IMDEX FINANCIAL REPORT 2020

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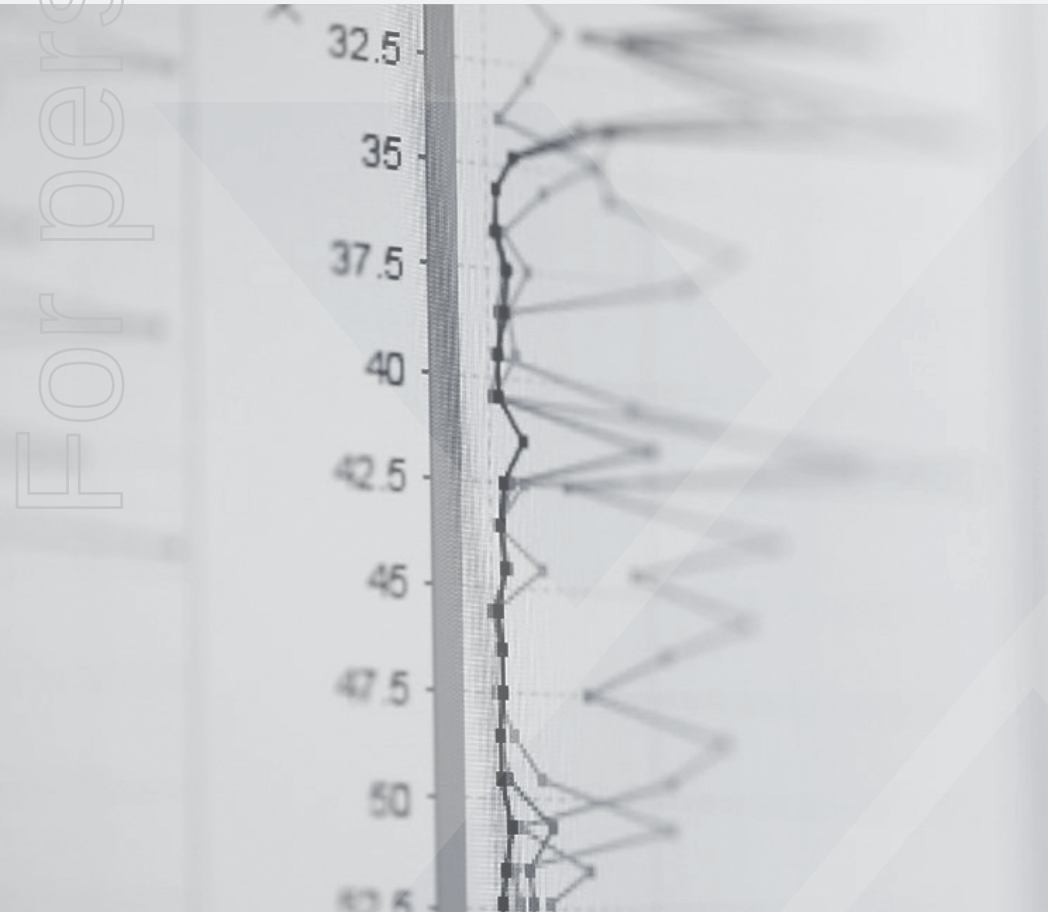

A LEADING GLOBAL MINING-TECH COMPANY

IMDEX LIMITED

and its controlled entities

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2020

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 2020.

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 ▪ Director and Chairman since 1 July 2016 ▪ Chair of the Remuneration and Nomination Committee ▪ Member of the Audit, Risk and Compliance Committee ▪ Has held executive and advisory roles in diverse industries including mining, oil and gas, power generation, manufacturing, telecommunications, food and beverages and retail ▪ 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 ▪ Director since 23 May 2000 (Retired 1 July 2020) ▪ Over 35 years' experience with public and private companies as owner, director and manager ▪ Member of the Chartered Accountants Australia and New Zealand and Australian Institute of Company Directors ▪ 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 • Director since 6 February 2017 • Chair of the Audit, Risk and Compliance Committee • Member of the Australian Institute of Company Directors and CPA Australia • 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 • 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 ▪ Director since 14 January 2004 ▪ Member of the Remuneration and Nomination Committee and the Audit, Risk and Compliance Committee ▪ Non Executive Director of Red 5 Limited (2010 – Current), Cash Converters International Limited (2015 – Current) and Avenira Limited (2019 – Current)
Mr. I. Gustavino	Independent, Non Executive Director	• Corporate Advisor • Director since 3 July 2015 • Member of the Remuneration and Nomination Committee • 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. • Non Executive Chairman of CVCheck Limited (2018 – current)

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2020

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	8	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 2020 financial year (FY20) 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.

Review of Operations

IMDEX performed well throughout the 2020 financial year (FY20), which included unprecedented challenges in the fourth quarter.

It was a positive start to FY20 and the Company achieved its best nine month revenue through to March 2020. This positive performance was largely driven by increased delivery of IMDEX's integrated technologies, which provide additional value to clients. The uplift in earnings to March 2020 reflected the Company's growing percentage of rental revenue that yields higher gross margins.

IMDEX's revenue was impacted during 4Q20 by the sharp decline in global activity, due to government mandated restrictions in response to COVID-19.

The majority of the Company's regions are through the initial response phase and are moving to resumption of all mining activities where possible. An indicator of this resumption is the recovery of IMDEX's rental fleet. As at 14 August 2020, the number of instruments on rent had exceeded the prior corresponding period.

The Company realised the benefits of its digital transformation during the pandemic and IMDEX's resilient supply chain ensured it delivered support to clients 100% of the time. At the same time, IMDEX continued to focus on streamlining operations, R&D and accelerating its online Customer Care and IMDEX Academy training platform in response to demand. These initiatives provide additional support to clients and lower the cost to manage the business for the long-term.

Cash from operations was strong for the full year. The stronger EBITDA conversion during 2H20 can largely be attributed to IMDEX's disciplined approach to working capital management.

The strength of the Company's balance sheet and net cash position enabled IMDEX to deliver returns to shareholders and accelerate opportunities for future growth – including its connected technologies and the strategic acquisition of AusSpec to enhance our real-time rock knowledge offering for clients across the mining value chain.

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Strategic Acquisition of AusSpec

IMDEX acquired AusSpec International Limited (AusSpec) on 7 July 2020. AusSpec is the world's leading provider of spectral mineralogy through its unique aiSIRIS platform, which uses 2 million customer spectra processed through an artificial intelligence engine.

AusSpec co-founder Dr Sasha Pontual is the world-leading spectral mineralogy expert who has built an extensive spectral library over the past five years. Dr Pontual and other high-capable AusSpec personnel will complement and strengthen IMDEX's geoscience capabilities.

AusSpec has a four-year consistent and profitable growth profile and generates revenue[1] via a SaaS model. The acquisition is immediately cashflow positive, will provide an additional recurring revenue stream for IMDEX and is expected to be earnings per share accretive from years 2-3. Further growth is anticipated through IMDEX's existing global network and integration with adjacent IMDEX solutions.

The transaction was completed on 22 July 2020 following payment of $1m cash and $5m in IMDEX shares. Further details regarding the risk-shared structure of the transaction, together with information about AusSpec, aiSIRIS, mineralogy and rock knowledge, are set out in the ASX announcement on 7 July 2020.

Premium Drilling Optimisation Technologies

The Company completed its acquisition of Flexidrill[2] and its unique Drilling Optimisation technologies – COREVIBE™ and MAGAMMER™ – on 6 January 2020.

Successful client trials with COREVIBE™ were undertaken throughout 1H20 and 3Q20. These trials continued to validate the significant benefits of this unique technology, including substantial increases in drilling productivity.

Following the impact of COVID-19, the majority of client COREVIBE™ trials were placed on hold due to limited access to sites for external personnel. Interest in the technology remains high and management is confident the Company's full pipeline of client trials will convert into active rentals as restrictions ease and trials recommence.

Development of MAGHAMMER™ and the Company's XTRACTA™, continued to progress well at IMDEX's test site in New Zealand. Further client trials with XTRACTA™ are scheduled for 1Q21.

IMDEX Mining Technologies

During 4Q20 IMDEX established two test sites in Queensland that enabled further testing of BLASTDOG™ and accelerated progress with automated data integration and visualisation. IMDEX will continue to leverage its global presence and strong support from METS Ignited partners – Orica, Anglo America and Teck Resources – to advance its IMDEX Mining Technologies for further extension into the larger, less-cyclical mining market.

FY20 Financial Highlights

- Full year revenue of $237.7m – record YTD revenue to 3Q20
- EBITDA of $54.4m (including AASB 16 leasing adjustment and excluding gain on VES sale)
- Paid an interim fully-franked dividend of 1.0 cps and a special fully-franked dividend of 2.0 cps following the sale of non-core asset VES. Declared a final fully-franked dividend of 0.7 cps
- Robust balance sheet with a strong net cash position of $32.2m – up 38% on FY19

FY20 Operational Highlights and Outlook

- Strengthened quality of rental fleet – average monthly revenue per instrument up 8% on FY19
- Progressed strategy for sustainable growth:
    - Acquired AusSpec and its unique SaaS product to enhance real-time rock knowledge[3]
    - Completed Flexidrill acquisition and strengthened Drilling Optimisation offering
    - Continued to advance BLASTDOG™ including autonomous operation and sensor refinement
- Realised benefits of digital transformation – in core business and throughout COVID-19 period
- Established an ESG committee to enhance reporting and disclosure
- Achieved certification for Information Security Management standard ISO/IEC 27001:2013
- Successfully navigated COVID-19 impact and restrictions to date

[1] Unaudited revenue $1.5 million for financial year ended 31 March 2020.
[2] Flexidrill Limited and Flexidrill Construction Limited – together Flexidrill.
[3] Acquisition completed 22 July 2020.

- Seamless transition to new CEO to drive consistent growth strategy
- Encouraging start to FY21 with improving rental fleet numbers and continued strong industry fundamentals underpinning IMDEX's business growth

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 2020:

(i) fully-franked final dividend of 1.4 cents (2018: nil) per share paid on 15 October 2019;

(ii) fully-franked special dividend of 2.0 cents (2019: nil) per share paid on 1 November 2019;

(iii) fully-franked interim dividend of 1.0 cents (2019: 0.8 cents) per share paid on 24 March 2020; and

(iv) fully-franked final dividend of 0.7 cents (2019: 1.4 cents) per share to be paid on 13 October 2020.

Changes in State of Affairs

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

Subsequent Events

As announced to the market on 7 July 2020, IMDEX acquired AusSpec International Limited for $8.5m ($3m in cash and $5.5m in IMDEX shares). All conditions precedent to the acquisition were met and completion of the acquisition occurred on 22 July 2020 following payment of $1m cash and the issue of $5m in IMDEX shares. $1m in cash of the acquisition price is deferred until 7 July 2021 on the achievement of specific conditions, and $1m in cash and $0.5m in IMDEX shares of the acquisition price is deferred to 7 July 2022 on the achievement of specific conditions. AusSpec was founded in 2013 and is the leading provider of spectral mineralogy through its unique Artificial Intelligence (AI) Spectral InfraRed Interpretation System ("aiSIRIS").

There have been no other 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 fundamentals underpinning IMDEX's core business and growth strategy remain. Positive drivers include:

- The major and intermediate resource companies are increasing their expenditure to replace diminishing reserves;
- Resource companies are embracing innovation and new technologies to lower costs, increase safety and achieve greater productivity;
- New discoveries are likely to be under cover and at depth resulting in larger drilling campaigns; and
- Strong commodity prices supported by demand across a broad range of sectors including consumer, industrial and government related industries.

At a company level, IMDEX has had an encouraging start to FY21. The recovery that commenced in May 2020 has continued and is reflected in IMDEX's growing instrument fleet. Similarly, demand and opportunities for the Company's cloud-connected sensors and drilling optimisation products have heightened to support remote operations and expedite drilling programs.

IMDEX has a resilient core business with strong prospects for sustainable growth.

Key Areas of Focus and Growth Initiatives for FY21

IMDEX has a clear and consistent strategy to achieve sustainable earnings growth, which includes:

- Growing its core business in exploration and development; and
- Further extension into the larger adjacent mining market to build its less-cyclical revenue.

