

Imdex News

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Dear Shareholders

As anticipated, market conditions during the third quarter of the 2009 financial year (3Q09) continued to be challenging. The significant downturn in commodity prices and impact of the global financial crisis were evident in Imdex's 3Q09 results. Imdex is well placed to withstand these short term challenges, and continues to have a sound balance sheet. The company's strong management team and growth initiatives are expected to yield additional revenues in the 2010 financial year (FY10) and beyond.

The unaudited financial results for the 9 months ended 31 March 2009 were:

- Operating revenue (excluding Surtron and interest income) of \$106.4 million, a 3% increase on the prior corresponding period (3Q08: \$103.0 million); and
- EBITA (excluding Surtron) of \$22.6 million, a 21% decrease on the prior corresponding period (3Q08: \$28.6 million).

The unaudited financial results for 3Q09 were:

- Operating revenue (excluding interest income) of \$26.1 million, a 23% decrease on the prior corresponding period (3Q08: \$33.8 million); and
- EBITA of \$2.5 million, a 72% decrease on the prior corresponding period (3Q08: \$9.1 million).

(All monetary references are Australian Dollars except where stated otherwise)

The decrease in operating revenue during 3Q09 is in line with expectations and largely attributable to cuts in exploration expenditure and delays in development/production activities globally. It should be noted that no one customer of Imdex represents more than 8% of the Group's year-to-date revenue which reduces Imdex's exposure to any one market.

One off costs associated with the Group's planned redundancies announced in February 2009, and relocation of down hole instrument manufacturing from the UK to Australia, are included in the Group's 3Q09 results.

Drilling Fluids and Chemicals (DFC) Division

The DFC Division continued to perform well under the difficult market conditions, demonstrating the resilience of its business model founded on the provision of quality products, customer service and strong global alliances.

Operating revenue for the 9 months ended 31 March 2009 was \$69.3 million, a 10% increase on the prior corresponding period (9 months ended 31 March 2008: \$63.1 million), with operating revenue for 3Q09 of \$18.8 million, a 10% decrease on the prior corresponding period (3Q08: \$20.8 million).

Imdex completed a number of operational achievements during 3Q09, including:

- Finalising an agreement with Bentonite Products, Queensland, for the exclusive supply of quality bentonite which is endorsed by the CSIRO for the drilling industry. This agreement will provide cost and logistical efficiencies for the DFC Division;
- Finalising a preferred supplier agreement with Capital Drilling for the supply of drilling fluids and services globally;
- Commissioning of the first solids control unit (SCU) for the global diamond drilling industry;
- Commissioning of the manufacturing plant in Santiago, Chile, for the drilling fluids market in Latin America;
- Establishing global Imdex bulk purchasing agreements for key raw materials which

provide the DFC Division with price advantages within the market; and

- Finalising plans for a new drilling fluids research and development laboratory in Osborne Park, Western Australia.

Down Hole Instrumentation (DHI) Division

Operating revenue for the 9 months ended 31 March 2009 was \$37.1 million, a 7% decrease on the prior corresponding period (9 months ended 31 March 2008 (excluding Surtron): \$39.9 million), whilst operating revenue for 3Q09 was \$7.3 million, a 44% decrease on the prior corresponding period (3Q08: \$13.0 million).

The reduction in operating revenues during 3Q09 was largely due to lower revenue by Reflex (which markets to the mineral drilling industry). This performance is consistent with the reduction in mineral exploration expenditure globally and also reflects a reduction in sales based revenue compared to the prior corresponding period. The majority of operating revenue generated during 3Q09 was derived from rentals, demonstrating the success of the company's strategy to build a rental business model.

There were also one off costs associated with the transfer of production from Imdex Technology UK to Australia, which will deliver cost and production efficiencies in FY10.

