

Imdex News

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Dear Shareholders

The 2010 financial year provided many challenges for Imdex and the markets in which it operates; however, I am delighted to report that the Company achieved some excellent results in the fourth quarter, including the highest revenue levels in the month of June and record tool rental numbers, and performed well for the full year.

These positive results are largely due to five principal factors: Imdex's focused strategy; the efficient integration of acquisitions to strengthen its global operations; continuing investment in research and product development throughout the downturn, focus on customer service, and the commitment and hard work of Imdex's team.

I am pleased with the Company's achievements this year.

Financial results

Revenue and EBITA from continuing operations in the fourth quarter totalled \$42.9 million (4Q 2009 \$30.5 million) and \$8.2 million (4Q 2009 \$1.9 million) respectively. The principal financial results for the full year are as follows:

- Revenue from continuing operations (excluding interest revenue) for FY10 of \$134.3 million (FY09 - \$137.0 million);
- EBITA from continuing operations excluding non-operational items of \$20.7 million (FY09 - \$24.5 million);
- Normalised net profit after tax from continuing operations (excluding non-operational items and impairment charges) of \$9.8 million (FY09 - \$11.3 million);
- Reported loss after tax (including non-operational items and impairment charges) of \$21.5 million (FY09 - \$12.1 million profit);
- Net assets of \$94.5 million (30 June 2009 - \$105.6 million) reflecting impairment losses

of \$34 million relating to the mark-to-market valuation of the investment in Sino Gas and Energy Holdings and write off of goodwill and intangible assets in the first half of FY10;

- Cash flow from operations of \$5.7 million (FY09 - \$16.2 million) reflecting investments in working capital in FY10 in response to strengthened trading conditions (compared to FY09 destocking in anticipation of challenging operating conditions); and
- Maintained conservative gearing (net debt / capital) at 19.6% (FY09 - 16.0%) with absolute debt decreasing by \$2 million over the financial year.

The Company's full year performance needs to be set against the backdrop of FY09. Imdex produced exceptional revenues and profitability in the first half of FY09; however, as with the majority of companies within the mining services sector, the severity and speed of the global financial crisis and subsequent economic downturn negatively affected the Company's performance in the second half of FY09.

The prolonged trading decline in Canada, Africa and Latin America that conditioned the first half of FY10, significantly improved by the second half, and continued to improve throughout the fourth quarter allowing Imdex's revenue levels to return to those experienced prior to the global financial crisis.

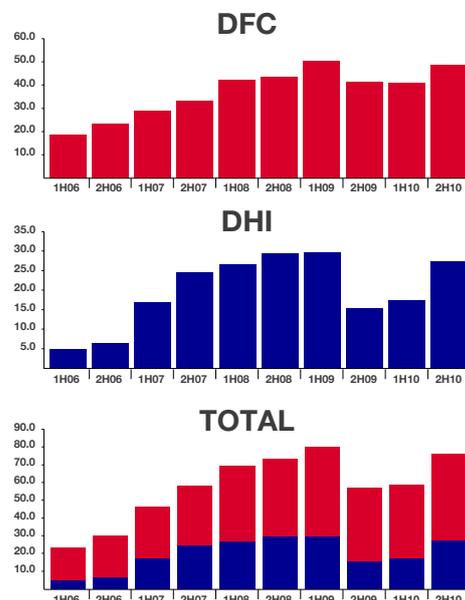
Significantly, the increase in revenue was not only a result of improved trading conditions, but also increased market share for both the DFC and DHI Divisions. This result validates Imdex's decision to implement a regional operating structure to enhance customer relations and achieve cross selling benefits between Divisions.

Drilling Fluids and Chemicals (DFC) Division Performance

Fourth quarter revenue for Imdex's DFC Division was \$27.6 million, bringing the total divisional revenue for the full year to \$89.6 million (FY09 \$91.7 million). This figure represents 67% of Imdex's revenue for the full year.

Of this revenue, 22% was generated from the oil and gas market. The niche onshore sector remains an important area of focus for Imdex in FY11.

While the Division's full year revenue was marginally lower than the previous year, the graph below illustrates the significant gains experienced in the second half of FY10 and I expect this upward trend to continue in FY11.





Dear Shareholders (continued)

DFC Highlights in 4Q

The key achievements for Imdex's DFC Division for the fourth quarter are set out below:

- In collaboration with AJ Lucas, the winning of a tender to supply drilling fluids for the pipe landings on Barrow Island for the Gorgon project.
- Completion of the drilling fluids research laboratory at Imdex's premises in Osborne Park. The laboratory has specialised analytical equipment to test and develop fluids used in the oilfield, mining, water well and specialised drilling sectors. The ability to offer these services gives Imdex a significant competitive advantage within the drilling fluids market;
- Significant product development for the CBM industry. Activity within this sector in Australia continues to build and is forecast to present significant revenue generating opportunities for Imdex;
- Further enhancements and successful field trials with Residrill. Residrill was designed to give drilling fluids non invasive properties, and importantly, it reduces dynamic filtration loss, stabilises wellbores and protects reservoirs from damage, critical factors for successful drilling within the CBM sector;
- Marketing production and completion chemicals developed and produced by Wildcat Chemicals into niche Asian markets. Wildcat was acquired in September 2008 to provide growth opportunities within the oil and gas sector, manufacturing facilities on the East Coast of Australia, and additional expertise. The Company has been successfully integrated into Imdex's business;
- Further development of Imdex's surface and underground Solids Control Units (SCUs).

