Imdex News

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Outlook

As mentioned in the previous edition of *Imdex News,* signs of market recovery were evident in the fourth quarter of FY09, including improved debt and equity markets, higher commodity prices and positive sentiments from customers.

Debt and equity markets have continued to improve further and many resource companies have raised capital on equity markets. At the same time, commodity prices have recovered, and the combination of the two has seen some pick-up in exploration and mining activity.

We have seen material increases in commodity prices from their lows last year, and our major customers are telling us that their activity levels bottomed out in March and April this year. They are also reporting an increase in the number and quality of tender enquiries and more rigs back at work. The recovery however, seems to be region specific. For example, drilling rig activity in Australia is returning more strongly than Africa and Canada.

Globally, the main activity is around gold, copper, iron ore and uranium. The oil and gas industry was not affected to the same extent as the mining industry, and appears to be more robust. Nevertheless, fundamental supply/demand imbalances remain and these will support continued growth and exploration in both resources and energy.

Imdex's focused strategy of having two distinct operational Divisions, drilling fluids and down hole instrumentation, supplying two end markets, mining and oil and gas, remains unchanged for FY10. More specifically the Company will continue to focus on the following five areas:

- Renting products in preference to selling;
- Growing relationships with global customers;
- Expanding our presence in the oil and gas market;
- Investing in research and development to continue technology leadership; and
- Enhancing operational efficiencies.

Imdex is advancing a number of initiatives which align with this strategy including:

- The development of AMC's Equipment Division;
- Further expansion into the oil and gas sector by marketing production and treating chemicals and advanced instrumentation; and
- Utilising the Company's global scale to penetrate additional markets.

These initiatives are expected to yield additional revenue in FY10 and beyond.

I thank you for your ongoing support throughout FY09 and wish you a successful and rewarding 2010 financial year.

Yours Faithfully,

B Ridgeway

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Imdex Limited

Imdex is a Western Australian 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 Kym Clements – Group Marketing & Communications Manager at kym.clements@imdexlimited.com

Dear Shareholders

The 2009 financial year (FY09) was indeed challenging and volatile due to the impact of the global financial crisis and the sudden downturn in mineral exploration. However, I am pleased to report that despite these conditions, Imdex achieved solid financial results and maintained its strategy of expanding its rental business model; continuing to build relationships with global customers; targeted research and development; and increasing market share within the oil and gas sector.

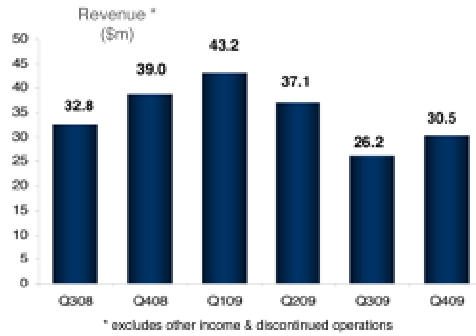
Maintenance of this strategy, together with a sound balance sheet, conservative gearing levels and a strong management team, has seen Imdex emerge from FY09 with a resilient business model, better technology and in a stronger position to realise opportunities in FY10 and beyond.

The principal financial results for the FY09 full year are as follows:

- Revenue from continuing operations (excluding interest revenue) of $137.0 million (FY08 – $142.0 million);
- EBITA from continuing operations (excluding non-operational items) of $24.5 million (FY08 – $38.8 million), including one off costs relating to the restructure and relocation of down hole tool manufacturing ($0.8 million) and rationalisation of global workforce ($0.8 million);
- Net profit after tax from continuing operations excluding non-operational items of $11.3 million (FY08 – $21.1 million);
- Strong cash generation with cash flow from operations of $16.2 million (FY08 – $10.3 million);
- Strong balance sheet, conservative gearing levels (net debt / capital) at 16.0% and bank facilities extended until 2014; and
- Net assets of $116.2 million (30 June 2008 – $105.6 million).

Given the lower profitability in 2H09, the Group's focus towards ongoing investment in research and development, and funding of its growth capital expenditure in FY10, the Directors have considered it prudent not to pay a final dividend for FY09 to maintain the full year dividend at 1 cent per share. Nevertheless, the Board's goal of delivering a sustainable and increasing dividend stream, consistent with the capital needs of the Company, remains a high priority.

It is important to note, that signs of recovery were evident in 4Q09 and I remain optimistic about opportunities for the Group in FY10. During 4Q09 the Imdex Group achieved revenue from continuing operations of $30.5 million compared to $26.2 million in 3Q09.



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

Drilling Fluids and Chemicals (DFC) Division

The DFC Division contributed 67% of Imdex's full year revenue and, despite market conditions, achieved a 7% increase to $91.7 million. The marginal increase on the previous financial year continued the year on year growth trend and validates our strategy in both mining and oil and gas.

Revenue was boosted by the continued support of our global alliances with Boart Longyear, Major Drilling, Layne Christensen and Sandvik, and the acquisition of Wildcat Chemicals based in Brisbane.

Operational EBITA decreased 26% to $10.3 million (FY08 – $14.0 million). Earnings were down given the sudden fall in mineral exploration expenditure.

