



IMDEX NEWS



AMC's SRU minimized the risk of environmental contamination on barge mounted drilling operations.

Shareholder Newsletter IH15

Dear Shareholders,

I am pleased to present Imdex's shareholder news for the six months ended 31 December, 2014 (IH15).

Our core business performed well with group revenues up over 12% compared to the prior corresponding period. This was largely driven by increased drilling activity on existing brownfield projects by the major resource companies.

Innovation is the key to our future success and we have continued to pursue a number of growth initiatives during the period including ongoing investment in the development and commercialisation of advanced technologies and solutions for both drilling and resource companies.

The Minerals marketing is receptive and increasingly adopting our solutions driven technologies - enabling customers to increase productivity and reduce costs. In many cases, Imdex has first mover advantage on the introduction of these technologies allowing us to be the primary beneficiary of the market upturn.

OVERVIEW

- Combined revenue of \$114.4 million*, up 12.3% (IH14: \$101.9 million);
- Growth seen in both Minerals and Oil & Gas Divisions;
- EBITDA of \$20.7 million**, down 14% (IH14: \$24.2 million);
- Normalised EBITDA of \$8.6 million, up 32.3% (normalised IH14: \$6.5 million) and up 431% on 2H14 (normalised 2H14: \$1.6 million);
- Net profit after tax of \$9.7 million (IH14: \$15.3 million);
- Balance sheet remains robust with gearing ratio of 13.7% (IH14: 12.9%);
- Operating cashflow of \$4.4 million;
- Normalised EBITDA Interest cover of 5 times (IH14: 4 times);
- 8.5% increase in the average number of REFLEX rental instruments on hire in IH15 versus the prior corresponding period; and
- Ongoing capital investment in technology and personnel to take advantage of the Minerals recovery.

*including Imdex's share of VES International (VES) revenue

**including equity accounted VES result; profit on sale of the balance of holding in Sino Gas and Energy Holdings (SEH) of \$14.2 million; and additional \$2.1 million provided in respect of the product containment incident

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KEY PERFORMANCE INDICATORS

Combined 1H15
revenue
12.3%
up from 1H14

Minerals 1H15
revenue
11%
up from 1H14

Oil & Gas 1H15
revenue
14%
up from 1H14

GROUP OVERVIEW

Financial performance

Following is a summary of our 1H15 performance.

- Group revenue, including Imdex's 30% share of Vaughn Energy Services International joint venture (VES), was \$114.4 million; an increase of 12.3% (1H14: \$101.9 million).

The revenue uplift was driven by:

- 11% increase over the prior corresponding period in the Minerals Division reflecting higher activity levels and continued product development; and
- 14% increase over the prior corresponding period in the Oil & Gas Division; AMC Oil & Gas revenue increased 6% versus the prior corresponding period and VES revenue was up 14.5% versus the prior corresponding period.
- 1H15 EBITDA of \$20.7 million (including equity accounted VES result and profit on disposal of the balance of the shareholding in Sino Gas and Energy Holdings (SEH)); down 14% (1H14: \$24.2 million);
- Normalised EBITDA of \$8.6 million (excluding \$14.2 million profit on disposal of the remaining shareholding in SEH and \$2.1 million provided in respect of the product containment incident); an increase of 32.3% (normalised 1H14: \$6.5 million) and up 431% on 2H14 (normalised 2H14: \$1.6 million);
- Net profit after tax of \$9.7 million; down 37% (1H14: \$15.3 million);
- Balance sheet remains robust with a net debt / capital ratio of 13.7% (1H14: 12.9%) and interest cover of 5 times after Operating Cash Flow of \$4.4 million;

Non recurring items:

- The financial impact of the product containment incident announced to the ASX on 13 March 2014, requiring a further provision in 1H15 of \$2.1 million.
- In July, 2014 Imdex disposed of its remaining shareholding in SEH – a non core asset – resulting in a profit on disposal of \$14.2 million.

The impact of these one-off non-recurring items to Imdex's financial results for 1H15 was a net profit of \$12.1 million.

Despite challenging market conditions, Imdex's leading and differentiated technologies assisted in the Company growing its revenue base. We continue to increase our global customer base with the objective of deriving more sustainable revenue.

Our diversification strategy into the Oil & Gas industry is via AMC Oil & Gas and our 30% interest in VES. However, both AMC Oil & Gas and VES will be impacted in 2H15 by the collapse in the oil price and activity in the sector generally. The Company continues to monitor the impact of the changing oil & gas operating environment to ensure its strategy remains appropriate.

