



IMDEX NEWS



Shareholder Newsletter IQ14

Dear Shareholders,

We present our first shareholder newsletter for the 2014 financial year (FY14).

Market conditions during the first quarter (IQ14) largely mirrored those experienced in 4Q13. Activity within the minerals industry remained subdued, while the oil and gas sector presented significant opportunities to continue the upward trend of year on year revenue growth in this Division since FY10.

GROUP FINANCIAL PERFORMANCE

The headline unaudited results for IQ14 were:

- Combined revenue (including Imdex's share of VES International joint venture revenue) of \$53.3 million, down 28% from the record achieved in the previous corresponding period (IQ13: \$73.7 million) and a 9% decrease by quarter (4Q13: \$58.3 million); and
- EBITA (including equity accounted VES International joint venture result, yet excluding the profit on sale of approximately half our holding in Sino Gas and Energy) down 84% to \$2.7 million from the previous corresponding period (IQ13: \$16.6 million) and a 18% decrease by quarter (4Q13: \$3.3 million).

As reported in the August edition of *Imdex News*, we undertook a number of measures towards the end of FY13 to align our business with current market conditions. These measures included a strong focus on prudent working capital management, efficiency and productivity improvements, and a review of our cost structures – particularly within our Minerals Division.

Consolidating these measures during IH14, means we are now firmly focused on three principal growth initiatives: increasing market share in previously underpenetrated mining regions; continuing to grow our oil and gas business; and aggressively advancing our development of innovative products and leading technologies for both the minerals and oil and gas industries.

Such initiatives require further investment in personnel and equipment, principally within our Oil & Gas Division and targeted areas within the Minerals Division, together with further investment in product development for both sectors. While it reduces our profits in the short-term, we are confident our strategy is sound and these investments will yield significant rewards in the medium and long-term.

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KEY PERFORMANCE INDICATORS

Combined 1Q14
revenue

28%

down from 1Q13

Oil & Gas 1Q14
Revenue

10%

up from 1Q13

Minerals 1Q14
revenue

39%

down from 1Q13

SALE OF SINO SHARES

On 13 September, 2013, we announced the sale of 130 million shares in Sino Gas & Energy Holdings Limited (ASX: SEH) (Sino) via a bookbuild to institutional and sophisticated investors at a price of \$0.185 per share. Gross proceeds from the sale were \$24.05 million and place us in a strong cash position with greater financial flexibility to pursue our growth initiatives outlined above. Imdex still retains 121 million shares.

Our company was a founding shareholder in Sino as we recognised and supported the world-scale gas project Sino is developing in China. We continue to strongly support the strategy of Sino's Board and management and have no current intention to sell the remainder of our shareholding – we are looking forward to the next phase in Sino's development.

MINERALS DIVISION

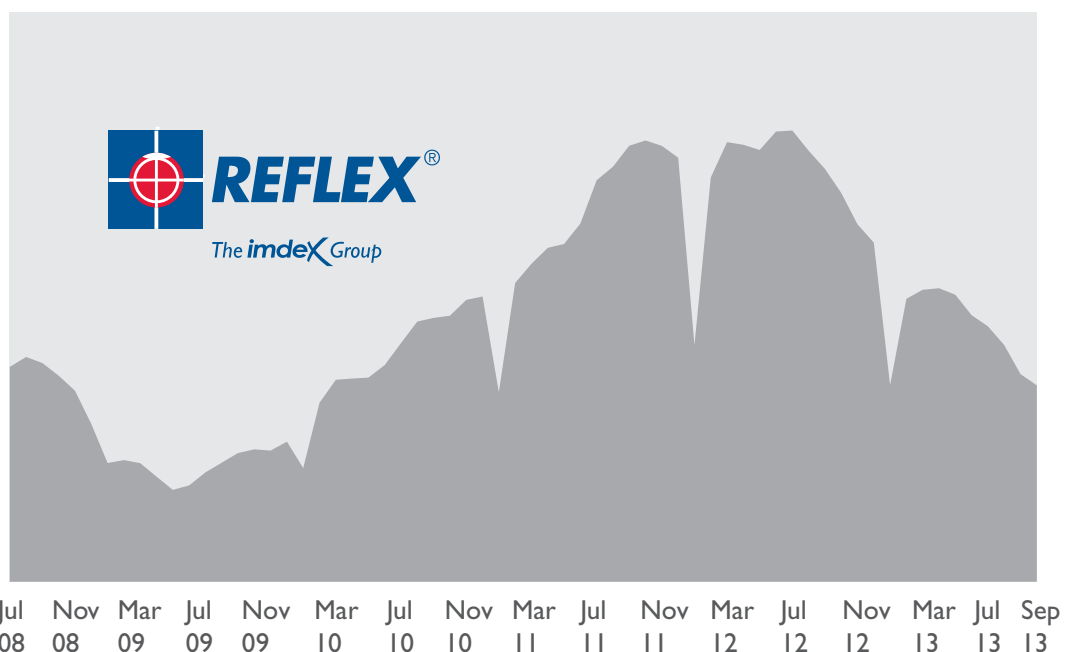
Imdex's Minerals Division consists of the AMC and REFLEX (including ioGlobal) businesses. These businesses market innovative drilling fluids, chemicals, solids removal technologies, downhole instrumentation and data management solutions, together with geo-analytical consulting services and software, for the global minerals industry. AMC is the leading provider of drilling fluids to the global industry, and REFLEX is the number one global supplier of downhole instrumentation to that industry.

