# IMDEX Financial Report 2019

A LEADING GLOBAL MINING-TECH COMPANY







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# IMDEX Limited
# FY19
# Financial Report


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FY19 FINANCIAL REPORT

# IMDEX LIMITED

*and its controlled entities*

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

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 2019.

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>▪ Director and Chairman since 1 July 2016<br>▪ Chair of the Remuneration and Nomination Committee<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 Director of High Peak Royalties Limited (2012 – current) and Non Executive Chairman of Bhagwan Marine Pty Ltd (2011 – current) |
| Mr. B. 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 Chartered Accountants Australia and New Zealand and Australian Institute of Company Directors<br>▪ Formerly Non Executive Director of Sino Gas & Energy Holdings Ltd (2007-September 2018) |
| Ms. S. Layman | Independent, Non Executive Director | • Engineer and Certified Practicing Accountant<br>• Director since 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. Previously Division Director – Metals & Energy Capital Division at Macquarie Bank Limited<br>• Non-Executive Director of Perseus Mining Ltd (2017 – current), Pilbara Minerals Ltd (2018 – current), Beach Energy Limited (2019 – current), and formerly a Non-Executive Director of Gascoyne Resources Limited (2017 – June 2019). |
| Mr. K. Dundo | Independent, Non Executive Director | ▪ Lawyer<br>▪ Director since 14 January 2004<br>▪ Member of the Remuneration and Nomination Committee and the Audit, Risk and Compliance Committee<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>• Director since 3 July 2015<br>• Member of the Remuneration and Nomination Committee<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) |

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

### 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** | 8 | 8 | 4 | 4 | 4 | 4 |
| **B W Ridgeway** | 8 | 8 | 4 | 4 | 4 | 4 |
| **K A Dundo** | 8 | 8 | 4 | 4 | 4 | 4 |
| **I Gustavino** | 8 | 7 | N/A | N/A | 4 | 4 |
| **S Layman** | 8 | 8 | 4 | 4 | N/A | N/A |

### Company Secretary

Mr. P. Evans

Mr. Evans, a Chartered Accountant, joined IMDEX 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 Australia and New Zealand.

### Operations Review

**Principal Activities**

IMDEX's principal activities during the 2019 financial year (FY19) included the development of cloud-connected devices and drilling optimisation products to improve the process of identifying and extracting mineral resources for drilling contractors and resource companies globally.

The Company's unique end-to-end solutions for the mining value chain integrate its leading AMC and REFLEX brands. Together they enable clients to drill faster and smarter, obtain accurate subsurface data and receive critical information in real-time.

IMDEX's solutions include: Structural Geology; In-field Geoanalysis; Driller Operable Geophysics; Drilling Optimisation; and Downhole Navigation.

**Review of Operations**

IMDEX performed well throughout FY19, achieving a 12% increase in revenue and a 23% increase in EBITDA.

The uplift in revenue was due to increased activity within the global minerals market across all regions, together with the improving quality of the Company's rental fleet, which provides additional value to clients and generally commands higher rental rates.

Drilling activity moderated early in calendar 2019, principally due to concerns regarding the global macro-economic environment which had a short-term impact on capital expenditure and exploration plans.

Despite these concerns, 4Q19 was the second strongest quarter on record for IMDEX and the Company remains confident the major and intermediate resource companies are increasing their exploration and development expenditure.

The strong EBITDA result reflected improving margins, due to market adoption of IMDEX's integrated solutions and cloud-connected technologies, on higher revenue.

As reported in the Company's 1H19 results, IMDEX is streamlining its operations for the long-term. This focus on operational efficiencies, together with its internal digital transformation program, achieved an improvement in the Company's cost base, which was particularly evident in 2H19.

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## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

IMDEX also continued to invest in its ongoing core R&D and new drilling productivity and mining technologies in line with our growth strategy.

The Company is advancing the development of its drilling productivity technologies, including COREVIBE™ and MAGHAMMER™ and its mining technologies for Drill & Blast applications, including the BLAST DOG™.

In 4Q19, IMDEX completed client trials with COREVIBE™ in New South Wales, Queensland and Western Australia. These trials were successful and replicated the 33% productivity gain achieved at IMDEX's test site in New Zealand.

The Company has now commenced pilot production of COREVIBE™ and the first units are on commercial rent.

Development of the MAGHAMMER™ at IMDEX's test site in New Zealand is also progressing well and the Company intends to commence client trials in the second half of FY20.

Given the positive development of the drilling productivity technologies, continuing successful client trials and generation of rental revenue with COREVIBE™, IMDEX anticipates exercising its Option to acquire Flexidrill in mid-December 2019.

IMDEX's development of mining technologies for Drill & Blast applications is advancing and remains on track to increase mine to mill efficiency for clients globally. Further extension into the larger adjacent mining market, has the potential to generate significant non-cyclical revenue streams.

IMDEX is conducting BLAST DOG™ trials in precious and base metals, together with bulk commodities, with global resource companies. To date, successful trials have been undertaken in Nevada in the United States and Queensland, Australia. Additional trials are planned in Chile and Australia in 1H20.

The Company continues to have strong support from industry partners including: Anglo American; Teck Resources; Orica; and METS Ignited and expects to generate revenue from the Drill & Blast technologies in 2H20.

Cash from operations improved significantly and IMDEX achieved a working capital investment ratio of 34 cents for every incremental dollar of revenue for the full year. This aligned with expectations and a similar ratio for FY20 is expected.

IMDEX's balance sheet strength improved, and the strong cash generation was reflected in the Company's net cash position, which was up 194% on the prior corresponding period. At the same time, IMDEX returned to paying dividends and continued to invest in leading technologies to drive future growth for shareholders.

**Financial Results for FY19**

- Revenue of $243.7 million, up 12% (FY18: $218.5 million)
- EBITDA of $52.3 million, up 23% (FY18: $42.4 million)
- Net profit after tax of $27.6 million, up 31% (FY18: $21.1 million)
- Operating cash flow of $35.2 million, up 121% (FY18: $15.9 million)
- Strong balance sheet – as at 30 June 2019, net assets increased by $33.9 million and net cash totaled $23.2 million

**Key operational highlights included:**

- Strengthened quality of rental fleet
- Successful client trials with COREVIBE™ in New South Wales, Queensland and Western Australia
- Commenced pilot production and achieved first COREVIBE™ units on rent in 1Q20
- Further development of MAGHAMMER™ at IMDEX's test site in New Zealand and the Company intends to commence client trials in 2H20
- Successful client trials with BLAST DOG™ in Nevada in the United States and Queensland, Australia. Additional trials are planned in Chile and Australia in 1H20
- On track to commercialise new drilling productivity and Drill & Blast technologies in 2H20
- Progressed the internal digital transformation program and achieved greater efficiencies
- Global implementation of iAuditor – a digital safety management tool to drive HSE engagement
- Global implementation of PeopleHUB – a digital human resources management system
- Improved safety performance for FY19

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

### Dividends

The following dividends have been paid by the Company or declared by the Directors since the commencement of the financial year ended 30 June 2019:

(i) fully-franked interim dividend of 0.8 cents (2018: nil) per share paid on 26 March 2019; and

(ii) fully-franked final dividend of 1.4 cents (2018: nil) per share to be paid on 15 October 2019.

### Changes in State of Affairs

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

### 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.

### Future Developments

The outlook for IMDEX is positive. Mining production levels and commodity prices are expected to support further investment in the industry:

- The major and intermediate resource companies are increasing their expenditure to replace diminishing reserves;
- The discovery of new mines requires more drilling and is likely to have longer development times;
- New discoveries are likely to be under cover and at depth; and
- Resource companies are embracing innovation and new technologies to lower costs, increase safety and achieve greater productivity.

In relation to the Junior companies, conditions have improved due to the stronger gold price and as reported by Bloomberg, there has been an increasing trend of capital raisings globally.

At a company level, IMDEX has had a positive start to FY20. The increase in activity that was evident in 4Q19 has continued and is reflected in the Company's growing instrument fleet.

Similarly, demand for IMDEX's cloud-connected devices is increasing. As at June 2019, 43% of the Company's applicable devices were actively pushing data to IMDEXHUB-IQ™, which represents a 25% uplift on the previous corresponding period.

### Key Areas of Focus and Growth Initiatives for FY20

IMDEX maintains its clear objective of delivering sustainable earnings growth for shareholders via a two-tiered strategy, which includes:

- Protecting and growing the Company's core business by enhancing technical leadership, technical integration and increasing share of wallet; and
- Further extension into the larger adjacent mining market to build our non-cyclical revenue stream.

At the same time, IMDEX is focused on growing its business from a solid base by controlling costs, maintaining professional vigilance and leveraging the Company's digital transformation.

Key elements of this strategy include: maintaining IMDEX's technical leadership; enhancing its client intimacy; and driving operational excellence.

The Company's priority projects for FY20 include commercialisation of COREVIBE™, progressing the development of MAGHAMMER™ and commercialising mining technologies for Drill & Blast applications – including BLAST DOG™.

At the same time IMDEX will continue to focus on improving its safety performance and maintaining a resilient business that can deliver sustainable and growing returns to shareholders.

### 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.

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## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

### 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 5.7 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 5.7 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.

### Auditor's Independence Declaration

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

### 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.

### Rounding Off of Amounts

The amounts contained in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) where noted ($'000) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

### 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 for the full year ended 30 June 2019. 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 2019 is dated as at 30 June 2019 and was approved by the Board of IMDEX (**Board**) on 16 August 2019. The extent to which IMDEX has complied with the ASX Recommendations during the year ended 30 June 2019, and the main corporate governance practices in place can be viewed in the Corporate Governance section on the Company website.

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### Remuneration Report (Audited)

This Remuneration Report for the year ended 30 June 2019 outlines the remuneration arrangements of the Company in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report is presented under the following sections:

1. Introduction
2. Highlights for FY19
3. Remuneration governance
4. Executive remuneration arrangements
   A. Remuneration principles and strategy
   B. Approach to setting remuneration and details of incentive plans
5. Executive remuneration outcomes for FY19 (including link to performance)
6. Executive contracts
7. Non-Executive Director remuneration arrangements
8. Additional disclosures relating to options and shares
9. Loans to key management personnel and their related parties
10. Other transactions and balances with key management personnel and their related parties

#### 1. Introduction

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

For the purposes of this report, the term "Executive" includes the Managing Director and other Senior Executives of the Company.

**Non-Executive Directors (NEDs)**

| | |
|---|---|
| Mr. A. Wooles | Chairman |
| Mr. K. Dundo | Director |
| Mr. I. Gustavino | Director |
| Ms. S. Layman | Director |

**Executive Director**

| | |
|---|---|
| Mr. B. Ridgeway | Managing Director |

**Senior Executives**

| | |
|---|---|
| Mr. P. Evans | Chief Financial Officer / Company Secretary |
| Mr. P. House | Chief Operating Officer |
| Mr. M. Regan | Chief Information and Transformation Officer |
| Ms. M. Carey[1] | General Manager – IMDEX Product Management (commenced as a KMP 1 July 2018) |
| Mr. T. Price | General Manager – IMDEX Engineering and Product Development |
| Mr. D. Loughlin | Global Business Development Director |

**Former Senior Executives**

| | |
|---|---|
| Mr. T. Giesler[1] | Global Sales Director (ceased to be a KMP 1 July 2018) |

There were no other changes to KMP after the reporting date and before the date the financial report was authorised for issue.

[1] During 2018, the Company undertook a branding relaunch in readiness for the restructuring of the Company to trade as IMDEX rather than through it's subsidiary brands, Reflex and AMC. This restructure effectively took place 1 July 2018 and as a result changes to the roles of Key Management Personnel arose. In particular:

- Included as KMP – Ms. M. Carey took on the role of General Manager – IMDEX Product Development, overseeing the product development activities of the Group.
- Removed as KMP – Mr. T. Giesler – Global Sales Director, with new responsibilities reporting into the Chief Operating Officer.

