was granted 223,050 performance rights (tranche 19) in the current period under the Performance Rights Plan. The hurdles relating to these performance rights are detailed at note 5.3 under employee level 7 and 8.

Mr Evans was granted 777,412 performance rights (tranche 18) in the prior period under the Performance Rights Plan. The hurdles relating to these performance rights are detailed at note 5.3 under employee level 7 and 8.

**Equity holdings**

| | Movements | | | |
|---|---|---|---|---|
| 30-Jun-17 | Granted as compensation | Received on exercise of options | Purchased / (Sold) | 30-Jun-18 |
| 408,164 | - | - | - | 408,164 |

| | Movements | | | |
|---|---|---|---|---|
| 30-Jun-16 | Granted as compensation | Received on exercise of options | Purchased / (Sold) | 30-Jun-17 |
| 408,164 | - | - | - | 408,164 |

**Performance rights holdings**

| | Movements | | | | | |
|---|---|---|---|---|---|---|
| 30-Jun-17 | Granted as compensation (Tranche 18) | Satisfied by the allocation | Expired (Tranche 14) | 30-Jun-18 | Value of performance rights at grant date | Percentage of remuneration for the year that consisted of performance rights |
| 1,559,191 | 223,050 | - | (247,800) | 1,534,441 | 122,957 | 22% |

| | Movements | | | | | |
|---|---|---|---|---|---|---|
| 30-Jun-16 | Granted as compensation (Tranche 17) | Satisfied by the allocation | Expired | 30-Jun-17 | Value of performance rights at grant date | Percentage of remuneration for the year that consisted of performance rights |
| 781,779 | 777,412 | - | - | 1,559,191 | 94,067 | 14% |

***d) Mr T Price, General Manager – Imdex Product Research***

Mr T Price commenced as the General Manager – Engineering Product Development on 25 January 2016 and accepted the position of of General Manager – Imdex Product Research on 20 July 2018.

Mr Price is a party to a service contract with Imdex Technology USA LLC, which sets out a fixed compensation package reviewable annually. The service contract specifies a six month notice period in the event that the contract is terminated or a six month pay out upon termination. Additional performance incentives may be agreed between Mr Price and Imdex from time to time.

There is no cash bonus in the current year as specified targets were not met. In the prior year, Mr Price earned a cash bonus of $119,656.

During the current year, 40,718 shares were issued to Mr Price due to the vesting of tenure based performance rights granted in previous years related to Tranche 14. 25% of the entitlement was tenure based and the balance performance based, the latter of which was not achieved.

Mr Price was granted 261,090 performance rights (tranche 19) in the current period under the Performance Rights Plan. The hurdles relating to these performance rights are detailed at note 5.3 under employee level 7 and 8.

Mr Price was granted 903,705 performance rights (tranche 18) in the prior period under the Performance Rights Plan. The hurdles relating to these performance rights are detailed at note 5.3 under employee level 7 and 8.

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**Equity holdings**

| | Movements | | | |
|---|---|---|---|---|
| 30-Jun-17 | Granted as compensation | Received on exercise of options | Purchased / (Sold) | 30-Jun-18 |
| 187,227 | 40,718 | - | - | 227,945 |

| | Movements | | | |
|---|---|---|---|---|
| 30-Jun-16 | Granted as compensation | Received on exercise of options | Purchased / (Sold) | 30-Jun-17 |
| 187,227 | - | - | - | 187,227 |

**Performance rights holdings**

| | Movements | | | | | |
|---|---|---|---|---|---|---|
| 30-Jun-17 | Granted as compensation (Tranche 18) | Satisfied by the allocation (Tranche 14) | Expired (Tranche 14) | 30-Jun-18 | Value of performance rights at grant date | Percentage of remuneration for the year that consisted of performance rights |
| 1,492,193 | 261,090 | (40,718) | (122,152) | 1,590,413 | 143,925 | 20% |

| | Movements | | | | | |
|---|---|---|---|---|---|---|
| 30-Jun-16 | Granted as compensation (Tranche 17) | Satisfied by the allocation | Expired | 30-Jun-17 | Value of performance rights at grant date | Percentage of remuneration for the year that consisted of performance rights |
| 588,488 | 903,705 | - | - | 1,492,193 | 109,348 | 13% |

### *e) Mr P House, Chief Operating Officer*

Mr P House commenced as the Chief Executive - REFLEX on 27 November 2017 and accepted the position of Chief Operating Officer effective 10 August 2018.

Mr House is a party to an employment contract with Imdex Ltd, which sets out a fixed compensation package reviewable annually. Mr House is entitled to a six month notice period (plus an additional week if Mr House is over 45 and has 2 or more years of service when notice is given by Imdex) in the event that the contract is terminated. On termination, Mr House will also be entitled to receive payment for accrued but untaken annual and long service leave. Additional LTIP and STIP bonuses may be payable, subject to eligibility criteria being met.

Mr House was granted 194,753 performance rights in the current period under the performance rights plan.

**Performance rights holdings**

| | Movements | | | | | |
|---|---|---|---|---|---|---|
| 30-Jun-17 | Granted as compensation (Tranche 18) | Satisfied by the allocation | Expired | 30-Jun-18 | Value of performance rights at grant date | Percentage of remuneration for the year that consisted of performance rights |
| - | 194,753 | - | - | 194,753 | 107,357 | 13% |

| | Movements | | | | | |
|---|---|---|---|---|---|---|
| 30-Jun-16 | Granted as compensation (Tranche 17) | Satisfied by the allocation | Expired | 30-Jun-17 | Value of performance rights at grant date | Percentage of remuneration for the year that consisted of performance rights |
| - | - | - | - | - | - | 0% |

### *f) Mr M Regan, Chief Information and Transformation Officer*

Mr M Regan commenced as the Chief Information and Transformation Officer on 14 May 2018.

Mr Regan is a party to an employment contract with Imdex Ltd, which sets out a fixed compensation package reviewable annually. The service contract specifies a three month notice period (plus an additional week if Mr Regan is over 45 and has 2 or more years of service when notice is given by Imdex) in the event that the contract is terminated. On termination, Mr Regan will also be entitled to receive payment for accrued but untaken annual and long service leave. Additional LTIP and STIP bonuses may be payable, subject to eligibility criteria being met.

# IMDEX LIMITED

*and its controlled entities*

# DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

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### 4. Earnings and Movements in Shareholder Wealth

The table below sets out summary information about the Consolidated Entity's movements in shareholder wealth for the five years to June 2018 for the continuing and discontinued operations:

| | 30 June 2018 | 30 June 2017 | 30 June 2016 | 30 June 2015 | 30 June 2014 |
|---|---|---|---|---|---|
| Revenue – ($'000) | 218,475 | 186,702 | 173,943 | 188,332 | 183,557 |
| Net profit / (loss) before tax ($'000) | 28,591 | 5,906 | (56,788) | (18,644) | (7,062) |
| Net profit / (loss) after tax ($'000) | 21,115 | 3,663 | (56,253) | (22,503) | (5,277) |
| Share price at start of year (cents) | 75.5 | 21.0 | 30.0 | 63.0 | 62.0 |
| Share price at end of year (cents) | 123.5 | 75.5 | 21.0 | 30.0 | 63.0 |
| Interim dividend (cents) – fully franked | - | - | - | - | - |
| Final dividend (cents) – fully franked | - | - | - | - | - |
| Basic (loss) / earnings per share (cents) | 5.73 | 1.14 | (23.11) | (10.44) | (2.50) |
| Diluted (loss) / earnings per share (cents) | 5.37 | 1.06 | NA | NA | NA |

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# DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

**Year ended 30 June 2018**

| | Short-term employee benefits | | | | Post Employment | | Other long-term employee benefits | Termination Benefits | Share-based payment | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Salary & fees | Bonus | Non-monetary | Other | Super-annuation | Other | | | Equity-settled ^ | | Cash settled | Other | Total |
| | | | | | | | | | Shares & Units | Options & Rights | | | |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Executive Director** | | | | | | | | | | | | | |
| B W Ridgeway, Managing Director | 930,730 | - | - | - | 25,000 | - | 15,531 | - | - | 620,221 ^ | - | - | 1,591,482 |
| | | | | | | | | | | | | | - |
| **Non-Executive Directors** | | | | | | | | | | | | | - |
| A Wooles, Chairman | 175,000 | - | - | - | - | - | - | - | - | - | - | - | 175,000 |
| K A Dundo | 90,000 | - | - | - | 8,550 | - | - | - | - | - | - | - | 98,550 |
| I Gustavino | 90,000 | - | - | - | 8,550 | - | - | - | - | - | - | - | 98,550 |
| S Layman | 100,000 | - | - | - | - | - | - | - | - | - | - | - | 100,000 |
| | 1,385,730 | - | - | - | 42,100 | - | 15,531 | - | - | 620,221 | - | - | 2,063,582 |

| | Short-term employee benefits | | | | Post Employment | | Other long-term employee benefits | Termination Benefits | Share-based payment | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Salary & fees | Bonus | Non-monetary | Other | Super-annuation | Other | | | Equity-settled ^ | | Cash settled | Other | Total |
| | | | | | | | | | Shares & Units | Options & Rights | | | |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Group Executives** | | | | | | | | | | | | | |
| D J Loughlin | 469,370 | - | - | - | 25,000 | - | 7,828 | - | - | 142,339 | - | - | 644,537 |
| T Giesler | 412,931 | - | - | 15,286 | 13,269 | - | - | - | - | 110,815 | - | - | 552,301 |
| P A Evans | 458,120 | - | - | - | 25,000 | - | 7,630 | - | - | 138,902 | - | - | 629,652 |
| T Price | 531,714 | - | - | 26,700 | 21,656 | - | - | - | - | 142,789 | - | - | 722,859 |
| P House (i) | 217,856 | - | - | - | 16,242 | - | - | - | - | 35,786 | - | - | 269,884 |
| M Regan (ii) | 49,601 | - | - | - | 4,712 | - | - | - | - | - | - | - | 54,313 |
| | 2,139,592 | - | - | 41,986 | 105,879 | - | 15,458 | - | - | 570,631 | - | - | 2,873,546 |

^ These non-cash entitlements reflect the value of performance rights that are being expensed in the current period to recognise progressive vesting conditions. The issue of shares relating to these performance rights will only occur in future periods if the vesting conditions are met. Performance rights were granted to the Managing Director at 1 July 2016 in line with the current policy, however for valuation purposes could not be valued until approved by shareholders at the AGM. In particular, between 1 July 2016 and 25 November 2016 the Imdex share price increased significantly, therefore increasing the valuation of the rights granted.

(i) Mr House was appointed Chief Executive of Reflex on 27 November 2017 and accepted the position of Chief Operating Officer effective 10 August 2018
(ii) Mr Regan was appointed Chief Information and Transformation Officer on 14 May 2018

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# DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

**Year ended 30 June 2017**

| | Short-term employee benefits | | | | Post Employment | | Other long-term employee benefits | Termination Benefits | Share-based payment | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Salary & fees | Bonus | Non-monetary | Other | Super-annuation | Other | | | Equity-settled ^ | | Cash settled | Other | Total |
| | | | | | | | | | Shares & Units | Options & Rights | | | |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Executive Director** | | | | | | | | | | | | | |
| B W Ridgeway, Managing Director | 925,730 | 257,324 | - | - | 30,000 | - | 15,239 | - | - | 327,388 ^ | - | - | 1,555,681 |
| | | | | | | | | | | | | | - |
| **Non-Executive Directors** | | | | | | | | | | | | | - |
| A Wooles, Chairman (i) | 175,000 | - | - | - | - | - | - | - | - | - | - | - | 175,000 |
| K A Dundo | 90,000 | - | - | - | 8,550 | - | - | - | - | - | - | - | 98,550 |
| S Layman (ii) | 39,726 | - | - | - | - | - | - | - | - | - | - | - | 39,726 |
| E Donaghey (iii) | 32,682 | - | - | - | 3,415 | - | - | - | - | - | - | - | 36,097 |
| I Gustavino | 90,000 | - | - | - | 8,550 | - | - | - | - | - | - | - | 98,550 |
| J Hegyi (iv) | 5,357 | - | - | - | - | - | - | - | - | - | - | - | 5,357 |
| | 1,358,495 | 257,324 | - | - | 50,515 | - | 15,239 | - | - | 327,388 | - | - | 2,008,961 |

| | Short-term employee benefits | | | | Post Employment | | Other long-term employee benefits | Termination Benefits | Share-based payment | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Salary & fees | Bonus | Non-monetary | Other | Super-annuation | Other | | | Equity-settled ^ | | Cash settled | Other | Total |
| | | | | | | | | | Shares & Units | Options & Rights | | | |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Group Executives** | | | | | | | | | | | | | |
| D J Loughlin | 464,370 | 109,528 | - | - | 30,000 | - | 7,645 | - | - | 95,864 | - | - | 707,407 |
| T Giesler | 401,584 | 97,571 | - | 17,431 | 14,762 | - | - | - | - | 76,803 | - | - | 608,151 |
| P A Evans | 453,120 | 106,922 | - | - | 30,000 | - | 7,476 | - | - | 93,542 | - | - | 691,060 |
| T Price | 520,537 | 119,656 | - | 27,111 | 20,829 | - | - | - | - | 99,961 | - | - | 788,094 |
| | 1,839,611 | 433,677 | - | 44,542 | 95,591 | - | 15,121 | - | - | 366,170 | - | - | 2,794,712 |

^ These non-cash entitlements reflect the value of performance rights that are being expensed in the current period to recognise progressive vesting conditions. The issue of shares relating to these performance rights will only occur in future periods if the vesting conditions are met. Performance rights were granted to the Managing Director at 1 July 2016 in line with the current policy, however for valuation purposes could not be valued until approved by shareholders at the AGM. In particular, between 1 July 2016 and 25 November 2016 the Imdex share price increased significantly, therefore increasing the valuation of the rights granted.