IQ14 divisional financial performance

Imdex's Minerals Division generated revenue of \$35.2 million, contributing 66% of the company's combined IQ14 revenue. This represents a 39% decrease on the record result achieved in the previous corresponding period (IQ13: \$57.3 million) and a 14% decrease by quarter (4Q13: \$41.1 million).

Gross margins were largely maintained and the Division's lower revenue reflects the cyclical slowdown of the minerals sector and consequential subdued activity, which has persisted into FY14 as large and intermediate companies continued to limit their expenditure.

Difficult trading conditions within the minerals sector are evidenced by our REFLEX rental fleet. As at 30 September 2013, the number of instruments on active hire was down a further 23% on June, 2013. The decline is tapering, however, and outside of the traditional Christmas slowdown we expect fleet numbers to remain at similar levels during 2H14.



Despite these difficult conditions there were a number of achievements for the quarter.

The number of Solids Removal Units (SRUs) on hire is gradually increasing, albeit still affected by subdued activity, and we now have units on hire in all principal mining regions globally. We remain confident this number will increase as customers continue to embrace the very real economic and environmental benefits delivered by the unit.



SRU creating significant mud & water savings in PNG



SRU delivering water benefits in South America



SRU in Kalgoorlie, Western Australia



First European SRU going off to work



SRU in Montana, USA



SRU in Africa

The integration of ioGlobal into our REFLEX business has progressed well. Now known as REFLEX HUB, it is gaining momentum with a significant increase in throughput recorded in IQ14. Throughput includes daily drill reports, geology reports, training records and safety reports and all generated positive feedback from customers and enhanced the efficiency of their operations.



Importantly, we have also identified a number of opportunities for future growth, not only with our existing products, but with our significant pipeline of new products and technologies. Similarly there are opportunities to gain additional market share in previously underpenetrated regions, such as the USA, even if conditions were to remain as they are today.

In IQ14 a number of senior personnel, with significant industry experience, regional knowledge and project management expertise, joined our company. We are confident they will make a positive contribution and are tasked with driving these growth initiatives operationally.

OIL & GAS DIVISION

Imdex's Oil & Gas Division includes AMC Oil & Gas and a 30% share of VES International (formerly DHS Energy Services). The VES joint venture is the third largest provider of downhole survey services to the oil and gas markets, operating primarily in the USA, Middle East and Latin America.

The AMC Oil & Gas and VES International businesses provide drilling fluids, production and completion chemicals, and downhole survey services to the conventional and unconventional oil and gas markets.

IQ14 divisional financial performance

Imdex's Oil & Gas Division generated revenue of \$18.1 million, contributing 34% of the company's combined IQ14 revenue. This represents a 10% increase on the previous corresponding period (IQ13: \$16.4 million) and a 5% increase by quarter (4Q13: \$17.2 million).

We anticipate the Division's quarter on quarter growth to gain momentum in 2H14, through improved performance in the VES joint venture increasing organic growth from AMC Oil & Gas, and the Division is expected to be profitable in FY14.