Our balance sheet is in good shape and comfortable gearing levels have been maintained. Combined with our commitment to invest in the business through the cycle, the Company is well positioned for the long term.

MINERALS DIVISION

The Minerals Division consists of AMC Minerals and REFLEX. AMC is a leading provider of drilling fluids, chemicals and solids removal technologies. REFLEX is a global supplier of advanced downhole instrumentation, innovative data management and data analysis solutions, and provides geo-analytical software and consulting services to the global resources industry.

IH15 divisional financial performance

Despite reduced non-ferrous global exploration expenditure, Imdex's Minerals Division revenue increased by 11% to \$70.8 million (IH14: \$63.7 million). The Division contributed 62% of the Company's combined IH15 revenue (IH14: 62%). From July to October 2014 inclusive, revenue increased month on month before slowing during the traditional seasonal slowdown in November and December 2014.

EBITDA increased by 20% to \$12.1 million (IH14: \$10.1 million).

Growth was largely driven by an increase in drilling activity due to brownfield expenditure by the major resource companies. The REFLEX rental fleet barometer held up well despite the market slowdown. The average number of REFLEX rental instruments on hire for IH15 was up 8.5% versus the prior corresponding period and the rental bounceback in January 2015 has been 24% stronger than experienced in January 2014.

The Minerals Division continues to expand its blue chip customer base, both geographically and with a greater focus on resource companies - primarily those in production. The Asia Pacific region accounted for 43% of the Minerals Division revenue, however, expectations are that the largest growth areas for this business will be outside Australia.

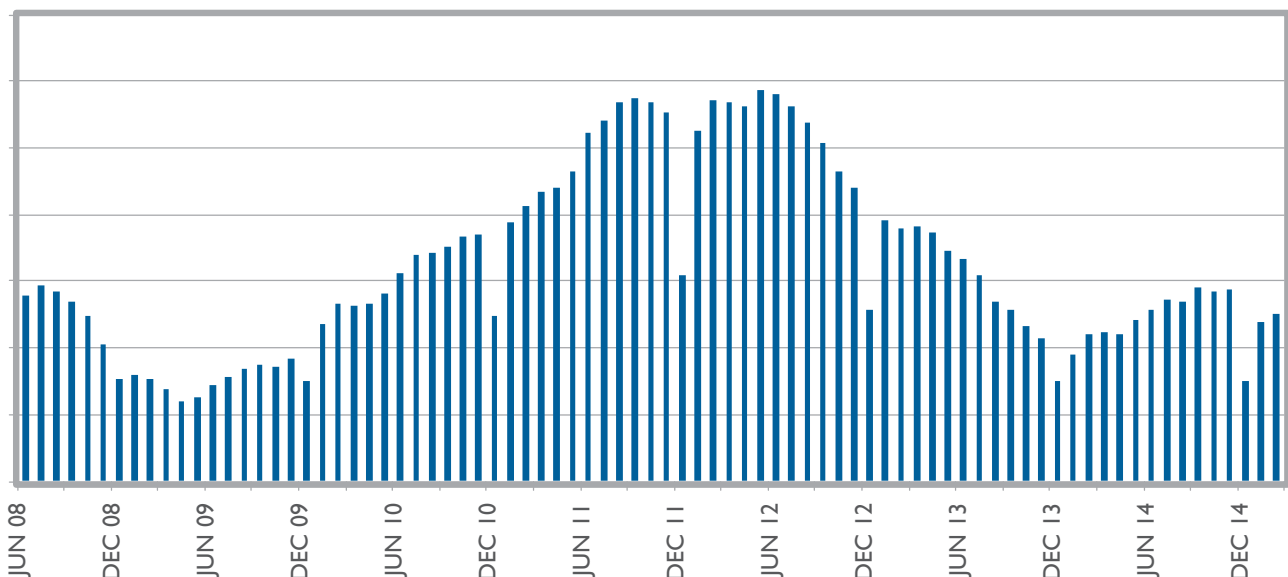
AMC Minerals USA was profitable for the first time in October 2014. This was largely driven by increased SRU rentals and an increase in non mining applications. We expect this momentum to continue in the second half with further measured expansion.