The Company's strong financial platform, advanced in-house development capabilities, established global presence and strong leadership team, support the ongoing success of this strategy.

IMDEX's integrated product portfolio includes drilling optimisation products and cloud-connected sensors to provide real-time rock knowledge and quality data. Together they enhance decision making and sustainable operations across the mining value chain – from the drill rig to the core farm and processing plant.

The Company's priority projects for FY21 include converting client trials with COREVIBE™ and XTRACTA™ to commercial rentals, continuing to progress the development of MAGHAMMER™ and commercialising mining technologies for Drill & Blast applications – including BLAST DOG™.

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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.

Non-audit services

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

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

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

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 2020. 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 2020 is dated as at 30 June 2020 and was approved by the Board of IMDEX (**Board**) on 14 August 2020. The extent to which IMDEX has complied with the ASX Recommendations during the year ended 30 June 2020, and the main corporate governance practices in place can be viewed in the Corporate Governance section on the Company website.

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2020

Remuneration Report (Audited)

This Remuneration Report for the year ended 30 June 2020 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 FY20
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 FY20 (including link to performance)
6. Executive contracts
7. Non-Executive Director remuneration arrangements
8. Additional disclosures relating to options and shares
9. 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[1]	Managing Director

Senior Executives

Mr. P. House[2]	Chief Operating Officer
Mr. P. Evans	Chief Financial Officer / Company Secretary
Mr. M. Regan[3]	Chief Information and Transformation Officer
Ms. M. Carey	General Manager – IMDEX Product Management
Mr. T. Price	General Manager – IMDEX Engineering and Product Development
Mr. D. Loughlin	Global Business Development Director

[1] Mr Ridgeway retired on 1 July 2020

[2] Mr House was appointed as Chief Executive Officer effective 1 July 2020

[3] Mr Regan was appointed as Chief Corporate Shared Services effective 1 July 2020

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2. Highlights for FY20

Impact of COVID-19 on FY20 remuneration for Board & Executives	 20% temporary reduction in Board fees and Executive pay	Based on the economic circumstances from the COVID-19 pandemic, Board members agreed to a reduction of 20% of fees from 1 April 2020 to 30 June 2020. Executives were requested to take a 20% pay cut or take the equivalent in leave for the period 1 April 2020 to 30 June 2020.
Transition to new Head of Organisation		With effect from 1 July 2020, long serving Managing Director (MD) Mr Bernie Ridgeway retired and IMDEX's current Chief Operating Officer Mr Paul House was appointed to the role of Chief Executive Officer. Details of Mr House's remuneration package were outlined in the ASX announcement on 25 November 2019 which confirmed: ▪ Base salary: $700,000 ($230,750 less than MD) ▪ STI target: up to 30% of salary (same as MD) ▪ LTI opportunity: up to 50% of salary (same as MD) In relation to the retirement of Mr Ridgeway, final emoluments entitlements included LTI in accordance with the IMDEX LTI Plan Rules (also outlined in the ASX announcement on 1 July 2020): ▪ 100% of 2018 LTI and 2019 LTI* grants subject to performance and tested following the performance period ending 30 June 2020 and 30 June 2021 respectively; and ▪ Pro-rata (33%) of 2020 LTI grant subject to performance and tested following the performance period ending 30 June 22. *Note the Board exercised its discretion for testing 100% of the FY19 grant (no pro-rata) taking into consideration Mr Ridgeway's significant contribution to IMDEX, the legacy of his leadership reflecting in performance realised in the immediate years post his retirement and his potential ongoing counsel via a one year consulting retainer.
Review of the Executive remuneration framework		Due to the pandemic, the current review of executive remuneration in FY20 was deferred to FY21 with outcomes to be disclosed in the 2021 Remuneration Report. In the interim, a focus has been on enhancing disclosure, providing shareholders greater understanding of remuneration practices including the current STI and LTI measures and methodology. The Board continues to welcome shareholder views in support of the review and ongoing to ensure IMDEX's remuneration remains appropriate.
Executive base salary increases	 2.5%	To reflect market alignment, some executives (other than the MD) received an average increase in their base salary of 2.5% effective from 1 July 2019. The Managing Director's base salary remained unchanged for FY20.
Short-term incentive ("STI") outcomes	Nil payout EBITDA budget target not met	The FY20 performance year resulted in no STI payments for Executives as the IMDEX EBITDA (Earnings before interest, tax, depreciation and amortisation) outcome was

		less than the minimum budget required for any STI to be paid.
Long-term incentive ("LTI") outcomes	2017 LTI 76% vesting	The performance measures which drive LTI vesting are the Company's total shareholder return (TSR) and earnings per share growth (EPS) relative to the S&P ASX300 Resources companies Index. The 2017 LTI for the three year performance period ending 30 June 2019 resulted in a 76% vesting outcome. The 2018 LTI outcome for the year ending 30 June 2020 will not be known until all peer company reports for the comparator group are released (typically from August to October). Indicative testing results for the 2018 LTI issue have been provided in Section 5 of this report with final outcomes to be disclosed in the 2021 Remuneration Report.
Non-Executive Directors (NEDs) remuneration increases	+22% to +35%	NED fee changes effective 1 July 2019 included a member fee of $110,000, Board Chair Fee of $245,000 and $25,000 for each additional Committee Chair responsibility. Overall Board fee increases in FY20 were between 22% and 35%. The $20,000 increase in member fees represents the first increase since FY12. The Chair fee has not changed for the last three years. IMDEX has grown substantially and the requirements on Board members is significantly larger. Both the Board and Chair fee increases represent alignment with NED fees for similar size/scope organisations and is considered necessary to retain the current directors in support of future business requirements.

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/Chief Executive Officer 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/Chief Executive Officer, the level of the IMDEX short-term incentive (STI) pool.

The Remuneration and Nomination Committee meets regularly through the year. The Managing Director/Chief Executive Officer attends certain Remuneration and Nomination Committee meetings by invitation, where management input is required. The Managing Director/Chief Executive Officer 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.

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

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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 2019 AGM

The FY19 remuneration report received positive shareholder support at the 2019 AGM with a vote of 94% 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 • The remuneration framework incorporates "at-risk" components, including both short and longer term elements delivered in cash and equity. • 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.	**Attract, motivate and retain high performing individuals** • The remuneration offering is competitive for companies of a similar size and complexity. • 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. 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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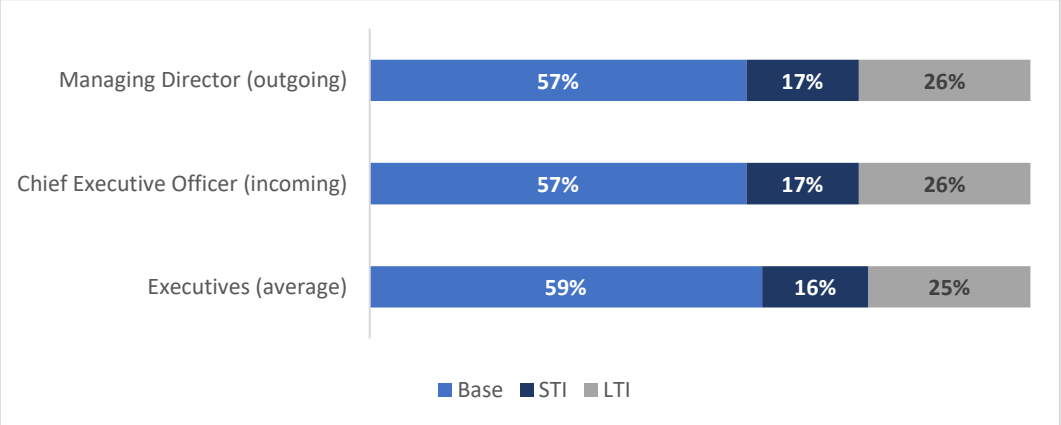
4B: Approach to setting remuneration and details of incentive plans

In FY20, 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. 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. Comparative companies are based on the following: • Industry peers with similar market capitalisation • Mining, equipment, technology and services (METS) companies with comparable market capitalisation • Other industry companies with which IMDEX competes for talent In FY20 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. The chart below summarises the Managing Director (outgoing), Chief Executive Officer (incoming) 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 market relativity and alignment to the Company's short term and long term strategic imperatives.



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.

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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.

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.

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.

Executives will only be eligible for a STIP payment to the extent that the overarching STI Gate is met or exceeded. The Gate is based on the Group (company-wide) EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation). The IMDEX EBITDA is considered a key measure against which Management and the Board assess the short-term financial performance of the Company.

The performance criteria and weightings are summarised as follows:

Performance Criteria	Weighting	Detail of Measures
Corporate	50%	Based on Group EBITDA outcomes versus target
Safety	20%	Based on Group lost time injury frequency rate (LTIFR) versus target
Individual Performance	30%	Based on key measures identified annually for the executive and assessed against expectations for the role A combination of scores assessed for executives based on individual goals relating to: - Customer Focus and Technical Leadership - Operational Excellence & Quality - People and Culture - Strategic Pillars As part of the assessment, the participant will be scored against the four IMDEX 'Vital Behaviours' to determine the extent of vesting.

Subsequent to assessment of the three performance criteria, a modifier may be applied to normalise the outcome against regional results. The modifier is calculated for each region and is based on the EVA (Economic Value Add) result achieved against budget for the financial year. The EVA modifier encourages behaviours which support effective capital management.

What is the value of the STI award opportunity?

The Managing Director/Chief Executive Officer has a maximum STI opportunity of 30% of base salary. 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 (including satisfying the STI Gate), 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/Chief Executive Officer as appropriate. The use of the EBITDA Gate ensures that the STI payouts are affordable to the business and are capped at the sum of the individual's target opportunity.

Short Term Incentives (continued)	
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/Chief Executive Officer has a maximum LTI opportunity of 50% of base salary. Executives also have a maximum LTI opportunity of up to 50% of base salary.
How is performance measured?	Awards are subject to two measures, weighted equally: relative Total Shareholder Return (TSR) and relative earnings per share (EPS). Relative TSR is used to recognise the creation of shareholder value relative to market peers. Relative EPS (rather than absolute EPS) has been selected by the IMDEX Board to incentivise long term behaviours and outcomes, relative to market peers. This is particularly important where resources sector returns simply reflect a 'rising tide' across the sector. **Calculation of Relative TSR and relative EPS** 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. 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 2019 LTI grant). Relative 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. No vesting will occur when the TSR for the performance period is negative. Relative 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. EPS performance for each company in the comparator group (including IMDEX) uses reported basic EPS for both the base year and third year and calculates the percentage growth over the three years. Where a comparator company and/or IMDEX has a negative base year EPS and a positive final year EPS, the absolute growth is calculated, adjusted for the correct sign of growth. This is considered an equitable approach for determining the company performance over the performance period. Note where IMDEX and/or a comparator company results in a final year negative EPS the company is excluded from the analysis. Specifically, if IMDEX EPS results in a negative EPS final year, the LTI will not vest. 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.

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Long Term Incentive (continued)

How is performance measured? (continued)

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%

Note: Notwithstanding the percentile ranking, no vesting will occur where IMDEX's TSR for the Performance Period is negative or the EPS in the final year is negative.

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 is the LTI allocation methodology?	The number of Rights granted to the Managing Director/Chief Executive Officer and Senior Executives under the LTI plan is calculated on a face value basis.
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. 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.

5. Executive remuneration outcomes for FY20

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 16	30 Jun 17	30 Jun 18	30 Jun 19	30 Jun 20
Revenue ($'000)	173,943	186,702	218,475	243,655	237,691
Net profit / (loss) before tax ($'000)	(56,788)	5,906	28,591	37,452	29,142
Net profit / (loss) after tax ($'000)	(56,253)	3,663	21,115	27,608	21,758
Share price at start of year (cents)	30.0	21.0	75.5	123.5	131.0
Share price at end of year (cents)	21.0	75.5	123.5	131.0	111.0
Interim dividend (cents) – fully franked	-	-	-	0.8	1.0
Final dividend (cents) – fully franked	-	-	-	1.4	0.7
Special dividend (cents) – fully franked	-	-	-	-	2.0
Basic earnings / (loss) per share (cents)	(23.11)	1.14	5.73	7.37	5.64
Diluted earnings / (loss) per share (cents)	NA	1.06	5.37	7.01	5.46

Company performance and its link to short-term incentives

An STI payment will only be made to the extent that the overarching STI EBITDA Gate is met or exceeded. The following table shows IMDEX's EBITDA actual performance to budget target over the three financial years from 1 July 2017 to 30 June 2020.