(i) Mr Wooles was appointed Chairman on 1 July 2016
(ii) Ms Layman was appointed to the Board on 6 February 2017
(iii) Ms Donaghey resigned from the Board on 25 November 2016
(iv) Mr Hegyi resigned from the Board on 21 July 2016

# IMDEX LIMITED

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## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

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**Performance Rights**

**Performance Rights in existence during the current year**

| 2018 | Grant Date | Expiry Date | Exercise Price $ | Market Value at Grant Date $ | Estimated Number of Performance Rights | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Opening balance | Granted | Satisfied by the allocation/ allotment of shares | Expired ^ | Closing balance |
| Tranche 13 ^^ | 1-Jul-14 | Oct-18 | - | 0.600 | 51,244 | - | (51,244) | - | - |
| Tranche 14 | 1-Jul-14 | Jul-17 | - | 0.600 | 2,598,773 | - | (466,370) | (2,132,403) | - |
| MD Tranche | 16-Oct-14 | Jul-17 | - | 0.630 | 723,226 | - | - | (723,226) | - |
| Tranche 17 | 1-Jul-15 | Jul-18 | - | 0.285 | 6,025,059 | - | - | - | 6,025,059 |
| MD Tranche | 20-Nov-15 | Jul-18 | - | 0.235 | 1,558,468 | - | - | - | 1,558,468 |
| Tranche 18 | 1-Jul-16 | Jul-19 | - | 0.220 | 10,554,848 | - | - | (728,771) | 9,826,077 |
| MD Tranche | 25-Nov-16 | Jul-19 | - | 0.620 | 2,268,946 | - | - | - | 2,268,946 |
| Tranche 19 | 1-Jul-17 | Jul-20 | - | 0.740 | - | 4,573,867 | - | (267,304) | 4,306,563 |
| MD Tranche | 19-Oct-17 | Jul-20 | - | 0.965 | - | 643,762 | - | - | 643,762 |

^ - Performance rights expire either on failure to maintain employment tenure or on failure to satisfy performance hurdles.
^^ - Allocated as part of a qualifying redundancy provisions to ex Oil & Gas employees.

**Performance rights on issue at the date of this report**

| Issuing Entity | Class | Class of shares | Exercise price | Grant date | Expiry date | Key terms | Number of shares under performance right |
|---|---|---|---|---|---|---|---|
| Imdex Limited | Performance Rights (Tranche 17) | Ordinary | Nil | 1 Jul 2015 | Jul 2018 | (aa) | 6,025,059 |
| Imdex Limited | Performance Rights (Managing Directors' Tranche 6) | Ordinary | Nil | 20 Nov 2015 | Jul 2018 | (bb) | 1,558,468 |
| Imdex Limited | Performance Rights (Tranche 18) | Ordinary | Nil | 1 Jul 2016 | Jul 2019 | (cc) | 9,826,077 |
| Imdex Limited | Performance Rights (Managing Directors' Tranche 7) | Ordinary | Nil | 25 Nov 2016 | Jul 2019 | (dd) | 2,268,946 |
| Imdex Limited | Performance Rights (Tranche 19) | Ordinary | Nil | 1 Jul 2017 | Jul 2020 | (ee) | 4,306,563 |
| Imdex Limited | Performance Rights (Managing Directors' Tranche 8) | Ordinary | Nil | 19 Oct 2017 | Jul 2020 | (ff) | 643,762 |

(aa) To be satisfied by the issue of fully paid ordinary shares in Imdex Limited on or about September 2018. A combination of Performance Rights subject to the achievement of specified performance hurdles and ongoing employment tenure, and Performance Rights subject only to ongoing employment tenure.

(bb) To be satisfied by the issue of fully paid ordinary shares in Imdex Limited on or about September 2018. Subject to achievement of specified performance hurdles and ongoing employment tenure.

(cc) To be satisfied by the issue of fully paid ordinary shares in Imdex Limited on or about September 2019. A combination of Performance Rights subject to the achievement of specified performance hurdles and ongoing employment tenure, and Performance Rights subject only to ongoing employment tenure.

(dd) To be satisfied by the issue of fully paid ordinary shares in Imdex Limited on or about September 2019. Subject to achievement of specified performance hurdles and ongoing employment tenure.

(ee) To be satisfied by the issue of fully paid ordinary shares in Imdex Limited on or about September 2020. A combination of Performance Rights subject to the achievement of specified performance hurdles and ongoing employment tenure, and Performance Rights subject only to ongoing employment tenure.

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# DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

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(ff) To be satisfied by the issue of fully paid ordinary shares in Imdex Limited on or about September 2018. Subject to achievement of specified performance hurdles and ongoing employment tenure.

## Operations Review

**(a) Principal Activities**

IMDEX's principal activities during the 2018 financial year (FY18) included the development and provision of: drilling fluids; solids removal equipment; downhole instrumentation; and data management and analytical software for drilling optimisation and geological modelling within the global minerals sector. The company complements these products and technologies with expertise in geo-scientific data analysis and interpretation.

**(b) Review of Operations**

IMDEX performed well throughout FY18, achieving a 24% increase in revenue and a 35% increase in EBITDA.

Throughout FY18, operating conditions were positive for the company due to the broad-based recovery in the mineral sector globally. The recovery spanned all key mining areas, however, it was particularly evident in the Americas, which remains a high-growth region for IMDEX.

Commodity prices strengthened during FY18 and were generally at the highest level in a little over three years. Macro-economic developments such as the US Government's decision to impose tariffs on Chinese imports had an adverse impact on commodity prices towards the end of FY18.

Data from S&P Global Market Intelligence suggests that the 2017 calendar year mineral exploration budget of US$8.4 billion was up 14% on the previous calendar year and was forecast to increase by 15% – 20% to US$10 billion in 2018. This increase for calendar 2018 appears a little optimistic, however, the number of mineral exploration drilling metres is rising steadily.

Gold and copper continue to represent approximately 70%-75% of exploration expenditure and there was a rising interest in battery metals such lithium and cobalt during the year.

Exploration expenditure remains largely associated with brownfield projects, although some greenfield activity is evident.

A key driver for exploration is the fundamental need for resource companies to replace diminishing reserves. An interesting development throughout FY18 was increased investment in junior explorers by major mining companies. Similarly, the risk appetite is expected to increase as mine life continues to be an issue.

Resource companies and drilling contractors are continuing to focus on achieving greater efficiencies and reducing the cost of their operations. Industry disruption and employing big data technology were common themes at key industry conventions. Resource companies and drilling contractors are also placing increasing value on new technologies to drive productivity.

### Financial Results for FY18

- Revenue of $218.5 million, up 24% (FY17: $176.2 million)
- EBITDA of $42.4 million, up 35% (FY17: $31.5 million)
- Net profit after tax of $21.1 million (FY17: $3.7 million)[1]
- Operating cash flow of $15.9 million (FY17: $13.1 million), up 21%
- Strong balance sheet – as at 30 June 2018, net assets increased by $26.3 million and net cash totalled $7.9 million

[1] Includes $16.2m (non-cash $11.5m) of financing costs in relation to the Bain Capital debt which was fully repaid.

### Key operational highlights included:

- Improved safety performance for FY18
- Increased revenue and earnings
- Maintained robust balance sheet and the ability to drive organic and transformational growth within the mining value chain
- Cyclical upswing of global minerals industry continued with a steady increase in drilling activity
- REFLEX instruments on hire at 30 June 2018 increased 10% on 30 June 2017
- Continued investment in R&D and the commercialisation of new technologies that generate additional revenue
- Option to acquire CoreVIBE™ and MagHAMMER™ drilling productivity technologies
- Accelerated Imdex Mining Solutions, a development project for drill and blast application with Orica, Anglo American and Teck Resources, which will provide greater exposure to the mining phase
- Progressed our transition towards One IMDEX – one provider of integrated solutions that include leading AMC and REFLEX brands
- Advanced digital transformation program

# IMDEX LIMITED

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## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

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**(c) Dividends**

No dividend was paid during the current or prior year.

**(d) Changes in State Of Affairs**

There were no significant changes in the state of affairs of the Group.

**(e) Subsequent Events**

There have been no matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

**(f) Future Developments**

The outlook for Imdex remains positive. The global minerals industry is in the early stages of a cyclical upswing and activity has increased across all major mining regions.

Furthermore, there remains a fundamental need to replace diminishing reserves by resource companies; majors and juniors are generally well-funded; and new technologies are gaining momentum within the industry to drive greater efficiency and productivity – Imdex is delivering these real-time or near real-time technologies and has a significant first mover advantage. The company is committed to maintaining this advantage through its investment in research and product development during FY19.

**Key Areas of Focus and Growth Initiatives for FY19**

IMDEX maintains its clear objective of delivering sustainable earnings growth for shareholders. To achieve this objective, its strategy for FY19 – FY21 includes: maintaining its technical leadership and leveraging its client intimacy. The company will also focus on enhancing its operational excellence. Key elements of this strategy include:

- Next generation core products
- Rapid-response frontline innovation
- Transformational products – including drilling productivity and drill & blast applications
- IMDEX solutions – integrating AMC & REFLEX products and technologies
- Client help desk and service centre
- IMDEX Academy – internal and client training program
- Enhance safety performance
- One IMDEX – integrated product and service offering supported by a regional network structure
- Digital transformation
- Engage, develop and retain talented people.

**(g) Environmental Regulations**

The only entity in the Group that is subject to environmental regulations is Samchem Drilling Fluids and Chemicals (Pty) Ltd. They are required to comply with the South African National Water Act, Act No 36 of 1998 which requires the management of effluent discharge. This is controlled through an effluent system.

**(h) Non-audit services**

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 5.8 to the Financial Report. The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the fees paid for services provided as disclosed in note 5.8 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit, Risk and Compliance Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- None of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risks and rewards.

# IMDEX LIMITED

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# DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

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**(i) Auditor's Independence Declaration**

The auditor's independence declaration is included in the Annual Report immediately prior to the Audit Report.

**(j) Indemnification of Officers and Auditors**

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary, and all Executive Officers of the Company and of any related body corporate against a liability incurred as such a Director, Secretary or Executive Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

**(k) Rounding Off of Amounts**

The Company is a Company of the kind referred to in ASIC Class Order 2016/191, and in accordance with that Class Order amounts in the Directors' report and the financial report are rounded off to the nearest thousand dollars unless otherwise indicated.

**(l) ASX Governance Principles and ASX Recommendations**

The Australian Securities Exchange Corporate Governance Council sets out best practice recommendations, including corporate governance practices and suggested disclosures (**ASX Recommendations**). ASX Listing Rule 4.10.3 requires companies to disclose the extent to which they have complied with the ASX Recommendations and to give reasons for not following them.

Unless otherwise indicated the ASX Recommendations including corporate governance practices and suggested disclosures, have been adopted by Imdex Limited (**Imdex or Company**) for the full year ended 30 June 2018. In addition, the Company has a Corporate Governance section on its website: www.imdexlimited.com (under the "Investors" heading) which includes the relevant documentation suggested by the ASX Recommendations.

The Imdex Group's Corporate Governance Statement (**Statement**) for the financial year ending 30 June 2018 is dated as at 30 June 2018 and was approved by the Board of Imdex Limited (**Board**) on 17 August 2018. The extent to which Imdex has complied with the ASX Recommendations during the year ended 30 June 2018, and the main corporate governance practices in place can be viewed in the Corporate Governance section on the company website.

Signed in accordance with a resolution of the Directors made pursuant to S.298(2) of the Corporations Act 2001.

On behalf of the Directors



**Mr Anthony Wooles**

Chairman

PERTH, Western Australia, 17 August 2018.

# IMDEX LIMITED

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## DIRECTORS' DECLARATION

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The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group;

(c) in the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 1.2 to the financial statements; and

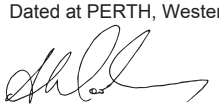
(d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 2016/191. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in note 5.3 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

Dated at PERTH, Western Australia, 17 August 2018.