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## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

### 2. Highlights

| | |
|---|---|
| **Review of the Executive remuneration framework** | In light of the changing nature of the business and focus on continued alignment with competitive market practices, the Remuneration and Nomination Committee is currently reviewing the remuneration framework with some changes implemented in FY19 including:<br>• Introduction of STI measurement categories applied to assess financial and non-financial measures<br>• Inclusion of "vital behaviours" and safety into individual performance assessment<br>The Board will continue to ensure that the remuneration framework effectively aligns performance and reward outcomes. |
| **Base salary** | Whilst the Managing Director's base salary has continued largely unchanged for the past 6 years, in line with continued strong performance in their respective roles and market alignment to new responsibilities, three Senior Executives received an average increase of approximately 10%. |
| **Short-term incentives ("STIs")** | The FY19 performance year resulted in no STI payments for Executives as the financial gateway target (Earnings before interest, tax, depreciation and amortisation (EBITDA)) was not met. |
| **Long-term incentives ("LTIs")** | The performance measures which drive LTI vesting are the Company's total shareholder return (TSR) and earnings per share growth (EPS) relative to S&P ASX300 Resources Index companies. For the 2016 LTI (1 July 2016 to 30 June 2019), testing will be undertaken post 30 June 2019. As a guide, 74.88% may vest based on testing conducted in February 2019 using latest publicly available company data assuming TSR and EPS ranking remains unchanged to 30 June 2019. |
| **Non-Executive Directors (NEDs) remuneration** | No changes were made to NED fees in FY19 |

### 3. Remuneration governance

*Remuneration and Nomination Committee*

The Remuneration and Nomination Committee comprises three independent NEDs.

The Remuneration and Nomination Committee has delegated decision making authority for some matters related to the remuneration arrangements for NEDs and Executives, and is required to make recommendations to the Board on other matters.

Specifically, the Board approves the remuneration arrangements of the Managing Director and other Executives and all awards made under the short-term incentive (STI) and long-term incentive (LTI) plans, following recommendations from the Remuneration and Nomination Committee. The Board also sets the aggregate remuneration of NEDs, which is then subject to shareholder approval, and NED fee levels. The Remuneration and Nomination Committee approves, having regard to the recommendations made by the Managing Director, the level of the IMDEX short-term incentive (STI) pool.

The Remuneration and Nomination Committee meets regularly through the year. The Managing Director attends certain Remuneration and Nomination Committee meetings by invitation, where management input is required. The Managing Director is not present during any discussions related to his own remuneration arrangements.

Further information on the Remuneration and Nomination Committee's role, responsibilities and membership can be seen at www.imdexlimited.com

*Use of remuneration consultants*

To ensure the Remuneration and Nomination Committee is fully informed when making remuneration decisions, it seeks external remuneration advice. Remuneration consultants are engaged by, and report directly to, the Committee. In selecting remuneration consultants, the Committee considers potential conflicts of interest and requires independence from the Company's key management personnel and other Executives as part of their terms of engagement.



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During the financial year, the Remuneration and Nomination Committee engaged The Reward Practice Pty Ltd as remuneration consultants to provide remuneration services in respect to external benchmarking and general insights for Executive remuneration structures. During the period no remuneration recommendations, as defined by the Corporations Act, were provided by The Reward Practice Pty Ltd.

*Remuneration report approval at 2018 AGM*

The FY18 remuneration report received positive shareholder support at the 2018 AGM with a vote of 97% in favour.

### 4. Executive remuneration arrangements

***4A: Remuneration principles and strategy***

IMDEX's Executive remuneration strategy is designed to attract, motivate and retain high performing individuals and align the interests of Executives and shareholders.

The following diagram illustrates how the Company's remuneration strategy aligns with the strategic direction and links remuneration outcomes to performance.

**Business objective**

Providing leading mining technology to enhance the productivity and efficiency of our client's operation

**Remuneration strategy linkages to business objective**

| Align the interests of executives with shareholders | Attract, motivate and retain high performing individuals |
|---|---|
| • The remuneration framework incorporates "at-risk" components, including both short and longer term elements delivered in cash and equity.<br>• Performance is assessed against a suite of financial and non-financial measures which are linked to IMDEX's increased growth and profitability and hence shareholder value. | • The remuneration offering is competitive for companies of a similar size and complexity.<br>• Longer-term remuneration encourages retention. |

| Remuneration component | Vehicle | Purpose | Link to performance |
|---|---|---|---|
| Base salary | Comprises base salary only. | To provide competitive base salary set with reference to role, market and experience. | Company and individual performance are considered during the annual remuneration review. |
| Superannuation and other benefits | Compulsory superannuation contributions, cash and non-cash benefits. | Statutory requirement and benefits commensurate with role, market and experience. | Benefits are considered during the annual remuneration review. |
| STI | Paid in cash. | Rewards executives for their contribution to achievement of Company as well as individual key performance indicators (KPIs). | IMDEX's EBITDA is the key financial metric.<br>Linked to other internal financial and non-financial measures, market share, customer service, implementation of key growth initiatives, risk management and leadership. |
| LTI | Awards are made in the form of Performance Rights. | Rewards executives for their contribution to the creation of shareholder value over the longer term. | Vesting of awards is dependent on total shareholder return (TSR) and earnings per share (EPS) performance relative to a peer group. |

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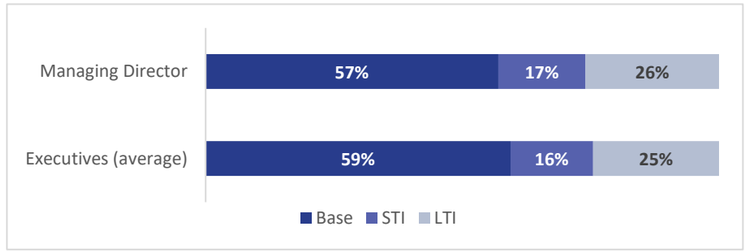
## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

***4B: Approach to setting remuneration and details of incentive plans***

In FY19, the Executive remuneration framework consisted of base salary and short and long-term incentives as outlined below.

| **Overall remuneration level and mix** | |
|---|---|
| **How is overall remuneration and mix determined?** | Remuneration levels are considered annually through a review that considers comparative market data, the performance of the Company and individual, and the broader economic environment.<br><br>The Company aims to reward Executives with a level and mix (proportion of base salary and other benefits, short term incentives and long-term incentives) of remuneration appropriate to their position, responsibilities and performance within the Company and that which is aligned with targeted market comparators.<br><br>Comparative companies are based on the following:<br>• Industry peers with similar market capitalisation<br>• Mining, equipment, technology and services (METS) companies with comparable market capitalisation<br>• Other industry companies with which IMDEX competes for talent<br><br>In FY19 remuneration benchmarking was undertaken with reference to industry peers with a comparative market capitalisation. The Company's policy is to position base salary around the 62.5 percentile of industry peers.<br><br>The chart below summarises the Managing Director's and other Senior Executives' target remuneration mix for base salary, short-term incentives (STI) and long-term incentives (LTI). The target mix is considered appropriate for IMDEX based on the Company's current and future business. |




| **Base salary and other benefits** | |
|---|---|
| **How is base salary and other benefits reviewed and approved?** | Base salary and other benefits are reviewed annually from benchmarked remuneration data. Base salary and other benefit changes for Executives are subject to approval from the Board considering recommendations from the Remuneration and Nomination Committee. |

| **Short Term Incentives** | |
|---|---|
| **What is the STI plan?** | The Company operates an annual STI program that is available to Executives and awards a cash bonus subject to the attainment of clearly defined Company and individual financial and non-financial measures.<br><br>Actual STI payments awarded to each Executive depend on the extent to which performance criteria set at the beginning of the financial year are met. |





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| **Short Term Incentives (continued)** | |
|---|---|
| **What are the performance criteria and how do they align with business performance?** | The performance criteria consist of several key performance indicators (KPIs) covering financial and non-financial, corporate and business unit measures of performance which are focussed on key performance drivers for the business. Within each KPI, stretch objectives are set.<br><br>IMDEX EBITDA is the key measure against which Management and the Board assess the short-term financial performance of the Company.<br><br>The non-financial measures in the STI plan relate to the following objectives:<br>• Improved systems and processes<br>• New product development<br>• Enhanced capability<br>• Strengthen health, safety and environment culture<br>• Quality, compliance and risk management |
| **What is the value of the STI award opportunity?** | The Managing Director has a maximum STI opportunity of 30% of base salary and Executives have a maximum STI opportunity of up to 35% of base salary if the EBITDA gateway is exceeded and all the stretch targets are met. |
| **How are STI payouts determined?** | On an annual basis, after consideration of performance against KPIs, the Board in line with their responsibilities, determine the amount (if any) of the short-term incentive to be paid to each Executive, seeking recommendations from the Managing Director as appropriate. |
| **What happens to STI awards in the event of employment cessation?** | If an Executive ceases employment before the end of the financial year, generally no STI is awarded for that year subject to overarching Board discretion. |

| **Long Term Incentive** | |
|---|---|
| **What is the LTI plan?** | Under the LTI plan, annual grants of performance rights (Rights) are made to Executives to align remuneration with creation of shareholder value over the long-term. |
| **How much can Executives earn?** | The Managing Director has a maximum LTI opportunity of 45% of base salary and Executives have a maximum LTI opportunity of up to 50% of base salary. |



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## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

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| Long Term Incentive | |
|---|---|
| **How is performance measured?** | Awards are subject to two measures, weighted equally: relative Total Shareholder Return (TSR) and relative earnings per share (EPS).<br><br>Relative TSR and relative EPS were selected as it focuses Executives on shareholder value creation and is widely understood and accepted by shareholders.<br><br>**Relative TSR and relative EPS**<br><br>TSR measures the percentage change in a company's share price, plus the value of dividends received during the period, assuming that all those dividends are reinvested into new shares. EPS is calculated as a company's profit divided by the outstanding number of its ordinary shares. The resulting number serves as an indicator of a company's profitability.<br><br>IMDEX's TSR and EPS is measured relative to a comparator group of ASX-listed companies comprising the ASX300 Resources Index. These companies were chosen as they are of similar size and reflect the Company's competitors for capital.<br><br>The TSR and EPS for IMDEX and comparator companies is measured over three financial years (e.g., 1 July 2019 to 30 June 2022 for the FY19 grant).<br><br>The proportion of Rights that may vest based on relative TSR and relative EPS performance is determined based on a combined ranking approach. The TSR for IMDEX and each company in the comparator group is measured and the companies are ranked by their TSR performance. The EPS growth for IMDEX and each company in the comparator group is calculated and the companies are ranked by their EPS growth performance. The ranking results for each company are then combined with the percentage of LTI awards that vest to participants based on IMDEX's percentile ranking against the combined results under the following vesting schedule: |

| Combined percentile ranking of IMDEX | Portion of LTI that vests |
|---|---|
| Below the 50th percentile | Nil vesting |
| At the 50th percentile | 33.33% |
| Between the 50th percentile and 90th percentile | Pro-rata |
| At or above the 90th percentile | 100% |

| | |
|---|---|
| **When is performance measured?** | The performance measures are tested at the end of the three-year performance period to determine the number of Rights that vest. There is no opportunity for re-testing. Rights will lapse if the performance measures are not met at the end of the performance period. |
| **What happens if an Executive leaves?** | Where a participant ceases employment prior to their award vesting due to resignation or termination for cause, awards will be forfeited. If not less than 18 months continued service, where a participant ceases employment due to a qualifying reason (death, total and permanent disability, retirement or redundancy), then vesting will be determined based on the amount of performance period remaining and subject to Board discretion. |
| **What happens if there is a change in control?** | In these circumstances, vesting will be determined at the discretion of the Board. |
| **Are Executives eligible for dividends?** | Executives are not eligible to receive dividends on unvested Rights. |





IMDEX LIMITED

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

### 5. Executive remuneration outcomes for FY19

**Company performance**

A summary of IMDEX's business performance as measured by a range of financial and other indicators, including disclosure required by the *Corporations Act 2001*, is outlined in the table below.