Key Operational Highlights

- **Solids Removal Units (SRU)** – ongoing industry acceptance of SRUs led to an increase in the number of units on hire during the seasonal holiday shutdown;
- **REFLEX HUB** - increased throughput and continuing positive feedback with the marketing and take-up of REFLEX HUB by large resource companies and mining services companies;
- **REFLEX EZ-GYRO** - commercialisation of the world’s first north seeking, driller operated gyro during the latter part of 1H15;
- **Product Development** continued throughout the period:
 - AMC’s innovation on new drilling fluid products generated new products for introduction to the market during 1H15;
 - REFLEX is committed to becoming the minerals industry standard in the provision of innovative, simple to use technologies improving the effectiveness and efficiency of customers’ day to day operations.
- **Customer base continued to expand**, together with greater exposure to resource companies and those in the production phase of the mining cycle; increased exposure to non-mining applications including HDD and waterwell markets;
- **Continued investment in experienced personnel** to drive growth initiatives in under penetrated regions;
- **The acquisition of 2iC**, effective 1 September 2014. This strategic acquisition for a purchase price of \$3 million ensures REFLEX is the single provider of the most complete range of core orientation solutions for the mining and exploration sector globally. Integration of 2iC into the REFLEX business is complete.

REFLEX RENTAL FLEET BAROMETER



OIL & GAS DIVISION

Division Overview

The Oil & Gas Division consists of AMC Oil & Gas and Imdex's 30% interest in Vaughn Energy Services International joint venture (VES).

The AMC Oil & Gas and VES businesses manufacture and provide quality drilling fluids, products and completion chemicals, and downhole survey services to the conventional and unconventional oil and gas markets worldwide. VES is the third largest provider of downhole survey services to the oil and gas market, operating primarily in the USA, Middle East and Latin America.

Financial performance

Imdex's Oil & Gas Division generated record revenue, up 14% to \$43.6 million (1H14: \$38.2 million) and contributed 38% of the company's combined 1H15 revenue reflecting the ongoing investment in the development of the Division during 1H15.

AMC Oil & Gas revenue for 1H15 was up 6% versus the prior corresponding period and Imdex's 30% share of VES revenue was up 14.5% versus the prior corresponding period.

Normalised EBITDA showed a loss of \$0.5 million (1H14: \$0.8 million loss) including further investment of \$1.2 million into Oil & Gas R&D (instrumentation). The contribution by VES was positive at \$0.5 million after allowing for all expenses including depreciation, amortisation and tax.

OUTLOOK

The outlook for Imdex's Minerals Division for 2H15 is encouraging and the improved market conditions seen in 1H15 are expected to continue in 2H15. The expected increased activity should be led by major resource companies returning to spend on brownfield projects as a less capital-intensive and less risky means of replacing and adding reserves.

While this activity is forecast to increase, these companies continue to cut costs and increase the efficiencies of their operations. Imdex's suite of technologies is able to assist these companies achieve their objectives and is increasingly gaining traction on these initiatives.

While the cyclical downturn in the minerals industry is challenging in the short-term, the early signs of a measured recovery and the introduction of new and differentiated technologies are positive for Imdex. Following our aggressive research and development spend through the cycle, we will look to drive returns from our new technologies, which will provide substantial industry change and also significantly enhance the efficiency of our customers' operations.

It is likely that both AMC Oil & Gas and VES revenues will be impacted in 2H15 by the recent collapse in the oil price and sharp reduction of activity in the sector. Operators are in the process of reducing expenditure by postponing and cancelling drilling programs. While it is difficult to predict how long the low oil price cycle will last, Imdex is in the process of ensuring AMC Oil & Gas is structured appropriately for the current operating conditions. Similar action is being taken by VES.

The Company continues to monitor the impact of the changing oil and gas operating environment to ensure its strategy remains appropriate.

KEY AREAS OF GROWTH AND FOCUS FOR FY15

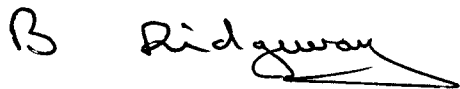
During 2H15 we remain focussed on our strategy to build the Imdex business of:

- Maintaining and gaining market share through technology leadership;
- Continuing to diversify the customer base to include more resource companies; and
- Building a resilient and a more broad based business with a more sustainable revenue stream and greater emphasis on the production phase of the project life cycle.

More specifically, we will concentrate on:

- Delivering on our organic growth initiatives, particularly the solids removal technology and growth for AMC Minerals in the Americas;
- Introducing REFLEX technologies that increase the efficiency and productivity of our customers' operations;
- Investing in product development to enhance our product range and maintain our technological leadership;
- Reducing our fixed costs and key areas of expenditure; and
- Ensuring AMC Oil & Gas is structured appropriately in response to the lower oil price.

Yours Faithfully

A handwritten signature in black ink that reads "Bernie Ridgeway". The signature is written in a cursive style with a long, sweeping underline.

Bernie Ridgeway
Managing Director



Operational News & Case Studies

CASE STUDY:

ACTUAL VS FORECAST - A PRODUCTIVITY IMPROVEMENT ENABLER FOR EXPLORATION DRILLING RIGS.

