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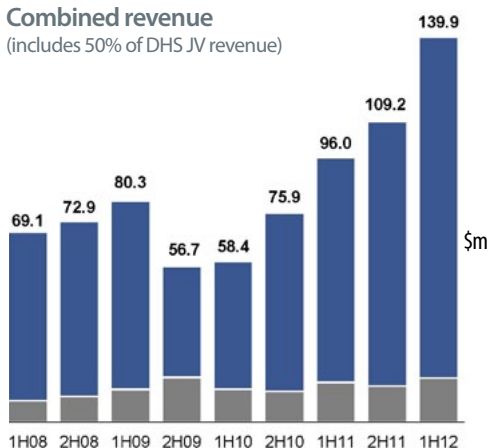
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Company overview

Combined revenue

(includes 50% of DHS JV revenue)



Key Performance Indicators

Net Profit After Tax
88%
up from 1H11

Total Revenue (m)
\$139.9
Includes DHS JV

Interim Dividend
3.25c
up 86% from 1H11

Record half year



Dear Shareholders

Welcome to Imdex News, the newsletter for shareholders of Imdex Limited. We are delighted to bring you this edition outlining our performance for the six months to 31 December 2011 (1H12) that saw new record results achieved for our Group.

Our record half-year earnings

Imdex's 1H12 financial performance was very strong, with record results achieved across all key metrics. Key highlights included:

- Combined revenue (including Imdex's share of DHS Joint Venture revenue) up 46% to \$139.9 million (1H11: \$95.9 million)
- EBITA (including equity accounted DHS JV result) up 81% to \$38.3 million (1H11: \$21.2 million)
- Net profit after tax up 88% to \$22.7 million (1H11: \$12.1 million)
- Pre-tax operating cash flow up 121% to \$33.2 million (1H11: \$15.0 million)
- DHS JV's acquisition of Vaughn Energy Services (Vaughn) in January 2012 to support our strategy to increase Imdex's oil and gas revenues to 30-40% of Group revenue over the next 3-4 years
- Strong balance sheet, with conservative gearing at 23.7% pro-forma net debt/capital after DHS JV's acquisition of Vaughn
- Fully franked interim dividend up 86% to 3.25 cents per share (1H11: 1.75 cents per share).

Exciting developments

Imdex's combined revenue of \$139.9 million is a new half-year record for the Company, and exceeds the previous half-year high of \$109.2 million in 2H11 by 28%. The very strong growth in EBITA to \$38.3 million reflects robust business activity in all four major mining regions of Asia Pacific, Africa, the Americas and Europe.

Growth in Imdex's Minerals division, up 52% to \$124.0 million, was the key driver for the Group's revenue growth and reflected continued strength in global drilling activity and increased mineral exploration expenditure. Metals Economics Group, Canada indicated in late November 2011 that they expected calendar 2011 non-ferrous expenditure to be up 58% to an all-time high of US\$18.2 billion due to commodity prices remaining relatively strong.

Oil & Gas division combined revenue was up 10% to \$15.9 million. Combined revenue includes Imdex's share of revenue from the DHS JV which became effective on 1 July 2011.

Subsequent to the end of 1H12, we announced an oil & gas services acquisition by the DHS JV. The acquisition entitles the DHS JV to the

technology of Dataflow Measurement Systems, as well as 100% ownership of Gyro Technologies Inc., owner of Vaughn Energy Services (Vaughn), a US based oil & gas down hole survey provider. The US\$100 million acquisition positions the DHS JV as a third global competitor in the approx. US\$400 to US\$500 million annual oil & gas down hole survey market, and a significant presence in the substantial US onshore oil & gas market.

Our technologies and product development continue to position us as a market leader in both drilling fluids and down hole instrumentation. Exciting new instrumentation is scheduled to be released in 2H12 to the mining and exploration sector, and we will continue to bring you regular updates on our breakthrough technologies.

Market review

- Record trading activity in Asia Pacific, the Americas, Africa and Europe
- Reflex rental fleet reached highs during 1H12 that were almost 100% above the pre-GFC peak in July 2008, and new records are expected in 2H12 following a strong bounce back in January 2012 post the traditional holiday seasonal slowdown
- Rig utilisation rates continued to increase towards full utilisation
- New revenue and earnings records expected in 2H12.

The Group has two distinct business divisions, Minerals and Oil & Gas. The following summarises their financial and operational performance over 1H12.