| Measure | 30 Jun 15 | 30 Jun 16 | 30 Jun 17 | 30 Jun 18 | 30 Jun 19 |
|---|---|---|---|---|---|
| Revenue ($'000) | 188,332 | 173,943 | 186,702 | 218,475 | 243,655 |
| Net profit / (loss) before tax ($'000) | (18,644) | (56,788) | 5,906 | 28,591 | 37,452 |
| Net profit / (loss) after tax ($'000) | (22,503) | (56,253) | 3,663 | 21,115 | 27,608 |
| Share price at start of year (cents) | 63.0 | 30.0 | 21.0 | 75.5 | 123.5 |
| Share price at end of year (cents) | 30.0 | 21.0 | 75.5 | 123.5 | 131.0 |
| Interim dividend (cents) – fully franked | - | - | - | - | 0.8 |
| Final dividend (cents) – fully franked | - | - | - | - | 1.4 |
| Basic earnings / (loss) per share (cents) | (10.44) | (23.11) | 1.14 | 5.73 | 7.37 |
| Diluted earnings / (loss) per share (cents) | NA | NA | 1.06 | 5.37 | 7.01 |

**Company performance and its link to short-term incentives**

The financial performance measures driving STI payment outcomes are IMDEX EBITDA. The following table shows IMDEX's EBITDA actual performance to budget target over the three financial years from 1 July 2016 to 30 June 2019.

| Financial year | EBITDA vs budget target |
|---|---|
| FY17 | Met |
| FY18 | Not met |
| FY19 | Not met |

**Performance against FY19 non-financial targets**

The table below outlines FY19 Company performance against non-financial targets.

| Objective | Achievement | Assessment |
|---|---|---|
| R&D and product development | Continued investment in R&D and Product Development combined with a Key Account Management approach to market, has yielded significant benefits and demand from drilling contractors and resource companies. We have progressed development of transformational products in the drilling optimisation market space and launched a series of next generation technologies in our core business. | On track |
| Compliance, risk and safety | A focus on Compliance, Risk and Safety management has fostered visible leadership and personal involvement at all levels and an improvement in measures such as LTIFR year on year (2.57 to 2.52). | On track |
| One IMDEX | Integrating our leading REFLEX and AMC brands has leveraged our ability to provide a customised solutions approach to our clients. We have continued to build strong collaboration and credibility in the production sector as we develop technologies to reduce our exposure to cyclical markets. | On track |
| Digital transformation | Our digital transformation program has commenced streamlining our operations with automated and integrated processes across front and back office systems. This gives us capability to deploy efficient workflows and access to an extensive knowledge base of information that exists in IMDEX. | On track |

# IMDEX LIMITED

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## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

| Objective | Achievement | Assessment |
|---|---|---|
| Capability and human resources | Continued investment in building leadership capability, revised performance and reward program, key account and sales management. These initiatives are underpinned by IMDEX Academy and Business Acumen training throughout the globe, has enhanced technical excellence and professional development for our own and customers' staff. | On track |

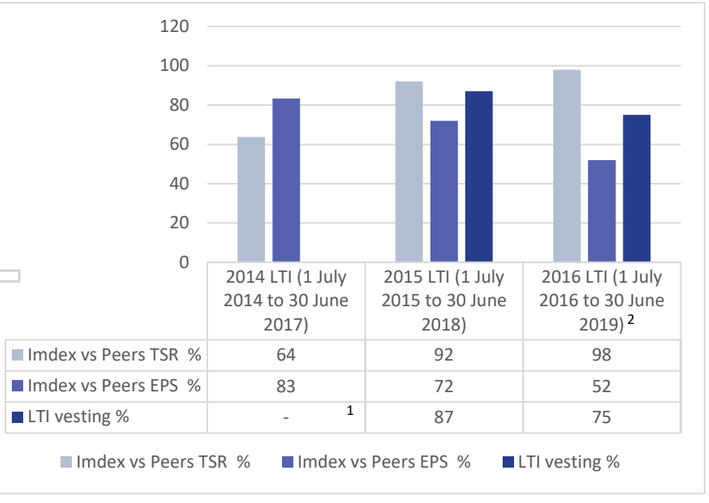
The following table outlines the proportion of maximum STI that was earned and forfeited in relation to the 2019 financial year.

| Name | Proportion of maximum STI earned in FY19 | Proportion of maximum STI forfeited in FY19 |
|---|---|---|
| Mr. B. Ridgeway | 0% | 100% |
| Mr. P. Evans | 0% | 100% |
| Mr. P. House | 0% | 100% |
| Mr. M. Regan | 0% | 100% |
| Ms. M. Carey | 0% | 100% |
| Mr. T. Price | 0% | 100% |
| Mr. D. Loughlin | 0% | 100% |

As noted in the table there were no STI payments for FY19 as the EBITDA gateway target was not met.

**Company performance and its link to long-term incentives**

The performance measure which drives LTI vesting is the Company's TSR and EPS performance relative to the companies within the ASX 300 Resources Index peer group. The chart below shows the performance of the Company as measured by the Company's three-year relative TSR and EPS compared to the peer group for each of the LTI grants vesting over the past three years.




Note

[1] 2014 LTI resulted in no vesting due to a negative EPS for IMDEX over the three-year performance period.

[2] indicative based on testing conducted in February 2019 using latest publicly available data and assuming TSR and EPS ranking remains unchanged to 30 June 2019.

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

**Statutory Executive KMP remuneration**

The following table sets out total remuneration for Executive KMP in FY19 and FY18, calculated in accordance with statutory accounting requirements.

| | Short-term benefits | | | Post-employment benefits | | Share-based payments | Termination benefits | Total | Performance related |
|---|---|---|---|---|---|---|---|---|---|
| | Cash salary $ | Bonus $ | Non-Monetary $ | Super-annuation $ | Other $ | Value of long-term incentive $ | Termination payments $ | $ | % |
| **Executive Director** | | | | | | | | | |
| **Mr. B. Ridgeway – Managing Director (i)** | | | | | | | | | |
| **FY19** | **930,730** | - | - | **25,000** | - | **694,992** | - | **1,588,488** | **44%** |
| FY18 | 930,730 | - | - | 25,000 | - | 620,221 | - | 1,591,482 | 39% |
| **Senior Executives** | | | | | | | | | |
| **Mr. P. Evans – Chief Financial Officer** | | | | | | | | | |
| **FY19** | **458,120** | - | - | **25,000** | - | **123,022** | - | **613,879** | **20%** |
| FY18 | 458,120 | - | - | 25,000 | - | 138,902 | - | 629,652 | 22% |
| **Mr. P. House – Chief Operations Officer (ii)** | | | | | | | | | |
| **FY19** | **435,000** | - | - | **25,000** | - | **73,697** | - | **533,697** | **14%** |
| FY18 | 217,856 | - | - | 16,242 | - | 35,786 | - | 269,884 | 13% |
| **Mr. M. Regan – Chief Information and Transformation Officer (iii)** | | | | | | | | | |
| **FY19** | **371,173** | - | - | **25,000** | - | **30,974** | - | **427,147** | **7%** |
| FY18 | 49,601 | - | - | 4,712 | - | - | - | 54,313 | - |
| **Ms. M. Carey – General Manager – IMDEX Product Management (iv)** | | | | | | | | | |
| **FY19** | **314,999** | - | - | **25,000** | - | **73,778** | - | **419,028** | **18%** |
| **Mr. T. Price – General Manager – IMDEX Engineering and Product Development** | | | | | | | | | |
| **FY19** | **593,651** | - | - | **23,170** | - | **144,778** | - | **788,668** | **18%** |
| FY18 | 531,714 | - | - | 21,656 | - | 142,789 | - | 722,859 | 20% |
| **Mr. D. Loughlin – Global Business Development Director** | | | | | | | | | |
| **FY19** | **469,370** | - | - | **25,000** | - | **126,057** | - | **628,351** | **20%** |
| FY18 | 469,370 | - | - | 25,000 | - | 142,339 | - | 644,537 | 22% |
| **Former Senior Executives** | | | | | | | | | |
| **Mr. T. Giesler – Global Sales Director** | | | | | | | | | |
| FY18 | 412,931 | - | - | 13,269 | - | 110,815 | - | 552,301 | 20% |
| **Total** | | | | | | | | | |
| **FY19** | **3,573,043** | - | - | **173,170** | - | **1,267,298** | - | **4,999,258** | |
| FY18 | 3,070,322 | - | - | 130,879 | - | 1,190,852 | - | 4,465,028 | |

| | Long-term benefits | | |
|---|---|---|---|
| | Other $ | Leave $ | |
| **Executive Director** | | | |
| **Mr. B. Ridgeway – Managing Director (i)** | | | |
| **FY19** | **1,000** | **(63,234)** | |
| FY18 | - | 15,531 | |
| **Senior Executives** | | | |
| **Mr. P. Evans – Chief Financial Officer** | | | |
| **FY19** | **100** | **7,637** | |
| FY18 | - | 7,630 | |
| **Mr. P. House – Chief Operations Officer (ii)** | | | |
| **FY19** | - | - | |
| FY18 | - | - | |
| **Mr. M. Regan – Chief Information and Transformation Officer (iii)** | | | |
| **FY19** | - | - | |
| FY18 | - | - | |
| **Ms. M. Carey – General Manager – IMDEX Product Management (iv)** | | | |
| **FY19** | - | **5,251** | |
| **Mr. T. Price – General Manager – IMDEX Engineering and Product Development** | | | |
| **FY19** | **27,069** | - | |
| FY18 | 26,700 | - | |
| **Mr. D. Loughlin – Global Business Development Director** | | | |
| **FY19** | **100** | **7,824** | |
| FY18 | - | 7,828 | |
| **Former Senior Executives** | | | |
| **Mr. T. Giesler – Global Sales Director** | | | |
| FY18 | 15,286 | - | |
| **Total** | | | |
| **FY19** | **28,269** | **(42,522)** | |
| FY18 | 41,986 | 30,989 | |

(i) Mr. Ridgeway utilised a portion of his long service leave entitlement during FY19.
(ii) Mr. House was appointed Chief Executive of REFLEX on 27 November 2017 and accepted the position of Chief Operating Officer effective 10 August 2018
(iii) Mr. Regan was appointed Chief Information and Transformation Officer on 14 May 2018
(iv) Ms. Carey was appointed General Manager – IMDEX Product Management effective 1 July 2018

# IMDEX LIMITED

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## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

### 6. Executive Contracts

Remuneration arrangements for KMP are formalised in employment agreements. The following outlines the details of contracts with key management personnel:

Managing Director

The Managing Director, Mr. Ridgeway, is employed under an ongoing contract which can be terminated with notice by either side.

Under the terms of the present contract:

- The Managing Director receives a base salary of $930,730 per annum.
- The Managing Director's maximum STI opportunity is 30% of base salary.
- The Managing Director is eligible to participate in the IMDEX LTI plan on terms determined by the Board, subject to receiving any required or appropriate shareholder approval.[1]

All other Executives are employed on individual open-ended employment contracts that set out the terms of their employment.

Termination provisions

The Managing Director termination provisions specify that Mr. 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. 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.

*[1] Note at the 2018 AGM shareholders approved the issue of resultant shares or cash on the early vesting of performance rights on termination to be excluded from the '12 month' salary cap provided by the Corporations Act, meaning the Board has the discretion to allow the early vest of these performance rights at termination to the extent doing so may otherwise exceed the '12 month' salary cap on termination benefits. Treatment of STI on termination is the same as for other Executives (described below).*

The termination provisions for other Executives are as follows:

| | Notice period | Payment in lieu of notice | Treatment of STI on termination | Treatment of LTI on termination |
|---|---|---|---|---|
| Resignation | Up to 6 months | Up to 6 months | Unvested awards forfeited. | Unvested awards forfeited. |
| Termination for cause | None | None | Unvested awards forfeited. | Unvested awards forfeited. |
| Termination in cases of death, disablement, redundancy, without cause | Up to 6 months | Up to 12 months | Unvested awards forfeited subject to Board discretion | If not less than 18 months service, vesting will be determined based on the amount of performance period remaining and subject to Board discretion. |





IMDEX LIMITED

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

### 7. Non-Executive Director remuneration arrangements

*Remuneration policy*

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually against fees paid to Non Executive Director's (NED's) of comparable ASX listed companies with similar market capitalisation of the Company as well as similar sized industry comparators. The Board considers advice from external consultants when undertaking the annual review process.