Down Hole Instrumentation (DHI) Division Performance

Fourth quarter revenue for Imdex's DHI Division was \$15.3 million, bringing the total divisional revenue for the full year to \$44.7 million (FY09 \$45.3 million). This figure represents 33% of Imdex's revenue for the full year. Revenue for the first half of FY10 was 12% higher than the second half of FY09 and this upward trend continued in the second half.

Notably, Imdex's mining tool rental fleet utilisation improved 160% from the low level experienced in April 2009. As at 30 June 2010, mining tool rental fleet utilisation had exceeded the previous peak at July 2008 by 6%. This is an excellent result for the Company.



DHI Highlights and achievements in 4Q

- Release of Reflex's GMT 5 software that controls the advanced Reflex Gyro and High Temperature Gyro Smart instruments. This new software offers significant time and cost saving benefits to Imdex's customers. These new products were launched to the mineral exploration / mining market in early FY09, and are being well received by customers globally. The introduction of the new gyro technology broadens Reflex's product suite to include a full range of magnetic, gyroscopic and optical survey instruments;
- Progress with the closure and relocation of Imdex Technology Sweden. The project is on schedule and is expected to be completed in early October. Closure and relocation of Imdex Technology Germany is also planned during FY11. These reorganisations are expected to yield cost saving benefits and greater control over the product development and manufacturing processes; and
- Further progress with the development of a north seeking MEMS gyro for down hole survey applications within the mineral exploration / mining and oil and gas industries. Flexit is developing this pioneering sensor with Sensoror, a Norwegian company which has specialised in MEMS technology for the past 25 years.

Regional operating structure for Minerals business

In FY10 Imdex made the decision to implement a regional structure that divides the business into four operational regions - Asia Pacific, Africa, Europe and the Americas.

The regional structure became effective on 1 July 2010 and will facilitate cross selling opportunities for Imdex as its trading companies in this sector largely share the same customer base.

Significant opportunities for market penetration for both Imdex's drilling fluids and down hole instrumentation products have been identified, particularly in South America.

Regional managers are now based in each of the four regions to ensure efficient operations, exceptional support for global customers, and opportunities to gain market share are realised.

Health and safety initiatives

During the fourth quarter of FY10, Imdex commenced a number of quality, health and safety initiatives including ISO9001 certification for Imdex Chile (including AMC Chile and Reflex South America), and Australia wide international safety management system standard OHSAS18001:2007.

This OHSAS18001:2007 certification will provide an OH&S due-diligence framework for the management of legislative issues, enhance and support the tendering process, and importantly, provide a safer environment for employees.

2010 Annual General Meeting

Imdex's Annual General Meeting will be held at the Celtic Club, 48 Ord Street, West Perth, WA 6005 commencing at 11:00am on Thursday 14 October 2010.



Solids Control Unit MKII and Underground Solids Control Unit

In March 2009, Imdex introduced a unique Solids Control Unit (MKI) to the global diamond drilling industry. The original MKI version was designed to eliminate excavation of conventional mud pits and limit the environmental impact and disturbance on site.

The launch of the Surface Solid Control Unit (MKI) was brought about by demand for a product that provided economical and environmental alternatives to current operations. Extensive consultation and trials with customers identified a number of enhancements to reduce labour intensity, improve mobility when the unit was full of fluid, and improve the safety of operation which led to the MKII design.

The design and development of the MKII unit has reduced labour intensity and provided a safer product that includes 360° walkway platforms enabling easy access and product management from one location. The MKII unit also includes hydraulic power sources to support operations and an independent hydraulic platform to enable mobilisation when full of fluid. Another new feature is the MKII's advanced screw classifier that allows solids and cuttings removal on an ongoing basis and provides a two stage separation process.

The MKII is a unique product that enables flexible operations for customers and new technology to be adopted without incurring significant modification costs.

The MKII Solids Control Unit has achieved the industries highest safety requirements and has been recognised as one of a few such products to be designed, engineered and manufactured in Western Australia.

In addition to the MKII unit, Imdex designed an Underground Solids Control Unit (USCU) based on operational reviews and client feedback. The USCU was designed to:

- Lower water consumption;
- Reduce drilling additive costs; and
- Increase the standard of site organisation and tidiness.

The USCU is in still in its infancy; however, customers have reported significant improvement in drilling additives and water management.

Customers have also identified the opportunity for larger USCUs to be placed on site to better manage water in underground services.



The design of the USCU can also accommodate small exploration operations that utilise helicopter services in areas with limited access.