Minerals division

Imdex's Minerals division consists of AMC drilling fluids and chemicals, and Reflex down hole instrumentation. In 1H12, revenue for the division increased 52% to \$124.0 million, representing 89% of Imdex's 1H12 revenue and reflected the continued strength in global drilling activity and increased mineral exploration expenditure.

Strong growth in all four major mining regions, Asia Pacific, the Americas, Africa and Europe, continued to contribute significantly to the Minerals division's results, reflecting the strength of Imdex's underlying businesses and focused global strategy.

Key operating highlights

- Record revenue across all of the major mining regions
- Continued growth in the Reflex rental fleet as a result of ongoing investment in product development and strong drilling activity
- Realising benefits from the implementation of a regional reporting and operating structure, including offering combined solutions across drilling fluids and down hole instrumentation
- Commercialisation of Imdex's Solids Removal Units
- Integration of the ADS acquisition (more information about this

acquisition is available from our News page)

- Acquisition of System Mud (Brazil) to further drive operational and geographic efficiencies and growth in South America, a key region for Imdex.

Oil & Gas division

The Oil & Gas division consists of AMC drilling fluid, production and completion chemicals, and down hole survey services through the DHS JV. Combined revenue for this division in 1H12 was up 10% to \$15.9 million, and represented 11% of Imdex's 1H12 revenue. This result includes our 50% share of the revenue from the DHS JV.

We continue to make progress in our strategy to expand our oil and gas business, and diversify the Group's revenue streams. The acquisition of Vaughn by our DHS JV supports our strategy to generate approximately 30% to 40% of Group revenues from the oil and gas market within the next three to four years.

Key operating highlights

- Progressing the DHS JV for down hole survey services and the subsequent acquisition of Vaughn as announced to the ASX on 23 January 2012 (detailed below)
- Integration of AMC Oil & Gas Europe (previously Mud-Data), supplying drilling fluids and equipment to the oil & gas and geothermal industries in Europe
- Continued investment in engineering and product development on existing and new instrumentation.

DHS JV's acquisition of Vaughn

The US\$100 million acquisition of Vaughn positions the DHS JV as a third global competitor in the approx. US\$400 to US\$500 million per annum oil & gas down hole survey market, and provides the joint venture with a significant presence in the substantial US onshore oil & gas market.

Texas-headquartered, Vaughn is an oil & gas down hole survey provider with 125 employees, including 75 surveyors and wireline operators, across 13 locations in the US. In calendar year 2011, Vaughn generated revenue of US\$39 million.

Acquisition highlights:

- Transforms the DHS JV into a significant global force in the oil & gas down hole survey market
- Enables a substantive entry into the onshore US oil & gas market, which represents about a third of the global oil & gas down hole market size

- Diversifies the geographic footprint, range of technologies and customer base of DHS JV, and introduces additional oil & gas technology to the Group
- Supports Imdex’s strategy to generate approximately 30% – 40% of revenues from the oil & gas market within the next 3 – 4 years
- Immediately earnings accretive for Imdex
- Vaughn shareholders to retain 40% ownership of DHS JV and remain with the business.

The total consideration for the acquisition of Vaughn was US\$100 million comprising:

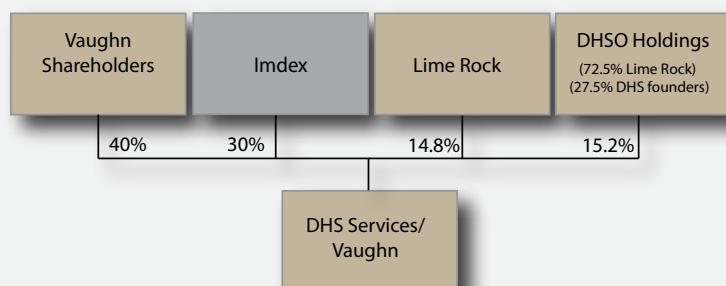
- US\$38 million cash at settlement (\$19 million Imdex share)
- US\$12 million in earn outs over the next 12 months (funded by DHS JV)
- US\$50 million in equity in combined DHS JV/Vaughn.

The acquisition of Vaughn by the DHS JV provides customers with a full suite of technologies combined with a global footprint and superior service offering. The combined business has excellent growth prospects in the US onshore oil & gas market as well as the offshore and onshore international markets.

The acquisition consideration represents a multiple of approx. 5x normalised EBITDA based on Vaughn’s unaudited calendar year 2011 earnings (after adjusting for net cash). The transaction is immediately earnings per share accretive for Imdex.