Requirement

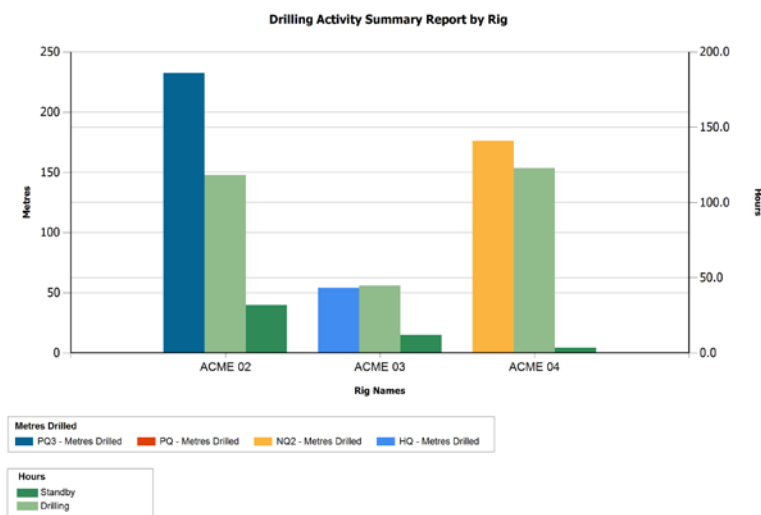
The team at one of Australia's largest coal producing companies realised that in order to efficiently manage their business processes, invoice cycle and reporting, and to develop and adhere to realistic project plans, timely access to reliable, accurate data relating to all drilling activity, was essential. Equally, for the often numerous drilling companies contracted to their projects, immediate access to information on current activity was critical for the efficient management of their operations.

Access to this information, on demand, together with the ability to use historical data for predicting and planning future drilling, would enable more effective planning and forecasting, while also providing visibility as to current activity. This, in turn, would enable the company to control and potentially decrease costs across their drilling activities while making decisions quickly and confidently.

The "Software as a Service" (SaaS) offering proposed by REFLEX was attractive to the resource company as it enabled the real-time flow of data to provide the information required, and the implementation of the SaaS solution was rapid. With no additional hardware requirements and no need to install software, the time and effort required to access the working solution would be kept to a minimum.

Drilling Activity Report by Rig

For the Period - 04-Feb-2015 To 11-Feb-2015



"We now know that invoices are correct and payment can be made on time. It is a far more efficient way of managing our cash flow."

Manager Project Administration Services

Solution

REFLEX's solution, tailored specifically to address the issues highlighted by the client, was in three parts. In order to enable near real-time approvals of shift activity, customised mobile forms were developed for their Daily Drill Reports (DDRs or "plods"). The REFLEX Schedule of Rates (SoR) module was then employed in order to track current expenditure and reconcile contractor invoices. The Production Planning solution completed the full package, allowing the resource company to track project activity against a defined budget and timing.

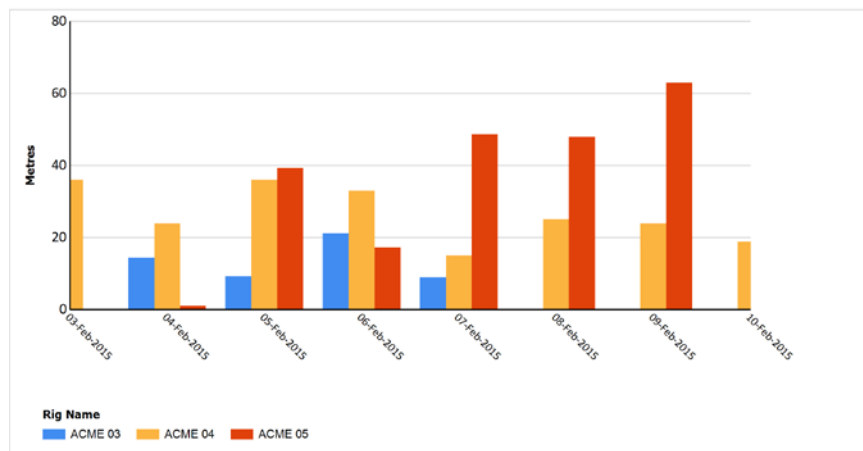
"Being able to monitor what is happening on-site has allowed us to see where we are now compared to forecast," said the Manager Exploration Planning and Reporting. "Through real data driven conversations and interventions with our contractors, we can make necessary adjustments to stay on track and reduce the risk of problems later."