The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting. The latest determination was at the 2015 AGM when shareholders approved an aggregate fee pool of $700,000 per year.

The Board will not seek any increase for the NED pool at the 2019 AGM.

*Structure*

The remuneration of NEDs consists of directors' fees and committee fees. The payment of additional fees for serving on a committee recognises the additional time commitment required by NEDs who serve on sub-committees. The Chairman of the Board attends all committee meetings but does not receive any additional fees in addition to Board fees.

The table below summarises the NED fees for FY19:

| **Board fees** | |
|---|---|
| Chairman | $175,000 |
| Directors | $90,000 |
| **Committee fees** | |
| Committee Chair | $10,000 |
| Committee Member | $0 |

NEDs do not receive retirement benefits, nor do they participate in any incentive programs.

The remuneration of NEDs for FY19 and FY18 is detailed below.

| | | Short-term benefits | Post-employment | |
|---|---|---|---|---|
| | Financial Year | Salary & Fees $ | Superannuation $ | Total $ |
| Mr. A. Wooles | **FY19** | **175,000** | **-** | **175,000** |
| | FY18 | 175,000 | - | 175,000 |
| Ms. S. Layman | **FY19** | **100,000** | **-** | **100,000** |
| | FY18 | 100,000 | - | 100,000 |
| Mr. K. Dundo | **FY19** | **90,000** | **8,550** | **98,550** |
| | FY18 | 90,000 | 8,550 | 98,550 |
| Mr. I. Gustavino | **FY19** | **90,000** | **8,550** | **98,550** |
| | FY18 | 90,000 | 8,550 | 98,550 |
| **FY19 NED Total** | | **455,000** | **17,100** | **472,100** |
| FY18 NED Total | | 455,000 | 17,100 | 472,100 |



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# IMDEX LIMITED

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## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

### 8. Additional disclosures relating to options and shares

**Performance Rights awarded, vested and lapsed during the year**

The table below discloses the number of performance rights granted to Executives as remuneration during FY19 as well as the number of Rights that vested or lapsed during the year.

| 30 June 2019 | Granted as remuneration | Performance Rights vested | Performance Rights lapsed |
|---|---|---|---|
| ***Executive Directors*** | | | |
| Mr. B. Ridgeway | 364,086 | (1,350,725) | (207,743) |
| ***Senior Executives*** | | | |
| Mr. P. Evans | 125,446 | (462,801) | (71,178) |
| Mr. P. House | 156,474 | - | - |
| Mr. M. Regan | 144,738 | - | - |
| Ms. M. Carey | 123,224 | (115,512) | (12,830) |
| Mr. T. Price | 152,360 | (383,068) | (42,550) |
| Mr. D. Loughlin | 128,528 | (474,291) | (72,946) |

Performance Rights do not carry any voting or dividend rights and can be exercised once the vesting conditions have been met until their expiry date.

**Shares issued on exercise of Performance Rights**

| 30 June 2019 | Shares issued | Paid per share |
|---|---|---|
| | No. | $ |
| ***Executive Director*** | | |
| Mr. B. Ridgeway | 1,350,725 | Nil |
| ***Senior Executives*** | | |
| Mr. P. Evans | 462,801 | Nil |
| Ms. M. Carey | 115,512 | Nil |
| Mr. T. Price | 383,068 | Nil |
| Mr. D. Loughlin | 474,291 | Nil |
| **Total** | **2,786,397** | |

**Performance Rights holdings of key management personnel***

| 30 June 2019 | Balance at beginning of period 1 July 2018 | Granted as remuneration | Performance Rights exercised | Performance Rights Expired | Balance at end of period 30 June 2019 |
|---|---|---|---|---|---|
| ***Executive Director*** | | | | | |
| Mr. B. Ridgeway | 4,471,176 | 364,086 | (1,350,725) | (207,743) | 3,276,794 |
| ***Senior Executives*** | | | | | |
| Mr. P. Evans | 1,534,441 | 125,446 | (462,801) | (71,178) | 1,125,908 |
| Mr. P. House | 194,753 | 156,474 | - | - | 351,227 |
| Mr. M. Regan | - | 144,738 | - | - | 144,738 |
| Ms. M. Carey | 507,971 | 123,224 | (115,512) | (12,830) | 502,853 |
| Mr. T. Price | 1,590,413 | 152,360 | (383,068) | (42,550) | 1,317,155 |
| Mr. D. Loughlin | 1,572,478 | 128,528 | (474,291) | (72,946) | 1,153,769 |

* Includes Performance Rights held directly, indirectly and beneficially by KMP

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

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

| 2019 | Grant Date | Expiry Date | Exercise Price $ | Market Value at Grant Date $ | Number of Performance Rights | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Opening balance | Granted | Satisfied by the allotment of shares | Expired ^ | Closing balance |
| Tranche 17 | 1-Jul-15 | Jul-18 | - | 0.285 | 6,025,059 | - | (5,273,519) | (751,540) | - |
| MD Tranche | 20-Nov-15 | Jul-18 | - | 0.235 | 1,558,468 | - | (1,350,725) | (207,743) | - |
| Tranche 18 | 1-Jul-16 | Jul-19 | - | 0.220 | 9,826,077 | - | - | (493,573) | 9,332,504 |
| MD Tranche | 25-Nov-16 | Jul-19 | - | 0.620 | 2,268,946 | - | - | - | 2,268,946 |
| Tranche 19 | 1-Jul-17 | Jul-20 | - | 0.740 | 4,306,563 | - | - | (288,833) | 4,017,730 |
| MD Tranche | 19-Oct-17 | Jul-20 | - | 0.965 | 643,762 | - | - | - | 643,762 |
| Tranche 20 | 1-Jul-18 | Jul-21 | - | 0.947 | - | 2,844,791 | - | (55,315) | 2,789,476 |
| MD Tranche | 4-Nov-18 | Jul-21 | - | 0.763 | - | 364,086 | - | - | 364,086 |

^ - Performance rights expire either on failure to maintain employment tenure or on failure to satisfy performance hurdles.

**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 | Performance Rights (Tranche 18) | Ordinary | Nil | 1 Jul 2016 | Jul 2019 | (aa) | 9,332,504 |
| IMDEX | Performance Rights (Managing Directors' Tranche 7) | Ordinary | Nil | 25 Nov 2016 | Jul 2019 | (bb) | 2,268,946 |
| IMDEX | Performance Rights (Tranche 19) | Ordinary | Nil | 1 Jul 2017 | Jul 2020 | (cc) | 4,017,730 |
| IMDEX | Performance Rights (Managing Directors' Tranche 8) | Ordinary | Nil | 19 Oct 2017 | Jul 2020 | (dd) | 643,762 |
| IMDEX | Performance Rights (Tranche 20) | Ordinary | Nil | 1 Jul 2018 | Jul 2021 | (ee) | 2,789,476 |
| IMDEX | Performance Rights (Managing Directors' Tranche 9) | Ordinary | Nil | 4 Nov 2018 | Jul 2021 | (ff) | 364,086 |

(aa) To be satisfied by the issue of fully paid ordinary shares in IMDEX 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.

(bb) To be satisfied by the issue of fully paid ordinary shares in IMDEX on or about September 2019. 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 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.

(dd) To be satisfied by the issue of fully paid ordinary shares in IMDEX on or about September 2020. 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 on or about September 2021. 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.

(ff) To be satisfied by the issue of fully paid ordinary shares in IMDEX on or about September 2021. Subject to achievement of specified performance hurdles and ongoing employment tenure.

There were no alterations to the terms and conditions of Performance Rights awarded as remuneration since their award date.

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## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

**Share holdings of key management personnel***

Shares held in IMDEX (number)

| 30 June 2019 | Class of shares | Balance at beginning of year | Shares allocated under remuneration framework | Net change Other | Balance at year-end | Number of Performance Rights not vested at year-end |
|---|---|---|---|---|---|---|
| ***Non-Executive Directors*** | | | | | | |
| Mr. A. Wooles | Ordinary | 1,500,000 | - | (500,000) | 1,000,000 | - |
| Ms. S. Layman | Ordinary | - | - | 70,000 | 70,000 | - |
| Mr. K. Dundo | Ordinary | 204,546 | - | - | 204,546 | - |
| Mr. I. Gustavino | Ordinary | 62,077 | - | - | 62,077 | - |
| ***Executive Director*** | | | | | | |
| Mr. B. Ridgeway | Ordinary | 2,398,052 | 1,350,725 | - | 3,748,777 | 3,276,794 |
| ***Senior Executives*** | | | | | | |
| Mr. P. Evans | Ordinary | 408,164 | 462,801 | (362,000) | 508,965 | 1,125,908 |
| Mr. P. House | Ordinary | - | - | | | 351,227 |
| Mr. M. Regan | Ordinary | - | - | - | - | 144,738 |
| Ms. M. Carey | Ordinary | 14,047 | 115,512 | - | 129,559 | 502,853 |
| Mr. T. Price | Ordinary | 227,945 | 383,068 | (383,068) | 227,945 | 1,317,155 |
| Mr. D. Loughlin | Ordinary | - | 474,291 | (259,291) | 215,000 | 1,153,769 |

* Includes Ordinary Shares and Performance Rights held directly, indirectly and beneficially by KMP

### 9. Loans to key management personnel and their related parties

There are no loans to key management personnel and their related parties.

### 10. Other transactions and balances with key management personnel and their related parties

Mr. I Gustavino is a partner in consulting company Atrico Pty Ltd, that during the financial year provided consulting services to the value of $60,000 (2018: 61,200) to the IMDEX Group on normal commercial terms and conditions. There are no other transactions and balances with key management personnel and their related parties.

**End of Remuneration Report.**

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, 16 August 2019.



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# IMDEX LIMITED

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## DIRECTORS' DECLARATION

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 5.2 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, 16 August 2019.



**Mr. Anthony Wooles**

Chairman

# IMDEX LIMITED

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# IMDEX LIMITED

*and its controlled entities*

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

| | Notes | Year Ended 30 June 2019 $'000 | Year Ended 30 June 2018 $'000 |
|---|---|---|---|
| Revenue from sale of goods and operating lease rental | 2.2 | 243,655 | 218,475 |
| Other income | | 147 | 116 |
| Raw materials and consumables used | | (83,104) | (78,324) |
| Employee benefit expense | 2.3 | (68,207) | (59,202) |
| Depreciation and amortisation expense | | (14,261) | (13,105) |
| Finance costs | 2.3 | (770) | (804) |
| Other expenses | 2.3 | (40,008) | (38,565) |
| **Profit before tax** | | 37,452 | 28,591 |
| Income tax expense | 5.1 | (9,844) | (7,476) |
| **Profit for the period** | | 27,608 | 21,115 |
| **Other comprehensive income** | | | |
| ***Items that may be reclassified subsequently to profit or loss*** | | | |
| Exchange differences arising on the translation of foreign operations | | 3,849 | 1,450 |
| **Other comprehensive income for the year, net of income tax** | | 3,849 | 1,450 |
| **Total comprehensive profit for the year** | | 31,457 | 22,565 |
| **Profit attributable to owners of the parent** | | 27,608 | 21,115 |
| **Total comprehensive profit attributable to owners of the parent** | | 31,457 | 22,565 |
| **Earnings per share** | | | |
| Basic profit per share (cents) | 2.1 | 7.37 | 5.73 |
| Diluted profit per share (cents) | 2.1 | 7.01 | 5.37 |