Operational highlights and achievements during IQ14

- Increasing number of SRUs on hire with continued customer interest in the significant economic and environmental benefits of the unit;
- Ongoing development of Imdex's underground SRUs;
- Ongoing development of Imdex's heli-portable SRUs to meet customer demand – these units are currently at the prototype phase;
- Increased throughput and continuing positive feedback with the marketing of REFLEX HUB;
- Continued product development, including AMC's innovative products and REFLEX's leading technologies; and
- Investment in experienced personnel to drive growth initiatives in previously unpenetrated regions – particularly the USA.

Key operating highlights and achievements

Highlights and achievements for Imdex's Oil & Gas Division during IQ14 included:

- Record quarterly revenue, reflecting ongoing investment in the development of the Division driving growth;
- Continuing strong revenues and EBITDA performance by Imdex's VES International joint venture;
- Further investment in equipment, working capital, and personnel with extensive oil and gas industry experience to support ongoing growth in the business; and
- Continuing growth from the coal bed methane industry in Australia with an increased demand for sump-less drilling solutions to ensure environmental disturbance by drilling activities is minimised.



OUTLOOK

The fundamentals affecting our minerals business suggest this market will remain subdued in the near term – just how long these conditions will prevail is subject to debate. While there have been some encouraging signs, we are adopting a conservative view and expect current trading conditions within the minerals sector to continue for the balance of FY14.

Conversely, we anticipate robust activity within the oil and gas sector. We are developing a strong Division with an increasing ability to capitalise on this activity and the significant growth potential it provides. To give some context to the potential of this market, data taken from Spears & Associates – *Oilfield Market Report* (October 2013) suggests the global drilling and completion fluids market size is US\$11.1bn, estimated to increase by >20% to US\$13.5bn in 2014. The *Oilfield Market Report* also values the solids control and waste management market for 2012 at US\$3.7bn, forecast to grow by >15% to US\$4.3bn in 2014.

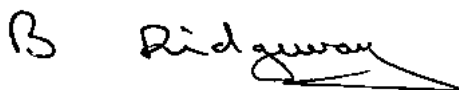
While this financial year will again be challenging, it also presents additional opportunities. As large resource companies are continuing to reduce expenditure, cut costs and increase the efficiencies of their operations, they are looking to innovation and technologies such as our SRUs and REFLEX HUB to achieve those objectives.

As mentioned in the previous edition of *Imdex News*, we are also becoming a stronger, more diversified business to better meet the challenges presented by downturns in the minerals sector. At the same time, we are growing our business in the oil and gas sector and are continuing to develop our innovative products and leading technologies.

We have never had a greater pipeline of developments and we are committed to becoming the Minerals industry standard in providing innovative, simple to use technologies, which improve the effectiveness and efficiency of customers' day to day operations.

Areas of Focus and Growth Initiatives for FY14

- Strong cost discipline and prudent working capital management;
- Increasing Imdex's market share in previously underpenetrated regions;
- Utilising Imdex's specialist technical expertise and product development capabilities;
- Expanding Imdex's data solution offerings to new and existing customers globally;
- Growing Imdex's oil and gas market presence to increase return on investment in this Division;
- Continued support of customers as they seek to increase efficiencies and reduce costs; and
- Capitalising on investment in Imdex's oil and gas equipment and SRUs.

A handwritten signature in black ink that reads "Bernie Ridgeway".

Bernie Ridgeway
Managing Director



Imdex Case Studies

SMART WEDGE EXCEEDS EXPECTATIONS

Recent results from field trials of Imdex's new Smart Wedge instrument have been very encouraging.

Wedges are principally used to deflect the borehole in a desired direction – for example to correct the borehole path, go around broken bottom hole assembly, or in an attempt to use an existing borehole to hit a target instead of drilling a new hole.

In the past, wedges have often failed to set in the proper orientation, however REFLEX has been developing a new counter weight concept, which holds the wedge at the correct toolface orientation every time.

Further trials will be carried out in FY14 to ensure the wedge meets our stringent performance standards.



Left to right, Marcel Allaire (Porcupine Machining), Pascal Laframboise, Claude Lamframboise and Andre Laframboise.