**Mr Anthony Wooles**
Chairman

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# IMDEX LIMITED

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## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30 JUNE 2018

| CONTINUING OPERATIONS | Notes | Year Ended 30 June 2018 $'000 | Year Ended 30 June 2017 $'000 |
|---|---|---|---|
| Revenue from sale of goods and operating lease rental | 2.2 | 218,475 | 176,225 |
| Other income | | 116 | 209 |
| Raw materials and consumables used | | (78,324) | (62,269) |
| Employee benefit expense | 2.3 | (59,202) | (52,036) |
| Depreciation and amortisation expense | | (13,105) | (11,275) |
| Finance costs | 2.3 | (804) | (16,567) |
| Other expenses | 2.3 | (38,565) | (30,479) |
| **Profit before tax from continuing operations** | | 28,591 | 3,808 |
| Income tax expense | 5.1 | (7,476) | (1,243) |
| **Profit for the year from continuing operations** | | 21,115 | 2,565 |
| **Discontinued operations** | | | |
| Gain for the period from discontinued operations | | - | 1,098 |
| **Profit for the period** | | 21,115 | 3,663 |
| **Other comprehensive income** | | | |
| ***Items that may be reclassified subsequently to profit or loss*** | | | |
| Exchange differences arising on the translation of foreign operations | | 1,450 | (1,280) |
| Exchange gain reclassified from foreign currency translation reserve to profit or loss on the sale of discontinued operations | | - | (2,058) |
| **Other comprehensive income/(loss) for the year, net of income tax** | | 1,450 | (3,338) |
| **Total comprehensive profit for the year** | | 22,565 | 325 |
| **Profit attributable to owners of the parent** | | 21,115 | 3,663 |
| **Total comprehensive profit attributable to owners of the parent** | | 22,565 | 325 |
| **Earnings per share** | | | |
| **From continuing and discontinued operations** | | | |
| Basic profit (cents) | 2.1 | 5.73 | 1.14 |
| Diluted profit (cents) | 2.1 | 5.37 | 1.06 |
| **From continuing operations** | | | |
| Basic profit per share (cents) | 2.1 | 5.73 | 0.80 |
| Diluted profit per share (cents) | 2.1 | 5.37 | 0.74 |

*The Consolidated Statement of Profit or Loss and Other Comprehensive Income/(Loss) should be read in conjunction with the accompanying notes.*

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# IMDEX LIMITED

*and its controlled entities*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

| | Notes | 30 June 2018 $'000 | 30 June 2017 $'000 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and Cash Equivalents | 3.1 | 13,942 | 19,379 |
| Trade and Other Receivables | 4.1 | 49,304 | 41,510 |
| Inventories | 4.2 | 33,614 | 29,904 |
| Current Tax Assets | | 591 | 310 |
| Other | | 4,936 | 3,659 |
| **Total Current Assets** | | 102,387 | 94,762 |
| | | | |
| **Non Current Assets** | | | |
| Property, Plant and Equipment | 4.3 | 36,539 | 32,225 |
| Deferred Tax Assets | 5.1 | 22,246 | 23,544 |
| Goodwill and Other Intangible Assets | 4.4 | 59,452 | 60,362 |
| Other | 4.7 | 5,512 | - |
| **Total Non Current Assets** | | 123,749 | 116,131 |
| **Total Assets** | | 226,136 | 210,893 |
| | | | |
| **Current Liabilities** | | | |
| Trade and Other Payables | 4.5 | 26,459 | 30,441 |
| Borrowings | 3.2 | 129 | 4,462 |
| Current Tax Liabilities | 5.1 | 1,661 | 3,192 |
| Provisions | 4.6 | 5,593 | 10,027 |
| **Total Current Liabilities** | | 33,842 | 48,122 |
| | | | |
| **Non Current Liabilities** | | | |
| Borrowings | 3.2 | 5,947 | 2,685 |
| Deferred Tax Liabilities | 5.1 | - | 104 |
| Provisions | 4.6 | 221 | 162 |
| **Total Non Current Liabilities** | | 6,168 | 2,951 |
| **Total Liabilities** | | 40,010 | 51,073 |
| **Net Assets** | | 186,126 | 159,820 |
| | | | |
| **Equity** | | | |
| Issued Capital | 3.3 | 151,969 | 149,690 |
| Reserves | | 2,046 | (866) |
| Retained Earnings | | 32,111 | 10,996 |
| **Total Equity** | | 186,126 | 159,820 |

*The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.*

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# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
# FOR THE YEAR ENDED 30 JUNE 2018

| | | Reserves | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Warrants Reserve | Shares reserved for Performance Rights Plan | Foreign Currency Translation Reserve | Employee Equity-Settled Benefits Reserve | Reserves Total | Fully Paid Ordinary Shares | Retained Earnings | Total Attributable to Equity Holders of the Entity |
| | Notes | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Balance at 30 June 2016** | | 7,964 | - | (4,222) | 5,344 | 9,086 | 99,174 | 7,333 | 115,593 |
| Exchange differences on translation of foreign operations after taxation | 5.4 | - | - | (1,280) | - | (1,280) | - | - | (1,280) |
| Exchange gain reclassified from foreign currency translation reserve to profit or loss on the sale of discontinued operations | | - | - | (2,058) | - | (2,058) | - | - | (2,058) |
| Profit for the year | | - | - | - | - | - | - | 3,663 | 3,663 |
| Total comprehensive income/(loss) for the year | | 7,964 | - | (7,560) | 5,344 | 5,748 | 99,174 | 10,996 | 115,918 |
| Issue of shares under share placement, net of transaction costs | 3.3 | - | - | - | - | - | 42,552 | - | 42,552 |
| Conversion of warrants to ordinary shares | 5.4 | (7,964) | - | - | - | (7,964) | 7,964 | - | - |
| Share based payments - performance rights | | - | - | - | 1,501 | 1,383 | - | - | 1,383 |
| Granting/settlement of performance rights | 5.4 | - | 118 | - | (118) | 118 | - | - | 118 |
| Shares purchased on market to satisfy performance rights | | - | (151) | - | - | (151) | - | - | (151) |
| **Balance at 30 June 2017** | | - | (33) | (7,560) | 6,727 | (866) | 149,690 | 10,996 | 159,820 |
| Exchange differences on translation of foreign operations after taxation | 5.4 | - | - | 1,450 | - | 1,450 | - | - | 1,450 |
| Profit for the year | | - | - | - | - | - | - | 21,115 | 21,115 |
| Total comprehensive income/(loss) for the year | | - | (33) | (6,110) | 6,727 | 584 | 149,690 | 32,111 | 182,385 |
| Issue of shares to secure deposit | 3.3 | - | - | - | - | - | 2,279 | - | 2,279 |
| Share based payments - performance rights | | - | - | - | 1,928 | 1,928 | - | - | 1,928 |
| Granting/settlement of performance rights | 5.4 | - | 481 | - | (481) | - | - | - | - |
| Shares purchased on market to satisfy performance rights | | - | (466) | - | - | (466) | - | - | (466) |
| **Balance at 30 June 2018** | | - | (18) | (6,110) | 8,174 | 2,046 | 151,969 | 32,111 | 186,126 |

*The Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

# IMDEX LIMITED

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## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

| CONTINUING AND DISCONTINUED OPERATIONS | Notes | Year Ended 30 June 2018 $'000 | Year Ended 30 June 2017 $'000 |
|---|---|---|---|
| **Cash Flows From Operating Activities** | | | |
| Receipts from customers | | 232,262 | 185,636 |
| Payments to suppliers and employees | | (208,959) | (162,805) |
| Interest and other costs of finance paid | | (570) | (6,412) |
| Income tax paid | | (6,833) | (3,348) |
| **Net cash provided by Operating Activities** | 3.1 | 15,900 | 13,071 |
| **Cash Flows From Investing Activities** | | | |
| Interest received | | 99 | 153 |
| Payment for property, plant and equipment | | (16,262) | (6,211) |
| Payment for development costs capitalised | | - | (439) |
| Proceeds from sale of property, plant and equipment | | - | 2,027 |
| Deposits paid | | (3,233) | - |
| Net proceeds from the sale of discontinued operations | | - | 3,182 |
| **Net cash used in Investing Activities** | | (19,396) | (1,288) |
| **Cash Flows From Financing Activities** | | | |
| Shares purchased on market to satisfy performance rights | | (466) | (151) |
| Hire purchase and lease payments | | (432) | (612) |
| Proceeds from borrowings | | - | 12,999 |
| Repayment of borrowings | | (1,021) | (59,756) |
| Proceeds from share placement, net of costs | | - | 42,585 |
| **Net cash used in Financing Activities** | | (1,919) | (4,935) |
| **Net Increase / (Decrease) in Cash** | | (5,415) | 6,848 |
| Cash and Cash Equivalents at the Beginning Of The Financial Year | | 19,379 | 12,977 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | (22) | (446) |
| **Cash and Cash Equivalents at the End Of The Financial Year** | 3.1 | 13,942 | 19,379 |

*The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.*

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## ABOUT THIS REPORT

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Imdex Limited (the Company) is a listed public company, incorporated in Western Australia and operating in Asia-Pacific, EMEA (Europe, Middle East and Africa) and the Americas. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

### 1.1 Basis of Presentation

The Financial Report has been prepared on the going concern basis and on the basis of historical cost except for the revaluation of current assets held for sale. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted and accounting policies have been applied consistently in all periods presented.

The Company is a company of the kind referred to in ASIC Class Order 2016/191, and in accordance with that Class Order amounts in the Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The Financial Report is a general purpose financial report which:

- has been prepared in accordance with Australian Accounting Standards (AASBs), including Australian Accounting Interpretations adopted by the Australian Accounting Standards Board, and the *Corporations Act 2001*. The Financial Report of the Group also complies with International Financial Reporting Standards (IFRSs) and Interpretations as issued by the International Accounting Standards Board (IASB);
- presents reclassified comparative information where appropriate to enhance comparability with the current period presentation.
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2017. Refer to note 1.5 for further details;
- does not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective. Refer to note 1.5 for further details; and

The financial statements were authorised for issue by the Directors on 17 August 2018.

### 1.2 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Group has power over an entity and is exposed to, or has rights over, the variable returns of the entity, as well as the ability to use this power to affect the variable returns of the entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.
All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss, and;
- reclassifies to profit or loss or transfers directly to retained earnings, as appropriate, the parent's share of components previously recognised in other comprehensive income.

Transactions and balances between the Company and its associates were eliminated in the preparation of consolidated financial statements of the Group to the extent of the Group's share in profits and losses of the associate resulting from these transactions.

### 1.3 Changes to Accounting Policies

The Group has adopted all new and amended Australian Accounting Standards and Interpretations mandatory as at 1 July 2017 as mandatory.

**Standards and Interpretations issued but not yet effective**

The following new or amended accounting standards issued by the AASB are relevant to current operations and may impact the Group in the period of initial application. They are available for early adoption but have not been applied in preparing this Financial Report.

AASB 16 Leases (effective from 1 July 2019) – The key change to AASB is that lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a low value. This change will result in Imdex recognising most leases in the Statement of Financial Position which is expected to have a material impact. Refer to Note 3.5.

All other new standards, including AASB 9 *Financial Instruments* and AASB 15 *Revenue from contracts with customers*, are not expected to have a material impact in the period of initial application.

### 1.4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

*Judgements and estimates which are material to the financial report are found in the following notes:*

- 4.4 – Recoverability of Goodwill
- 5.1 – Deferred Tax Assets

# IMDEX LIMITED

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# OPERATING PERFORMANCE

## 2.1 Profit per share

| | 2018<br>Cents per share | 2017<br>Cents per share |
|---|---|---|
| **From continuing and discontinued operations** | | |
| Basic profit per share | 5.73 | 1.14 |
| Diluted profit per share | 5.37 | 1.06 |
| **From continuing operations** | | |
| Basic profit per share (a) | 5.73 | 0.80 |
| Diluted profit per share (b) | 5.37 | 0.74 |

| **(a) Basic profit per share** | **2018** | **2017** |
|---|---|---|
| The profit and weighted average number of ordinary shares used in the calculation of basic profit per share are as follows: | **$'000** | **$'000** |
| Continuing and discontinued operations - Profit | 21,115 | 3,663 |
| Continuing operations - Profit | 21,115 | 2,565 |
| | **Shares** | **Shares** |
| Weighted average number of ordinary shares for the purposes of basic profit per share | 368,441,739 | 320,613,934 |

| **(b) Diluted profit per share** | **2018** | **2017** |
|---|---|---|
| The profit and weighted average number of ordinary shares used in the calculation of diluted profit per share are as follows: | **$'000** | **$'000** |
| Continuing and discontinued operations - Profit | 21,115 | 3,663 |
| Continuing operations - Profit | 21,115 | 2,565 |
| | **Shares** | **Shares** |
| Weighted average number of ordinary shares used in the calculation of diluted profit per share | 393,070,614 | 344,394,498 |

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# OPERATING PERFORMANCE

## 2.2 Segment Information

The sole focus is now on the minerals business as a result of the divestment of the Oil & Gas business during 2017. As a result, the primary means by which the Board and Management view the business and make key decisions is increasingly based on geographical lines. The segment note has been amended to align to this reporting structure.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group), whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the existence of a division manager and the level of segment information presented to the board of directors.

Information reported to the CODM for the purposes of resource allocation and assessment of segment performance focuses on the regions serviced. The Directors of the Company have chosen to organise the Group around different geographical markets serviced by the entity's products and services.

No operating segments have been aggregated in arriving at the reportable segments of the Group. All segments are in the business of the manufacture and sale/rental of products to the mining sector along the following geographical lines:

(i) Asia Pacific
(ii) EMEA (Europe & Middle East / Africa)
(iii) Americas

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income earning assets and interest revenue, interest bearing loans, borrowings and expenses, and corporate assets and expenses. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

The following is an analysis of the revenue and results for the year, analysed by reportable segment.

**Segment Revenues**

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| *AM - Americas* | 93,871 | 68,899 |
| *APAC - AsiaPac* | 67,456 | 60,180 |
| *EMEA - Europe & Middle East / Africa* | 57,148 | 47,146 |
| **Total of all Segments** | **218,475** | **176,225** |
| Discontinued Operations | - | 10,324 |
| **Total Revenue** | **218,475** | **186,549** |

**Segment Results**

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| *AM - Americas* | 15,278 | 11,061 |
| *APAC - AsiaPac* | 9,277 | 7,780 |
| *EMEA - Europe & Middle East / Africa* | 11,283 | 7,182 |
| **Total of all Segments** | **35,838** | **26,023** |
| Central Administration Costs (i) | (7,247) | (22,215) |
| Discontinued Operations (ii) | - | 2,098 |
| **Profit before Income Tax** | **28,591** | **5,906** |
| Income Tax Expense | (7,476) | (2,243) |
| **Profit attributable to ordinary equity holders of Imdex Limited** | **21,115** | **3,663** |

(i) Central administration costs comprise net financing costs for the Group and the corporate portion of head office costs. Head office costs attributable to operations are allocated to reportable segments in proportion to the revenues earned from those segments. Central administration costs include financing costs of $0.8m (2017: $16.6m).