“With the removal of manual data entry and associated work, we’ve saved approximately 15 hours per week.”

Manager Project Administration Services

Rig Activity Report

From 03-Feb-2015 to 10-Feb-2015



Rig Activity Summary Report

For the Period 04-Feb-2015 to 11-Feb-2015



Rig Name	Rig ID	Metres Drilled	Hours Drilling	Other Hours	Total Shifts	% Time Drilling	% Billable Hours
ACME 02	ACME2698	232.50	118.25	42.00	16	73.79	97.50
ACME 03	ACME1696	54.00	44.75	135.25	16	24.86	92.22
ACME 04	ACME1893	176.00	122.75	65.75	16	65.12	98.54
ACME 05	ACME0589	338.90	126.75	60.75	16	67.60	92.13
ACME 06	ACME2770	414.90	159.25	28.25	16	84.93	98.27
ACME 07	ACME1736	76.50	53.25	133.75	16	28.48	91.58
ACME 08	ACME9876	76.60	48.25	134.50	16	26.40	91.24
ACME 09	ACME2389	155.10	75.00	88.00	15	46.01	86.81
ACME 10	ACME1875	90.10	65.00	123.00	16	34.37	96.94
ACME 11	ACME1187	80.00	56.50	130.50	16	30.21	98.53
ACME 12	ACME1265	392.20	147.50	39.50	16	78.88	91.71
ACME 14	ACME2658	401.40	140.00	47.50	16	74.67	92.53
Totals		2,488.20	1,157.25	1,028.75	191	52.96	94.00

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“The REFLEX solution is a real productivity improvement enabler for our exploration drilling rigs. Our target is to get an extra 30% production out of the rigs, this is an enabler with which to do this.”

Manager Exploration Planning and Reporting

Solution Detail

In-field data collection through mobile forms allows information to be collected on-site and displayed in a custom digital form. This provides instant visibility across all aspects of the drilling program. Decisions can be made and communicated immediately, issues resolved timeously, and as a result, invoices paid without delay.

“It was easy to access and view all the drilling information we need to run our business,” remarked a drilling contractor.

The Schedule of Rates (SoR) is the online solution into which rates and measurement parameters are input, ensuring that forecasting and invoicing is based on verified data, significantly improving their accuracy and reliability. Reporting, based on approved information, is accurate and reliable.

The Custom Reports, combined with the Production Planning module, marry relevant drilling data from the DDR with the information stored within the SoR which provides an up to date measurement of the current state of play.

For the resource company, access to real, accurate data has enabled efficient reporting and the reconciliation of all activity across their drilling projects, to ensure that costs remain within forecast and that project progress remains on track.

“Improving efficiencies in the acquisition of data, the inclusion of this data in our reports and visibility across our business are our priorities,” said the Manager Exploration Planning and Reporting. *“Being committed to this project and working closely with the REFLEX team has resulted in significant operational efficiencies that are already adding value to our business.”*

“You can only manage what you measure and we now have some good measures.”

**CASE STUDY:
AMC'S SRU LIMITED RISKS OF SPILLS IN
PROTECTED AREA**

Background

A uranium drilling project, located in Canada's Patterson Lake South, presented a number of unique environmental and technical challenges for the resource company.

The uranium mining project is located within a lake surrounded by protected native land. The site is also within the migratory range of the Beverly Caribou herd – a major source of sustenance for the Denesuline communities. As an environmentally sensitive area, strict environmental policies apply to protect the natural environment, prevent contamination of the lake and the impact of drilling must be kept to an absolute minimum.

Logistical difficulties presented further challenges at this site. Being in an isolated location, with drilling operations mounted on barges on the lake, there is no infrastructure for mobilisation of equipment and management of fluid and drilling waste is costly and time consuming. This also presents a higher risk of environmental contamination through spills and leaks off the barge.

Results

The barge mounted SRUs reduced costs associated with mud usage and transportation of fluids; increased operational efficiencies; and importantly, enabled cleaner and safer operations within this environmentally sensitive area. Feedback from the customer also highlighted the high level of training and support provided by AMC, ensuring smooth set up and operation.

- Reduced environmental footprint and risk of contamination
- Mud consumption reduced by 65-90%
- Enabled cleaner and safer operations
- 65-90% Reduction in mud consumption
- Fluid transport cost savings up to \$120,000/month
- Easy cuttings disposal
- Cleaner and safer operating environment



AMC'S SRU



About Imdex Limited

Imdex is an ASX listed industrial company (ASX: IMD) with a market capitalisation of approximately \$104 million and 585 employees (as at 31 December 2014).

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.