imdex LIMITED

Imdex News

Issue 16 - Imdex Group Newsletter - August 2008

Dear Shareholders

The 2008 financial year has been one of great activity, great success and milestones for the Imdex Group.

Four companies were acquired during the year: Canadian based Poly-Drill Drilling Services, Kazakhstan based Suay Energy, Chilean based Southernland, and German based System Entwicklungs GmbH (SEG). Imdex's focus on profitable global expansion during the year positioned the Company as the leading drilling fluids and down hole instrumentation provider in the rapidly expanding resources sector. Imdex has established a presence in all significant mining and exploration regions, and now has the global profile and the resources to facilitate extended future growth.

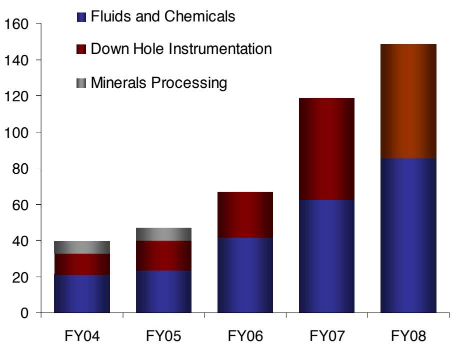
Entry into the S&P/ASX 300 Index also marked a significant milestone in the Group's development, particularly during a time of extreme market volatility.

Drilling Fluids and Chemicals Division

The Drilling Fluids and Chemicals Division recorded a revenue increase of 37% from $62.4 million to $85.7 million, and an EBITA increase of 34% from $10.4 million to $14.0 million. All companies within this Division, including those recently acquired, contributed positively to the Divisional result.

Throughout the 2008 financial year, management focused on expanding existing businesses and integrating newly acquired entities. Key achievements included the following:

Normalised Revenue by Division ($m)



- Continued strong growth by the Australian Mud Company (AMC) and Samchem. Both companies produced record performances for the year;
- The relocation of Southernland to new premises in Santiago in May 2008;
- Increased production capacity at Samchem with the installation of a polymer manufacturing plant. This plant will ensure Samchem can control both quality and quantity of polymer supply and increase margins;
- Introduction of a common accounting and reporting system.

Priorities for the coming financial year are to complete the various plant relocations, installations and upgrades, focus on driving operational efficiencies, and continue to expand the business, particularly in Africa, the Caspian Sea Region and the Americas.

Down Hole Instrumentation Division

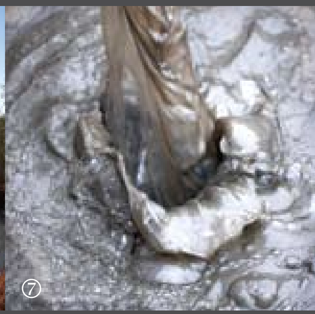
The Down Hole Instrumentation Division recorded a revenue increase of 12% from $56.1 million to $62.9 million, and an EBITA increase of 61% from $17.6 million to $28.3 million. All companies in this Division, including SEG, contributed positively to the Divisional result.

During the year management focused on repositioning following the divestment of Surtron, and developing oil and gas capabilities. As announced in May 2008, transitioning the newly acquired SEG business over to the Division's rental model compromised a small percentage of the Group's revenue for FY08. I am confident however, that aligning SEG with this model will yield more profitable and sustainable results due to recurring monthly revenue and higher margins.

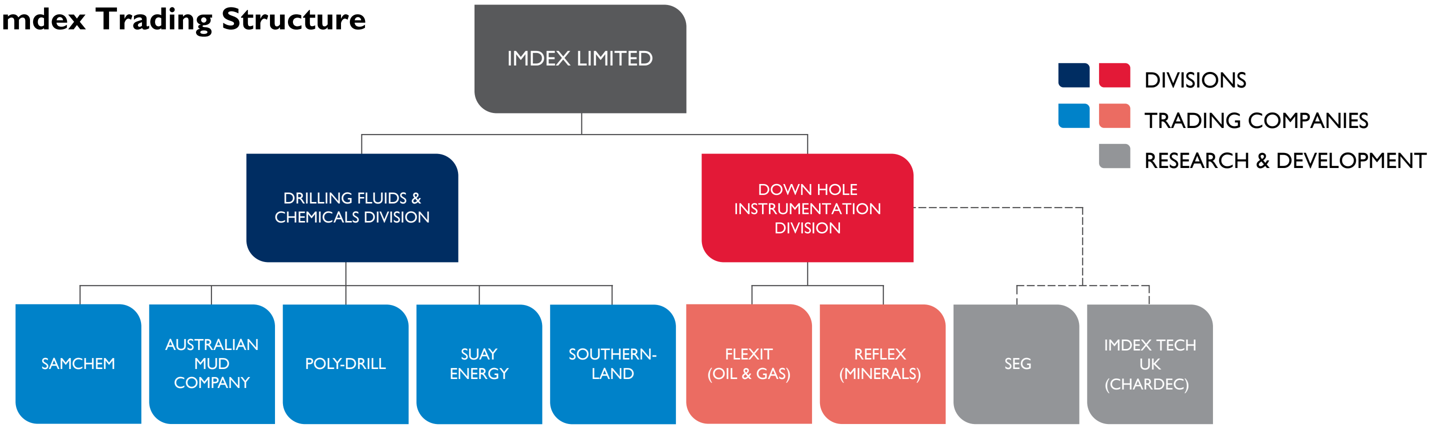
Key achievements for FY08 include:

- Strong performance for Reflex's key revenue earning products, with sales and rental utilisation rates exceeding expectations;
- Continued success of the core orientation tool and down hole survey instrumentation yielding record revenue and earnings for Reflex;
- Strong earnings by Flexit and the re-positioning of the company to focus on the oil & gas industry;
- Achieved greater cost efficiency by streamlining Imdex Technology and Reflex operations;
- Introduction of a common accounting and reporting system;
- Further expansion of the down hole instrumentation range for oil & gas applications.






Imdex Trading Structure



Increasing Presence in Oil & Gas Market with Advanced Technology

Drilling for oil and gas is becoming increasingly complex and challenging due to diminishing accessible reserves, high explorations costs and environmental impact concerns. High oil prices however, have made these challenges more feasible, and as a result, energy companies are drilling deeper, for smaller targets and are re-entering existing wells.

In such a costly and challenging environment, drilling companies are becoming increasingly dependant on gyroscopic and directional steering technology to:

- Provide accurate data to locate and access difficult reserves efficiently;
- Avoid collision with existing wells which can be catastrophic and cost millions of dollars to remediate; and
- To drill multiple wells from a single wellbore or platform.

The ability to navigate around existing wells in a highly magnetic environment and drill additional wells is an economically attractive decision. A key priority for Imdex is to increase its presence in the energy sector by providing advanced down hole survey and directional instrumentation for such oil and gas applications.

The acquisition of System Entwicklungs GmbH (SEG) for $13.8 million in January 2008, aligns with this strategy. SEG has very strong research and development capabilities, and specialises in a range of down hole instrumentation for the oil and gas industry. Of particular note is SEG's new north seeking mechanical gyro system, the Target Inertial Navigation System.

SEG's instruments will be marketed through Flexit Australia, and will adopt a rental based model to align with Imdex's Down Hole Instrumentation Division. This rental based model is seen to be more profitable and sustainable in the long term, as it provides monthly recurring revenue and higher profit margins.

Flexit has also developed two new survey instruments specifically for oil and gas applications, the High Temperature MultiShot and the High Temperature GyroSmart. Prototypes are currently being tested in the United States and the Middle East.

Together SEG and Flexit will allow Imdex to provide a range of advanced down hole instrumentation to service companies in the oil and gas industry. There are numerous services companies worldwide that have very good contacts with oil and gas companies, however they do not have the technology to meet today's drilling challenges. Imdex will be able to provide this technology.

Financial Performance FY08

The end of the 2008 financial year marks Imdex's fifth consecutive year of revenue and profit growth, a significant achievement for the Group and one the Management Team is very proud of. This positive financial performance resulted in earnings per share from continuing operations increasing 45% to 11.22 cents per share. Imdex's financial performance for FY08 was as follows:

- Total revenues increased 25% from $118.4 million to $148.6 million.
- Total EBITA increased 62% from $24.7 million to $40.1 million.
- Total net profit after tax (continuing operations) increased 137% from $13.5 million to $32.0 million.
- Net cash from operating activities before tax increased by 18% to $25.6 million.
- Net assets increased by 38% to $105.6 million.

(All monetary references are AUD$ except where stated otherwise)


Jan Pieniazek


Flexit Technology

Flexit Australia

In February 2008 Imdex established Flexit Australia based at its premises in Osborne Park, Western Australia.

Flexit Australia was established to market Imdex's range of advanced down hole survey instrumentation developed by Flexit and SEG for the oil and gas industry.

Imdex has engaged Mr. Jan Pieniazek as General Manager of Flexit Australia and contracted Mr. Robert Lampert, who has 20 years experience in the oil and gas well surveying industry.

Jan Pieniazek

General Manager - Flexit Australia

Jan has 30 years experience working within the oil and gas industry in a number of roles including: data collection and analysis as a logging geologist, data engineer and well site petroleum engineer; high level management; business development; sales and marketing; and global account management. This experience included positions in Africa, Australia, Europe, Indonesia, Japan, Malaysia, the Philippines and Singapore.

Jan is affiliated with a number of oil and gas industry associations including the Indonesian Petroleum Association (IPA), Petroleum Exploration Society of Australia (PESA), Society of Petroleum Engineers (SPE) and the Southeast Asia Petroleum Society (SEAPEX). Jan also has a joint Bachelor's of Science Degree with honours in Geology and Environmental Sciences from the University College of Cardiff (University of Wales), United Kingdom.

As General Manager of Flexit Australia, Jan's principal role will be overseeing the continual development and marketing of Imdex's range of advanced survey instrumentation to the oil and gas industry.