(ii) The year ended 30 June 2017 includes an impairment writedown of oil and gas product development and the profit on the sale of oil and gas subsidiaries as well as the reversal of unused business closure provision costs.

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## OPERATING PERFORMANCE

**Segment Assets and Liabilities (Including Discontinued Operations)**

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 2018 $'000 | 2017 $'000 | 2018 $'000 | 2017 $'000 |
| *AM - Americas* | 58,638 | 44,315 | 16,202 | 16,299 |
| *APAC - AsiaPac* | 49,543 | 48,923 | 18,772 | 22,912 |
| *EMEA - Europe & Middle East / Africa* | 36,257 | 33,749 | 5,036 | 11,758 |
| Total of all segments | 144,438 | 126,987 | 40,010 | 50,969 |
| Unallocated | 81,698 | 83,906 | - | 104 |
| Consolidated | 226,136 | 210,893 | 40,010 | 51,073 |

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments other than deferred tax assets and goodwill.
- All liabilities are allocated to reportable segments other than deferred tax liabilities.
- Prior year balances include Discontinued Operation assets and liabilities.

**Other Segment Information**

| | AM - Americas | APAC - AsiaPac | EMEA - Europe & Middle East / Africa | Unallocated | Total Continuing Operations | Discontinued Operations | Total |
|---|---|---|---|---|---|---|---|
| | 2018 $'000 | 2018 $'000 | 2018 $'000 | 2018 $'000 | 2018 $'000 | 2018 $'000 | 2018 $'000 |
| Depreciation | 6,698 | 2,518 | 2,438 | 1,118 | 12,772 | - | 12,772 |
| Amortisation | - | 167 | 166 | - | 333 | - | 333 |
| Impairment | - | - | - | - | - | - | - |
| Acquisition of segment assets | 10,111 | 4,063 | 3,642 | 384 | 18,200 | - | 18,200 |
| Significant non cash expenses other than depreciation and amortisation | - | - | - | 1,928 | 1,928 | - | 1,928 |
| | 2017 $'000 | 2017 $'000 | 2017 $'000 | 2017 $'000 | 2017 $'000 | 2017 $'000 | 2017 $'000 |
| Depreciation | 4,588 | 2,636 | 2,256 | 1,213 | 10,693 | 534 | 11,227 |
| Amortisation | - | 324 | 258 | - | 582 | - | 582 |
| Impairment | - | - | - | - | - | 3,592 | 3,592 |
| Acquisition of segment assets | 5,049 | 476 | 615 | 71 | 6,211 | - | 6,211 |
| Significant non cash expenses other than depreciation and amortisation | 1,523 | 2,184 | 604 | 1,786 | 6,097 | 182 | 6,279 |

The change to the Imdex branding in October 2017 signified the progressive transformation of our business to become the leading METS provider of real time sub-surface intelligence solutions to the global mining industry. In this regard, the integrated solution offerings are increasingly sold as Imdex and the organisation is being structured with regional Imdex leaders appointed with this expanded responsibility. This will be progressively refined over the coming financial year.

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# OPERATING PERFORMANCE

## 2.3 Expenses

Finance Costs decreased in the current period as a result of the repayment of the Bain Capital Facility in December 2016. This has been replaced with a more traditional Bankwest credit facility at a significantly lower interest rate.

Expense analysis by nature:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Finance costs** | | |
| Interest and early payment penalties | (493) | (4,912) |
| Amortisation and write off of borrowing costs | (208) | (5,172) |
| Amortisation and write off of warrants | - | (6,415) |
| Other interest and financing costs | (103) | (68) |
| | (804) | (16,567) |
| | | |
| **Other expenses** | | |
| Commissions | (1,702) | (1,782) |
| Consultancy fees | (2,378) | (2,014) |
| Legal and professional expenses (i) | (2,872) | (4,612) |
| Rent and premises costs | (8,471) | (6,375) |
| Travel and accommodation | (4,656) | (3,315) |
| Motor vehicle costs | (2,533) | (1,807) |
| Obsolete stock | (969) | - |
| Doubtful debts | (439) | (777) |
| Other expenses | (14,545) | (9,797) |
| | (38,565) | (30,479) |

(i) Includes legal, audit, share registry and corporate secretarial fees

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Employee benefits expense** | | |
| Salaries and wages | (54,184) | (48,014) |
| Defined contribution superannuation / pension costs | (3,090) | (2,608) |
| Share based payments | (1,928) | (1,414) |
| | (59,202) | (52,036) |

**Defined contribution plans**

Contributions to defined contribution superannuation / pension plans are expensed when incurred.

## 2.4 Dividends

No dividend was paid during the current or prior year. The franking account balance is $52.7 million (2017: $52.7 million).

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# DEBT & CAPITAL

## 3.1 Cash

**Reconciliation of cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and held at banks, net of outstanding bank overdrafts. Cash at bank earns interest at floating rates based on daily bank deposit rates. Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Cash | 13,942 | 19,379 |

**Reconciliation from the Profit for the Year to Net Cash Provided by Operating Activities**

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Profit for the year | 21,115 | 3,663 |
| *Adjustments for non-cash items* | | |
| Depreciation of non-current assets | 12,772 | 10,692 |
| Amortisation of intangible assets | 333 | 583 |
| Interest received disclosed as investing activities | (99) | (153) |
| Share options and performance rights expensed | 1,928 | 1,468 |
| Write down of obsolete stock | 969 | - |
| (Gain) on sale of non-current assets | - | (142) |
| Interest on hire purchase liabilities | 26 | 67 |
| Amortisation of borrowing costs | 208 | 11,587 |
| Non-operating revenue | - | (1,406) |
| Other | (755) | (1,614) |
| *Changes in assets and liabilities during the financial year* | | |
| (Increase) / decrease in assets: | | |
| Current receivables | (7,040) | (16,534) |
| Current inventories | (3,256) | (3,228) |
| Other current assets | (1,277) | 1,918 |
| Increase / (decrease) in liabilities: | | |
| Current payables | (4,060) | 13,891 |
| Provision for employee entitlements | (4,375) | (4,286) |
| Current and deferred tax liability | (589) | (3,329) |
| Net Cash provided by Operating Activities | 15,900 | 13,071 |

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# DEBT & CAPITAL

## 3.2 Borrowings

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Current borrowings** | | |
| **Secured** | | |
| Bankwest | - | 4,000 |
| Hire purchase liabilities | 129 | 462 |
| | 129 | 4,462 |
| **Non-current borrowings** | | |
| **Secured** | | |
| Bankwest | 5,881 | 2,545 |
| Hire purchase liabilities | 66 | 140 |
| | 5,947 | 2,685 |

| | 30-Jun-17 | Cash flows | Non-cash changes | | | 30-Jun-18 |
|---|---|---|---|---|---|---|
| | | | Foreign Exchange Movement | Reclassification | Other | |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Current borrowings | 4,000 | (1,021) | - | (2,979) | - | - |
| Non-current borrowings | 2,545 | - | 149 | 2,979 | 208 | 5,881 |
| Hire purchase liabilities | 602 | (432) | - | - | 25 | 195 |
| **Total liabilities from financing activities** | **7,147** | **(1,453)** | **149** | **-** | **233** | **6,076** |

As announced to the market on 28 December 2016 the Company successfully re-financed its debt facilities, extinguishing the amounts owed to its previous financiers Bain Capital through a new facility with Bankwest. The remaining capitalised finance costs associated with the Bain Capital facility were expensed as a part of the $16.2 million financing costs recognised in the prior period.

The key terms of the Bankwest Facility are as follows:

**Term:** 3 years from inception (28 December 2016)

**Maximum Facility:** $30 million

**Drawn Balance at 30 June 18:** AUD $2.2 million, USD $2.9 million, and bank guarantees and credit card borrowings AUD $1.0 million.

**Weighted Average Interest Rate:** 4.5%

In the current year the facility was renegotiated to remove scheduled repayments. As a result the borrowings have been presented as non-current.

Hire purchase liabilities are secured over the assets to which they relate, the carrying value of which exceeds the value of the hire purchase liability. The Group does not hold title to the equipment under the hire purchase pledged as security. The weighted average interest rate applicable to these liabilities is 6.4% (2017: 6.8%).

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable fees, premiums paid and transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

The Company previously issued 37,041,867 nil priced warrants to Bain Capital (formerly Sankaty). The warrants were treated as equity upon issue as the Company had the right to settle the warrants by issuing Imdex shares on a fixed for fixed basis (one share for one warrant). The value attributable to the warrants determined using a Black Scholes valuation of $7.9 million, was recorded in a separate equity reserve. In the prior period, the warrants were settled via shares and as a result, the balance in the warrants reserve was extinguished and taken to issued capital. The valuation was subject to estimation as it was calculated using the Black-Scholes option pricing model which is based on significant assumptions such as volatility, dividend yield, and expected term.

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# DEBT & CAPITAL

## 3.3 Issued capital

| | Notes | 2018 Number | 2018 $'000 | 2017 Number | 2017 $'000 |
|---|---|---|---|---|---|
| **Issued and Paid Up Capital - Fully paid ordinary shares** | | | | | |
| Balance at beginning of the financial year | | 367,463,185 | 149,690 | 248,603,136 | 99,174 |
| Issue of shares as deposit | (ii) | 2,191,241 | 2,279 | - | - |
| Issue of shares under share placement | (iii) | - | - | 81,818,182 | 45,000 |
| Transaction costs relating to share placement | | - | - | - | (2,448) |
| Conversion of Warrants | (iv) | - | - | 37,041,867 | 7,964 |
| Closing balance at end of the financial year | (i) | 369,654,426 | 151,969 | 367,463,185 | 149,690 |

(i) Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(ii) During the period, the Company issued 2.2 million shares to FlexiDrill as a deposit.

(iii) During the prior period the Company issued 72.7 million shares via institutional and sophisticated investors and 9.1 million shares via share purchase plan to existing shareholders.

(iv) On 13 March 2017 Bain Capital exercised the warrants previously issued to them as part of the debt facility. As a result, 37.0 million shares were issued for nil cost.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

## 3.4 Financial Risk Management

### Categories of financial instruments

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Financial Assets** | | |
| Cash and cash equivalents | 13,942 | 19,379 |
| Trade and other receivables | 49,304 | 41,510 |
| | 63,246 | 60,889 |
| **Financial Liabilities** | | |
| Trade and other payables and borrowings | 32,535 | 37,588 |

### Financial risk management objectives

The Group is exposed to financial risks through the normal course of its business operations. The key financial risks impacting the Group relate to its financial instruments as per those disclosed in the statement of financial position. Specifically, those key risks are considered to be foreign currency risk and interest rate risk. The Group monitors its exposure to these risks on a regular basis and may enter into derivative financial instruments to manage these risks where appropriate. There are no derivative financial instruments in operation at year end.

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### Foreign currency risk management

The functional currency of the Group is Australian Dollars. Certain financial instruments of the Group are exposed to movements in various currencies Group undertakes certain transactions denominated in foreign currencies, hence exposures to foreign exchange rate fluctuations arise. Exchange rate exposures are managed with the use of natural hedges where possible and with the use of financial instruments where benefit outweighs cost within approved policy parameters. During the current and prior year no derivative instruments were used to manage foreign exchange risk.

### Exposure

The carrying amount in Australian dollars of the Group's monetary assets and liabilities denominated in currencies other than Australian dollars at the reporting date are as per the table below. Non Australian dollar liabilities include trade creditors, accruals and borrowings recorded in Australian as well as non-Australian entities. Non Australian dollar assets include cash on hand and debtors recorded in Australian as well as non-Australian entities. Any fluctuation in exchange rates relative to the Australian dollar will cause the below assets and liabilities to change in value.

| | Liabilities | | Assets | |
|---|---|---|---|---|
| | 2018 $'000 | 2017 $'000 | 2018 $'000 | 2017 $'000 |
| United States Dollars | 14,321 | 14,599 | 25,574 | 24,591 |
| Euro | 2,366 | 4,286 | 3,334 | 4,292 |
| South African Rand | 1,966 | 2,077 | 2,369 | 2,740 |
| Canadian Dollars | 881 | 1,711 | 6,461 | 5,251 |
| Other | 2,151 | 1,587 | 11,060 | 9,166 |

### Sensitivity

The Group is mainly exposed to United States Dollars, Euro and Canadian Dollars.

The following table details the Group's sensitivity to a 10% (2017: 10%) increase and decrease in the Australian Dollar against the relevant foreign currencies.

| | United States Dollar Impact | | Canadian Dollar Impact | |
|---|---|---|---|---|
| | 2018 $'000 | 2017 $'000 | 2018 $'000 | 2017 $'000 |
| Profit or (loss) | 268 | 147 | 76 | 31 |

| | Euro Impact | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Profit or (loss) | (4) | (25) |

Profit and loss impacts are mainly attributable to exposure on outstanding receivables and payables at year end denominated in the applicable foreign currency.

### Interest rate risk management

The Group's cash flow is exposed to interest rate risk as entities in the Group borrow, lend and deposit funds at floating rates of interest. The following table details the Group's pre-tax loss sensitivity to a 1% increase and decrease in variable interest rates:

| | Consolidated Impact | |
|---|---|---|
| | 2018 $ '000 | 2017 $'000 |
| Increased interest rate | 81 | 123 |
| Decreased interest rate | (81) | (123) |

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### Credit risk management

The Group's maximum exposure to credit risk is the carrying amount of those assets as indicated in the statement of financial position. Credit risk on financial instruments refers to the potential financial loss to the Group that may result from counterparties failing to meet their contractual obligations. The Group manages its counterparty risk by limiting transactions to counterparty credit risk by limiting its transactions to counterparties of sound credit worthiness. The Group faced no significant credit exposures at the balance date.

### Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who monitors short, medium and long term liquidity requirements through the use of financial models. The treasury function reports regularly to key management personnel and the Board on matters affecting liquidity risk. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At 30 June 2018 the Company/Group has undrawn facilities of $23 million.

#### Maturity of financial liabilities

The following tables detail the Company's and the Group's remaining contractual maturity for its non–derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

| | Weighted average effective interest rate | 0-3 months | 3 months to 1 year | 1-5 years | 5+ years | Total |
|---|---|---|---|---|---|---|
| | % | $'000 | $'000 | $'000 | $'000 | $'000 |
| **2018** | | | | | | |
| Trade and other payables | - | 26,458 | - | - | - | 26,458 |
| Finance lease liability | 6.40% | 33 | 98 | 64 | - | 195 |
| Bankwest credit facility | 4.50% | - | - | 5,882 | - | 5,882 |
| | | 26,491 | 98 | 5,946 | - | 32,535 |
| **2017** | | | | | | |
| Trade and other payables | - | 30,440 | - | - | - | 30,440 |
| Finance lease liability | 6.67% | 101 | 305 | 194 | - | 600 |
| Bankwest credit facility | 3.59% | 1,000 | 3,000 | 2,548 | - | 6,548 |
| | | 31,541 | 3,305 | 2,742 | - | 37,588 |

The following tables detail the Company's and the Group's remaining contractual maturity for its financial assets. The tables have been drawn up based on the undiscounted cash flows of financial assets including interest that will be earned on those assets except where the Company/Group anticipates that the cash flow will occur in a different period.

| | Weighted average effective interest rate | 0-3 months | 3 months to 1 year | 1-5 years | 5+ years | Total |
|---|---|---|---|---|---|---|
| | % | $'000 | $'000 | $'000 | $'000 | $'000 |
| **2018** | | | | | | |
| Trade and other receivables | - | 49,304 | - | - | - | 49,304 |
| Cash | 0.25% | 13,942 | - | - | - | 13,942 |
| | | 63,246 | - | - | - | 63,246 |
| **2017** | | | | | | |
| Trade and other receivables | - | 41,510 | - | - | - | 41,510 |
| Cash | 0.25% | 19,379 | - | - | - | 19,379 |
| | | 60,889 | - | - | - | 60,889 |

#### Non- derivative financial instruments

#### Recognition and measurement

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis, where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

#### Fair value of financial Instruments

The Directors consider that the carrying amount of financial assets and liabilities recorded in the financial statements represents or approximate their respective fair values.

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# DEBT & CAPITAL

## 3.5 Commitments for expenditure

**Capital expenditure commitments**

At 30 June 2018 the Group had $0.2 million capital commitments (2017: $0.8 million).

**Hire purchase commitment**

Hire purchase arrangements relate to plant and equipment with remaining terms of up to 2 years. The Group has options to purchase the equipment for a nominal amount at the conclusion of the arrangements.

**Lease commitment**

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Operating leases relate to premises and equipment (including motor vehicles) used by the Group in its operations, generally with terms between 2 and 5 years. Some of the operating leases contain options to extend for further periods and an adjustment to bring the lease payments into line with market rates prevailing at that time. The leases do not contain an option to purchase the leased property.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) Group as Lessor

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(ii) Group as Lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Non-cancellable operating lease payments** | | |
| Within one year | 6,213 | 5,606 |
| Between one and five years | 14,448 | 13,826 |
| Later than five years | 31,472 | 32,175 |
| | 52,133 | 51,607 |

AASB 16 leases is applicable for annual periods beginning on or after 1 January 2019, and will be adopted from 1 July 2019 by Imdex. This standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

Whilst the impact of AASB 16 has not yet been fully quantified, the entity currently has non-cancellable operating lease commitments totaling $52.1 million. These leases will be brought onto the statement of financial position at the date of initial application, by creating a right of use asset and corresponding lease liability.

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## OTHER ASSETS & LIABILITIES

### 4.1 Trade and Other Receivables

| | Notes | 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| **Current** | | | |
| Trade receivables | (i) | 51,567 | 43,588 |
| Allowance for doubtful debts | (ii) | (2,302) | (2,115) |
| | | 49,265 | 41,473 |
| Other receivables | | 39 | 37 |
| | | 49,304 | 41,510 |

(i) The average credit period on sales of goods is around 60 days. Trade receivables are interest free unless outside of terms at which point interest may be charged. An allowance has been made for estimated irrecoverable amounts from the sale of goods and services, determined by reference to past default experience and specific knowledge of individual debtors circumstances.

| (ii) Movement in the allowance for doubtful debts | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Balance at the beginning of the year | 2,115 | 4,405 |
| Amounts written off during the year | (252) | (3,067) |
| Increase in allowance recognised in profit or loss | 439 | 777 |
| Balance at the end of the year | 2,302 | 2,115 |

All impaired debtors are in excess of 90 days overdue. In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Ageing of past due but not impaired debtors | | |
| 0 - 30 days past due | 3,006 | 2,285 |
| 31 - 60 days past due | 3,521 | 2,788 |
| 61 + days past due | 1,174 | 929 |
| | 7,701 | 6,002 |

The above analysis shows debtors that are past due at the end of the reporting date where no provision has been raised as the Group believes that the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

### 4.2 Inventories

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Current** | | |
| Raw materials | 3,044 | 4,181 |
| Work in progress | 307 | 579 |
| Finished goods | 30,263 | 25,144 |
| | 33,614 | 29,904 |

Inventories are valued at the lower of cost or net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

An allowance for diminution of stock of $0.6 million existed at 30 June 2018 (2017: $0.9 million).

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## OTHER ASSETS & LIABILITIES

### 4.3 Property, plant and equipment

| | Notes | Plant and Equipment at cost $'000 | Leasehold Improvements at cost $'000 | Capital Works in Progress at cost $'000 | TOTAL $'000 |
|---|---|---|---|---|---|
| **Gross Carrying Value** | | | | | |
| Balance at 30 June 2016 | | 69,373 | 9,339 | 5,779 | 84,491 |
| Additions | | 5,957 | 182 | 72 | 6,211 |
| Disposals | | (23,923) | (573) | - | (24,496) |
| Net foreign currency exchange differences | | (2,734) | (4) | (15) | (2,753) |
| Transfer | | 5,065 | - | (5,065) | - |
| Balance at 30 June 2017 | | 53,738 | 8,944 | 771 | 63,453 |
| Additions (i) | | 18,035 | 6 | 159 | 18,200 |
| Disposals | | (6,703) | (19) | - | (6,722) |
| Net foreign currency exchange differences | | 649 | 5 | 77 | 731 |
| Balance at 30 June 2018 | | 65,719 | 8,936 | 1,007 | 75,662 |
| **Accumulated Depreciation** | | | | | |
| Balance at 30 June 2016 | | 41,837 | 4,498 | - | 46,335 |
| Disposals | | (23,861) | (171) | - | (24,032) |
| Depreciation expense | 2.3 | 9,865 | 766 | - | 10,631 |
| Net foreign currency exchange differences | | (1,715) | 9 | - | (1,706) |
| Balance at 30 June 2017 | | 26,126 | 5,102 | - | 31,228 |
| Disposals | | (5,319) | (6) | - | (5,325) |
| Depreciation expense | 2.3 | 12,027 | 745 | - | 12,772 |
| Net foreign currency exchange differences | | 447 | 1 | - | 448 |
| Balance at 30 June 2018 | | 33,281 | 5,842 | - | 39,123 |
| **Net Book Value** | | | | | |
| As at 30 June 2017 | | 27,612 | 3,842 | 771 | 32,225 |
| As at 30 June 2018 | | 32,438 | 3,094 | 1,007 | 36,539 |

(i) $16.3 million acquired during the financial year and the balance transferred from inventory.

**Property, plant and equipment**

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**Capital works in progress**

Capital works in progress in the course of construction for production or supply purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

**Depreciation**

Depreciation is calculated on a straight line basis in order to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements and assets held under finance lease are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis. The annual depreciation range for all assets is 10 – 50%. Depreciation of capital works in progress, on the same basis as other property, plant and equipment assets, commences when the assets are ready for their intended use.

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## OTHER ASSETS & LIABILITIES

### 4.4 Goodwill

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Gross Carrying Amount** | | |
| Balance at beginning of the financial year | 83,786 | 83,658 |
| Effect of foreign exchange movements | (602) | 128 |
| Balance at end of the financial year | 83,184 | 83,786 |
| **Accumulated Impairment Losses** | | |
| Balance at beginning of the financial year | (24,295) | (24,295) |
| Impairment losses for the year | - | - |
| Balance at end of the financial year | (24,295) | (24,295) |
| **Net Book Value** | | |
| At the beginning of the financial year | 59,491 | 59,363 |
| At the end of the financial year | 58,889 | 59,491 |

**Goodwill is allocated to cash-generating units as follows:**

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Reflex | 36,469 | 36,469 |
| AMC Minerals Asia Pacific | 18,360 | 18,360 |
| AMC Minerals South America | 4,060 | 4,662 |
| | 58,889 | 59,491 |
| Goodwill | 58,889 | 59,491 |
| Other Intangible Assets | 563 | 871 |
| Total Goodwill and Other Intangibles | 59,452 | 60,362 |

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is subsequently measured at its cost less any accumulated impairment losses.

**Significant accounting estimates and assumptions**

Determining whether goodwill, intangibles and fixed assets are impaired requires an estimation of the value in use of the cash-generating units to which these assets are attributable. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. A forward looking estimation of this nature is inherently uncertain.

**Allocation of Goodwill to Cash Generating Units**

Imdex monitors for impairment at the cash generating unit level (CGU) being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs identified are at a lower level (based on regional hubs).

Goodwill and intangible assets not yet available for use are not amortised but tested for impairment annually and whenever there is an indication that the asset may be impaired. Impairments recognised for goodwill are not reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Imdex Group holds goodwill of $58.9m, which has been reviewed for impairment. Expected future cashflows support the balance of goodwill at 30 June 2018.

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**Impairment Testing:**

Cash-generating units or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets (other than goodwill) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the carrying amount of the cash-generating unit exceeds its recoverable amount, the asset or CGU is written down and an impairment loss is recognised in the income statement. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Impairment losses recognised by cash-generating unit:**

There have been no impairment losses for any CGU in the current or prior year.

**Significant accounting estimates and assumptions**

The determination of impairment involves the use of judgements and estimates that include, but are not limited to, the cause, timing and measurement of the impairment.

Goodwill is tested at least annually and where there is an indicator of impairment through testing of the CGUs to which the goodwill has been allocated. Goodwill and property, plant and equipment and other intangible assets are grouped into CGUs that have been identified as being the smallest identifiable group of assets that generate cash flows, which are independent of cash flows of other assets or groups of assets. The determination of these CGUs is based on management's judgement in regards to shared infrastructure, geographical proximity, and similar exposures to market risk and materiality.

Management is required to make significant judgements concerning the identification of impairment indicators, such as changes in competitive positions, expectations of growth, increased cost of capital, and other factors that may indicate impairment such as a business restructuring. In addition, management is also required to make significant estimates regarding future cash flows and the determination of fair values when assessing the recoverable amount of assets (or group of assets). Inputs into these valuations require assumptions and estimates to be made about forecast earnings before interest and tax and related future cash flows, growth rates, applicable discount rates, useful live and residual values.

Imdex's forecasted results reflect the activity levels within the minerals industry. The judgements, estimates and assumptions used in assessing impairment are management's best estimates based on current and forecast market conditions. Changes in economic and operating conditions impacting these assumptions could result in changes in the recognition of impairment charges in future periods.

**Annual Assessment for Impairment Indicators**

CGUs

Imdex monitors for impairment at the cash generating unit level (CGU) being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs identified are at a lower level (based on regional hubs).

Annual impairment testing

Goodwill exists in relation to three CGUs and is tested annually for impairment:

- AMC Minerals Asia Pacific
- AMC Minerals South America
- Reflex

In addition as required by AASB 136, impairment tests are performed for CGUs with indicators of impairment.

Assessment of impairment indicators

In accordance with AASB 136 (paragraph 12) management has considered a range of external, internal and other indicators that may indicate some level of impairment at the individual asset level. These include evidence of obsolescence or physical damage of an asset, and evidence available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected. This has resulted in the identification of impairment indicators in relation to specific CGUs (as outlined below), as well as the write down of a number of specific individual assets.

CGUs with indicators of impairment

*AMC Minerals Europe*

Indicators of impairment were identified in relation to AMC Europe given the underperformance versus budget in the year. The subsequent impairment testing indicated no impairment.

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## OTHER ASSETS & LIABILITIES

**Value in use assessments and sensitivities:**

*Inputs to impairment calculations*

For value in use calculations, cash flow projections are based on Imdex's corporate plans and business forecasts prepared by management and approved by the Board for the 2019 financial year. The corporate plans are developed annually.

These forecasts are adjusted to exclude the costs and benefits of expansion capital on the understanding that actual outcomes may differ from the assumptions used.

For the financial years 2019 – 2023 the key assumptions applied were:

- Revenue growth for the 2019 financial year onwards has been based on a growth rate that reflects a continued base line recovery in an uncertain market. CPI is applied specifically to each CGU based on regional data collected;
- Capital investment for the 2019 financial year is based on the forecasted numbers approved by the Board of Directors. Going forward to terminal date, capital investment gradually increases each year so that it equals the replacement cost of assets by terminal date ;
- Tax rates used were those applicable to the countries in the region;
- Post-tax discount rates used were country risk adjusted and based on data supplied by external sources: and
- Working capital is assumed to increase at a rate of 30% to sales increases. The organisational rate of working capital to sales is 30% based on historic trends. The reduced rate of working capital to sales on the incremental increase in sales reflects management's efforts to reduce levels of working capital through improved inventory and debtor management.