Financial year	EBITDA vs budget target
FY18	Not met
FY19	Not met
FY20	Not met

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Performance in FY20

Notwithstanding the fact that an STI payment will not be made in FY20 due to the EBITDA Gate not being achieved, the table below outlines FY20 STI performance against non-financial targets.

Objective	Weighting	Performance Achieved/Comments
Corporate	50%	The budget EBITDA target was not met, resulting in nil STI payout.
Compliance, risk and safety	20%	The target LTIFR of 2.52 was not achieved (actual FY2020 LTIFR: 3.97). As a consequence there was no payout of any portion of the compliance, risk and safety component.
Individual	30%	Executives individual objectives for the year related to achieving key results in *Customer Focus and Technical Leadership, Operational Excellence & Quality, People & Culture and strategic initiatives.* Based on individual performances throughout the year, the average overall individual score for executives was 2.0 out of 3.0.

The following table outlines the proportion of maximum STI that was earned and forfeited in relation to the 2020 financial year.

Name	Proportion of maximum STI earned in FY20	Proportion of maximum STI forfeited in FY20
Mr. B. Ridgeway	0%	100%
Mr. P. House	0%	100%
Mr. P. Evans	0%	100%
Mr. M. Regan	0%	100%
Ms. M. Carey	0%	100%
Mr. T. Price	0%	100%
Mr. D. Loughlin	0%	100%

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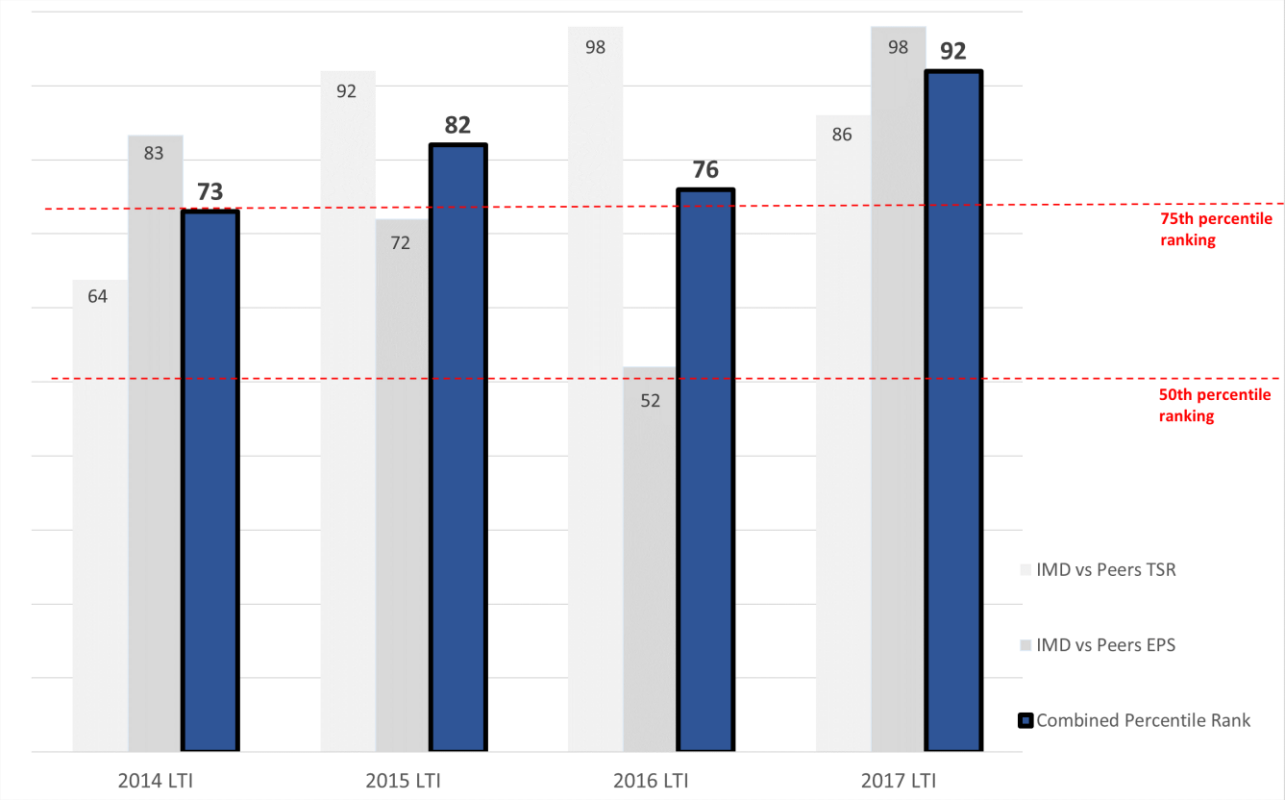
Company performance and its link to long-term incentives

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 four years.



The following table provides a summary of the Company's performance and vesting outcomes for each of the LTI grants.

	2014 LTI	2015 LTI	2016 LTI	2017 LTI[2]
Grant Date	Jul-14	Jul-15	Jul-16	Jul-17
Expiry Date	Jul-17	Jul-18	Jul-19	Jul-20
IMDEX 3-year TSR	-5.2%	305%	382%	146%
IMDEX 3-year EPS Growth	144%	155%	132%	547%
Combined Percentile Rank	73rd	82nd	76th	92nd
Vesting Percentage	**0%[1]**	**87%**	**76%**	**100%**

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

[2] 2017 LTI is indicative only based on testing conducted in February 2020 using latest publicly available data and assuming TSR and EPS ranking remains unchanged to 30 June 2020.

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Statutory Executive KMP remuneration

The following table sets out total remuneration for Executive KMP in FY20 and FY19, calculated in accordance with statutory a ccounting requirements.

	Short-term benefits				Other long-term benefits	Post-employment benefits		Share-based payments	Termination benefits	Total	Performance related
	Cash salary $	Bonus $	Non-Monetary $	Other $	Leave $	Super-annuation $	Other $	Value of long-term incentive $	Termination payments $	$	%
Executive Director											
Mr. B. Ridgeway – Managing Director											
FY20	**891,542**	**-**	**-**	**-**	**(23,791)**	**21,003**	**-**	**374,308**	**-**	**1,263,062**	**30%**
FY19	930,730	-	-	**1,000**	**(63,234)**	**25,000**	**-**	**694,992**	**-**	**1,588,488**	**44%**
Senior Executives											
Mr. P. House – Chief Operating Officer											
FY20	**457,663**	**-**	**-**	**-**	**-**	**25,000**	**-**	**149,689**	**-**	**632,352**	**24%**
FY19	435,000	-	-	-	-	25,000	-	73,697	-	533,697	14%
Mr. P. Evans – Chief Financial Officer											
FY20	**469,573**	**-**	**-**	**-**	**7,654**	**25,000**	**-**	**137,888**	**-**	**640,114**	**22%**
FY19	458,120	-	-	100	7,637	25,000	-	123,022	-	613,879	20%
Mr. M. Regan – Chief Information and Transformation Officer											
FY20	**391,176**	**-**	**-**	**-**	**-**	**25,000**	**-**	**73,574**	**-**	**489,750**	**15%**
FY19	371,173	-	-	-	-	25,000	-	30,974	-	427,147	7%
Ms. M. Carey – General Manager – IMDEX Product Management											
FY20	**307,973**	**-**	**-**	**-**	**5,389**	**25,000**	**-**	**109,578**	**-**	**447,940**	**24%**
FY19	314,999	-	-	-	5,251	25,000	-	73,778	-	419,028	18%
Mr. T. Price – General Manager – IMDEX Engineering and Product Development											
FY20	**594,303**	**-**	**-**	**28,378[2]**	**-**	**21,854**	**-**	**167,917**	**-**	**812,451**	**21%**
FY19	593,651	-	-	27,069	-	23,170	-	144,778	-	788,668	18%
Mr. D. Loughlin – Global Business Development Director											
FY20	**481,104**	**-**	**-**	**-**	**(34,591)**	**25,000**	**-**	**140,410**	**-**	**611,923**	**23%**
FY19	469,370	-	-	100	7,824	25,000	-	126,057	-	628,351	20%
Total											
FY20	**3,593,334**	**-**	**-**	**28,378**	**(45,340)**	**167,856**	**-**	**1,153,364**	**-**	**4,897,592**	**n/a**
FY19	3,573,043	-	-	28,269	(42,522)	173,170	-	1,267,298	-	4,999,258	n/a

[1]Executives were requested to take a 20% reduction in pay, or the equivalent in leave from 1 April 2020 to 30 June 2020 in response to the pandemic.
[2] Relates to medical, vision, dental and life insurance benefits

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6. Executive Contracts

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

Former Managing Director – Mr Bernie Ridgeway

Mr. Ridgeway was 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.

Chief Executive Officer – Mr Paul House (effective 1 July 2020)

Mr. House is employed under an ongoing contract which can be terminated with notice by either side.

Under the terms of the present contract:

- The Chief Executive Officer receives a base salary of $700,000 per annum.
- The Chief Executive Officer's maximum STI opportunity is 30% of base salary.
- The Chief Executive Officer is eligible to participate in the IMDEX LTI plan on terms determined by the Board, subject to receiving any required or appropriate shareholder approval.

Termination provisions

The Chief Executive Officer termination provisions specify that the Chief Executive Officer 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 4 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 the Managing Director. 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.

All other Executives are employed on individual open-ended employment contracts that set out the terms of their employment. 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	Vesting will be determined based on the amount of performance period remaining and the Executive's performance, subject to Board discretion.

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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 2020 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 fee policy for FY20:

Board fees	
Chairman	$245,000
Directors	$110,000
Committee fees	
Committee Chair	$25,000
Committee Member	$0

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

The remuneration of NEDs for FY20 and FY19 is detailed below. Note director fees in FY20 includes a 20% reduction for the period 1 April 2020 to 30 June 2020 in response to the COVID-19 pandemic.

		Short-term benefits		Post-employment	
	Financial Year	Director Fees $	Other	Superannuation $	Total $
Mr. A. Wooles[1]	**FY20**	**233,127**	**-**	**-**	**233,127**
	FY19	175,000	-	-	175,000
Ms. S. Layman[2]	**FY20**	**128,638**	**-**	**-**	**128,638**
	FY19	100,000	-	-	100,000
Mr. K. Dundo[3]	**FY20**	**97,353**	**-**	**9,474**	**106,827**
	FY19	90,000	-	8,550	98,550
Mr. I. Gustavino[4]	**FY20**	**99,727**	**-**	**9,474**	**109,201**
	FY19	90,000	-	8,550	98,550
FY20 NED Total		**558,845**	**-**	**18,948**	**577,793**
FY19 NED Total		455,000	-	17,100	472,100

[1] Mr. A. Wooles is a director of Trudo Consulting Pty Ltd. His director's fees (which are subject to GST) were paid to Trudo Consulting Pty Ltd and are shown net of GST.
[2] Ms. S. Layman is a director of RL Advisory Pty Ltd. Her director's fees (which are subject to GST) were paid to RL Advisory Pty Ltd and are shown net of GST.
[3] Mr K. Dundo is a director of KD Legal Pty Ltd. His director's fees (which are subject to GST) were paid to KD Legal Pty Ltd and are shown net of GST.
[4] Mr I. Gustavino is a director of Gustavino Capital Pty Ltd. His director's fees (which are subject to GST) were paid to Gustavino Capital Pty Ltd and are shown net of GST.

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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 FY20 as well as the number of Rights that vested or lapsed during the year.