Customers that have trialed, or are utilising the Imdex's Solids Control units include BHP Billiton, Rio Tinto, Xstrata, Mincor, Cameco, Boart Longyear, Foraco / Mosslake, Lucas Mitchell and Australian Drilling Services.

Demand for these units is expected to grow as requirements increase for drilling contractors and mining companies to utilise environmentally acceptable alternatives.

New Reflex Software Puts Gyro Technology in the Hands of Drilling Contractors

Enhanced usability, speed and accuracy were central to the development of Reflex's new operating and post survey processing software, which was released to customers in early June 2010. The new software, known as GMIT 5, controls the advanced Reflex Gyro and High Temperature Gyro Smart instruments, and offers significant time and cost saving benefits to customers.

Reflex's GMIT 5 software supersedes Reflex's MeasureIT software, and was specifically developed to enhance usability; making Reflex's advanced gyro survey instruments accessible to all customers. This new version of software offers three dimensional displays. Operators can analyse post survey data in tabular and graphical formats, and view multiple borehole paths in 3D coordinates. Operators no longer need to switch between plan and section views and can quickly analyse the drill hole from any direction and plot the available parameters immediately after the survey at the drill site.

GMIT 5 has improved processing power that enables the Reflex Gyro to be readily used in diverse drilling applications including underground, conventional, horizontal and drop tool.

Another key feature of Reflex's GMIT 5 software is its improved diagnostic function, which alerts operators to survey errors by providing an error number and a description of the error. Customers know immediately if post survey data is accurate and no longer need to submit raw data for external analysis.

GMIT 5's intuitive graphical displays, improved navigation and diagnostic functions, allows Imdex to market gyro technology directly to drilling contractors, who may not be accustomed to gyro technology. This can be a point of differentiation for drilling contractors as it achieves cost savings to resource companies.

GMIT 5 is Windows based software that is run on field computers and controls Reflex's gyro survey instruments via Bluetooth. The Reflex

Gyro and High Temperature Gyro Smart utilise orthogonally mounted digital MEMS-gyros and mounted accelerometers that continuously sample and record data, obtaining over 7000 data samples per minute.

The software guides the operator through the survey process from survey set-up and tool connection, to pre-survey alignment, azimuth input, survey execution, post-survey alignment and downloading of raw data.

Reflex's GMIT 5 software can be fully integrated with the Reflex Azimuth Pointing System (APS), a GPS based compass that is capable of providing true north azimuth coordinates in magnetic and non-magnetic environments. The software displays the azimuth and dip for each survey station, the borehole coordinates, and a number of other parameters including: deviation from intended borehole path; gravity field; dog leg severity; and tool rotation.

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Outlook

The outlook for Imdex is encouraging. Metal prices have recovered significantly from their 2009 lows and many are trading above their long term averages; the gold price remains strong and traditionally accounts for some 50% of worldwide non-ferrous mineral exploration expenditure, while economic growth within China and India continues to be fuelled by their investment in infrastructure and urbanisation. These factors are likely to maintain demand for commodities and stimulate exploration expenditure.

Respected worldwide minerals information and consulting company, Metals Economics Group, has estimated that exploration expenditure will increase by 35%-40% in 2010 over the 2009 calendar year levels. Similarly, industry data is showing levels of exploration and production expenditure within the oil and gas sector in 2010 exceeding 2009.

Despite these increased exploration levels, there have been few world class discoveries in both the minerals and oil and gas sectors which are likely to bring about a future imbalance in supply and demand. Commodity prices are therefore expected to rise, stimulating further exploration activity.

Drilling contractors are also reporting stronger demand from both the major and intermediate mining companies and rig utilisation rates are well up.

A level of uncertainty remains regarding Australia's Federal election and the possible negative effect on companies within the mining and resources sector should the proposed Resource Profits Tax be implemented. Imdex, however, has a well established presence in eleven countries together with revenue generating activities in many more. The Company's global operations mitigate this risk by diversifying Imdex's market exposure.

Focus for FY11

During FY11 Imdex's management team remains committed to the Company's focused strategy of:

- Providing exceptional customer support and out servicing competitors in order to maintain and grow existing markets;
- Further penetration of the oil and gas and coal bed methane markets with both drilling fluids and down hole instrumentation;
- Increasing Imdex's exposure to the underpenetrated geographical markets of Canada, Africa and Latin America;
- Controlling costs and growing the down hole instrumentation rental business; and
- Continuing to invest in research and development to expand and diversify product ranges to maintain and extend Imdex's technology leadership position.

Imdex's commitment to its strategy and its commitment to expenditure on research and product development throughout the downturn has seen the Company emerge from the global financial crisis, in a stronger position with an enhanced global structure, additional expertise, and a superior suite of technologies. I look forward with much optimism to the 2011 financial year.

Yours Faithfully,

Bernie Ridgeway
Managing Director

Imdex Limited

Imdex is an 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 itself for long term growth.

Imdex News is published quarterly to keep the Company'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 Ben Vorster - Group Marketing & Communications Manager at ben.vorster@imdexlimited.com

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