Cash flows beyond the five-year period are extrapolated using estimated growth rates, which are based on Group estimates, taking into consideration historical performance as well as expected long-term operating conditions. Growth rates do not exceed the consensus forecasts of the long-term average growth rate for the industry in which the CGU operates.

The key assumptions used for assessing the recoverable amounts of Imdex's major CGUs, which collectively account for over 95 per cent of the Group's goodwill, intangible assets, working capital, PPE and Inventories are set out in the tables below.

- EBITDA and revenue growth over the forecast period is based on past experience and expectations of general market conditions;
- The post-tax discount rates incorporate a risk-adjustment relative to the risk associated with the net post-tax cash flows being achieved; and
- Long term growth rates are based on the long-term average growth rates of the businesses.

Other assumptions are determined with reference to internal and external sources of information.

Increases in discount rates or changes in other key assumptions, such as operating conditions or financial performance, may cause the recoverable amounts to fall below carrying values. The main sensitivities where a reasonably possible change could lead to further impairment have been considered, with no reasonably possible changes made to these key assumptions giving rise to an impairment. However, forward looking estimation of this nature is inherently uncertain and the outcomes of these sensitivities may vary in the future.

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# OTHER ASSETS & LIABILITIES

## 4.5 Trade & Other Payables

| | Notes | 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| Trade payables | (i) | 22,357 | 23,607 |
| Accruals and other payables | | 4,102 | 6,834 |
| | | 26,459 | 30,441 |

(i) Trade payables are interest free for periods ranging from 30 to 180 days. Thereafter interest may be charged at commercial rates. The consolidated entity has financial risk management policies in place to endeavour pay all payables within the credit timeframe.

## 4.6 Provisions

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Current provisions** | | |
| Employee entitlements | 5,593 | 9,439 |
| Oil & Gas closure | - | 588 |
| | 5,593 | 10,027 |
| **Non-current provisions** | | |
| Employee entitlements | 221 | 162 |

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

**Significant accounting estimates and assumptions**

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

**Employee entitlements**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.
Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

**Termination benefit**
A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

## 4.7 Other Assets

As announced to the market on 18 January 2018, the Group entered into an exclusive option and technology development agreement with FlexiDrill to acquire unique drilling productivity technologies. The Agreement is structured to provide IMDEX a period of exclusivity in which to further develop the FlexiDrill technologies. The balance of $5.5 million at 30 June 2018 represents the initial payment of NZ$2.5 million cash payment and NZ$2.5 million worth of IMDEX shares based on the volume weighted average price (VWAP) 10 days prior to the issue date, with the balance representing capital expenditure on further product development.

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## 5.1 Taxation

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Income tax expense recognised in the income statement** | | |
| **Tax expense comprises:** | | |
| Current tax expense | 8,135 | 800 |
| Deferred tax expense relating to the origination and reversal of temporary differences | (367) | 2,816 |
| Losses from prior years brought to account | (849) | (1,095) |
| Timing differences brought to account from prior year | - | (1,020) |
| Under/(over) provision in prior year income tax | 557 | (258) |
| Total tax expense | 7,476 | 1,243 |
| **Prima facie income tax expense on pre-tax accounting loss from continuing operations reconciles to income tax expense in the financial statements as follows:** | | |
| Profit before tax from continuing operations | 28,591 | 3,808 |
| Income tax benefit calculated at 30% (i) | 8,577 | 1,142 |
| Tax losses not recognised or impaired | 239 | 680 |
| Non-deductible conversion of warrants | - | 1,925 |
| Other non-deductible and non-assessable items | 565 | 2,860 |
| Tax rate differential arising from foreign entities | (1,613) | (2,991) |
| Losses from prior years brought to account | (849) | (1,095) |
| Timing differences brought to account from prior year | - | (1,020) |
| Under/(over) provision in prior year income tax | 557 | (258) |
| | 7,476 | 1,243 |

(i) The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian law. There has been no change in the corporate tax rate when compared with the previous reporting year.

Tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Company and the Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company and the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company and the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company and the Group intends to settle its current tax assets and liabilities on a net basis.

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Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

### Current and Deferred Tax Balances

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Current tax assets and liabilities** | | |
| Current tax receivable | 591 | 310 |
| Current tax payable | (1,747) | (3,192) |
| **Deferred tax balances** | | |
| Deferred tax assets comprise: | | |
| Provisions | 1,987 | 2,136 |
| Inventory | 1,172 | 1,524 |
| Property, plant and equipment | 10,110 | 5,988 |
| Carry forward tax losses in subsidiary companies | 9,449 | 15,418 |
| Other | (472) | (1,522) |
| | 22,246 | 23,544 |
| Deferred tax liabilities comprise: | | |
| Intangible assets | - | (104) |
| | - | (104) |
| Net deferred tax balances | 22,246 | 23,440 |

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| ***Unrecognised deferred tax assets:*** | | |
| The following have not been brought to account as assets: | | |
| Temporary differences relating to the translation of investments in subsidiary undertakings | 6,685 | 6,978 |
| Deferred Tax Assets in respect of unrecognised tax losses | - | 6,531 |
| Deferred Tax Assets in respect of unrecognised provisions | - | 86 |

**Relevance of tax consolidation to the Group**

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. The Company and its wholly-owned Australian resident entities are eligible to consolidate for tax purposes under this legislation and have elected to be taxed as a single entity from 1 July 2003. The head entity in the tax consolidated group for the purposes of the tax consolidation system is Imdex Limited.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences in the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within Group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated Group, amounts are recognised as payable to or receivable by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax- consolidated Group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax-consolidated Group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credit in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

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**Nature of tax funding arrangements and tax sharing agreements**

Entities within the tax-consolidated Group have entered into a tax funding and a tax-sharing agreement with the head entity. Under the terms of this agreement, Imdex Limited and each of the entities in the tax consolidated Group has agreed to pay a tax equivalent payment to or from the head entity, based on the net accounting profit or loss of the entity and the current tax rate. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated Group.

The tax sharing agreement entered into between members of the tax consolidated Group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax consolidated Group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax consolidated Group is limited to the amount payable by the head entity under the tax funding arrangement.

The amount of contribution or distribution relating to tax consolidation in the current and prior year amounted to nil.

**Significant accounting estimates and assumptions**

A net deferred tax asset of $22.2m has been recognised on the face of the Consolidated Statement of Financial Position. The largest component of this asset is the future tax benefit available to the group in respect of unused tax losses incurred of $9.4m, primarily in relation to Australia, given the high level of non-recurring costs expensed in this and other jurisdictions in the current and prior year. This tax benefit will be realised over the coming years when future taxable profits are available against which the unused tax losses can be utilised. This net asset has been raised as it is considered more likely than not that it will be realised due to trading and/or sale of assets. In making this assessment of likelihood, a forward looking estimation of cash flows and the likelihood of business success needs to be made. A forward looking estimation of this nature is inherently uncertain.

As part of the process for preparing the Group's financial statements, management is required to calculate income tax accruals. This process involves estimating the current tax exposures together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in the Consolidated Statement of Financial Position.

While the Group aims to ensure the accruals for its tax liabilities are accurate, the process of agreeing tax liabilities with the relevant tax authorities can take time. Management estimate is therefore required in determining the provision for income tax and the recognition of deferred tax assets and liabilities and therefore the actual tax liabilities could differ from the amounts accrued.

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## 5.2 Parent Entity & Subsidiary information

The ultimate parent entity in the Group is Imdex Limited, a company incorporated in Western Australia.

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.

| Financial Position | 30 June 2018 $'000 | 30 June 2017 $'000 |
|---|---|---|
| **Assets** | | |
| Current Assets | 5,113 | 10,440 |
| Non Current Assets | 10,114 | 58,163 |
| Total Assets | 15,227 | 68,603 |
| **Liabilities** | | |
| Current Liabilities | 6,083 | 14,032 |
| Non Current Liabilities | 29,913 | 12,707 |
| Total Liabilities | 35,996 | 26,739 |
| **Net Assets** | (20,769) | 41,864 |
| **Equity** | | |
| Issued Capital | 151,969 | 149,690 |
| Employee Equity-Settled Benefits Reserve | 8,058 | 6,596 |
| Foreign Currency Translation Reserve | (1,695) | (1,695) |
| Accumulated Losses | (179,101) | (112,727) |
| **Total Equity** | (20,769) | 41,864 |

| Financial Performance | Year Ended 30 June 2018 $'000 | Year Ended 30 June 2017 $'000 |
|---|---|---|
| Loss for the year | (66,374) | (64,100) |
| Other comprehensive income, net of income tax | - | - |
| Total comprehensive loss | (66,374) | (64,100) |
| Retained Earnings at the beginning of the financial year | (112,727) | (49,589) |
| Loss for the year | (66,374) | (64,100) |
| Amounts transferred from reserves | - | - |
| Dividend received | - | 962 |
| Retained Earnings at the end of the financial year | (179,101) | (112,727) |

The loss for the year and associated decrease in total assets is primarily due to the write off of intercompany loans and investments which have no impact on the consolidated Group as a whole.

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| | 30 June 2018 $'000 | 30 June 2017 $'000 |
|---|---|---|
| Guarantee provided under the deed of cross guarantee | 43,433 | 52,231 |
| **Commitments for the acquisition of property, plant and equipment by the parent entity** | | |
| **Plant and equipment** | | |
| Within one year | 174 | - |
| Between one and five years | - | - |
| Later than five years | - | - |
| | 174 | - |

### Subsidiaries

| | Notes | Country of Incorporation | Ownership Interest 2018 % | Ownership Interest 2017 % |
|---|---|---|---|---|
| **Parent Entity** | | | | |
| Imdex Limited | (i),(ii),(iii) | Australia | | |
| **Controlled Entities** | | | | |
| Australian Mud Company Pty Ltd | (ii),(iii) | Australia | 100 | 100 |
| Samchem Drilling Fluids & Chemicals (Pty) Ltd | | South Africa | 100 | 100 |
| Imdex International Pty Ltd | (ii),(iii) | Australia | 100 | 100 |
| Imdex Sweden AB | | Sweden | 100 | 100 |
| Reflex Instruments Asia Pacific Pty Ltd | (ii),(iii) | Australia | 100 | 100 |
| Reflex Instrument AB | | Sweden | 100 | 100 |
| Reflex Instrument North America | | Canada | 100 | 100 |
| Reflex Instrument South America Ltda | | Chile | 100 | 100 |
| Reflex Instruments Europe Ltd | | United Kingdom | 100 | 100 |
| AMC Europe GmbH | | Germany | 100 | 100 |
| Drillhole Surveying Instruments (Pty) Ltd | (vii) | South Africa | - | 100 |
| Flexit Australia Pty Ltd | (ii) | Australia | 100 | 100 |
| AMC North America Ltd | | Canada | 100 | 100 |
| Imdex South America S.A. | | Chile | 100 | 100 |
| AMC Chile S.A. | | Chile | 100 | 100 |
| Wildcat Chemicals Australia Pty Ltd | (ii),(iii), (iv) | Australia | - | 100 |
| Reflex Technology International Pty Ltd | (ii),(iii) | Australia | 100 | 100 |
| AMC Reflex Argentina S.A. | | Argentina | 100 | 100 |
| AMC Reflex Peru S.A.C. | | Peru | 100 | 100 |
| Reflex Do Brasil Serviços Para Mineração Ltda | | Brazil | 100 | 100 |
| AMC Drilling Fluids Pvt Limited | | India | 100 | 100 |
| Imdex Nominees Pty Ltd | (ii) | Australia | 100 | 100 |
| Australian Drilling Specialties Pty Ltd | (ii), (v) | Australia | - | 100 |
| Imdex USA Inc | | United States of America | 100 | 100 |
| Imdex Technologies USA LLC | | United States of America | 100 | 100 |
| AMC USA LLC | | United States of America | 100 | 100 |
| Reflex USA LLC | | United States of America | 100 | 100 |
| AMC Oilfield Services Pte Ltd | | Singapore | 100 | 100 |
| System Mud Industria e Comercio Ltda | | Brazil | 100 | 100 |
| Imdex Global Coöperatie U.A | | Netherlands | 100 | 100 |
| Imdex Global B.V. | | Netherlands | 100 | 100 |
| AMC Oil & Gas International Limited BVI | | British Virgin Islands | 100 | 100 |
| AMC Drilling Fluids & Products - Mexico S. de RL de C.V. Mexico | | Mexico | 100 | 100 |
| AMCREFLEX CIA LTDA | (vi) | Ecuador | 100 | - |

(i) Imdex Limited is the ultimate parent company and is the head entity within the tax consolidated group.
(ii) These companies are part of the Australian tax consolidated group.
(iii) These wholly-owned subsidiaries have entered into a deed of cross guarantee with Imdex Limited pursuant to ASIC Class Order 98/1418
(iv) This entity was sold effective 31 December 2017
(v) This entity was deregistered on 28 January 2018
(vi) This entity was incorporated 23 October 2017
(vii) This entity was liquidated on 21 July 2017