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

# IMDEX LIMITED

*and its controlled entities*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 30 JUNE 2019

| | Notes | 30 June 2019 $'000 | 30 June 2018 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and Cash Equivalents | 3.1 | 29,476 | 13,942 |
| Trade and other receivables | 4.1 | 54,723 | 49,304 |
| inventories | 4.2 | 37,055 | 33,614 |
| Current tax assets | 5.1 | 961 | 591 |
| Other | | 6,391 | 4,936 |
| **Total current assets** | | 128,606 | 102,387 |
| **Non-current assets** | | | |
| Property, plant and equipment | 4.3 | 39,367 | 36,539 |
| Deferred tax assets | 5.1 | 21,019 | 22,246 |
| Goodwill and other intangible assets | 4.4 | 59,531 | 59,452 |
| Other | 4.7 | 10,690 | 5,512 |
| **Total non-current assets** | | 130,607 | 123,749 |
| **Total assets** | | 259,213 | 226,136 |
| **Current liabilities** | | | |
| Trade and other payables | 4.5 | 25,336 | 26,459 |
| Borrowings | 3.2 | 67 | 129 |
| Current tax liabilities | 5.1 | 1,362 | 1,661 |
| Provisions | 4.6 | 6,067 | 5,593 |
| **Total current liabilities** | | 32,832 | 33,842 |
| **Non-current liabilities** | | | |
| Borrowings | 3.2 | 6,172 | 5,947 |
| Provisions | 4.6 | 197 | 221 |
| **Total non-current liabilities** | | 6,369 | 6,168 |
| **Total liabilities** | | 39,201 | 40,010 |
| **Net assets** | | 220,012 | 186,126 |
| **Equity** | | | |
| Issued capital | 3.3 | 156,483 | 151,969 |
| Reserves | | 6,820 | 2,046 |
| Retained earnings | | 56,709 | 32,111 |
| **Total equity** | | 220,012 | 186,126 |

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

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# IMDEX LIMITED

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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 JUNE 2019

| | Notes | Shares reserved for Performance Rights Plan $'000 | Foreign Currency Translation Reserve $'000 | Employee Equity-Settled Benefits Reserve $'000 | Reserves Total $'000 | Fully Paid Ordinary Shares $'000 | Retained Earnings $'000 | Total Attributable to Equity Holders of the Entity $'000 |
|---|---|---|---|---|---|---|---|---|
| **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 |
| Exchange differences on translation of foreign operations after taxation | 5.4 | - | 3,849 | - | 3,849 | - | - | 3,849 |
| Profit for the year | | - | - | - | - | - | 27,608 | 27,608 |
| Total comprehensive income for the year | | - | 3,849 | - | 3,849 | - | 27,608 | 31,457 |
| Issue of shares | 3.3 | - | - | - | - | 2,903 | - | 2,903 |
| Share based payments - performance rights | | - | - | 2,536 | 2,536 | - | - | 2,536 |
| Granting/settlement of performance rights | 5.4 | 18 | - | (1,629) | (1,611) | 1,611 | - | - |
| Dividends paid | | - | - | - | - | - | (3,010) | (3,010) |
| **Balance at 30 June 2019** | | - | (2,261) | 9,081 | 6,820 | 156,483 | 56,709 | 220,012 |

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

# IMDEX LIMITED

*and its controlled entities*

## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

| | Notes | Year Ended 30 June 2019 $'000 | Year Ended 30 June 2018 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 264,411 | 232,262 |
| Payments to suppliers and employees | | (222,177) | (208,959) |
| Interest and other costs of finance paid | | (683) | (570) |
| Income tax paid | | (6,363) | (6,833) |
| **Net cash provided by operating activities** | 3.1 | 35,188 | 15,900 |
| **Cash flows from investing activities** | | | |
| Interest received | | 147 | 99 |
| Payment for property, plant and equipment | | (14,948) | (16,262) |
| Deposits paid | | (2,275) | (3,233) |
| **Net cash used in investing activities** | | (17,076) | (19,396) |
| **Cash flows from financing activities** | | | |
| Shares purchased on market to satisfy performance rights | | - | (466) |
| Dividends paid | | (3,010) | - |
| Hire purchase and lease payments | | (128) | (432) |
| Repayment of borrowings | | - | (1,021) |
| **Net cash used in financing activities** | | (3,138) | (1,919) |
| **Net increase / (decrease) in cash and cash equivalents** | | 14,974 | (5,415) |
| Cash and cash equivalents at the beginning of the financial year | | 13,942 | 19,379 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | 560 | (22) |
| **Cash and cash equivalents at the end of the financial year** | 3.1 | 29,476 | 13,942 |

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

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IMDEX LIMITED

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## ABOUT THIS REPORT

Imdex Limited (the Company) is a listed public company, incorporated in Western Australia and along with its subsidiaries (collectively the "Group") operates in Asia-Pacific, Africa / Europe 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 amounts contained in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) where noted ($'000) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

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 2018. 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 16 August 2019.

### 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 2018 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 from AASB 16 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.

# IMDEX LIMITED

*and its controlled entities*

## ABOUT THIS REPORT

**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 – Goodwill
- 5.1 – Deferred Tax Assets

**1.5 New and revised Accounting Standards adopted from 1 July 2018**

The Group has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to the Group and effective for annual reporting periods beginning on or after 1 July 2018. New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 9 *Financial Instruments* and related amending Standards; and
- AASB 15 *Revenue from Contracts with Customers* and related amending Standards.

The new standards have not had a significant impact on the measurement or disclosure requirements of the Group.

**AASB 9: Financial Instruments**

The Group classifies its financial assets into the following categories: those to be measured subsequently at fair value (either through other comprehensive income 'FVOCI' or through the income statement 'FVTPL') and those to be held at amortised cost. The classification depends on the Group's business model for managing its financial assets and the contractual terms of the cash flows. As part of the implementation of AASB 9, management have considered the categorisation of financial assets and no reclassification between categories were deemed necessary.

All of the Group's financial assets are held to collect contractual cash flows and are therefore held at amortised cost.

Borrowings and other financial liabilities (including trade payables) are recognised initially at fair value, net of transaction cost incurred, and are subsequently measured at amortised cost.

The Group applies the AASB 9 simplified approach to measure expected credit losses on its trade receivable portfolio, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Expected Credit Loss ('ECL') model reviews include assumptions about the risk of default and expected loss rates.

The Group has elected to apply the limited exemption in AASB 9 relating to the classification, measurement and impairment requirements for financial assets and accordingly has not restated comparative periods.

**AASB 15: Revenue from Contracts with Customers**

The Group typically satisfies the obligation to provide drilling fluids and equipment at a point in time upon shipment or delivery when control is transferred to customers. The Group typically satisfies the obligation to provide rental products and services over time when (or as) the Group satisfies performance obligations by transferring the promised services to its customers. Revenue from contracts with customers is recognised at that point in time at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is recognised net of allowances for returns and customer claims and any taxes collected from customers, which are subsequently remitted to government authorities. Contract assets and contract liabilities are not material to the Group's financial position.

Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgement. The Group provides products and services to its customers based on contracts that may contain several elements but for the vast majority of contracts, these elements represent only one single performance obligation for which revenue is recognised at the point in time when the customer obtains control over the products and services.

The Group may be entitled to variable consideration in several forms which are determined through its agreements with customers. The Group can offer prompt payment discounts, sales rebates or other incentive payments to customers. Sales rebates and other incentive payments are typically awarded upon achievement of certain performance metrics, including volume. The Group utilises forecasted sales data and rebate percentages specific to each customer agreement and updates its judgement of the amount to which the customer is entitled each period.

The Group has adopted the modified transition approach when implementing AASB 15 and has therefore not restated comparatives.



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## OPERATING PERFORMANCE

**2.1 Profit per share**

| | 2019 Cents per share | 2018 Cents per share |
|---|---|---|
| **From continuing operations** | | |
| Basic profit per share (a) | 7.37 | 5.73 |
| Diluted profit per share (b) | 7.01 | 5.37 |

**(a) Basic profit per share**

The profit and weighted average number of ordinary shares used in the calculation of basic profit per share are as follows:

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Continuing operations - Profit | 27,608 | 21,115 |
| | **Shares** | **Shares** |
| Weighted average number of ordinary shares for the purposes of basic profit per share | 374,460,637 | 368,441,739 |

**(b) Diluted profit per share**

The profit and weighted average number of ordinary shares used in the calculation of diluted profit per share are as follows:

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Continuing operations - Profit | 27,608 | 21,115 |
| | **Shares** | **Shares** |
| Weighted average number of ordinary shares used in the calculation of diluted profit per share | 393,877,141 | 393,070,614 |

# IMDEX LIMITED

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## OPERATING PERFORMANCE

### 2.2 Segment Information

The primary means by which the Board view the business and make key decisions is based on geographical lines.

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 regional vice president or 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:

**AM - Americas**

**APAC - Asia Pacific**

**AE – Africa / Europe**

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**

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| *AM - Americas* | 111,531 | 93,871 |
| *APAC - AsiaPac* | 72,426 | 67,456 |
| *AE – Africa / Europe* | 59,698 | 57,148 |
| **Total Revenue** | **243,655** | **218,475** |

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IMDEX LIMITED

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OPERATING PERFORMANCE

### 2.2 Segment Information (continued)

**Segment Results**

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| *AM - Americas* | 18,525 | 15,278 |
| *APAC – AsiaPac* | 26,698 | 21,959 |
| *AE – Africa / Europe* | 16,721 | 11,283 |
| **Total of all Segments** | **61,944** | **48,520** |
| Engineering and Product Development Costs (i) | (16,459) | (12,682) |
| Central Administration Costs (ii) | (8,033) | (7,247) |
| **Profit before Income Tax** | **37,452** | **28,591** |
| Income Tax Expense | (9,844) | (7,476) |
| **Profit attributable to ordinary equity holders of IMDEX** | **27,608** | **21,115** |

(i) Engineering and Product Development consists of costs directly associated with the Company's development of products. This includes materials, personnel and related costs (including salaries, benefits and share based payments) and an allocation of overhead costs.

(ii) 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 $0.8 million (2018: $0.8 million).

**Segment Assets and Liabilities**

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 |
| *AM - Americas* | 87,565 | 77,864 | 16,945 | 16,202 |
| *APAC - AsiaPac* | 91,361 | 78,706 | 17,229 | 18,772 |
| *AE – Africa / Europe* | 45,344 | 43,560 | 5,027 | 5,036 |
| Total of all segments | 224,270 | 200,130 | 39,201 | 40,010 |
| Unallocated | 34,943 | 26,006 | - | - |
| Consolidated | 259,213 | 226,136 | 39,201 | 40,010 |

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

- All assets are allocated to reportable segments other than deferred tax assets, intellectual property and treasury cash.
- All liabilities are allocated to reportable segments other than deferred tax liabilities.

# IMDEX LIMITED

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## OPERATING PERFORMANCE

**2.2 Segment Information (continued)**

**Other Segment Information**

| | AM - Americas | APAC - AsiaPac | AE – Africa / Europe | Unallocated | Total |
|---|---|---|---|---|---|
| | **2019** | **2019** | **2019** | **2019** | **2019** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Depreciation | 7,732 | 2,176 | 3,025 | 1,120 | 14,053 |
| Amortisation | - | 208 | - | - | 208 |
| Acquisition of segment assets | 7,604 | 5,406 | 1,999 | 440 | 15,449 |
| Significant non-cash expenses other than depreciation and amortisation | - | - | - | 2,536 | 2,536 |

| | | | | | |
|---|---|---|---|---|---|
| | **2018** | **2018** | **2018** | **2018** | **2018** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Depreciation | 6,698 | 2,518 | 2,438 | 1,118 | 12,772 |
| Amortisation | - | 167 | 166 | - | 333 |
| Acquisition of segment assets | 10,111 | 4,063 | 3,642 | 384 | 18,200 |
| Significant non-cash expenses other than depreciation and amortisation | - | - | - | 1,928 | 1,928 |

**2.3 Expenses**

Expense analysis by nature:

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Finance costs** | | |
| Interest | (669) | (493) |
| Amortisation of borrowing costs | (78) | (208) |
| Other financing costs | (23) | (103) |
| | (770) | (804) |
| **Other expenses** | | |
| Commissions | (1,653) | (1,702) |
| Consultancy fees | (3,165) | (2,378) |
| Legal and professional expenses (i) | (2,762) | (2,872) |
| Rent and premises costs | (8,688) | (8,471) |
| Travel and accommodation | (4,685) | (4,656) |
| Motor vehicle costs | (3,150) | (2,533) |
| Obsolete stock | (739) | (969) |
| Doubtful debts | (463) | (439) |
| Other expenses | (14,703) | (14,545) |
| | (40,008) | (38,565) |

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



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OPERATING PERFORMANCE

**2.3 Expenses (continued)**

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Employee benefits expense** | | |
| Salaries and wages | (62,186) | (54,184) |
| Defined contribution superannuation / pension costs | (3,485) | (3,090) |
| Share based payments | (2,536) | (1,928) |
| | (68,207) | (59,202) |

**Defined contribution plans**

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

**2.4 Dividends**

A fully franked interim dividend of 0.8 cents per share was paid during the current year. No dividend was paid during the prior year.