30 June 2020	Granted as remuneration	Performance Rights vested	Performance Rights lapsed
Executive Directors			
Mr. B. Ridgeway	381,760	(1,722,130)	(546,816)
Senior Executives			
Mr. P. House	192,803	-	-
Mr. P. Evans	134,839	(590,056)	(187,355)
Mr. M. Regan	166,139	-	-
Ms. M. Carey	129,219	(191,347)	(42,218)
Mr. T. Price	178,630	(685,912)	(217,795)
Mr. D. Loughlin	134,781	(604,705)	(192,009)

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 2020	Shares issued No.	Paid per share $
Executive Director		
Mr. B. Ridgeway	1,722,130	Nil
Senior Executives		
Mr. P. Evans	590,056	Nil
Ms. M. Carey	191,347	Nil
Mr. T. Price	685,912	Nil
Mr. D. Loughlin	604,705	Nil
Total	**3,794,150**	

Performance Rights holdings of key management personnel*

30 June 2020	Balance at beginning of period 1 July 2019	Granted as remuneration	Performance Rights exercised	Performance Rights Expired	Balance at end of period 30 June 2020
Executive Director					
Mr. B. Ridgeway	3,276,794	381,760	(1,722,130)	(546,816)	1,389,608
Senior Executives					
Mr. P. House	351,227	192,803	-	-	544,030
Mr. P. Evans	1,125,908	134,839	(590,056)	(187,355)	483,336
Mr. M. Regan	144,738	166,139	-	-	310,877
Ms. M. Carey	502,853	129,219	(191,347)	(42,218)	398,507
Mr. T. Price	1,317,155	178,630	(685,912)	(217,795)	592,078
Mr. D. Loughlin	1,153,769	134,781	(604,705)	(192,009)	491,836

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

Performance Rights in existence during the current year

2020					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 18	1-Jul-16	Jul-19	-	0.220	9,332,504	-	(7,510,042)	(1,822,462)	-
MD Tranche	25-Nov-16	Jul-19	-	0.620	2,268,946	-	(1,722,130)	(546,816)	-
Tranche 19	1-Jul-17	Jul-20	-	0.740	4,017,730	-	-	(129,610)	3,888,120
MD Tranche	19-Oct-17	Jul-20	-	0.965	643,762	-	-	-	643,762
Tranche 20	1-Jul-18	Jul-21	-	0.947	2,789,476	-	-	(163,085)	2,626,391
MD Tranche	4-Nov-18	Jul-21	-	0.763	364,086	-	-	-	364,086
Tranche 21	21-Oct-19	Jul-22	-	1.109	-	3,407,658	-	(107,272)	3,300,386
MD Tranche	21-Oct-19	Jul-22	-	1.109	-	381,760	-	(254,158)	127,602

^ - 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 19)	Ordinary	Nil	1 Jul 2017	Jul 2020	(aa)	3,888,120
IMDEX	Performance Rights (Managing Directors' Tranche 8)	Ordinary	Nil	19 Oct 2017	Jul 2020	(bb)	643,762
IMDEX	Performance Rights (Tranche 20)	Ordinary	Nil	1 Jul 2018	Jul 2021	(cc)	2,626,391
IMDEX	Performance Rights (Managing Directors' Tranche 9)	Ordinary	Nil	4 Nov 2018	Jul 2021	(dd)	364,086
IMDEX	Performance Rights (Tranche 21)	Ordinary	Nil	21 Oct 2019	Jul 2022	(ee)	3,300,386
IMDEX	Performance Rights (Managing Directors' Tranche 10)	Ordinary	Nil	21 Oct 2019	Jul 2022	(ff)	127,602

(aa) 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.

(bb) 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.

(cc) 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.

(dd) 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.

(ee) To be satisfied by the issue of fully paid ordinary shares in IMDEX on or about September 2022. A combination of Performance Rights subject to the achievement of specified performance hurdles and ongoing employment tenure.

(ff) To be satisfied by the issue of fully paid ordinary shares in IMDEX on or about September 2022. 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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Share holdings of Directors and key management personnel*
Shares held in IMDEX (number)

30 June 2020	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	1,000,000	-	(300,000)	700,000	-
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	3,748,777	1,722,130	(500,000)	4,970,907	1,389,608
Senior Executives						
Mr. P. House	Ordinary	-	-	-	-	544,030
Mr. P. Evans	Ordinary	508,965	590,056	(440,000)	659,021	483,336
Mr. M. Regan	Ordinary	-	-	-	-	310,877
Ms. M. Carey	Ordinary	129,559	191,347	(120,000)	200,906	398,507
Mr. T. Price	Ordinary	423,786	685,912	(563,534)	546,164	592,078
Mr. D. Loughlin	Ordinary	215,000	604,705	(340,705)	479,000	491,836

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

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

Mr. I Gustavino is a director and shareholder in consulting company Atrico Pty Ltd, that during the financial year provided consulting services to the value of $86,100 (2019: $60,000) to the IMDEX Group on normal commercial terms and conditions. Subsequent to the reporting date, at the direction of the vendors of AusSpec International Limited (Refer Note 5.9 Subsequent Events), the Group issued IMDEX shares to Atrico Pty Ltd to satisfy a fee owed by the vendors to Atrico Pty Ltd. Refer to ASX announcement 12 August 2020.

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, 14 August 2020.

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IMDEX LIMITED

and its controlled entities

DIRECTORS' DECLARATION

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The Directors declare that:

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

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

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

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

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

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

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

Dated at PERTH, Western Australia, 14 August 2020.



Mr. Anthony Wooles

Chairman

IMDEX LIMITED

and its controlled entities

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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 2020

	Notes	Year Ended 30 June 2020 $'000	Year Ended 30 June 2019 $'000
Revenue from sale of goods and operating lease rental	2.2	237,691	243,655
Other income		3,814	147
Raw materials and consumables used		(77,573)	(83,104)
Employee benefit expense	2.3	(66,448)	(68,207)
Depreciation and amortisation expense	2.3	(26,488)	(14,261)
Finance costs	2.3	(2,631)	(770)
Other expenses	2.3	(39,223)	(40,008)
Profit before tax		29,142	37,452
Income tax expense	5.1	(7,384)	(9,844)
Profit for the period		21,758	27,608
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on the translation of foreign operations		(3,177)	3,849
Other comprehensive income for the year, net of income tax		(3,177)	3,849
Total comprehensive income for the year		18,581	31,457
Profit attributable to owners of the parent		21,758	27,608
Total comprehensive income attributable to owners of the parent		18,581	31,457
Earnings per share			
Basic profit per share (cents)	2.1	5.64	7.37
Diluted profit per share (cents)	2.1	5.46	7.01

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

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IMDEX LIMITED

and its controlled entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

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	Notes	30 June 2020 $'000	30 June 2019 $'000
Current assets			
Cash and Cash Equivalents	3.1	38,263	29,476
Trade and other receivables	4.1	43,520	54,723
Inventories	4.2	41,161	37,055
Current tax assets	5.1	3,155	961
Other		4,001	6,391
Total current assets		130,100	128,606
Non-current assets			
Property, plant and equipment	4.3	43,143	39,367
Right-of-Use Assets	4.4	36,489	-
Deferred tax assets	5.1	24,808	21,019
Intangible assets	4.5	83,582	59,531
Other	4.8	-	10,690
Total non-current assets		188,022	130,607
Total assets		318,122	259,213
Current liabilities			
Trade and other payables	4.6	26,876	25,336
Lease liabilities	4.4	6,385	-
Deferred consideration	4.9	107	-
Borrowings	3.2	-	67
Current tax liabilities	5.1	2,382	1,362
Provisions	4.7	4,621	6,067
Total current liabilities		40,371	32,832
Non-current liabilities			
Lease liabilities	4.4	35,132	-
Deferred consideration	4.9	14,619	-
Borrowings	3.2	6,115	6,172
Provisions	4.7	253	197
Total non-current liabilities		56,119	6,369
Total liabilities		96,490	39,201
Net assets		221,632	220,012
Equity			
Issued capital	3.3	158,697	156,483
Reserves	5.4	4,464	6,820
Retained earnings		58,471	56,709
Total equity		221,632	220,012

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

IMDEX LIMITED

and its controlled entities

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

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	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 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 (as previously reported)		-	(2,261)	9,081	6,820	156,483	56,709	220,012
Effect of change in accounting policy for initial application of AASB16		-	-	-	-	-	(2,921)	(2,921)
Balance at 1 July 2019 (as restated)		**-**	**(2,261)**	**9,081**	**6,820**	**156,483**	**53,788**	**217,091**
Exchange differences on translation of foreign operations after taxation	5.4	-	(3,177)	-	(3,177)	-	-	(3,177)
Profit for the year		-	-	-	-	-	21,758	21,758
Total comprehensive income for the year		-	(3,177)	-	(3,177)	-	21,758	18,581
Share based payments - performance rights		-	-	3,035	3,035	-	-	3,035
Granting/settlement of performance rights	5.4	(129)	-	(2,085)	(2,214)	2,214	-	-
Dividends paid		-	-	-	-	-	(17,075)	(17,075)
Balance at 30 June 2020		(129)	(5,438)	10,031	4,464	158,697	58,471	221,632

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 2020

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	Notes	Year Ended 30 June 2020 $'000	Year Ended 30 June 2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		270,722	264,411
Payments to suppliers and employees (Inclusive of GST)		(208,176)	(222,177)
Interest and other costs of finance paid		(527)	(683)
Income tax paid		(9,649)	(6,363)
Net cash provided by operating activities	3.1	52,370	35,188
Cash flows from investing activities			
Interest received		189	147
Payment for property, plant and equipment		(23,171)	(14,948)
Proceeds on sale of investment		6,362	-
Deposits/purchase consideration paid		(2,537)	(2,275)
Net cash used in investing activities		(19,157)	(17,076)
Cash flows from financing activities			
Repayment of borrowings		(200)	-
Dividends paid		(17,075)	(3,010)
Hire purchase payments		(67)	(128)
Repayment of lease liabilities		(6,392)	-
Net cash used in financing activities		(23,734)	(3,138)
Net increase in cash and cash equivalents		9,479	14,974
Cash and cash equivalents at the beginning of the financial year		29,476	13,942
Effects of exchange rate changes on the balance of cash held in foreign currencies		(692)	560
Cash and cash equivalents at the end of the financial year	3.1	38,263	29,476

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

ABOUT THIS REPORT

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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 2019. 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, unless otherwise disclosed. Refer to note 1.5 for further details; and

The financial statements were authorised for issue by the Directors on 14 August 2020.

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 2019 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 17 *Insurance Contracts*

AASB 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

AASB 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

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The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2022.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application. This standard is not applicable to the Group.

Amendments to IAS 1 and IAS 8:

Definition of Material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the *Conceptual Framework* that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

The amendments to the definition of material are not expected to have a significant impact on the Group's consolidated financial statements.

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:

- 4.1 – Recoverability of receivables
- 4.3 – Recoverability of non-current assets
- 4.5 – Intangible Assets
- 4.9 – Deferred consideration
- 5.1 – Taxation

1.5 New and revised Accounting Standards adopted from 1 July 2019

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 2019. New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

AASB 16: *Leases*

The Group adopted AASB 16 on 1 July 2019 using the modified retrospective approach; therefore, any comparative information has not been restated and continues to be reported under AASB 117. On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases to those contracts that had already been identified as leases under AASB 117. The definition of a lease under AASB 16 has only been applied to contracts entered into, or changed, on or after 1 July 2019.

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

Applying AASB 16, for all leases (except as noted below), the Group:

a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with AASB 16:C8(b)(ii);

b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and

c) Discloses the total amount of cash paid within the financing activities category in the consolidated statement of cash flows.

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1.5 New and revised Accounting Standards adopted from 1 July 2019

AASB 16: *Leases (continued)*

Lease incentives (e.g. rent free period) are 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 incentive, amortised as a reduction of rental expenses on a straight line basis.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within 'other expenses' in profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying AASB 117:

- The Group has not reassessed 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 be applied to those leases entered or changed before 1 July 2019.
- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 July 2019 is 4.5%.