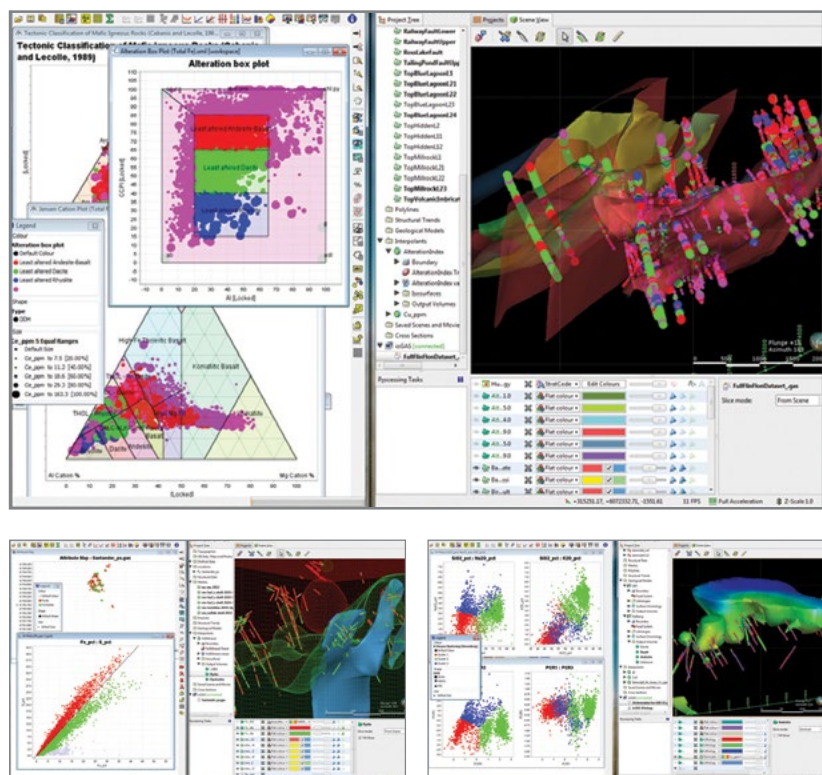
UPDATE AND LAUNCH OF IOGAS VERSION 5

The latest version of ioGAS software, ioGAS 5.0, was released in August 2013.

ioGAS 5.0 contains a number of new features and updates to enhance the existing ioGAS analytical tools and functionality.

ioGAS is specifically developed for exploratory and geochemical data analysis. The software offers the best tools and workflows for efficiently interpreting data by capturing the experience and knowledge of ioGlobal Consulting's team of world-class geochemists.

Further information about ioGAS 5.0 and its new features is available at www.reflexinstruments.com or on YouTube – What's New in ioGAS 5.0.



FOURTH ENVIRONMENTAL SUCCESS

We are pleased to report AMC Oil & Gas (Germany) has been recommended for Environmental certification to ISO 14001.

Once the certificate has been received, AMC Oil & Gas will be entitled to use the SGS ISO 14001 certification mark, in addition to the already achieved QA, OH&S and SCC Certifications.

Rig site operations, the Rastede facility and the new Bremen Mud Plant were all included in the audit.

This is an excellent result for Imdex and marks our fourth environmental certification success. The success aligns with our commitment to integrating environmental requirements into our day-to-day operations to ensure environmental standards are standard practice.





About Imdex Limited

Imdex is an ASX listed industrial company (ASX: IMD) with a market capitalisation of approximately \$170 million and 566 employees (as at 30 September 2013).

Imdex delivers leading innovative technologies to the global minerals industry and niche oil and gas markets, focusing on integrated solutions that enhance customers' operations and deliver value for its shareholders. The company achieves this by its extensive industry knowledge and commitment to product development, ensuring innovative, simple to use and fit-for-purpose technologies.

Imdex supports a diverse range of customers at all stages of the mining cycle, from junior explorers to major producers across a wide range of commodities. To provide optimal service to these customers, Imdex has operational centres in key mining regions of the world, including: Asia-Pacific, Africa, Europe and the Americas.

Further information can be found at www.imdexlimited.com

IMDEX NEWS - SHAREHOLDER NEWSLETTER

Imdex News is published quarterly to keep Imdex's valued shareholders informed of the company's performance and operational highlights.

Your feedback and questions are always welcome. Please send all investor communication to Imdex's Marketing Manager, Ms Kylie Kniepf at kylie.kniepf@imdexlimited.com.

Alternatively contact Managing Director, Mr Bernie Ridgeway or the Chief Financial Officer and Company Secretary, Mr Paul Evans on +61 8 9445 4010.