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**The consolidated income statement of the entities which are party to the deed of cross guarantee are:**

| **Income Statement** | **2018 $'000** | **2017 $'000** |
|---|---|---|
| **CONTINUING OPERATIONS** | | |
| Revenue from sale of goods and operating lease rental | 87,403 | 74,159 |
| Other revenue from operations | 611 | 344 |
| **Total revenue** | 88,014 | 74,503 |
| | | |
| Foreign exchange gain / (loss) | 178 | (1,312) |
| | | |
| Raw materials and consumables used | (35,814) | (30,683) |
| Employee benefit expenses | (31,217) | (27,041) |
| Depreciation and amortisation expense | (7,787) | (6,556) |
| Write back / (down) of intercompany loans | 61,149 | 31,995 |
| Write off investments | (58,924) | (45,152) |
| Finance costs | (928) | (16,489) |
| Auditors and accounting fees | (306) | (344) |
| Commissions | (625) | (780) |
| Consultancy fees | (1,502) | (1,150) |
| Legal and professional expenses | (3,591) | (4,998) |
| Rent and premises costs | (3,028) | (3,076) |
| Travel and accommodation | (1,829) | (1,201) |
| Motor vehicle costs | (498) | (477) |
| Research and Development costs | (1,107) | (994) |
| Other expenses | (6,763) | (2,730) |
| **Loss before income tax expense** | (4,578) | (36,485) |
| Income tax benefit | (5,476) | 1,053 |
| **Loss for the year from coninuing operations** | (10,054) | (35,432) |
| | | |
| **Discontinued operations** | | |
| Loss for the period from discontinued operations | - | (2,345) |
| | | |
| **Loss for the period** | (10,054) | (37,777) |

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**The consolidated statement of financial position of the entities which are party to the deed of cross guarantee are:**

| **Balance Sheet** | **2018 $'000** | **2017 $'000** |
|---|---|---|
| **Current Assets** | | |
| Cash and Cash Equivalents | 6,916 | 12,446 |
| Trade and Other Receivables | 11,801 | 17,609 |
| Inventories | 14,371 | 12,247 |
| Other | 496 | 334 |
| **Total Current Assets** | 33,584 | 42,636 |
| | | |
| **Non Current Assets** | | |
| Other Financial Assets | 63,174 | 67,269 |
| Property, Plant and Equipment | 9,327 | 6,384 |
| Other Intangible Assets | 4,171 | 87 |
| Deferred Tax Assets | 5,219 | 14,210 |
| **Total Non Current Assets** | 81,891 | 87,950 |
| **Total Assets** | 115,475 | 130,586 |
| | | |
| **Current Liabilities** | | |
| Trade and Other Payables | 26,772 | 29,020 |
| Other Financial Liabilities | 6,408 | 9,674 |
| Borrowings | 128 | 4,460 |
| Provisions | 3,957 | 6,230 |
| **Total Current Liabilities** | 37,265 | 49,384 |
| | | |
| **Non Current Liabilities** | | |
| Borrowings | 5,947 | 2,685 |
| Provisions | 221 | 162 |
| **Total Non Current Liabilities** | 6,168 | 2,847 |
| **Total Liabilities** | 43,433 | 52,231 |
| **Net Assets** | 72,042 | 78,355 |
| | | |
| **Equity** | | |
| Contributed Capital | 151,934 | 149,655 |
| Employee Equity-Settled Benefits Reserve | 8,156 | 6,694 |
| Foreign Currency Translation Reserve | 7,242 | 7,242 |
| Retained Earnings (i) | (95,290) | (85,236) |
| **Total Equity** | 72,042 | 78,355 |
| | | |
| (i) Retained Earnings at the beginning of the financial year | (85,236) | (51,092) |
| Net Loss | (10,558) | (37,777) |
| Dividends (Paid) / Received | 504 | 3,633 |
| Retained Earnings at the end of the financial year | (95,290) | (85,236) |

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## 5.3 Reserves

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Imdex Limited, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment

On consolidation, the assets and liabilities of the Group's foreign operations are translated into Australian dollars at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after the date of transition to A-IFRS are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date. Goodwill arising on acquisitions before the date of transition to A-IFRS is treated as an Australian dollar denominated asset.

Equity-settled performance rights with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by the use of the Black-Scholes Model, Binomial Tree Method or Monte-Carlo Simulation as appropriate. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the performance right is expensed over the vesting period, based on the Group's estimate of shares that will eventually vest.

At each reporting date, the Group revises its estimate of the number of performance rights expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the employee equity-settled benefits reserve.

**Consultant's Options**

In 2014, 900,000 options were issued to Atrico Pty Ltd (Atrico) as remuneration for acting as advisors for the Group. These options were approved at the 2014 Annual General Meeting and expired during the current financial year. Mr Gustavino, appointed as a Director of the Group on 3 July 2015, is also a Partner in Atrico. No options were issued or held in the prior or current period.

**Performance Rights Plan**

At the Imdex Limited Annual General Meeting on 15 October 2009 the Shareholders approved the formation of a Performance Rights Plan (PRP or Plan) and subsequently renewed at the Annual General Meeting on 18 October 2012 and 20 November 2015. The Plan allows for the issue of performance rights to employees from time to time. The quantum of performance rights granted to employees is at the discretion of the Directors and is generally based on seniority and level of contribution to the strategic goals of Imdex Limited. A performance right is the right to receive one fully paid Imdex Limited ordinary share for nil consideration should set hurdles be achieved and tenure of employment be maintained. The hurdles are set by the Directors when performance rights are issued and are generally linked to the achievement of financial or other strategic goals of Imdex Limited.

The value of the Managing Director's performance rights was higher than other performance rights issued at this time due to the increase in the Imdex share price between 1 July 2016 and the date of the AGM.

**Performance rights granted in the current year**

***Staff Performance Rights***

4,573,867 performance rights were issued to employees (Level 5 and above) in July 2017. Upon successful achievement of the below hurdles, allotment of these performance rights will be in September 2020 (once the 2020 financial year independent audit report is signed).

The performance rights are subject to a number of hurdles: a market based vesting condition in Total Shareholder Return (TSR), a non-market based vesting condition in Earnings Per Share (EPS) and Employment Tenure (Tenure Rights). In the case of the TSR and the EPS hurdles, Imdex Limited's performance will be measured against the TSR and EPS of a peer group consisting of the ASX Resources Index over the 3 year measurement period (2018 to 2020 financial year).

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The specified conditions for performance rights relating to each employee level are:

| Employee Level | Specified Conditions |
|---|---|
| 5 and 6 | 75% based on EPS and TSR, 25% based on employment tenure |
| 7 and 8 | 100% based on EPS and TSR |

Exercise of the performance rights at the end of the 3-year period (30 June 2020) will commence when the Company's performance (as calculated by the Performance Measures) is at 50% and above of the Peer Group performance. At 50%, the allocation will be 33% of the total entitlement. This entitlement increases on a linear scale and achieves 100% entitlement when the Company's performance is at the 90th percentile against the Peer Group.

The fair value of a market performance right (TSR) at grant date was $0.65 per right. The expected total cost of the estimated 1,813,239 fully paid ordinary shares to be issued in Imdex Limited will therefore be $1,178,605. This value will be expensed over the vesting period from July 2017 to June 2020, with $392,868 expensed in the current year.

The fair value of a non-market performance right (EPS) at grant date was $0.91 per right. For the purposes of the 2018 financial statements, the Directors have made an estimate that out of the 1,813,239 non-market performance rights issued, 50% will meet the required hurdles and will result in 906,620 fully paid Imdex Limited shares being issued. The expected total cost of the estimated 906,620 fully paid ordinary shares to be issued in Imdex Limited will therefore be $825,024. This value will be expensed over the vesting period from July 2017 to June 2020, with $275,008 expensed in the current year.

The fair value of a tenure right at grant date was $0.91 per right. For the purposes of the 2018 financial statements, the Directors have made an estimate that out of the 680,084 non-market performance rights issued, 75% will meet the required hurdles and will result in 510,063 fully paid Imdex Limited shares being issued. The expected total cost of the estimated 510,063 fully paid ordinary shares to be issued in Imdex Limited will therefore be $464,157. This value will be expensed over the vesting period from July 2017 to June 2020, with $154,719 expensed in the current year.

***Managing Director's Performance Rights***

643,762 performance rights were granted to the Managing Director on 19 October 2017 following approval by the shareholders at the Annual General Meeting. Upon successful achievement of the below hurdles, allotment of these performance rights will be in August 2020 (once the 2020 financial year independent audit report is signed).

The Managing Director is subject to two hurdles each with equal weighting; a market based vesting condition in Total Shareholder Return (TSR) and a non-market based vesting condition in Earnings Per Share (EPS). In each case the TSR and the EPS of Imdex Limited will be measured against the TSR and EPS of a peer group consisting of the ASX Resources Index over the 3 year measurement period (2018 to 2020 financial year).

Exercise of the performance rights at the end of the 3-year period (30 June 2020) will commence when the Company's performance (as calculated by the Performance Measures) is at 50% and above of the Peer Group performance. At 50%, the allocation will be 33% of the total entitlement. This entitlement increases on a linear scale and achieves 100% entitlement when the Company's performance is at the 90th percentile against the Peer Group.

The fair value of a market performance right (TSR) at grant date was $0.64 per right. The expected total cost of the estimated 321,881 fully paid ordinary shares to be issued in Imdex Limited will therefore be $206,004. This value will be expensed over the vesting period from November 2017 to June 2020, with $46,517 expensed in the current year.

The fair value of a non-market performance right (EPS) at grant date was $0.90 per right. For the purposes of the 2018 financial statements, the Directors have made an estimate that out of the 321,881 non-market performance rights issued, 50% will meet the required hurdles and will result in 160,940 fully paid Imdex Limited shares being issued. The expected total cost of the estimated 160,940 fully paid ordinary shares to be issued in Imdex Limited will therefore be $144,525. This value will be expensed over the vesting period from November 2017 to June 2020, with $32,635 expensed in the current year.

**Performance rights granted in the prior year**

***Staff Performance Rights***

10,731,319 performance rights were issued to employees (Level 5 and above) in July 2016. Upon successful achievement of the below hurdles, allotment of these performance rights will be in September 2019 (once the 2019 financial year independent audit report is signed).

The performance rights are subject to a number of hurdles: a market based vesting condition in Total Shareholder Return (TSR), a non-market based vesting condition in Earnings Per Share (EPS) and Employment Tenure (Tenure Rights). In the case of the TSR and the EPS hurdles, Imdex Limited's performance will be measured against the TSR and EPS of a peer group consisting of the ASX Resources Index over the 3 year measurement period (2017 to 2019 financial year).

# IMDEX LIMITED

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## OTHER

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The specified conditions for performance rights relating to each employee level are:

| Employee Level | Specified Conditions |
|---|---|
| 5 and 6 | 75% based on EPS and TSR, 25% based on employment tenure |
| 7 and 8 | 100% based on EPS and TSR |

Exercise of the performance rights at the end of the 3-year period (30 June 2019) will commence when the Company's performance (as calculated by the Performance Measures) is at 50% and above of the Peer Group performance. At 50%, the allocation will be 33% of the total entitlement. This entitlement increases on a linear scale and achieves 100% entitlement when the Company's performance is at the 90th percentile against the Peer Group.

The fair value of a market performance right (TSR) at grant date was $0.14 per right. The expected total cost of the estimated 4,359,911 fully paid ordinary shares to be issued in Imdex Limited will therefore be $610,388. This value will be expensed over the vesting period from July 2016 to June 2019, with $203,462 expensed in the current year.

The fair value of a non-market performance right (EPS) at grant date was $0.20 per right. For the purposes of the 2017 financial statements, the Directors have made an estimate that out of the 4,359,911 non-market performance rights issued, 50% will meet the required hurdles and will result in 2,179,955 fully paid Imdex Limited shares being issued. The expected total cost of the estimated 2,179,955 fully paid ordinary shares to be issued in Imdex Limited will therefore be $444,711. This value will be expensed over the vesting period from July 2016 to June 2019, with $148,237 expensed in the current year.

The fair value of a tenure right at grant date was $0.20 per right. For the purposes of the 2017 financial statements, the Directors have made an estimate that out of the 1,835,027 non-market performance rights issued, 75% will meet the required hurdles and will result in 1,376,270 fully paid Imdex Limited shares being issued. The expected total cost of the estimated 1,376,270 fully paid ordinary shares to be issued in Imdex Limited will therefore be $280,759. This value will be expensed over the vesting period from July 2016 to June 2019, with $93,586 expensed in the current year.

***Managing Director's Performance Rights***

2,268,946 performance rights were granted to the Managing Director on 25 November 2016 following approval by the shareholders at the Annual General Meeting. Upon successful achievement of the below hurdles, allotment of these performance rights will be in August 2019 (once the 2018 financial year independent audit report is signed).

The Managing Director is subject to two hurdles each with equal weighting; a market based vesting condition in Total Shareholder Return (TSR) and a non-market based vesting condition in Earnings Per Share (EPS). In each case the TSR and the EPS of Imdex Limited will be measured against the TSR and EPS of a peer group consisting of the ASX Resources Index over the 3 year measurement period (2017 to 2019 financial year).

Exercise of the performance rights at the end of the 3-year period (30 June 2019) will commence when the Company's performance (as calculated by the Performance Measures) is at 50% and above of the Peer Group performance. At 50%, the allocation will be 33% of the total entitlement. This entitlement increases on a linear scale and achieves 100% entitlement when the Company's performance is at the 90th percentile against the Peer Group.

The fair value of a market performance right (TSR) at grant date was $0.50 per right. The expected total cost of the estimated 1,134,473 fully paid ordinary shares to be issued in Imdex Limited will therefore be $564,741. This value will be expensed over the vesting period from November 2016 to June 2019, with $188,247 expensed in the current year.