The following table shows the operating lease commitments disclosed applying AASB 117 at 30 June 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

Impact on retained earnings as at 1 July 2019

	$'000
Operating lease commitments at 30 June 2019 (as previously reported)	(39,082)
Short-term leases and leases of low-value assets	188
Effect of discounting the above amounts	9,383
Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments	(2,313)
Lease liabilities recognised at 1 July 2019	(31,824)
Right-of-use assets recognised at 1 July 2019	27,697
Deferred tax effect of above adjustments	1,206
Amount recognised in retained earnings	(2,921)

AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*

IMDEX has chosen to early adopt "AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*" in the current year which results in the transaction for the acquisition of Flexidrill (see Note 5.2 – Acquisition of subsidiaries) being considered an asset acquisition, not a business combination under "AASB 3 *Business Combinations*".

OPERATING PERFORMANCE

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2.1 Profit per share

	2020 Cents per share	2019 Cents per share
From continuing operations		
Basic profit per share (a)	5.64	7.37
Diluted profit per share (b)	5.46	7.01

(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:	2020 $'000	2019 $'000
Continuing operations - Profit	21,758	27,608
	Shares	**Shares**
Weighted average number of ordinary shares for the purposes of basic profit per share	385,882,006	374,460,637

(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:	2020 $'000	2019 $'000
Continuing operations - Profit	21,758	27,608
	Shares	**Shares**
Weighted average number of ordinary shares used in the calculation of diluted profit per share	398,460,563	393,877,141

OPERATING PERFORMANCE

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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 deferred tax assets, treasury cash, net financing costs for the Group and the corporate portion of head office costs. 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

	2020 $'000	2019 $'000
AM - Americas	98,169	111,531
APAC - AsiaPac	80,462	72,426
AE – Africa / Europe	59,060	59,698
Total Revenue	**237,691**	**243,655**

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2.2 Segment Information (continued)

Segment Results

	2020 $'000	2019 $'000
AM - Americas	6,971	18,525
APAC – AsiaPac	27,980	26,698
AE – Africa / Europe	17,341	16,721
Total of all Segments	**52,292**	**61,944**
Engineering and Product Development Costs (i)	(18,146)	(16,459)
Central Administration Costs (ii)	(8,629)	(8,033)
VES Sale	3,625	-
Profit before Income Tax	**29,142**	**37,452**
Income Tax Expense	(7,384)	(9,844)
Profit attributable to ordinary equity holders of IMDEX	**21,758**	**27,608**

(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 $0.5 million (2019: $0.8 million).

Segment Assets and Liabilities

	Assets		Liabilities	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
AM - Americas	99,327	87,565	24,850	16,945
APAC - AsiaPac	129,341	91,361	62,367	17,229
AE – Africa / Europe	50,362	45,344	9,273	5,027
Total of all segments	279,030	224,270	96,490	39,201
Unallocated	39,092	34,943	-	-
Consolidated	315,824	259,213	96,490	39,201

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

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

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2.2 Segment Information (continued)

Other Segment Information

	AM - Americas	APAC - AsiaPac	AE – Africa / Europe	Unallocated	Total
	2020 $'000	**2020 $'000**	**2020 $'000**	**2020 $'000**	**2020 $'000**
Depreciation	9,958	4,522	3,388	1,112	18,980
Leases amortisation	2,053	1,289	1,037	1,564	5,943
Amortisation	508	815	242	-	1,565
Interest amortisation leases	262	317	67	979	1,625
Acquisition of segment assets	8,980	6,095	5,524	2,572	23,171
Significant non-cash expenses other than depreciation and amortisation	-	-	-	3,035	3,035
	2019 $'000	**2019 $'000**	**2019 $'000**	**2019 $'000**	**2019 $'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

2.3 Expenses

Expense analysis by nature:

		2020 $'000	2019 $'000
Employee benefits expense			
Salaries and wages		(59,944)	(62,186)
Defined contribution superannuation / pension costs		(3,469)	(3,485)
Share based payments		(3,035)	(2,536)
		(66,448)	(68,207)
Depreciation and amortisation expense			
Depreciation of Property, plant and equipment	4.3	(18,980)	(14,053)
Depreciation of Right-of-Use assets	4.4	(5,943)	-
Amortisation of Intangible Assets	4.5	(1,565)	(208)
		(26,488)	(14,261)
Finance costs			
Interest		(490)	(669)
Interest on lease liabilities		(1,625)	-
Amortisation of borrowing costs		(66)	(78)
Other financing costs		(450)	(23)
		(2,631)	(770)

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2.3 Expenses (continued)

	2020 $'000	2019 $'000
Other expenses		
Commissions	(1,556)	(1,653)
Consultancy fees	(4,026)	(3,165)
Legal and professional expenses (i)	(5,651)	(2,762)
Rent and premises costs	(3,190)	(8,688)
Travel and accommodation	(3,749)	(4,685)
Motor vehicle costs	(2,034)	(3,150)
Obsolete stock	(527)	(739)
Doubtful debts	(2,153)	(463)
Other expenses	(16,337)	(14,703)
	(39,223)	(40,008)

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

Defined contribution plans

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

2.4 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 2020:

(i) fully-franked final dividend of 1.4 cents (2018: nil) per share paid on 15 October 2019;

(ii) fully-franked special dividend of 2.0 cents (2019: nil) per share paid on 1 November 2019;

(iii) fully-franked interim dividend of 1.0 cents (2019: 0.8 cents) per share paid on 24 March 2020; and

(iv) fully-franked final dividend of 0.7 cents (2019: 1.4 cents) per share to be paid on 13 October 2020.

The franking account balance is $44.1 million (2019: $51.4 million).

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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:

	2020 $'000	2019 $'000
Cash	38,263	29,476

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

Profit for the year	21,758	27,608
Adjustments for non-cash items		
Depreciation and amortisation of non-current assets	26,488	14,261
Interest received disclosed as investing activities	(189)	(147)
Share options and performance rights expensed	3,035	2,536
Gain on sale of investment	(3,625)	-
Interest on hire purchase liabilities	-	8
Interest on lease liabilities	1,625	-
Amortisation of borrowing costs	66	78
Other	1,470	(78)
Changes in assets and liabilities during the financial year		
(Increase) / decrease in assets:		
Current receivables	8,420	(3,281)
Current inventories	(6,654)	(3,317)
Other current assets	3,551	(1,455)
Increase / (decrease) in liabilities:		
Current payables	2,683	(2,054)
Provision for employee entitlements	(1,455)	450
Current and deferred tax liability	(4,803)	579
Net Cash provided by Operating Activities	52,370	35,188

DEBT & CAPITAL

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3.2 Borrowings

	2020 $'000	2019 $'000
Current borrowings		
Secured		
Bankwest	-	-
Hire purchase liabilities	-	67
	-	67
Non-current borrowings		
Secured		
Bankwest	6,115	6,172
Hire purchase liabilities	-	-
	6,115	6,172

	30-Jun-19	Cash flows	Non-cash changes			30-Jun-20
	$'000	$'000	Foreign Exchange Movement $'000	Reclassification $'000	Other $'000	$'000
Current borrowings	-	-	-	-	-	-
Non-current borrowings	6,172	(200)	209	-	(66)	6,115
Hire purchase liabilities	67	(67)	-	-	-	-
Total liabilities from financing activities	**6,239**	**(267)**	**209**	**-**	**(66)**	**6,115**

The key terms of the Bankwest Facility are as follows:

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

Maximum Facility: $30 million

Drawn Balance at 30 June 20: AUD $2.0 million, USD $2.9 million, and bank guarantees and credit card borrowings AUD $1.0 million.

Undrawn Balance at 30 June 20: AUD$ 22.9 million.

Weighted Average Interest Rate: 2.11%

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 on 7 May 2019 for a further 3 years to 7 May 2022 with no major changes to the terms of the facility.

Hire purchase liabilities were secured over the assets to which they related, 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. Hire purchase liabilities have been fully repaid during the 2020 financial year.

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.

DEBT & CAPITAL

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3.3 Issued capital

	Notes	2020 Number	2020 $'000	2019 Number	2019 $'000
Issued and Paid Up Capital - Fully paid ordinary shares					
Balance at beginning of the financial year		378,825,085	156,483	369,654,426	151,969
Issue of shares	(ii)	-	-	2,546,415	2,903
Issue of shares under performance rights		9,232,172	2,214	6,624,244	1,611
Closing balance at end of the financial year	(i)	388,057,257	158,697	378,825,085	156,483

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

(ii) During the preceding period, the Company issued 2.5 million shares to the owners of Flexidrill Limited. Refer to note 5.2.

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	2020 $'000	2019 $'000
Financial Assets		
Cash and cash equivalents	38,263	29,476
Trade and other receivables	43,520	54,723
	81,783	84,199
Financial Liabilities		
Trade and other payables and borrowings	26,876	25,403
Lease liabilities	52,956	-
Borrowings	6,115	6,172
	85,947	31,575

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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
United States Dollars	13,277	13,719	21,557	33,532
Euro	3,290	2,767	3,394	3,961
South African Rand	827	1,401	1,906	3,160
Canadian Dollars	1,609	1,556	5,094	6,939
Other	2,330	1,373	10,975	10,879

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% (2019: 10%) increase or decrease in the Australian Dollar against the relevant foreign currencies.

	United States Dollar Impact		Canadian Dollar Impact	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
10% increase	68	(538)	(39)	(73)
10% decrease	(68)	538	39	73

	Euro Impact	
	2020 $'000	2019 $'000
10% increase	83	69
10% decrease	(83)	(69)

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	
	2020	**2019**
	$ '000	**$'000**
Increased interest rate	320	231
Decreased interest rate	(320)	(231)

Credit risk management

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

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who monitors short, medium and long term liquidity requirements through the use of financial models. The treasury function reports regularly to key management personnel and the Board on matters affecting liquidity risk. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At 30 June 2020 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 $'000	3 months to 1 year $'000	1-5 years $'000	5+ years $'000	Total $'000
2020						
Trade and other payables	-	26,876	-	-	-	26,876
Lease liabilities	4.50%	1,475	4,426	15,861	31,194	52,956
Bankwest credit facility	2.11%	-	-	6,115	-	6,115
		28,351	4,426	21,976	31,194	85,946
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

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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
2020						
Trade and other receivables	-	43,520	-	-	-	43,520
Cash	0.75%	38,263	-	-	-	38,263
		81,783	-	-	-	81,783
2019						
Trade and other receivables	-	54,723	-	-	-	54,723
Cash	0.75%	29,476	-	-	-	29,476
		84,199	-	-	-	84,199

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 2020 the Group had $450,000 capital commitments (2019: $54,000).

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. All hire purchase arrangements were repaid prior to 30 June 2020.

Lease commitment

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 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 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 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 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.

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

	2020 $'000	2019 $'000
Non-cancellable lease payments		
Within one year	5,901	5,523
Between one and five years	15,861	11,870
Later than five years	31,194	21,689
	52,956	39,082

Application of new and revised Australian Accounting Standards

AASB 16 *Leases* is applicable for annual periods beginning on or after 1 January 2019, and was 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 made 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 applied 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 changes 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 recognised 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:

- Recognised 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;
- Recognised 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;
- Disclose the total amount of cash paid within financing 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 performed a detailed impact assessment of AASB 16. In summary the impact of AASB 16 adoption is 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
Deferred tax asset	1,206
Liabilities	
Lease liabilities	31,825
Net impact on equity	(2,921)

OTHER ASSETS & LIABILITIES

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4.1 Trade and Other Receivables

	Notes	2020 $'000	2019 $'000
Current			
Trade receivables	(i)	47,579	57,394
Allowance for doubtful debts	(ii)	(4,059)	(2,711)
		43,520	54,683
Other receivables		-	40
		43,520	54,723

(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	2,711	2,302
Amounts written off during the year	(805)	(54)
Increase in allowance recognised in profit or loss	2,153	463
Balance at the end of the year	4,059	2,711

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, general economic conditions of the industry in which the debtors operate and an assessment of both the current and forecast direction of conditions at the reporting date. In light of the uncertain economic outlook caused by COVID-19 in many of the of the markets in which IMDEX operates, the Directors have increased the allowance for doubtful debts above historic credit loss levels. 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	2,965	6,869
31 - 60 days past due	2,842	2,539
61 + days past due	3,330	2,800
	9,137	12,208

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	1,376	3,101
Work in progress	692	644
Finished goods	39,093	33,310
	41,161	37,055

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 $0.9 million existed at 30 June 2020 (2019: $0.7 million).