Imdex Limited

Imdex is a West Australian based S&P/ASX 300 listed company, with two operational Divisions, the Drilling Fluids & Chemicals Division and the Down Hole Instrumentation Division.

Imdex provides drilling fluids and leading down hole instrumentation to the mining, oil and gas, waterwell and civil engineering industries worldwide. The company has a presence in all significant mining and exploration regions throughout the world.

Imdex News is published to keep its valued shareholders up to date with Imdex's principal activities and the industries in which it operates. Your feedback or suggestions are always welcome.

Please email your comments to Kym Clements – Group Marketing & Communications Manager at:
kym.clements@imdexlimited.com

Highlights for the FY08

- 1 July 2007, acquired Poly-Drill Drilling Systems (Poly-Drill).
- 1 July 2007, acquired 75% interest in Suay Energy Services LLP (Suay).
- September 2007, distribution agreement with Sandvik Mining and Construction.
- 1 November 2007, acquired Southernland S.A. (Southernland).
- 1 November 2007, divestment of non-core business Surtron Technologies for approximately $20 million cash.
- 1 January 2008, acquired System Entwicklungs GmbH (SEG).
- 20 March 2008, Imdex was included in the S&P 300 and ASX all ordinaries indices for the first time.
- FY08, positioned for growth in the global oil & gas market.
- FY08, established global supply agreements with three of the world's largest drilling contractors, Boart Longyear, Major Drilling and Layne Christensen.
- FY08, growth across all geographical regions.
- FY08, continued to strengthen management team.
- FY08, increased production capacity at Imdex Technology (UK) Limited (formerly Chardec) in the United Kingdom and the Australian Mud Company in Chile.
- FY08, Production capacity expansion at Samchem commenced.
- FY08, consolidated position as a world leading provider of drilling fluids and down hole instrumentation to the resources industry.

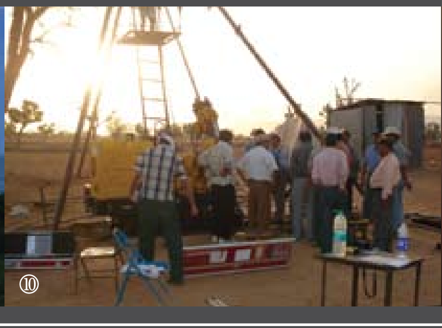
Other Events

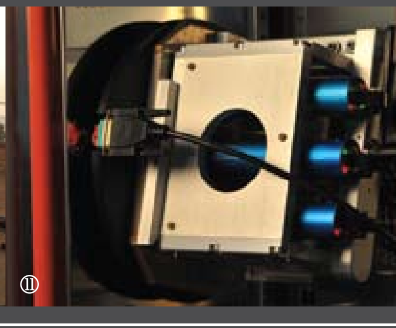
Suay Energy, Acquisition of Remaining 25%

On 30 June 2008, Imdex's agreement to purchase the remaining 25% of Suay Energy (Suay) was finalised. Suay is based in Kazakhstan and provides drilling fluids to the local and surrounding regions. Suay provides an excellent platform for Imdex to penetrate the lucrative Caspian Sea oil and gas market.

Imdex Technology (UK) Limited

Imdex's subsidiary Chardec Consultants has been re-branded as Imdex Technology (UK) Limited. The company is dedicated to research and development of advanced survey instruments for Imdex's Down Hole Instrumentation Division.





Outlook

The outlook for the 2009 financial year is positive for both Divisions. The Imdex Group operates in markets with attractive fundamentals which facilitates sustainable opportunities for future growth. Continued favourable economic conditions for mining and resources demand is expected to underpin exploration and drilling programs, and similar conditions are present in the oil and gas sector.

The Management team at Imdex remains very positive and enthusiastic about future opportunities, and priorities set for the coming financial year are as follows:

- Further penetrate the oil and gas market with drilling fluids and down hole instrumentation;
- Maintain profit margin growth;
- Continue to build intellectual property and invest in research and development to maintain the Group's reputation as the world leader in Down Hole Instrumentation technology in the resources sector;
- Maintain strong customer loyalty by out performing competition with superior technology and faster, more efficient service;
- Continue to build scale into all Imdex Group businesses by servicing global supply partners;
- Continue to attract and retain experienced employees and managers by establishing an engaging work environment, competitive remuneration and career opportunities;
- Acquire additional drilling fluids and down hole instrumentation businesses that complement the Imdex Group strategy.

I would like to thank you again for your continued support in making Imdex a provider of drilling fluids and leading down hole instrumentation to the world, and I look forward to further achievements in the next financial year.

Yours Faithfully,

B Ridgeway

Bernie Ridgeway
Managing Director

Images

1 AMC's Environmental Packaging, Western Australia
2 Flexit GyroSmart
3 Reflex EZ-Trac
4 Flexit, Mali Africa
5 Oil Rig, North Western Australia
6 Mud Pits, North Western Australia
7 Mixing Mud
8 Mixing Mud
9 Oil Rig, Uganda
10 Reflex Maxibor, India
11 Flexit Research & Development
12 Flexit Instruments, Canada

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