The franking account balance is $51.4 million (2018: $52.7 million).

## 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:

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Cash | 29,476 | 13,942 |

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

| | | |
|---|---|---|
| **Profit for the year** | 27,608 | 21,115 |
| ***Adjustments for non-cash items*** | | |
| Depreciation of non-current assets | 14,053 | 12,772 |
| Amortisation of intangible assets | 208 | 333 |
| Interest received disclosed as investing activities | (147) | (99) |
| Share options and performance rights expensed | 2,536 | 1,928 |
| Write down of obsolete stock | 739 | 969 |
| Interest on hire purchase liabilities | 8 | 26 |
| Amortisation of borrowing costs | 78 | 208 |
| Other | (817) | (755) |
| ***Changes in assets and liabilities during the financial year*** | | |
| (Increase) / decrease in assets: | | |
| Current receivables | (3,281) | (7,040) |
| Current inventories | (3,317) | (3,256) |
| Other current assets | (1,455) | (1,277) |
| Increase / (decrease) in liabilities: | | |
| Current payables | (2,054) | (4,060) |
| Provision for employee entitlements | 450 | (4,375) |
| Current and deferred tax liability | 579 | (589) |
| Net Cash provided by Operating Activities | 35,188 | 15,900 |

# IMDEX LIMITED

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## DEBT & CAPITAL

### 3.2 Borrowings

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Current borrowings** | | |
| **Secured** | | |
| Bankwest | - | - |
| Hire purchase liabilities | 67 | 129 |
| | 67 | 129 |
| **Non-current borrowings** | | |
| **Secured** | | |
| Bankwest | 6,172 | 5,881 |
| Hire purchase liabilities | - | 66 |
| | 6,172 | 5,947 |

| | 30-Jun-18 | Cash flows | Non-cash changes | | | 30-Jun-19 |
|---|---|---|---|---|---|---|
| | | | Foreign Exchange Movement | Reclassification | Other | |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Current borrowings | - | - | - | - | - | - |
| Non-current borrowings | 5,881 | - | 214 | - | 77 | 6,172 |
| Hire purchase liabilities | 195 | (128) | - | - | - | 67 |
| **Total liabilities from financing activities** | **6,076** | **(128)** | **214** | **-** | **77** | **6,239** |

The key terms of the Bankwest Facility are as follows:

**Term:** 3 years from inception (28 December 2016) and now extended for a further 3 year term to 7 May 2022

**Maximum Facility:** $30 million

**Drawn Balance at 30 June 19:** AUD $2.2 million, USD $2.9 million, and bank guarantees and credit card borrowings AUD $1.0 million.

**Undrawn Balance at 30 June 19:** AUD$ 22.6 million.

**Weighted Average Interest Rate:** 4.42%

The facility has no repayment requirements other than at expiry. As a result, the borrowings have been presented as non-current.

The Bankwest facility was extended for a further 3 years to 7 May 2022 with no major changes to the terms of the facility.

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 6.33% (2018: 6.4%).

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.

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### 3.3 Issued capital

| | Notes | 2019 Number | 2019 $'000 | 2018 Number | 2018 $'000 |
|---|---|---|---|---|---|
| **Issued and Paid Up Capital - Fully paid ordinary shares** | | | | | |
| Balance at beginning of the financial year | | 369,654,426 | 151,969 | 367,463,185 | 149,690 |
| Issue of shares | (ii) | 2,546,415 | 2,903 | 2,191,241 | 2,279 |
| Issue of shares under performance rights | | 6,624,244 | 1,611 | - | - |
| Closing balance at end of the financial year | (i) | 378,825,085 | 156,483 | 369,654,426 | 151,969 |

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

(ii) During the period, the Company issued 2.5 million shares to the owners of FlexiDrill Limited. Refer to note 4.2.

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 | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Financial Assets** | | |
| Cash and cash equivalents | 29,476 | 13,942 |
| Trade and other receivables | 54,723 | 49,304 |
| | 84,199 | 63,246 |
| **Financial Liabilities** | | |
| Trade and other payables and borrowings | 31,575 | 32,535 |

**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 the reporting date.

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**3.4 Financial Risk Management (continued)**

**Foreign currency risk management**

The functional currency of the Company is Australian dollars. Certain financial instruments of the Group are exposed to movements in various currencies. The 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 | |
|---|---|---|---|---|
| | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 |
| United States Dollars | 13,719 | 14,321 | 33,532 | 25,574 |
| Euro | 2,767 | 2,366 | 3,961 | 3,334 |
| South African Rand | 1,401 | 1,966 | 3,160 | 2,369 |
| Canadian Dollars | 1,556 | 881 | 6,939 | 6,461 |
| Other | 1,373 | 2,151 | 10,879 | 11,060 |

**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% (2018: 10%) increase or decrease in the Australian Dollar against the relevant foreign currencies.

| | United States dollar Impact | | Canadian dollar Impact | |
|---|---|---|---|---|
| | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 |
| 10% increase | (538) | (268) | (73) | (76) |
| 10% decrease | 538 | 268 | 73 | 76 |

| | Euro Impact | |
|---|---|---|
| | 2019 $'000 | 2018 $'000 |
| 10% increase | 69 | 4 |
| 10% decrease | (69) | (4) |

Profit / (loss) impacts are mainly attributable to exposure on outstanding receivables and payables at the reporting date denominated in the applicable foreign currency





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**3.4 Financial Risk Management (continued)**

**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 | |
|---|---|---|
| | 2019 $ '000 | 2018 $'000 |
| Increased interest rate | 231 | 81 |
| Decreased interest rate | (231) | (81) |

**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 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 2019 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 may 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 |
| **2019** | | | | | | |
| Trade and other payables | - | 25,336 | - | - | - | 25,336 |
| Finance lease liability | 6.33% | 17 | 50 | - | - | 67 |
| Bankwest credit facility | 4.42% | - | - | 6,172 | - | 6,172 |
| | | 25,353 | 50 | 6,172 | - | 31,575 |
| **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 |

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**3.4 Financial Risk Management (continued)**

**Maturity of financial assets**

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 |
| **2019** | | | | | | |
| Trade and other receivables | - | 54,723 | - | - | - | 54,723 |
| Cash | 0.75% | 29,476 | - | - | - | 29,476 |
| | | 84,199 | - | - | - | 84,199 |
| **2018** | | | | | | |
| Trade and other receivables | - | 49,304 | - | - | - | 49,304 |
| Cash | 0.25% | 13,942 | - | - | - | 13,942 |
| | | 63,246 | - | - | - | 63,246 |

**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.

**3.5 Commitments for expenditure**

**Capital expenditure commitments**

At 30 June 2019 the Group had $54,000 capital commitments (2018: $200,000).

**Hire purchase commitment**

Hire purchase arrangements relate to plant and equipment with remaining terms of up to 1 year. 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.





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**3.5 Commitments for expenditure (continued)**

(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.

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Non-cancellable operating lease payments** | | |
| Within one year | 5,523 | 5,867 |
| Between one and five years | 11,870 | 12,974 |
| Later than five years | 21,689 | 26,333 |
| | 39,082 | 45,174 |

**Application of new and revised Australian Accounting Standards**

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.

**Impact of the new definition of a lease**

The Group will make use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 and Interpretation 4 will continue to apply to those leases entered or modified before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset, and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 July 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of AASB 16, the Group has carried out an implementation project. The project has shown that the new definition in AASB 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.



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**3.5 Commitments for expenditure (continued)**

**Impact on lessee accounting**

***Operating leases***

AASB 16 will change how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet.

The Group has chosen the modified retrospective application of AASB 16 in accordance with AASB 16:C5(b). Consequently the Group will recognise the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of retained earnings at the date of initial application.

On initial application of AASB 16, for all leases (except as noted below), the Group will:

- Recognise right-of-use assets in the consolidated statement of financial position at its carrying amount as if AASB16 had been applied since the commencement date, but discounted using the Group's incremental borrowing rate at the date of initial application;
- Recognise lease liabilities in the consolidated statement of financial position at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application;
- Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under AASB 16, right-of-use assets will be tested for impairment in accordance with AASB 136 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by AASB 16.

During FY19, the Group has performed a detailed impact assessment of AASB 16. In summary the impact of AASB 16 adoption is expected to be, as follows:

**Impact on the statement of financial position (increase/(decrease)) as at 1 July 2019:**

| | $'000 |
|---|---|
| **Assets** | |
| Property, plant and equipment (right-of-use assets) | 27,698 |
| **Liabilities** | |
| Lease liabilities | 31,825 |
| Net impact on equity | (4,127) |

Due to the adoption of AASB 16, the Group's operating margins will improve, while its interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under AASB 117.

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## OTHER ASSETS & LIABILITIES

**4.1 Trade and Other Receivables**

| | Notes | 2019 $'000 | 2018 $'000 |
|---|---|---|---|
| **Current** | | | |
| Trade receivables | (i) | 57,394 | 51,567 |
| Allowance for doubtful debts | (ii) | (2,711) | (2,302) |
| | | 54,683 | 49,265 |
| Other receivables | | 40 | 39 |
| | | 54,723 | 49,304 |

(i) The average credit period on sales of goods is approximately 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** | | |
| Balance at the beginning of the year | 2,302 | 2,115 |
| Amounts written off during the year | (54) | (252) |
| Increase in allowance recognised in profit or loss | 463 | 439 |
| Balance at the end of the year | 2,711 | 2,302 |

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.

| | | |
|---|---|---|
| **Ageing of past due but not impaired debtors** | | |
| 0 - 30 days past due | 6,869 | 6,013 |
| 31 - 60 days past due | 2,539 | 1,747 |
| 61 + days past due | 2,800 | 2,746 |
| | 12,208 | 8,506 |

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**

| | | |
|---|---|---|
| **Current** | | |
| Raw materials | 3,101 | 3,044 |
| Work in progress | 644 | 307 |
| Finished goods | 33,310 | 30,263 |
| | 37,055 | 33,614 |

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 $0.7 million existed at 30 June 2019 (2018: $0.6 million).

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### 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 2017 | | 53,738 | 8,944 | 771 | 63,453 |
| Additions / transfers (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 |
| Additions / transfers (i) | | 15,454 | 238 | (243) | 15,449 |
| Disposals | | (15,163) | (8) | - | (15,171) |
| Net foreign currency exchange differences | | 5,145 | 6 | 11 | 5,162 |
| Balance at 30 June 2019 | | 71,155 | 9,172 | 775 | 81,102 |
| **Accumulated Depreciation** | | | | | |
| Balance at 30 June 2017 | | 26,126 | 5,102 | - | 31,228 |
| Disposals | | (5,319) | (6) | - | (5,325) |
| Depreciation expense | | 12,027 | 745 | - | 12,772 |
| Net foreign currency exchange differences | | 447 | 1 | - | 448 |
| Balance at 30 June 2018 | | 33,281 | 5,842 | - | 39,123 |
| Disposals | | (14,550) | (5) | - | (14,555) |
| Depreciation expense | | 13,320 | 733 | - | 14,053 |
| Net foreign currency exchange differences | | 3,108 | 6 | - | 3,114 |
| Balance at 30 June 2019 | | 35,159 | 6,576 | - | 41,735 |
| **Net Book Value** | | | | | |
| As at 30 June 2018 | | 32,438 | 3,094 | 1,007 | 36,539 |
| As at 30 June 2019 | | 35,996 | 2,596 | 775 | 39,367 |

*(i) Includes external acquisitions and transfers 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.