DHS Services Joint Venture

Prior to the acquisition of Vaughn, the DHS JV was owned 50% by Imdex and 50% by DHS Oil Holdings Ltd (which in turn is owned 72.5% by Lime Rock Partners and 27.5% by DHS’s founders). Following this transaction, Imdex’s equity interest reduced from 50% to 30%. The ownership structure of the DHS JV is now:



The combined revenue in calendar year 2012 for DHS Services/Vaughn is expected to be approx. US\$70 million, with the aim being to significantly grow the business over the next 5 to 7 years to capture around one-third of the projected US\$400 million to US\$500 million annual global onshore and offshore surveying and steering market.

Record dividend

In keeping with the stated strategy of building a sustainable and growing dividend stream whilst balancing the capital needs of the business, the Directors declared a fully franked interim dividend of 3.25 cents per share to be paid on 23 March 2012. This represents an 86% increase on the 1H11 interim dividend, and reflects the strength of Imdex's underlying earnings and future growth opportunities.

Products update

Solids Removal Unit

Imdex is committed to improving the environmental impact and minimising the use of water in the drilling process. Amongst the Group's most innovative products, the development of our solids removal technology eliminates the use of drilling fluid sumps alongside the diamond drill rig, reducing water consumption and minimising wastage.

Imdex's unique solids removal technology will gradually make the existence of drilling fluid sumps alongside drilling rigs a thing of the past as mining companies and drilling contractors embrace the new technology. Demand for this technology is increasing as our customers look for efficiencies in all of their operations.

We expect to have a number of units in the field by the end of the current financial year. As mentioned in the previous newsletter, the solids removal technology will not have much financial impact in FY12. However, it is on track to contribute meaningfully to the Group's revenue and earnings in FY13 and beyond.

Reflex Instruments

Reflex continues to develop leading instrumentation for the mining and mineral exploration markets. The instruments are demanded by drilling contractors and their customers to ensure holes are drilled where planned and the diamond drill core can be orientated accurately.

Reflex is launching a range of new instruments internationally in the coming months, including:

- An upgraded Reflex ACT III RD™, retaining the quality and reliability of the original Reflex core orientation tool, and incorporating various improvements such as glove-friendly buttons and other ergonomically-designed features, improved rapid descent system making the tool even faster, more robust and accurate
- An extended high temperature range including the HT Gyro and the HT Ez-Trac for complete down hole surveying packages in magnetic and non-magnetic multi-shot wellbore surveying; the HT ACT to provide highly accurate core orientation in geothermal applications

- The Reflex Ez-Gyro™ is a state-of-the-art North Seeking gyro using cutting-edge, revolutionary technology for mineral exploration.

The new range is designed to reduce the overall cost of exploration drilling programs and maximise efficiencies by incorporating improved rapid descent capability and ergonomic features, and are compatible with the current Reflex instrumentation.

Imdex is a market leader in drilling fluids (AMC) and down hole instrumentation (Reflex and DHS JV) for the global mining and oil & gas industries. This has resulted in a record year for the Group. To ensure we remain at the forefront of technology development and as global competition intensifies, we are ensuring that this value and any Intellectual Property is adequately protected, both internally and externally.

Positive outlook for FY12

With 2H12 under way, the outlook for Imdex remains positive. 1H12 saw another set of excellent results with strong growth in revenue, earnings and cash flow to record levels. We expect continued growth in 2H12 with the underlying fundamentals of Imdex's key industry segments remaining positive.

Metals prices remain robust and importantly are still trading above their long-term averages. Drilling contractors continue to report strong demand from the major, intermediate and junior mining/exploration companies, and rig utilisation rates are continuing to increase towards full utilisation.

Whilst we are focussed on our core business in the mining and minerals exploration markets which are generating excellent results for the Group, there is considerable potential to deliver shareholder value through aligning our oil and gas interests with DHS Services/Vaughn, drilling fluids and production chemicals.

Key priorities for 2H12

In 2H12, the Imdex Group will be focussed on:

- Introducing the solids removal technology in the Asia Pacific market ahead of its roll-out to the other major mining markets of Africa, Canada, South America and Europe
- Releasing new and improved down hole instrumentation
- Growing the DHS JV and integrating Vaughn, to drive growth in oil & gas revenues
- Continuing to invest in mining and oil & gas technologies to maintain Imdex's competitive advantage and grow market share globally.

Yours faithfully,

Bernie Ridgeway

Imdex Limited, Managing Director