Operational highlights for 3Q09 included:

- Continuing development of the Imdex Technology research and development centres of excellence in Sweden, the UK and Germany;
- The introduction of new Reflex products including the Reflex Gyro, Reflex ACT II and Reflex EZ-Com II which enable the company

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- to offer gyro technology and continual product upgrades to customers;
- Completion of successful trials with the Flexit HTGS MEMS gyro system in Texas, USA. This new system offers the benefits of MEMS based gyro technology for high temperature oil and gas applications. Having met the required performance criteria, the first Flexit HTGS MEMS gyro systems are now in commercial operation in the USA;
- Significant progress with the commercialisation of the Flexit Target INS north seeking mechanical gyro system, including advances in production capacity, instrument capability and reliability. The Flexit Target INS system is used

- in commercial oil and gas operations around the world including the United Arab Emirates, Malaysia, Egypt, Nigeria, and the Caspian Sea region, with trials planned for the USA and Canada in 4Q09;
- Establishing a repair and calibration facility for the Flexit Target INS product range at Imdex Technology, Australia;
- Varying the Flexit purchase agreement whereby the \$10 million consideration due on 1 May 2009 will be satisfied by the issue of 10 million Imdex shares at \$1.00 per share. The agreement highlights the confidence and support Flexit's previous owners have in the Imdex Group.

Eco Nutria

Eco Nutria products enable the in-situ treatment and remediation of petro hydrocarbons such as oil, diesel or polymers from drilling rig sites. All products within the range are manufactured from natural materials and fibres, are biodegradable and environmentally friendly. When mixed with hydrocarbons, a reaction occurs which allows the Eco Nutria products to be easily and naturally removed from ground sumps and drilling rigs. The biochemical process oxidises the hydrocarbons which are then destroyed by enzyme-producing microbes supplied in the process. Common uses include in-situ remediation on mineral drill rig sites, contaminated industrial sites, and mine site vehicle maintenance areas.

These innovative products allow drilling contractors and mining companies to remediate sites in an environmentally sound way and meet today's more stringent environmental regulatory requirements. The Eco Nutria range is also



Demonstrating Eco Nutria products

significantly more cost effective than offsite incineration and disposal of contaminated soils and liquids.



Diamond drilling solids control unit

Interest in SCUs

Successful field trials utilising the unique diamond drilling SCUs were undertaken during 3Q09 with BHP Billiton, Mosslake Drilling and Newcrest Mining. The recent launch also prompted considerable interest from the drilling industry. Demand for the SCUs is expected to increase as companies look to conserve water and reduce the environmental impact and costs associated with conventional fluid systems and site remediation. The SCU also reduces wear and tear of drilling components caused by abrasive drilling fluids, overcomes heritage and geological issues associated with digging mud pits, and provides a more efficient and portable fluids system set up.



AMC Eco Nutria and SCU launch

AMC Launches Environmentally Friendly Remediation and Fluid Control Alternatives

On 19 March 2009, Imdex subsidiary the Australian Mud Company (AMC) officially launched its Eco Nutria product range and its diamond drilling SCU. Both product ranges provide innovative and environmentally friendly remediation and fluid control alternatives. The launch was held at AMC's warehouse in Kwinana, Western Australia, and was attended by key members of the minerals drilling industry.

AMC has always invested in research and development to provide customers with environmental and value adding alternatives, and increasingly customers are demanding these options. The Eco Nutria products and SCU complement the Division's range of drilling fluids and chemicals and are unique to the Australian drilling market.

The launch was very successful and generated significant interest in both the Eco Nutria range and the SCU. In addition, it reinforced Imdex's ongoing commitment to research and development, providing environmental alternatives and operational efficiencies for drilling companies.



Innovation and Durability at PDAC

In early March, Reflex exhibited at the 2009 Prospectors and Developers Association of Canada (PDAC) Annual Convention. The PDAC Annual Convention is the principal event for operators within the mineral industry and it attracts mining companies, geoscientists, government agencies involved in mineral exploration, together with the supplier base that supports the industry. The financial sector is also heavily represented at the conference with many commodity analysts, bankers and lawyers in attendance.

Canada is the leading destination of global exploration dollars accounting for approximately 19%, or US\$2.5 billion of total worldwide exploration expenditure. Toronto is also the centre for equity finance for mineral exploration, with over 60% of all public mining companies listed on the Toronto Stock Exchange (TSX).

Although the mineral exploration climate has changed significantly over the past six months, the event still attracted over 18,000 registrations and 340 trade show exhibitors.

Reflex used the opportunity to showcase a number of new product releases, including the Reflex Gyro, which broadens the company's product suite to a full range of magnetic, gyroscopic and optical downhole survey instruments. The upgraded Reflex ACT II digital core orientation instrument and Reflex EZ-Com II hand held controller also generated considerable interest.