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### 4.3 Property, plant and equipment (continued)

**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.

### 4.4 Goodwill

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Gross Carrying Amount** | | |
| Balance at beginning of the financial year | 83,184 | 83,786 |
| Effect of foreign exchange movements | 288 | (602) |
| Balance at end of the financial year | 83,472 | 83,184 |
| **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 | 58,889 | 59,491 |
| At the end of the financial year | 59,177 | 58,889 |
| **Goodwill is allocated to operating segments as follows:** | | |
| Africa / Europe | 7,303 | 7,303 |
| Asia Pacific | 32,334 | 32,360 |
| Americas | 19,540 | 19,226 |
| | 59,177 | 58,889 |
| Goodwill | 59,177 | 58,889 |
| Other Intangible Assets | 354 | 563 |
| Total Goodwill and Other Intangibles | 59,531 | 59,452 |

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.

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**4.4 Goodwill (continued)**

**Significant accounting estimates and assumptions**

The primary means by which the Board view the business and make decisions is based on geographic lines.

Determining whether goodwill, intangibles and fixed assets are impaired requires an estimation of the value in use of the Segment or 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 Segment or 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 Segments**

IMDEX assesses impairment at the Segment level for Goodwill and the cash generating unit (CGU) level for fixed assets and other intangible assets. A 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 than each operating Segment (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.

During the year Goodwill was reallocated using a relative value approach to groups of CGUs, representative of operating Segments, as this is the level at which Goodwill is monitored within the business.

The IMDEX Group holds goodwill of $59.2m, which has been reviewed for impairment. Expected future cashflows support the balance of goodwill at 30 June 2019.

**Annual Impairment Testing:**

Segments 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.

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

- Asia Pacific
- Africa / Europe
- Americas

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets (other than goodwill) at the CGU level 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 an 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.





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**4.4 Goodwill (continued)**

**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 Operating Segments to which the goodwill has been allocated. 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**

<u>CGUs</u>

IMDEX monitors for impairment of non-current assets (excluding Goodwill) 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).

<u>Assessment of impairment indicators</u>

Impairment tests are performed for CGUs with indicators of impairment. The Group has five CGUs:

- Asia Pacific
- Europe
- Africa
- North America
- South America

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.

<u>CGUs with indicators of impairment</u>

Indicators of impairment were identified in relation to the Europe and the South America CGUs given underperformance versus budget in the year. The subsequent impairment testing indicated no impairment charge was required.

**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 2020 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 2020 – 2024 the key assumptions applied were:

- Revenue growth for the 2020 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 2020 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 ;

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## OTHER ASSETS & LIABILITIES

**4.4 Goodwill (continued)**

- 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

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 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.

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

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

**4.5 Trade & Other Payables**

| | Notes | 2019 $'000 | 2018 $'000 |
|---|---|---|---|
| Trade payables | (i) | 22,565 | 22,357 |
| Accruals and other payables | | 2,771 | 4,102 |
| | | 25,336 | 26,459 |

(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.

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**4.6 Provisions**

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Current provisions** | | |
| Employee entitlements | 6,067 | 5,593 |
| **Non-current provisions** | | |
| Employee entitlements | 197 | 221 |

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 Limited 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 $10.7 million at 30 June 2019 represents the initial 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, plus the Extension payment of NZ$3.0 million worth of IMDEX shares based on the VWAP 10 days prior to the issue date with the balance representing capital expenditure on further product development.

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## OTHER

**5.1 Taxation**

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Income tax expense recognised in the income statement** | | |
| **Tax expense comprises:** | | |
| Current tax expense | 8,151 | 8,135 |
| Deferred tax expense relating to the origination and reversal of temporary differences | 6,043 | (367) |
| Losses brought to account from prior year | (4,425) | (849) |
| Under/(over) provision in prior year income tax | 75 | 557 |
| Total tax expense | 9,844 | 7,476 |
| **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 | 37,452 | 28,591 |
| Income tax benefit calculated at 30% (i) | 11,236 | 8,577 |
| Tax losses not recognised or impaired | (181) | 239 |
| Other non-deductible and non-assessable items | 704 | 565 |
| Tax rate differential arising from foreign entities | 834 | (1,613) |
| Reduction in deferred tax asset due to reduction in tax rate | 1,601 | - |
| Losses brought to account from prior year | (4,425) | (849) |
| Under/(over) provision in prior year income tax | 75 | 557 |
| At the effective income tax rate of 26% (2018: 26%) | 9,844 | 7,476 |

(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.

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**5.1 Taxation (continued)**

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.

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.

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**5.1 Taxation (continued)**

**Current and Deferred Tax Balances**

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Current tax assets and liabilities** | | |
| Current tax receivable | 961 | 591 |
| Current tax payable | (1,362) | (1,661) |
| **Deferred tax balances** | | |
| Deferred tax assets comprise balances that relate to: | | |
| Provisions | 2,311 | 1,987 |
| Inventory | 1,026 | 1,172 |
| Property, plant and equipment | 6,834 | 10,110 |
| Carry forward tax losses in subsidiary companies | 10,838 | 9,449 |
| Unrealised FX | (1,674) | (1,191) |
| Other | 1,683 | 719 |
| Net deferred tax balances | 21,019 | 22,246 |
| ***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 | 6,564 | 6,685 |
| Deferred Tax Assets in respect of unrecognised tax losses | 2,106 | 5,752 |
| Deferred Tax Assets in respect of unrecognised provisions | 396 | 47 |

**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.

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).



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**5.1 Taxation (continued)**

**Relevance of tax consolidation to the Group (continued)**

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.

**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 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 $19.9 million 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 $10.8 million, primarily in relation to Australia. 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 2019 $'000 | 30 June 2018 $'000 |
|---|---|---|
| **Assets** | | |
| Current Assets | 26,549 | 5,113 |
| Non Current Assets | 81,443 | 98,991 |
| Total Assets | 107,992 | 104,104 |
| **Liabilities** | | |
| Current Liabilities | 6,711 | 6,083 |
| Non Current Liabilities | 24,741 | 29,913 |
| Total Liabilities | 31,452 | 35,996 |
| **Net Assets** | 76,540 | 68,108 |
| **Equity** | | |
| Issued Capital | 156,483 | 151,969 |
| Employee Equity-Settled Benefits Reserve | 8,983 | 8,058 |
| Foreign Currency Translation Reserve | (1,695) | (1,695) |
| Accumulated Losses | (87,231) | (90,224) |
| **Total Equity** | 76,540 | 68,108 |

| Financial Performance | Year Ended 30 June 2019 $'000 | Year Ended 30 June 2018 $'000 |
|---|---|---|
| Profit/(loss) for the year | 2,993 | (66,374) |
| Other comprehensive income, net of income tax | - | - |
| Total comprehensive profit/(loss) | 2,993 | (66,374) |
| Retained loss at the beginning of the financial year | (90,224) | (23,850) |
| Profit/(loss) for the year | 2,993 | (66,374) |
| Amounts transferred from reserves | - | - |
| Dividend received | - | - |
| Retained loss at the end of the financial year | (87,231) | (90,224) |

The profit for the year and associated increase in total assets is primarily due to the recipt of intercompany dividends which have no impact on the consolidated Group as a whole.



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**5.2 Parent Entity & Subsidiary information (continued)**

| | 30 June 2019 $'000 | 30 June 2018 $'000 |
|---|---|---|
| Guarantee provided under the deed of cross guarantee | 55,241 | 43,433 |
| **Commitments for the acquisition of property, plant and equipment by the parent entity** | | |
| Within one year | 2 | 174 |
| | 2 | 174 |

| Subsidiaries | Notes | Country of Incorporation | Ownership Interest 2019 % | Ownership Interest 2018 % |
|---|---|---|---|---|
| **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 | (v) | Sweden | - | 100 |
| Reflex Instruments Asia Pacific Pty Ltd | (ii),(iii) | Australia | 100 | 100 |
| Reflex Instrument AB | (iv) | Sweden | - | 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 |
| 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 |
| 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 |
| 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 | | Ecuador | 100 | 100 |

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**5.2 Parent Entity & Subsidiary information (continued)**

(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 and are relieved from the requirement to prepare and lodge an audited financial report. Australian Mud Company Pty Ltd became a party to the deed on 29 June 2006, IMDEX International Pty Ltd on 20 October 2006, Reflex Instruments Asia Pacific Pty Ltd on 14 September 2007, and Reflex Technology International Pty Ltd on 28 April 2011.
(iv) This entity was liquidated on 16 January 2019
(v) This entity was liquidated on 30 January 2019

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

| Income Statement | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **CONTINUING OPERATIONS** | | |
| Revenue from sale of goods and operating lease rental | 98,413 | 87,403 |
| Other revenue from operations | 537 | 611 |
| **Total revenue** | 98,950 | 88,014 |
| | | |
| Other income | 5,314 | - |
| Foreign exchange gain / (loss) | 640 | 178 |
| | | |
| Raw materials and consumables used | (34,434) | (35,814) |
| Employee benefit expenses | (36,374) | (31,217) |
| Depreciation and amortisation expense | (9,033) | (7,787) |
| Write back / (down) of intercompany loans | (4,647) | 61,149 |
| Write off investments | (6,295) | (58,924) |
| Finance costs | (1,133) | (928) |
| Auditors and accounting fees | (337) | (306) |
| Commissions | (1,081) | (625) |
| Consultancy fees | (2,644) | (1,502) |
| Legal and professional expenses | (291) | (3,591) |
| Rent and premises costs | (2,924) | (3,028) |
| Travel and accommodation | (1,913) | (1,829) |
| Motor vehicle costs | (519) | (498) |
| Research and Development costs | (2,274) | (1,107) |
| Bad debts | 140 | - |
| Other expenses | (6,781) | (6,763) |
| **Loss before income tax expense** | (5,636) | (4,578) |
| Income tax benefit | (5,100) | (5,476) |
| **Loss for the year from continuing operations** | (10,736) | (10,054) |





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**5.2 Parent Entity & Subsidiary information (continued)**

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

| Balance Sheet | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | 21,315 | 6,916 |
| Trade and other receivables | 16,168 | 11,801 |
| Inventories | 15,616 | 14,371 |
| Other | 1,126 | 496 |
| **Total current assets** | 54,225 | 33,584 |
| | | |
| **Non-current assets** | | |
| Other financial assets | 49,304 | 63,174 |
| Property, plant and equipment | 9,632 | 9,327 |
| Other intangible assets | 2,607 | 4,171 |
| Deferred tax assets | 6,218 | 5,219 |
| **Total non-current assets** | 67,761 | 81,891 |
| **Total assets** | 121,986 | 115,475 |
| | | |
| **Current liabilities** | | |
| Trade and other payables | 25,490 | 26,772 |
| Borrowings | 65 | 128 |
| Provisions | 3,916 | 3,957 |
| **Total current liabilities** | 29,471 | 30,857 |
| | | |
| **Non-current liabilities** | | |
| Other financial liabilities | 19,401 | 6,408 |
| Borrowings | 6,172 | 5,947 |
| Provisions | 197 | 221 |
| **Total non-current liabilities** | 25,770 | 12,576 |
| **Total liabilities** | 55,241 | 43,433 |
| **Net assets** | 66,745 | 72,042 |
| | | |
| **Equity** | | |
| Contributed capital | 156,448 | 151,934 |
| Employee equity-settled benefits reserve | 9,081 | 8,156 |
| Foreign currency translation reserve | 7,242 | 7,242 |
| Retained earnings (i) | (106,026) | (95,290) |
| **Total equity** | 66,745 | 72,042 |
| | | |
| (i) Retained Earnings at the beginning of the financial year | (95,290) | (85,236) |
| Net loss | (16,050) | (10,558) |
| Dividends (paid) / received | 5,314 | 504 |
| Retained earnings at the end of the financial year | (106,026) | (95,290) |



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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, 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.