The fair value of a non-market performance right (EPS) at grant date was $0.52 per right. For the purposes of the 2017 financial statements, the Directors have made an estimate that out of the 1,134,473 non-market performance rights issued, 50% will meet the required hurdles and will result in 567,236 fully paid Imdex Limited shares being issued. The expected total cost of the estimated 567,236 fully paid ordinary shares to be issued in Imdex Limited will therefore be $292,694. This value will be expensed over the vesting period from November 2016 to June 2019, with $56,913 expensed in the current year.

# IMDEX LIMITED

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| 2018 | Grant Date | Expiry Date | Exercise Price $ | Market Value at Grant Date $ | Estimated Number of Performance Rights | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Opening balance | Granted | Satisfied by the allocation/ allotment of shares | Expired ^ | Closing balance |
| Tranche 13 ^^ | 1-Jul-14 | Oct-18 | - | 0.600 | 51,244 | - | (51,244) | - | - |
| Tranche 14 | 1-Jul-14 | Jul-17 | - | 0.600 | 2,598,773 | - | (466,370) | (2,132,403) | - |
| MD Tranche | 16-Oct-14 | Jul-17 | - | 0.630 | 723,226 | - | - | (723,226) | - |
| Tranche 17 | 1-Jul-15 | Jul-18 | - | 0.285 | 6,025,059 | - | - | - | 6,025,059 |
| MD Tranche | 20-Nov-15 | Jul-18 | - | 0.235 | 1,558,468 | - | - | - | 1,558,468 |
| Tranche 18 | 1-Jul-16 | Jul-19 | - | 0.220 | 10,554,848 | - | - | (728,771) | 9,826,077 |
| MD Tranche | 25-Nov-16 | Jul-19 | - | 0.620 | 2,268,946 | - | - | - | 2,268,946 |
| Tranche 19 | 1-Jul-17 | Jul-20 | - | 0.740 | - | 4,573,867 | - | (267,304) | 4,306,563 |
| MD Tranche | 19-Oct-17 | Jul-20 | - | 0.965 | - | 643,762 | - | - | 643,762 |

| 2017 | Grant Date | Expiry Date | Exercise Price $ | Market Value at Grant Date $ | Estimated Number of Performance Rights | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Opening balance | Granted | Satisfied by the allocation/ allotment of shares | Expired ^ | Closing balance |
| Tranche 7 | 5-Sep-11 | Aug-15 | - | 2.100 | 18,750 | - | (18,750) | - | - |
| Tranche 12 | 1-Jul-14 | Oct-18 | - | 0.600 | 200,000 | - | (200,000) | - | - |
| Tranche 13 | 1-Jul-14 | Oct-18 | - | 0.600 | 102,487 | - | (51,243) | - | 51,244 |
| Tranche 14 | 1-Jul-14 | Jul-17 | - | 0.600 | 3,608,010 | - | - | (1,009,237) | 2,598,773 |
| MD Tranche | 16-Oct-14 | Jul-17 | - | 0.630 | 723,226 | - | - | - | 723,226 |
| Tranche 17 | 1-Jul-15 | Jul-18 | - | 0.285 | 6,694,400 | - | - | (669,341) | 6,025,059 |
| MD Tranche | 20-Nov-15 | Jul-18 | - | 0.235 | 1,558,468 | - | - | - | 1,558,468 |
| Tranche 18 | 1-Jul-16 | Jul-19 | - | 0.220 | - | 10,731,319 | - | (176,471) | 10,554,848 |
| MD Tranche | 25-Nov-16 | Jul-19 | - | 0.620 | - | 2,268,946 | - | - | 2,268,946 |

^ - Performance rights expire either on failure to maintain employment tenure or on failure to satisfy performance hurdles. Reinstatements occur from time to time to correct historical errors when noted.
^^ - Allocated as part of a qualifying redundancy provisions to ex Oil & Gas employees.

***Significant accounting estimates and assumptions***

Share-based payments recorded for the performance rights are subject to estimation as they are calculated using the Black-Scholes option pricing, Binomial Tree Method or Monte-Carlo Simulation model, as appropriate, which is based on significant assumptions such as volatility, dividend yield, expected term and forfeiture rate.

## 5.4 Contingent Assets & Liabilities

The Group is party to legal proceedings and claims which arise in the normal course of business. Any liabilities may be mitigated by legal defences, insurance, and third party indemnities. Unless recognised as a provision (refer Note 4.6), management do not consider it to be probable that they will require settlement at the Group's expense.

As disclosed to the market previously, Australian Mud Company (AMC) and Imdex remain entitled to payment of legal costs by Coretell Pty Limited (Coretell). AMC and Imdex have taken steps to enforce payment of its costs and are creditors in the liquidation of Coretell.

**(i) Contingent Liabilities**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non- occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

**(ii) Contingent Assets**

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non- occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

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## OTHER

### 5.5 Key Management Personnel Compensation

The aggregate compensation of the Key Management Personnel of the Group and the Company is set out below:

| | 2018 $ | 2017 $ |
|---|---|---|
| Short-term employee benefits | 3,567,308 | 3,933,649 |
| Post-employment benefits | 147,979 | 146,106 |
| Other long-term benefits | 30,989 | - |
| Termination benefits | - | 30,360 |
| Share-based payments | 1,190,852 | 693,558 |
| | 4,937,128 | 4,803,673 |

### 5.6 Related party transactions

The Group receives revenue from VES relating to work performed on the research and development and repairs of target tools. Services to VES are provided on normal commercial terms and conditions.

| | 2018 $ | 2017 $ |
|---|---|---|
| Profit from ordinary activities before income tax includes the following items of income | | |
| Recharge Revenue from VES | 201,989 | 47,755 |

As at 30 June 2018, VES owed the Group $6,875 (2017: nil).

**Other Transactions with Key Management Personnel (and their related parties) of Imdex Limited**

(a) Mr K A Dundo was a Partner of the legal firm HopgoodGanim up to 30 June 2017, and since that time has not been a partner of HopgoodGanim. The legal services provided by HopgoodGanim to Imdex Group in the prior year were on normal commercial terms and conditions for the period Mr Dundo was a Director.

| | 2018 $ | 2017 $ |
|---|---|---|
| Profit from ordinary activities before income tax includes the following items of income and expenses relating to transactions, other than compensation, with Directors or their related entities: | | |
| Legal services expense | - | 198,375 |

(b) Mr I Gustavino is a Partner of the consulting company Atrico Pty Ltd, that provided consulting services to the Imdex Group on normal commercial terms and conditions.

| Transactions with Directors | 2018 $ | 2017 $ |
|---|---|---|
| Profit from ordinary activities before income tax includes the following items | | |
| Consultancy expense | 61,200 | 61,400 |

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### 5.7 Auditor Remuneration

During the year, the following fees were paid or were payable for services provided by the auditor of the parent entity and its related practices:

| | 2018 $ | 2017 $ |
|---|---|---|
| **Deloitte Touche Tohmatsu (Australia)** | | |
| Audit or review of the financial report | 279,500 | 271,000 |
| Other audit related services | 12,300 | 11,800 |
| Taxation services - mainly compliance work, transfer pricing and global restructuring advice | - | 30,511 |
| Other non-audit services | 91,562 | 18,000 |
| | 383,362 | 331,311 |
| **Deloitte Touche Tohmatsu (overseas affiliates)** | | |
| Audit or review of the financial report | 66,741 | 47,800 |
| Taxation services - mainly compliance work, transfer pricing and global restructuring advice | 225,479 | 86,714 |
| | 292,220 | 134,514 |

### 5.8 Subsequent Events

There have been no matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

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# Independent Auditor's Report to the Members of Imdex Limited

**Report on the Audit of the Financial Report**

*Opinion*

We have audited the financial report of Imdex Limited **(**the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Member of Deloitte Touche Tohmatsu Limited

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| Key Audit Matter | How the scope of our audit responded to the Key Audit Matter |
|---|---|
| **Appropriateness of deferred tax assets related to carry forward losses**<br><br>As disclosed in Note 5.1 to the financial statements, the carrying value of the Group's net deferred tax asset as at 30 June 2018 was $22.2 million, inclusive of $9.4 million of carry forward tax losses, of which the majority relate to Australia ($6.3 million).<br><br>Assessing the appropriateness of carry forward tax losses recognised requires management to forecast future taxable income and estimate the extent to which these tax losses will be utilised, including:<br><br>• assessing management's forecasted taxable income and the expected utilisation of the recognised tax losses over the forecast period; and<br>• assessing managements calculations for the build-up of the deferred tax assets, specifically those previously unrecognised carry forward losses, which were brought to account in the current year. | Our audit procedures included, but were not limited to:<br><br>• evaluating the process management has in place to estimate the recoverable amount of carry forward tax losses and confirming the availability of tax losses;<br><br>• evaluating management's forecast of future taxable income in Australia through assessing the key underlying assumptions such as future taxable income against historic performance and where appropriate external industry data;<br><br>• reviewing management's forecast of taxable income for consistency with the latest board approved budget, and forecasts prepared for the purposes of assessing the recoverable value of the Group's Cash Generating Units (CGUs);<br><br>• applying sensitivities to the forecasted future taxable income;<br><br>• Considering the effect of business changes on the jurisdiction in which the taxable income will be generated; and<br><br>• Assessing the appropriateness of the disclosures in note 5.1 to the financial statements. |

*Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Company's or Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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*Responsibilities of the Directors for the Financial Report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 2 to 15 of the Director's Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Imdex Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

**DELOITTE TOUCHE TOHMATSU**

**D K Andrews**
Partner
Chartered Accountants
Perth, 17 August 2018

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The Board of Directors
Imdex Limited
216 Balcatta Road
Balcatta WA 6021

17 August 2018

Dear Board Members

**Imdex Limited**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Imdex Limited.

As lead audit partner for the audit of the financial statements of Imdex Limited for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

**DELOITTE TOUCHE TOHMATSU**

**D K Andrews**
Partner
Chartered Accountants

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Member of Deloitte Touche Tohmatsu Limited

# IMDEX LIMITED

*and its controlled entities*

## ADDITIONAL SECURITIES EXCHANGE INFORMATION AS AT 15 AUGUST 2018

**(a) Distribution of Shareholders**

| | Number of Fully Paid Ordinary Shareholders | Number of Performance Rights Holders |
|---|---|---|
| 1 – 1,000 | 664 | - |
| 1,001 – 5,000 | 1,004 | - |
| 5,001 – 10,000 | 577 | - |
| 10,001 – 100,000 | 812 | 23 |
| 100,001 – and over | 129 | 40 |
| | 3,186 | 63 |
| Holding less than a marketable parcel | 248 | - |

**(b) Substantial Shareholders**

| Ordinary Shareholders | Fully Paid | |
|---|---|---|
| | Number | Percentage |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 103,416,440 | 27.98% |
| J P MORGAN NOMINEES AUSTRALIA LIMITED | 61,318,670 | 16.59% |
| CITICORP NOMINEES PTY LIMITED | 28,857,483 | 7.81% |
| NATIONAL NOMINEES LIMITED | 22,250,711 | 6.02% |

**(c) Twenty Largest Holders of Quoted Equity Securities**

| Ordinary Shareholders | Fully Paid | |
|---|---|---|
| | Number | Percentage |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 103,416,440 | 27.98% |
| J P MORGAN NOMINEES AUSTRALIA LIMITED | 61,318,670 | 16.59% |
| CITICORP NOMINEES PTY LIMITED | 28,857,483 | 7.81% |
| NATIONAL NOMINEES LIMITED | 22,250,711 | 6.02% |
| CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C> | 18,066,097 | 4.89% |
| BNP PARIBAS NOMS PTY LTD <DRP> | 15,075,268 | 4.08% |
| BNP PARIBAS NOMINEES PTY LTD <BNPP SEC CORP SEG ACC DRP> | 14,542,303 | 3.93% |
| BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C> | 11,990,307 | 3.24% |
| MR RICHARD HILL <ICENA ACCOUNT> | 5,350,000 | 1.45% |
| SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA A/C> | 4,948,516 | 1.34% |
| NATIONAL NOMINEES LIMITED <DB A/C> | 4,518,819 | 1.22% |
| BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C> | 3,964,005 | 1.07% |
| AMP LIFE LIMITED | 2,974,991 | 0.80% |
| TELIC ALCATEL (AUSTRALIA) PTY LTD <MIDDENDORP DIRECTORS SF A/C> | 1,514,076 | 0.41% |
| AEW HOLDINGS PTY LTD <AEW CAPITAL A/C> | 1,500,000 | 0.41% |
| UBS NOMINEES PTY LTD | 1,438,035 | 0.39% |
| NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT> | 1,430,765 | 0.39% |
| AUST EXECUTOR TRUSTEES LTD <CHARITABLE FOUNDATION> | 1,344,550 | 0.36% |
| KEEBLE NOMINEES PTY LTD <RIDGEWAY SUPER FUND A/C> | 1,254,010 | 0.34% |
| CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C> | 1,044,376 | 0.28% |
| | **306,799,422** | **83.00%** |

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## ADDITIONAL SECURITIES EXCHANGE INFORMATION AS AT 15 AUGUST 2018

**(d) Director and Company Secretary Shareholdings**

| Name | Number of Shares | Number of Performance Rights |
|---|---|---|
| Mr B W Ridgeway | 2,398,052 | 4,471,176 |
| Mr A Wooles | 1,500,000 | - |
| Mr K A Dundo | 204,546 | - |
| Mr I Gustavino | 62,077 | - |
| Ms S Layman | - | - |
| Mr P A Evans | 408,164 | 1,534,441 |
| | 4,572,839 | 6,005,617 |

**(e) Company Secretary**

Mr Paul Anthony Evans

**(f) Registered Office**

216 Balcatta Road
Balcatta
Western Australia
6021
Phone: (08) 9445 4010

**(g) Share Registry**

Computershare Investor Services
Level 11
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