OTHER ASSETS & LIABILITIES

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4.3 Property, plant and equipment

	Plant and Equipment at cost	Leasehold Improvements at cost	Capital Works in Progress at cost	TOTAL
	$'000	$'000	$'000	$'000
Gross Carrying Value				
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
Additions / transfers (i)	21,157	307	1,707	23,171
Acquisition of a subsidiary	417	-	-	417
Disposals	(7,226)	(202)	(148)	(7,576)
Net foreign currency exchange differences	(3,208)	(1)	(57)	(3,266)
Balance at 30 June 2020	82,295	9,276	2,277	93,848
Accumulated Depreciation				
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
Disposals	(8,027)	(192)	-	(8,219)
Depreciation expense	18,185	795	-	18,980
Net foreign currency exchange differences	(1,790)	(1)	-	(1,791)
Balance at 30 June 2020	43,527	7,178	-	50,705
Net Book Value				
As at 30 June 2019	35,996	2,596	775	39,367
As at 30 June 2020	38,768	2,098	2,277	43,143

(i) Includes external acquisitions and transfers from inventory.

Property, plant and equipment

Plant and equipment and leasehold improvements 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 are depreciated over the estimated useful life, 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 Leases

	Land and Buildings $'000	Motor Vehicles $'000	Other $'000	TOTAL $'000
Right-of-Use assets				
At 1 July 2019	25,156	1,292	1,249	27,697
Additions	13,701	1,024	492	15,217
Acquisition of a subsidiary	72	-	-	72
Lease remeasurements	57	(69)	78	66
Depreciation	(4,682)	(910)	(351)	(5,943)
Net foreign exchange differences	(618)	(34)	32	(620)
Carrying amount at 30 June 2020	**33,686**	**1,303**	**1,500**	**36,489**
At 30 June 2020				
Historical cost	37,542	1,986	1,840	41,368
Accumulated depreciation	(3,856)	(683)	(340)	(4,879)
Net carrying amount	**33,686**	**1,303**	**1,500**	**36,489**

Lease liabilities	
At 1 July 2019	31,824
Additions	15,217
Acquisition of a subsidiary	74
Lease remeasurements	66
Repayments	(6,392)
Accretion of interest	1,625
Net foreign exchange differences	(897)
Carrying amount at 30 June 2020	**41,517**
At 30 June 2020	
Current	6,385
Non-current	35,132
Carrying amount at 30 June 2020	**41,517**

The Group adopted AASB 16 on 1 July 2019. Refer to Note 1.5 for lease transition disclosures.

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4.4 Leases (continued)

Recognition and measurement

From 1 July 2019, the following components are recognised in relation to leases:

Balance Sheet component	Description	Measurement at recognition	Subsequent measurement
Right-of-Use asset	The right to use the underlying asset	Cost comprising: • Initial measurement of the liability; • Any lease payments pre-commencement date, offset by any lease incentive received; • Initial direct costs; and • Restoration costs.	The Right-of-Use asset is depreciated over the shorter of the asset's useful life and the term of the lease, on a straight-line basis.
Lease liability	The obligation to make lease payments	Net Present Value of the lease payments, being: • Fixed payments, offset by any lease incentives receivable; • Variable lease payments linked to an index or rate; • Exercise price of a purchase option (where the Group is reasonably certain to exercise that option); and • Payment of penalties for terminating the lease (where the life of the lease has assumed termination).	Payments made are allocated between liability and finance cost, with the finance cost charged to the interest expense over the life of the lease.

Applying AASB 16, for all leases (except as noted below), the Group:

a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with AASB 16:C8(b)(ii);

b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and

c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent free period) are 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 incentive, amortised as a reduction of rental expenses on a straight line basis.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within 'other expenses' in profit or loss.

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4.4 Leases (continued)

Maturity profile of lease liabilities

The table below presents the contractual undiscounted cash flows associated with the Group's lease liabilities, representing principal and interest. The figures will not necessarily reconcile with the amounts disclosed in the consolidated statement of financial position.

	2020 $'000
Due for payment in:	
1 year or less	5,901
1-2 years	4,952
2-3 years	4,090
3-4 years	3,647
4-5 years	3,172
More than 5 years	31,194
	52,956

Amounts recognised in profit and loss

The table below presents amounts recognised in profit and loss

	2020 $'000
Depreciation expense on right-of-use assets	5,943
Interest expense on lease liabilities	1,625
Expense relating to short-term leases, low value assets and variable lease payments not included in the measurement of the lease liability (included in other expenses)	235
Total amount recognised in profit and loss	**7,803**

Key Estimates and Judgements

(a) Control

Judgement is required to assess whether a contract is or contains a lease at inception by assessing whether the Group has the right to direct the use of the identified asset and obtain substantially all the economic benefits of the use of that asset.

(b) Lease term

Judgement is required when assessing the term of the lease and whether to include optional extension and termination periods. Option periods are only included in determining the lease term at inception when they are reasonably certain to be exercised. Lease terms are reassessed when a significant change in circumstances occurs.

The Group included the renewal period as part of the lease term for the lease of the corporate head office and the lease of the Western Australian manufacturing and distribution facility as both properties were purpose built for the Group and the extensions of these leases is reasonably certain. Renewal options for motor vehicles are not included as part of the lease term because the Group typically leases vehicles for not more than five years and, hence, is not likely to exercise any renewal options.

(c) Discount rates

Judgement is required to determine the discount rate, where the discount rate is the Group's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to the Group's borrowing portfolio at the inception of the arrangement or the time of the modification.

OTHER ASSETS & LIABILITIES

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4.5 Intangible Assets

	2020 $'000	2019 $'000
Goodwill	57,784	59,177
Other Intangible Assets	25,798	354
Total Goodwill and Other Intangibles	83,582	59,531

Goodwill

Gross Carrying Amount		
Balance at beginning of the financial year	83,472	83,184
Effect of foreign exchange movements	(1,393)	288
Balance at end of the financial year	82,079	83,472
Accumulated Impairment Losses		
Balance at beginning of the financial year	(24,295)	(24,295)
Impairment losses for the year	-	-
Balance at end of the financial year	(24,295)	(24,295)
Net Book Value		
At the beginning of the financial year	59,177	58,889
At the end of the financial year	57,784	59,177
Goodwill is allocated to operating segments as follows:		
Africa / Europe	7,100	7,303
Asia Pacific	32,334	32,334
Americas	18,350	19,540
	57,784	59,177

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

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

Significant accounting estimates and assumptions

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).

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4.5 Intangible Assets (continued)

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

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

The IMDEX Group holds goodwill of $57.8m, which has been assessed for impairment. Expected future cashflows support the balance of goodwill at 30 June 2020.

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.

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(groups of CGU's) 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, with significant uncertainty around the impact and duration that COVID-19 related issues will have on the markets in which IMDEX operates. Changes in economic and operating conditions impacting these assumptions could result in changes in the recognition of impairment charges in future periods.

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4.5 Intangible Assets (continued)

Annual Assessment for Impairment Indicators

CGUs

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).

Assessment of impairment indicators

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. Consideration of the different impact COVID-19 was having on the different CGUs was also included within the assessments. These assessments did not identify any indicators of impairment for any of the CGUs.

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 2021 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 2021 – 2025 the key assumptions applied were:

- Revenue growth for the 2021 financial year onwards has taken into the account uncertainty around the economic impact and duration that COVID-19 relates issues will have on the markets in which the Group operates. Revenue growth has been based on a range of growth rates. Initial rates reflect a return to revenue levels reflective of pre-COVID-19 activity, followed by years with growth within the range of 2%-8% per annum. CPI is applied specifically to each CGU based on regional data collected;
- Capital investment for the 2021 financial year is based on the forecasted numbers approved by the Board of Directors. Going forward to terminal date, capital investment gradually increases each year so that it equals the replacement cost of assets by terminal date;
- Tax rates used were those applicable to the countries in the region; and
- Post-tax discount rates used were country risk adjusted and based on data supplied by external sources and ranged from 8.9%-11.3%.

Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 2.5%, which is based on Group estimates, taking into consideration historical performance as well as expected long-term operating conditions to arrive at a terminal value. 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 are based on past experience and expectations of general market conditions;
- The discount rates incorporate a risk-adjustment relative to the risk associated with the net post-tax cash flows being achieved; and
- Growth rates used in the Terminal Value 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.

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4.5 Intangible Assets (continued)

Other Intangible Assets

	Notes	2020 $'000	2019 $'000
Patents and licences with definite useful life		25,798	354
Gross Carrying Amount			
Balance at beginning of the financial year		739	739
Acquisition of subsidiary	5.2	27,059	-
Effect of foreign exchange movements		(43)	-
Balance at end of the financial year		27,755	739
Accumulated amortisation			
Balance at beginning of the financial year		(385)	(177)
Amortisation	2.3	(1,565)	(208)
Effect of foreign exchange movements		(7)	-
Balance at end of the financial year		(1,957)	(385)
Net Book Value			
At the beginning of the financial year		354	562
At the end of the financial year		25,798	354

Patents and licences with definite useful lives were acquired in the Flexidrill acquisition (see note 5.2). Management has assessed the useful life of the patents and licences as 10 years. Amortisation of the patents and licence will occur on a straight-line basis over 10 years. Patents and licences will be measured for impairment at each reporting period.

4.6 Trade & Other Payables

	Notes	2020 $'000	2019 $'000
Trade payables	(i)	21,343	22,565
Accruals and other payables		5,533	2,771
		26,876	25,336

(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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4.7 Provisions

	2020 $'000	2019 $'000
Current provisions		
Employee entitlements	4,621	6,067
Non-current provisions		
Employee entitlements	253	197

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.

OTHER ASSETS & LIABILITIES

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4.8 Other Assets

	2020 $'000	2019 $'000
Non-current other assets		
Other	-	10,690

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.

IMDEX completed the acquisition of Flexidrill on 6 January 2020. Refer note 5.2 for details of the acquisition.

4.9 Deferred consideration

	2020 $'000	2019 $'000
Current deferred consideration		
Deferred consideration	107	-
Non-current deferred consideration		
Deferred consideration	14,619	-

Significant accounting estimates and assumptions

A deferred consideration liability of $14.7 million has been recognised in respect of elements of the acquisition price that will be settled post 6 January 2020. We expect that the majority of this cash flow will be incurred over a six-year period and that all will be incurred by the end of FY26. The potential undiscounted amount of all future payments that the Group could be required to make in respect of the deferred consideration liability is estimated to be between $15.2 million and $20.2 million. The total undiscounted amount of all future payments that the Group could be required to make cannot be determined with certainty as the total consideration for the acquisition includes the payment of dividends on the IMDEX Limited ordinary shares issued over a 4-year period from the date of their issue and the share price appreciation on those IMDEX Limited ordinary shares over a 4-year period from the date of their issue.

The fair value of the deferred consideration has been estimated using a Discounted Cash Flow model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, future dividends, future share prices of IMDEX, future AUD/NZD exchange rates and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value of the deferred consideration.

Estimates around future share prices of IMDEX were determined using an Option Pricing Model that included inputs for the IMDEX share price, volatility in IMDEX's share price and the risk-free interest rate at reporting date.