**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, 20 November 2015 and 4 October 2018. 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. A performance right is the right to receive one fully paid IMDEX 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.



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**5.3 Reserves (continued)**

**Performance rights granted in the current year**

***Staff Performance Rights***

2,844,791 performance rights were issued to employees (Level 5 and above) in July 2018. Upon successful achievement of the below hurdles, allotment of these performance rights will be in September 2021 (once the 2021 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'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 (2019 to 2021 financial year).

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 2021) 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 $0.73 per right. The expected total cost of the estimated 1,214,430 fully paid ordinary shares to be issued in IMDEX will therefore be $886,534. This value will be expensed over the vesting period from July 2018 to June 2021, with $290,464 expensed in the current year.

The fair value of a non-market performance right (EPS) at grant date was $1.108 per right. For the purposes of the 2019 financial statements, the Directors have made an estimate that out of the 1,214,430 non-market performance rights issued, 50% will meet the required hurdles and will result in 607,215 fully paid IMDEX shares being issued. The expected total cost of the estimated 607,215 fully paid ordinary shares to be issued in IMDEX will therefore be $672,794. This value will be expensed over the vesting period from July 2018 to June 2021, with $220,434 expensed in the current year.

The fair value of a tenure right at grant date was $1.108 per right. For the purposes of the 2019 financial statements, the Directors have made an estimate that out of the 415,931 non-market performance rights issued, 75% will meet the required hurdles and will result in 311,948 fully paid IMDEX shares being issued. The expected total cost of the estimated 311,948 fully paid ordinary shares to be issued in IMDEX will therefore be $345,639. This value will be expensed over the vesting period from July 2018 to June 2021, with $111,382 expensed in the current year.

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

364,086 performance rights were granted to the Managing Director on 4 November 2018 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 September 2021 (once the 2021 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 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 2021 financial year).

Exercise of the performance rights at the end of the 3-year period (30 June 2021) 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 $0.894 per right. The expected total cost of the estimated 182,043 fully paid ordinary shares to be issued in IMDEX will therefore be $162,746. This value will be expensed over the vesting period from November 2018 to June 2021, with $36,749 expensed in the current year.

The fair value of a non-market performance right (EPS) at grant date was $1.265 per right. For the purposes of the 2019 financial statements, the Directors have made an estimate that out of the 182,043 non-market performance rights issued, 50% will meet the required hurdles and will result in 91,021 fully paid IMDEX shares being issued. The expected total cost of the estimated 91,021 fully paid ordinary shares to be issued in IMDEX will therefore be $115,142. This value will be expensed over the vesting period from November 2018 to June 2021, with $26,000 expensed in the current year.

# IMDEX LIMITED

*and its controlled entities*

## OTHER

**5.3 Reserves (continued)**

**Performance rights granted in the prior 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'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).

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 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, 60% will meet the required hurdles and will result in 1,087,943 fully paid IMDEX shares being issued. The expected total cost of the estimated 1,087,943 fully paid ordinary shares to be issued in IMDEX will therefore be $926,453. This value will be expensed over the vesting period from July 2017 to June 2020, with $315,962 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 shares being issued. The expected total cost of the estimated 510,063 fully paid ordinary shares to be issued in IMDEX 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 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 will therefore be $206,004. This value will be expensed over the vesting period from November 2017 to June 2020, with $79,743 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, 60% will meet the required hurdles and will result in 160,940 fully paid IMDEX shares being issued. The expected total cost of the estimated 160,940 fully paid ordinary shares to be issued in IMDEX will therefore be $173,429. This value will be expensed over the vesting period from November 2017 to June 2020, with $70,397 expensed in the current year.



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IMDEX LIMITED

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OTHER

**5.3 Reserves (continued)**

***Outstanding Performance Rights***

| 2019 | | | | | Estimated Number of Performance Rights | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Grant Date | Expiry Date | Exercise Price $ | Market Value at Grant Date $ | Opening balance | Granted | Satisfied by the allotment of shares | Expired ^ | Closing balance |
| Tranche 17 | 1-Jul-15 | Jul-18 | - | 0.285 | 6,025,059 | - | (5,273,519) | (751,540) | - |
| MD Tranche | 20-Nov-15 | Jul-18 | - | 0.235 | 1,558,468 | - | (1,350,725) | (207,743) | - |
| Tranche 18 | 1-Jul-16 | Jul-19 | - | 0.220 | 9,826,077 | - | - | (493,573) | 9,332,504 |
| MD Tranche | 25-Nov-16 | Jul-19 | - | 0.620 | 2,268,946 | - | - | - | 2,268,946 |
| Tranche 19 | 1-Jul-17 | Jul-20 | - | 0.740 | 4,306,563 | - | - | (288,833) | 4,017,730 |
| MD Tranche | 19-Oct-17 | Jul-20 | - | 0.965 | 643,762 | - | - | - | 643,762 |
| Tranche 20 | 1-Jul-18 | Jul-21 | - | 0.947 | - | 2,844,791 | - | (55,315) | 2,789,476 |
| MD Tranche | 4-Nov-18 | Jul-21 | - | 1.079 | - | 364,086 | - | - | 364,086 |

| 2018 | | | | | Estimated Number of Performance Rights | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Grant Date | Expiry Date | Exercise Price $ | Market Value at Grant Date $ | Opening balance | Granted | Satisfied by the 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. 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.

# IMDEX LIMITED

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## OTHER

### 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.

**(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.

### 5.5 Key Management Personnel Compensation

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

| | 2019 $ | 2018 $ |
|---|---|---|
| Short-term employee benefits | 4,056,312 | 3,567,308 |
| Post-employment benefits | 190,270 | 147,979 |
| Other long-term benefits | (42,523) | 30,989 |
| Termination benefits | - | - |
| Share-based payments | 1,267,299 | 1,190,852 |
| | 5,471,358 | 4,937,128 |

### 5.6 Related party transactions

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

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** | | |
| Profit from ordinary activities before income tax includes the following items of expense: | | |
| Consultancy expense | 60,000 | 61,200 |





IMDEX LIMITED

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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:

| | 2019 $ | 2018 $ |
|---|---|---|
| **Deloitte Touche Tohmatsu (Australia)** | | |
| Audit or review of the financial report | 266,500 | 279,500 |
| Other audit related services | 10,000 | 12,300 |
| Other non-audit services | 102,791 | 91,562 |
| | 379,291 | 383,362 |
| **Deloitte Touche Tohmatsu (overseas affiliates)** | | |
| Audit or review of the financial report | 40,000 | 66,741 |
| Taxation services – mainly compliance work, transfer pricing and global restructuring advice | 276,709 | 225,479 |
| | 316,709 | 292,220 |

### 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 2019, 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 2019 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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| Key Audit Matter | How the scope of our audit responded to the Key Audit Matter |
|---|---|
| **Restructuring of cash generating units and reallocation of goodwill**<br><br>As disclosed in Note 4.4 to the financial statements, management restructured the business during the year, resulting in changes in the company's cash generating units (CGUs). These changes also resulted in goodwill being reallocated within the business.<br><br>Judgement was exercised in:<br>• Identification of CGUs following the restructure; and<br>• Determining the appropriate basis for reallocating goodwill within the business. | Our audit procedures included, but were not limited to:<br><br>• Obtaining and reviewing management's assessment of the change in the identified CGUs including consideration of the appropriateness of this change in accordance with the requirements of AASB 136 Impairment of Assets;<br>• Evaluating the level at which goodwill has been reallocated and the methodology management has applied to reallocate goodwill on a relative value basis as required by AASB 136 Impairment of Assets;<br>• Engaging corporate finance valuations specialists to assist with determining appropriate EBITDA multiples used in assessing the relative value of CGUs management had derived for the purposes of reallocating goodwill;<br>• Considering the risk of impairment at the CGU and operating segment levels immediately before and after the restructure event; and<br>• Assessing the appropriateness of the disclosures in the notes 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 2019, 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.

*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.

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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 directors' 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.

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.

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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 9 to 22 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Imdex Limited, for the year ended 30 June 2019, 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, 16 August 2019

Deloitte.

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

16 August 2019

Dear Board Members

**Auditor's Independence Declaration to 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 year ended 30 June 2019, 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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# IMDEX LIMITED

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## ADDITIONAL SECURITIES EXCHANGE INFORMATION

## AS AT 15 AUGUST 2019

| (a) Distribution of Shareholders | Number of Fully Paid Ordinary Shareholders | Number of Performance Rights Holders |
|---|---|---|
| 1 – 1,000 | 619 | - |
| 1,001 – 5,000 | 795 | - |
| 5,001 – 10,000 | 471 | 1 |
| 10,001 – 100,000 | 670 | 26 |
| 100,001 – and over | 122 | 37 |
| | 2,677 | 64 |
| Holding less than a marketable parcel | 274 | - |

**(b) Substantial Shareholders**

| Ordinary Shareholders | Fully Paid | |
|---|---|---|
| | Number | Percentage |
| J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 99,160,601 | 26.18 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 88,248,390 | 23.30 |
| CITICORP NOMINEES PTY LIMITED | 32,942,780 | 8.70 |

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

| Ordinary Shareholders | Fully Paid | |
|---|---|---|
| | Number | Percentage |
| J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 99,160,601 | 26.18 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 88,248,390 | 23.30 |
| CITICORP NOMINEES PTY LIMITED | 32,942,780 | 8.70 |
| NATIONAL NOMINEES LIMITED | 18,761,406 | 4.95 |
| CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C> | 13,359,362 | 3.53 |
| BNP PARIBAS NOMS PTY LTD <DRP> | 10,493,064 | 2.77 |
| BNP PARIBAS NOMINEES PTY LTD <BNPP SEC CORP SEG ACC DRP> | 9,371,353 | 2.47 |
| SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA A/C> | 8,096,422 | 2.14 |
| UBS NOMINEES PTY LTD | 7,037,136 | 1.86 |
| MR RICHARD KARL HILL <ICENA ACCOUNT> | 6,000,000 | 1.58 |
| BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 5,861,247 | 1.55 |
| BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C> | 5,711,832 | 1.51 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2 | 2,493,858 | 0.66 |
| NATIONAL NOMINEES LIMITED <DB A/C> | 2,393,806 | 0.63 |
| BUTTONWOOD NOMINEES PTY LTD | 2,389,000 | 0.63 |
| BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C> | 1,914,518 | 0.51 |
| ECAPITAL NOMINEES PTY LIMITED <ACCUMULATION A/C> | 1,544,348 | 0.41 |
| TELIC ALCATEL (AUSTRALIA) PTY LTD <MIDDENDORP DIRECTORS SF A/C> | 1,514,076 | 0.40 |
| MR BERNARD RIDGEWAY | 1,479,601 | 0.39 |
| AMP LIFE LIMITED | 1,456,278 | 0.38 |
| | 320,229,078 | 84.53 |

# IMDEX LIMITED

*and its controlled entities*

## ADDITIONAL SECURITIES EXCHANGE INFORMATION
## AS AT 15 AUGUST 2019

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

| Name | Number of Shares | Number of Performance Rights |
|---|---|---|
| Mr. B. Ridgeway | 3,748,777 | 3,276,794 |
| Mr. A. Wooles | 1,000,000 | - |
| Mr. K. Dundo | 204,546 | - |
| Ms. S. Layman | 70,000 | - |
| Mr. I. Gustavino | 62,077 | - |
| Mr. P. Evans | 508,965 | 1,125,908 |
| | 5,594,365 | 4,402,702 |

**(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
172 St Georges Terrace
Perth
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6000
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ABN: 78 008 947 813
AUSTRALIAN SECURITIES EXCHANGE (ASX)
LISTING DATE: 24 SEPTEMBER 1987
ASX CODE: IMD

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BALCATTA
WESTERN AUSTRALIA 6021

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