PDAC, submerged Reflex EZ-Trac and EZ-Com

The theme of Reflex's exhibition was innovation and durability. Reflex was the first mover in the digital surveying space in the mineral exploration industry, and it was proud to showcase a Reflex EZ-Shot which remains in operation after logging over 3,000 down hole surveys without major repair.

The reliability of Reflex's instruments was evident with a used, severely bent but operational Ez-Trac on display. The robust and rugged features of the Reflex Ez-Trac and the new Reflex Ez-Com II were also highlighted by displaying them submerged in an aquarium tank.

Launching the Flexit Range at 2009 OTC

Flexit will be showcasing its range of advanced instrumentation for the oil and gas industry at this year's Offshore Technology Conference (OTC) held in Houston, USA, from 4-7 May.

The OTC is considered to be the most significant event for drilling, exploration and production companies servicing the global oil and gas market. The conference will provide an excellent opportunity to showcase the Flexit range which includes the Target INS, Flexit HTGS and Flexit HTMS to customers within this market.



R&D Centres of Excellence

On 10 February 2009, Flexit Sweden AB officially changed its name to Imdex Technology Sweden as part of the DHI Division's plan to establish dedicated centres of excellence for the development of MEMS technology, mineral and oil & gas exploration technology, and conventional gyro technology. Imdex Technology Sweden, Imdex Technology UK and Imdex Technology Germany (SEG) focus on each of these technologies respectively, allowing them to produce innovative and leading instrumentation.

imdexTechnology

Completion of manufacturing plant in Chile

In January 2009, the manufacturing plant at Imdex's premises in Santiago, Chile was completed.

The new facility has been designed to blend and package both powders and liquids, and will enhance Imdex's capability and capacity to market drilling fluids and chemicals within Latin America. This local facility will also substantially

reduce lead times and costs associated with freight to this region.

Chile is considered to be one of the most attractive locations for mining and exploration investment in Latin America, and Imdex is now well placed to offer quality products at competitive prices to grow its presence in this market.



Storage facility and new manufacturing plant, Chile



Outlook

As anticipated, the operating environment in 3Q09 was challenging. However, there are encouraging signs amongst Imdex's customers of a recovery, and drilling activity is expected to increase marginally in 4Q09. Other signs that suggest a gradual upwards trend include the following:

- The price of copper, which is traditionally a good indicator of future activity within the mineral drilling industry, has recovered significantly from its recent lows;
- The gold price remains buoyant and traditionally accounts for approximately half of worldwide non-ferrous mineral exploration expenditure;
- The BRIC countries, in particular China, have shown signs of stabilisation, boosted by Government led stimulus packages and investment in infrastructure;
- The dearth of recent world class discoveries, in both the minerals and oil and gas sectors, is likely to bring about a future imbalance in supply and demand which will increase prices and stimulate exploration activity; and

- Activity within the coal seam gas sector is building and is likely to maintain high levels for many years.

During the remainder of FY09, the senior management team is committed to Imdex's strategy of:

- Providing exceptional customer support and out servicing competitors to maintain and grow existing markets;
- Further penetrating the oil and gas and coal bed methane markets with both drilling fluids and down hole instrumentation;
- Penetrating underexploited geographical markets, in particular, Canada, the Caspian Sea region and Latin America;
- Controlling costs and growing the DHI rental business; and
- Continuing to invest in research and development to expand and diversify product ranges to position the business for future growth.

I appreciate your ongoing support of Imdex. I have every confidence in the company's

strengths, the opportunities it is pursuing and its medium to long term future.

Yours Faithfully,

Bernie Ridgeway
Managing Director

Imdex Limited

Imdex is a Western Australian ASX listed company which provides drilling fluids and leading down hole instrumentation to the mining, oil and gas, water well and civil industries worldwide. The company has streamlined its business into two clearly defined and distinct operational divisions, the Drilling Fluids and Chemicals (DFC) Division, and the Down Hole Instrumentation (DHI) Division.

The Group has a presence in all significant mining and exploration regions and has the global profile and resources to position it for long term growth.

Imdex News is published quarterly to keep Imdex's valued shareholders up to date with Imdex's performance and principal operational activities. Your feedback is always welcome. Please send any comments or suggestions to Kym Clements – Group Marketing & Communications Manager at kym.clements@imdexlimited.com

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