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5.1 Taxation

	2020 $'000	2019 $'000
Income tax expense recognised in the income statement		
Tax expense comprises:		
Current tax expense	15,111	8,151
Deferred tax expense/(benefit) relating to the origination and reversal of temporary differences	(6,053)	6,043
Losses brought to account from prior year	(1,406)	(4,425)
Under/(over) provision in prior year income tax	(268)	75
Total tax expense	7,384	9,844

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	29,142	37,452
Income tax benefit calculated at 30% (i)	8,743	11,236
Tax losses not recognised or impaired	992	(181)
Non-assessable gain on VES sale	(1,909)	-
Other non-deductible and non-assessable items	1,418	704
Tax rate differential arising from foreign entities	(624)	834
Reduction in deferred tax asset due to reduction in tax rate	-	1,601
Losses brought to account from prior year	(968)	(4,425)
Under/(over) provision in prior year income tax	(268)	75
At the effective income tax rate of 25% (2019: 26%)	7,384	9,844

(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

	2020 $'000	2019 $'000
Current tax assets and liabilities		
Current tax receivable	3,155	961
Current tax payable	(2,382)	(1,362)
Deferred tax balances		
Deferred tax assets comprise balances that relate to:		
Provisions	2,385	2,311
Inventory	1,645	1,026
Property, plant and equipment	10,485	6,834
Leases	1,474	-
Carry forward tax losses in subsidiary companies	7,613	10,839
Unrealised FX	(814)	(1,674)
Other	2,020	1,683
Net deferred tax balances	24,808	21,019
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	3,901	6,564
Deferred Tax Assets in respect of unrecognised tax losses	1,771	2,106
Deferred Tax Assets in respect of unrecognised provisions	214	396

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 tax amounts paid or payable between the parent entity and the other members of the tax consolidated Group in accordance with the arrangement.

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 current tax liability or current tax asset of the entity.

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.

Significant accounting estimates and assumptions

A net deferred tax asset of $24.8 million has been recognised on the face of the Consolidated Statement of Financial Position. The largest components of this asset are the future tax benefits available to the Group in respect of unused tax losses and timing differences between the recording of expenses for accounting purposes and the claiming of a deduction for the expense for taxation purposes. These tax benefits will be realised over the coming years when future taxable profits are available against which the unused tax losses can be utilised and as timing differences move. 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 Acquisition of subsidiaries

On 6 January 2020, the Group acquired 100 per cent of the issued share capital of Flexidrill Constructions Limited and Flexidrill Limited (together "Flexidrill"), obtaining control of Flexidrill. Flexidrill are public unlisted companies involved in the Research and Development of Patent-Protected Drilling Technologies COREVIBE™ and MAGHAMMER™. The Group acquired Flexidrill for the purpose of commercialising those technologies.

The agreed acquisition price is NZ$40 million. The Group has paid $7.1 million in cash and issued IMDEX Limited ordinary shares to the value $5.2 million up to and including the settlement date. The balance of the agreed acquisition price will be settled through:

- The issue of NZ$2.5 million of IMDEX Limited ordinary shares and the payment of NZ$2.5 million cash upon the successful commercialisation of MAGHAMMER™;
- The payment of quarterly instalments equivalent to 10% of revenues generated from the COREVIBE™ and MAGHAMMER™ technologies;
- The payment of dividends on the IMDEX Limited ordinary shares issued over a 4-year period from the date of their issue; and
- The share price appreciation on those IMDEX Limited ordinary shares over a 4-year period from the date of their issue.

The Group has chosen to early adopt "AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*" in the current year which results in this transaction being considered an asset acquisition, not a business combination under "AASB 3 *Business Combinations*".

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below.

	$'000
Cash	344
Receivables	716
Inventory	1,778
Other assets	51
Property, plant and equipment	483
Intangibles	27,059
Payables	(1,082)
Loans	(2,126)
Provisions	(66)
Net assets acquired	**27,157**
Satisfied by:	
Cash	7,141
Equity instruments (4,737,656 ordinary shares of IMDEX Limited)	5,191
Contingent and deferred consideration arrangements	14,825
Fair value of consideration paid/payable	**27,157**
Net cash outflow arising on acquisition:	
Cash consideration	7,141
Less: cash and cash equivalent balances acquired	(344)
Net cash outflow	**6,797**

The fair value of the receivables of $0.7 million equals the gross contractual value of $0.7 million.

A deferred consideration liability of $14.8 million has been recognised in respect of elements of the acquisition price that will be settled post 6 January 2020. We expect that the majority of this cash flow will be incurred over a six-year period and that all will be incurred by the end of FY26. The potential undiscounted amount of all future payments that the Group could be required to make in respect of the deferred consideration liability is estimated to be between $15.2 million and $20.2 million.

The fair value of the 4,737,656 ordinary shares issued as part of the consideration paid for Flexidrill ($5.2 million) was determined with reference to the volume weighted average price of IMDEX Limited securities over the 10 trading days preceding their issue.

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5.2 Acquisition of subsidiaries (continued)

Flexidrill operated as a Research and Development enterprise, focusing on the development of the Patent-Protected Drilling Technologies COREVIBE™ and MAGHAMMER™ with all Research and Development activities conducted during the financial year funded by IMDEX. If the acquisition of Flexidrill had been completed on the first day of the financial year, Group revenue for the year would have been unchanged at $237.7 million and Group profit would have been unchanged at $21.8 million.

5.3 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 2020 $'000**	**30 June 2019 $'000**
Assets		
Current Assets	32,038	26,549
Non Current Assets	87,978	81,443
Total Assets	120,016	107,992
Liabilities		
Current Liabilities	7,102	6,711
Non Current Liabilities	43,771	24,741
Total Liabilities	50,873	31,452
Net Assets	69,143	76,540
Equity		
Issued Capital	158,697	156,483
Employee Equity-Settled Benefits Reserve	9,805	8,983
Foreign Currency Translation Reserve	(1,695)	(1,695)
Accumulated Losses	(97,664)	(87,231)
Total Equity	69,143	76,540

Financial Performance	**Year Ended 30 June 2020 $'000**	**Year Ended 30 June 2019 $'000**
Profit for the year	9,313	2,993
Other comprehensive income, net of income tax	-	-
Total comprehensive profit/(loss)	9,313	2,993
Retained loss at the beginning of the financial year	(87,231)	(90,224)
Profit for the year	9,313	2,993
Effect of initial adoption of AASB16	(2,671)	-
Dividend paid	(17,075)	-
Retained loss at the end of the financial year	(97,664)	(87,231)

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

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5.3 Parent Entity & Subsidiary information (continued)

	30 June 2020 $'000	30 June 2019 $'000
Guarantee provided under the deed of cross guarantee	93,523	55,241
Commitments for the acquisition of property, plant and equipment by the parent entity		
Within one year	14	2
	14	2

Subsidiaries	**Notes**	**Country of Incorporation**	**Ownership Interest 2020 %**	**2019 %**
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
Reflex Instruments Asia Pacific Pty Ltd	(ii),(iii)	Australia	100	100
Reflex Instrument North America Ltd		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	(v)	Canada	-	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
AMC Reflex Argentina S.A.		Argentina	100	100
AMC Reflex Peru S.A.C.		Peru	100	100
Reflex Do Brasil Serviços Para Mineração Ltda	(iv)	Brazil	-	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
Imdexd Do Brasil 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
Flexidrill Limited	(vi)	New Zealand	100	-
Flexidrill Constructions Limited	(vi)	New Zealand	100	-

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5.3 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 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 Jun 2006, Imdex International Pty Ltd on 20 Oct 2006, Reflex Instruments Asia Pacific Pty Ltd on 14 Sep 2007, and Reflex Technology International Pty Ltd on 28 Apr 2011 (de-registered 19 Sep 2019.
(iv) This entity was liquidated on 31 Dec 2019 following the merger of the two Brazilian entities into a single legal entity.
(v) This dormant entity was liquidated on 22 Apr2020.
(iv) These entities were acquired on 6 Jan 2020.

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

Income Statement	**2020 $'000**	**2019 $'000**
Revenue from sale of goods and operating lease rental	117,505	98,413
Other revenue from operations	1,120	537
Total revenue	118,625	98,950
Other income	37,362	5,314
Foreign exchange gain / (loss)	(390)	640
Raw materials and consumables used	(39,706)	(34,434)
Employee benefit expenses	(33,824)	(36,374)
Depreciation and amortisation expense	(11,516)	(9,033)
Write back / (down) of intercompany loans	11,183	(4,647)
Write off investments	-	(6,295)
Finance costs	(2,351)	(1,133)
Auditors and accounting fees	(357)	(337)
Commissions	(1,074)	(1,081)
Consultancy fees	(4,314)	(2,644)
Legal and professional expenses	(1,882)	(291)
Rent and premises costs	(374)	(2,924)
Travel and accommodation	(1,587)	(1,913)
Motor vehicle costs	(148)	(519)
Research and Development costs	(2,432)	(2,274)
Bad debts	(632)	140
Other expenses	(5,739)	(6,781)
Profit/(loss) before income tax expense	60,844	(5,636)
Income tax expense	(6,919)	(5,100)
Profit/(loss) for the year	53,925	(10,736)

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5.3 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	2020 $'000	2019 $'000
Current assets		
Cash and cash equivalents	29,668	21,315
Trade and other receivables	41,523	16,168
Inventories	19,537	15,616
Other	64	1,126
Total current assets	90,792	54,225
Non-current assets		
Other financial assets	81,377	49,304
Property, plant and equipment	10,563	9,632
Right-of-use assets	29,565	-
Other intangible assets	1,043	2,607
Deferred tax assets	3,886	6,218
Total non-current assets	126,434	67,761
Total assets	217,226	121,986
Current liabilities		
Trade and other payables	32,395	25,490
Lease liabilities	3,279	-
Borrowings	-	65
Provisions	3,423	3,916
Total current liabilities	39,097	29,471
Non-current liabilities		
Other financial liabilities	17,098	19,401
Lease liabilities	30,960	-
Borrowings	6,115	6,172
Provisions	253	197
Total non-current liabilities	54,426	25,770
Total liabilities	93,523	55,241
Net assets	123,703	66,745
Equity		
Contributed capital	158,662	156,448
Employee equity-settled benefits reserve	9,903	9,081
Foreign currency translation reserve	7,239	7,242
Retained earnings (i)	(52,101)	(106,026)
Total equity	123,703	66,745
(i) Retained Earnings at the beginning of the financial year	(106,026)	(95,290)
Net profit/(loss)	16,563	(16,050)
Dividends received	37,362	5,314
Retained earnings at the end of the financial year	(52,101)	(106,026)

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5.4 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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5.4 Reserves (continued)

Performance rights granted in the current year

Staff Performance Rights

3,407,658 performance rights were issued to employees (Level 5 and above) in July 2019. Upon successful achievement of the below hurdles, allotment of these performance rights will be in September 2022 (once the 2022 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) and a non-market based vesting condition in Earnings Per Share (EPS). 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 (2020 to 2022 financial year).

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

Employee Level	Specified Conditions
5, 6, 7 and 8	50% based on EPS and 50% based on TSR

Exercise of the performance rights at the end of the 3-year period (30 June 2022) 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 $0.86 per right. The expected total cost of the estimated 1,703,828 fully paid ordinary shares to be issued in IMDEX will therefore be $1,465,292. This value will be expensed over the vesting period from July 2019 to June 2022, with $188,431 expensed in the current year.

The fair value of a non-market performance right (EPS) at grant date was $1.357 per right. For the purposes of the 2019 financial statements, the Directors have made an estimate that out of the 1,703,828 non-market performance rights issued, 50% will meet the required hurdles and will result in 851,914 fully paid IMDEX shares being issued. The expected total cost of the estimated 851,914 fully paid ordinary shares to be issued in IMDEX will therefore be $1,156,047. This value will be expensed over the vesting period from July 2019 to June 2022, with $385,349 expensed in the current year.

Managing Director's Performance Rights

381,760 performance rights were granted to the Managing Director on 21 October 2019 following approval by the shareholders at the Annual General Meeting. The Managing Director forfeited 254,158 performance rights on his retirement on 1 July 2020. Upon successful achievement of the below hurdles, allotment of the remaining 127,602 performance rights will be in September 2022 (once the 2022 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 (2020 to 2022 financial year).

Exercise of the performance rights at the end of the 3-year period (30 June 2022) 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 $0.86 per right. The expected total cost of the estimated 190,880 fully paid ordinary shares to be issued in IMDEX will therefore be $164,157. This value will be expensed over the vesting period from October 2019 to June 2022, with $54,719 expensed in the current year.

The fair value of a non-market performance right (EPS) at grant date was $1.357 per right. For the purposes of the 2020 financial statements, the Directors have made an estimate that out of the 190,880 non-market performance rights issued, 50% will meet the required hurdles and will result in 95,440 fully paid IMDEX shares being issued. The expected total cost of the estimated 95,440 fully paid ordinary shares to be issued in IMDEX will therefore be $129,512. This value will be expensed over the vesting period from October 2019 to June 2022, with $43,171 expensed in the current year.

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5.4 Reserves (continued)

Performance rights granted in the prior 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 $224,265 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 2020 financial statements, the Directors have made an estimate that out of the 341,193 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 $115,213 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 $38,381 expensed in the current year.

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5.4 Reserves (continued)

Outstanding Performance Rights

2020	Grant Date	Expiry Date	Exercise Price $	Market Value at Grant Date $	Estimated Number of Performance Rights: Opening balance	Granted	Satisfied by the allotment of shares	Expired ^	Closing balance
Tranche 18	1-Jul-16	Jul-19	-	0.220	9,332,504	-	(7,510,042)	(1,822,462)	-
MD Tranche	25-Nov-16	Jul-19	-	0.620	2,268,946	-	(1,722,130)	(546,816)	-
Tranche 19	1-Jul-17	Jul-20	-	0.740	4,017,730	-	-	(129,610)	3,888,120
MD Tranche	19-Oct-17	Jul-20	-	0.965	643,762	-	-	-	643,762
Tranche 20	1-Jul-18	Jul-21	-	0.947	2,789,476	-	-	(163,085)	2,626,391
MD Tranche	4-Nov-18	Jul-21	-	1.079	364,086	-	-	-	364,086
Tranche 21	21-Oct-19	Jul-22	-	1.109	-	3,407,658	-	(107,272)	3,300,386
MD Tranche	21-Oct-19	Jul-22	-	1.109	-	381,760	-	(254,158)	127,602

2019	Grant Date	Expiry Date	Exercise Price $	Market Value at Grant Date $	Estimated 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	-	1.079	-	364,086	-	-	364,086

^ - 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.

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.

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5.5 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.

5.6 Key Management Personnel Compensation

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

	2020 $	2019 $
Short-term employee benefits	4,199,506	4,056,312
Post-employment benefits	167,856	190,270
Other long-term benefits	(45,340)	(42,523)
Termination benefits	-	-
Share-based payments	1,153,364	1,267,299
	5,475,386	5,471,358

5.7 Related party transactions

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

Mr. I. Gustavino is a director and shareholder of the consulting company Atrico Pty Ltd, that provided consulting services to the IMDEX Group on normal commercial terms and conditions.

	2020 $	2019 $
Transactions with Directors		
Profit from ordinary activities before income tax includes the following items of expense:		
Consultancy expense	86,100	60,000

Subsequent to the reporting date, at the direction of the vendors of AusSpec International Limited (Refer Note 5.9 Subsequent Events), the Group issued IMDEX shares to Atrico Pty Ltd to satisfy a fee owed by the vendors to Atrico Pty Ltd. Refer to ASX announcement 12 August 2020.

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5.8 Auditor Remuneration

The auditor of IMDEX is Deloitte Touche Tohmatsu.

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:

	Notes	2020 $	2019 $
Deloitte and related network firms			
Audit or review of the financial report			
- Group		423,260	306,500
- Subsidiary		23,000	-
		446,260	306,500
Other assurance and agreed-upon procedures under other legislation or contractual arrangements		12,350	10,000
Other services:			
- Tax and corporate compliance services		16,159	379,500
- Legal services		37,213	-
- IT support services	(i)	31,809	-
		85,181	379,500
		543,791	696,000
Other auditors and their related network firms			
Audit or review of the financial report			
- Subsidiaries		195,271	27,703
Other services:			
- Tax compliance services		24,687	26,973
- Accounting and other services		6,066	4,729
		30,753	31,702
		226,024	59,405

(i) IT support services performed by Presence of IT, an existing supplier to IMDEX, whose team joined Deloitte on 9 December 2019. Amounts paid are for support services during the period up to transition of this contract to a new service provider.

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5.9 Subsequent Events

With effect 1 July 2020, Paul House was appointed Chief Executive Officer following the retirement of former Managing Director and Chief Executive Officer Bernie Ridgeway. Refer ASX announcement of 1 July 2020.

With effect from 22 July 2020, IMDEX Limited acquired the aiSIRIS software platform through the acquisition of 100% of the issued capital of AusSpec International Limited ("AusSpec"), incorporated in New Zealand and operating out of premises located in New Zealand.

AusSpec is the leading provider of spectral mineralogy through its unique aiSIRIS platform – Artificial Intelligence (AI) Spectral InfraRed Interpretation System. AusSpec has a four-year consistent and profitable growth profile and generates revenue via a SaaS consumption model.

The agreed acquisition price is $8.5 million. The Group paid $1.0 million in cash and issued IMDEX Limited ordinary shares to the value $5.0 million on the settlement date. The balance of the agreed acquisition price will be settled through:

- The payment of $1.0 million cash in July 2021;
- The payment of $1.0 million cash in July 2022; and
- The issue of $0.5 million of IMDEX Limited ordinary shares in July 2022.

The allocation of consideration to identifiable assets and liabilities of AusSpec remains in progress at the date of this report. However, it is expected that the fair value of consideration payable will result in the recognition of intangible assets including Goodwill on finalisation of the purchase price accounting exercise.

Other than the items above, 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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The Board of Directors
Imdex Limited
216 Balcatta Road
Balcatta WA 6021

14 August 2020

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 report of IMDEX Limited for the year ended 30 June 2020, 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

Deloitte Touche Tohmatsu
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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 2020, 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 2020 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 (including Independence Standards)* (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

Accounting for the acquisition of Flexidrill
 	
As disclosed in Note 5.2, effective 6 January 2020 Imdex Limited acquired 100% of the issued share capital of Flexidrill Construction Pty Ltd and Flexidrill Investments Pty Ltd (together "Flexidrill") for a total consideration of NZ$40 million.
 	
The assets acquired consist largely of intangible assets in relation to the intellectual property and know-how associated with the COREVIBE and MAGHAMMER technologies.
 	
Judgement was exercised in:
• Assessing whether the transaction is accounted for as an asset acquisition or a business combination in accordance with the requirements of AASB 3 *Business Combinations*;
• Determining the value of the deferred consideration to be recognised as a liability at acquisition date; and
• Assessing the fair values of identifiable assets and liabilities acquired and the adjustment to carrying values on acquisition.
	Our audit procedures included, but were not limited to:
	
	• Reviewing the Heads of Agreement and Share Sale Agreement to understand key terms and conditions, including the elements of consideration payable under the agreements;
	
	• Obtaining management's assessment and calculations for the acquisition accounting and performing the following:
	  • Evaluating the fair value of the consideration payable, including assessing the probability of contingent consideration being paid and calculating the fair value of deferred consideration payable at acquisition date;
	  • Engaging internal valuation specialists to assist with quantifying the value attributable to share appreciation, dividend payments and future royalty elements of the deferred consideration;
	  • Engaging internal valuation specialists to challenge the fair value determined for the intangible assets acquired; and
	  • Assessing the fair value of the remaining identifiable assets acquired and liabilities assumed and the adjustments to derive the carrying values at acquisition.
	
	• We also assessed the appropriateness of the disclosures in the notes to the financial statements.

Recoverability of non-current assets Included in the Group's consolidated statement of financial position at 30 June 2020 are goodwill, intangible assets, right of use lease assets and property, plant and equipment totalling $163 million. Management undertakes impairment testing to test the recoverability of goodwill annually. Additionally, an assessment is made as to whether any non-current asset or cash generating unit ('CGU') may be impaired at balance date.	Our procedures included, but were not limited to: • Evaluating, with the assistance of our internal valuation specialists, the risk of impairment in each CGU, or group of CGU's to which goodwill is allocated, by assessing whether a CGU's implied EBITDA multiple exceeded an acceptable market-based EBITDA multiple at balance date;

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The assessment requires significant judgement due to assumptions and estimates involved in preparing a value in use model ('VIU') to estimate recoverable amount, including:
- Forecast future cash flows; and
- Discount rates.
	• Obtaining management's impairment assessment carried out for CGU's, and groups of CGU's to which goodwill is allocated, and assessing the work performed against the requirements of the relevant accounting standard;
	
	• In conjunction with our internal valuation specialists we specifically assessed the recoverable value modelling for the Africa CGU, as this CGU demonstrated characteristics that suggested impairment testing was required, by:
	  • Inquiring of management and the directors in relation to forecasting assumptions within the VIU model and agreeing these to approved budgets;
	  • Reviewing the mathematical accuracy and modelling integrity of the value in use model;
	  • Challenging the assumptions contained in the cash flow forecasts, including the revenue and expense projections, forecast gross margins and capital expenditures including the impact of COVID-19 and the outlook for easing of restrictions in the region; and
	  • Performing sensitivity analysis on key assumptions within the model, including the expected revenues, margins, growth rates and discount rate.
	
	• We also assessed 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 Group's annual report for the year ended 30 June 2020 but does not include the financial report and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

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Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

- Conclude on the appropriateness of the 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.

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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, actions taken to eliminate threats or safeguards applied.

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 on pages 6 to 22 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of IMDEX Limited, for the year ended 30 June 2020, 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, 14 August 2020

IMDEX LIMITED

and its controlled entities

ADDITIONAL SECURITIES EXCHANGE INFORMATION

AS AT 13 AUGUST 2020

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(a) Distribution of Shareholders

	Number of Fully Paid Ordinary Shareholders	Number of Performance Rights Holders
1 – 1,000	842	-
1,001 – 5,000	1,094	1
5,001 – 10,000	550	1
10,001 – 100,000	779	42
100,001 – and over	116	35
	3,381	79
Holding less than a marketable parcel	378	-

(b) Substantial Shareholders

Ordinary Shareholders	Fully Paid	
	Number	Percentage
MITSUBISHI UFG FINANCIAL GROUP INC	41,980,367	10.82
MORGAN STANLEY	41,562,683	10.59
L1 CAPITAL PTY LTD	31,700,619	8.17
YARRA FUNDS MANAGEMENT	27,276,236	6.95
FMR LLC	26,775,516	6.90

(c) Twenty Largest Holders of Quoted Equity Securities

Ordinary Shareholders	Fully Paid	
	Number	Percentage
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	113,139,023	28.83
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	91,688,708	23.36
CITICORP NOMINEES PTY LIMITED	32,199,919	8.20
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	18,705,767	4.77
NATIONAL NOMINEES LIMITED	13,356,403	3.40
SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA A/C>	9,098,992	2.32
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	9,050,195	2.31
BNP PARIBAS NOMS PTY LTD <DRP>	7,994,880	2.04
BNP PARIBAS NOMINEES PTY LTD <BNPP SEC CORP SEG ACC DRP>	7,019,948	1.79
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	6,879,844	1.75
MR RICHARD KARL HILL <ICENA ACCOUNT>	5,000,000	1.27
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	4,050,652	1.03
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	4,013,980	1.02
MR BERNARD RIDGEWAY	3,201,731	0.82
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	1,749,626	0.45
TELIC ALCATEL (AUSTRALIA) PTY LTD <MIDDENDORP DIRECTORS SF A/C>	1,514,076	0.39
MR BRUCE CRAIG MUNRO	1,300,258	0.33
UBS NOMINEES PTY LTD	1,177,138	0.30
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	1,073,468	0.27
WEAR SERVICES PTY LTD	1,015,166	0.26
	333,229,774	84.90

ADDITIONAL SECURITIES EXCHANGE INFORMATION
AS AT 13 AUGUST 2020

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(d) Director and Company Secretary Shareholdings

Name	Number of Shares	Number of Performance Rights
Mr. A. Wooles	700,000	-
Mr. K. Dundo	204,546	-
Ms. S. Layman	70,000	-
Mr. I. Gustavino	62,077	-
Mr. P. Evans	659,021	483,336
	1,695,644	483,336

(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
Western Australia
6000
Phone: (08) 9323 2000

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IMDEX LIMITED (IMDEX)
ABN: 78 008 947 813
AUSTRALIAN SECURITIES EXCHANGE (ASX)
LISTING DATE: 24 SEPTEMBER 1987
ASX CODE: IMD

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WESTERN AUSTRALIA 6021

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