Highlights for the DFC Division during FY09 included:

- The acquisition of Brisbane based Wildcat for $1.9 million, effective 1 September 2008. Wildcat specialises in the manufacture and production of completion chemicals for the oil and gas industry. The acquisition provides Imdex with additional expansion opportunities, East Coast manufacturing capabilities, expertise and products for this sector. Now fully integrated into Imdex, Wildcat is producing a positive contribution to Imdex's earnings;
- The commissioning of a partially hydrolysed polyacrylamide (PHPA) manufacturing plant in Samchem, South Africa. This plant allows greater control over the manufacturing process and provides cost benefits and shorter lead times to the local African market;
- The commissioning of a drilling fluids manufacturing plant in Santiago, Chile. The plant is facilitating further expansion into the Latin American market;
- The commercialisation of Imdex's unique solids control unit (SCU) for the global diamond drilling industry. SCU's eliminate the need to dig conventional mud pits and limit the environmental impact and footprint disturbance on site. Due to both drilling contractors and mining companies becoming increasingly environmentally conscious, demand for these units is strong; and
- The establishment at Osborne Park, Western

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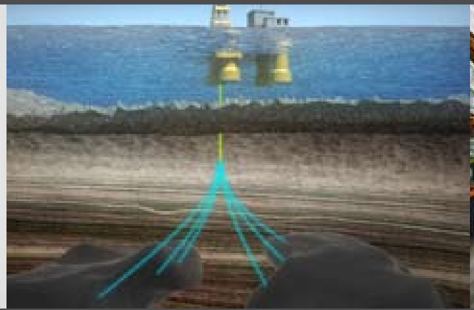

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Australia, of a new drilling fluids research laboratory. This laboratory is being equipped with specialised analytical equipment to test and develop fluids used in the oil field, minerals, water well and specialised drilling sectors.

Down Hole Instrumentation (DHI) Division

The DHI Division contributed 33% of Imdex's full year revenue and saw a 20% decrease to $45.3 million (FY08 - $56.3 million) which can be attributed to the severe downturn in global mineral exploration. EBITA decreased 44% to $15.3 million (FY08 - $27.3 million) and earnings were affected by lower demand, additional research and development and the commercialisation of instrumentation for the oil and gas industries. One off costs associated with the restructure of research and development centres and the relocation of manufacturing facilities also had an impact.

Divisional highlights for the DHI Division during FY09 included:

- The variation of the Flexit purchase agreement whereby the $10 million consideration due on 1 May 2009 was satisfied by the issue of 10 million Imdex shares at $1.00 per share at that date;
- Repositioning of the DHI Division's trading brands, Flexit and Reflex, to target and market directly to the global oil and gas and mineral exploration industries respectively;
- The successful launch of new survey instrumentation to the mineral exploration market. Ongoing product development ensures Reflex maintains its position at the forefront of its markets as a supplier of advanced instrumentation technologies;
- Commercialisation of Flexit's suite of downhole instrumentation for the oil and gas market. These products were launched at the 2009 Offshore Technology Conference (OTC) in May and are expected to yield significant returns in FY10 and beyond;
- Restructuring Flexit AB in Sweden and System Entwicklungs GmbH in Germany as research and development centres of excellence under the banner of Imdex Technology; and
- The relocation of Reflex's manufacturing facility at Imdex Technology UK to Imdex Technology Australia. The planned relocation was accelerated to take advantage of the downturn to minimise disruption to operations. This initiative is expected to generate cost savings and efficiencies in FY10.

Significant Interest in Target INS at OTC

In early May, Imdex's Divisional General Manager, Derek Loughlin, and members of the Flexit team met in Houston Texas to showcase the Company's instruments at the 2009 Offshore Technology Conference (OTC).

The OTC is considered to be one of the most significant events for development of offshore resources for the drilling, exploration, production, and environmental protection industries and was an important public display for Flexit's oil and gas product range.

Flexit's suite of instrumentation for the oil and gas industry includes:

- The Flexit Target INS - north seeking high speed continuous gyro;
- The Flexit HTGS – high temperature GyroSmart; and
- The Flexit HTMS – high temperature Multishot.

The OTC was a success and generated significant interest in all the Company's instruments.

OFFSHORE TECHNOLOGY CONFERENCE SM

Successful Relocation of Manufacturing Facility

At the end of March 2009, Imdex closed Reflex's manufacturing facility at Imdex Technology in the United Kingdom and has now successfully relocated it to Perth Western Australia. The planned relocation was accelerated to take advantage of the downturn to minimise disruption to operations.

The integration of this manufacturing unit into Imdex's existing facility in Perth is expected to generate cost savings and efficiencies in FY10 and allow greater control over the manufacturing process.

Production has commenced in Perth and the Company is in the process of upgrading the facility to accommodate ongoing research and development and future growth.

Frac Tank

Surface Solids Control Unit

SCU Ongoing Progress

Towards the end of FY09, AMC relocated the management and manufacturing operations of its Equipment Division from Queensland to Perth, Western Australia. A strong presence has also been maintained in Queensland to maximise coverage throughout Australia.

The relocation coincided with the design and development of the next generation Surface Solids Control Unit which will provide additional benefits to customers including:

- A three stage optional solids separation process;
- Independent self cleaning and solids removal function;
- Hydraulic powered raising and lowering platform;
- Optional weather cover;
- Larger fluid volume capacity; and
- A modular form to provide flexibility for changes to customer/operational requirements.

During 1H10, AMC's Equipment Division expects to commence trials of an underground solids control unit and a smaller surface unit.

New Technical Department & Research Laboratory

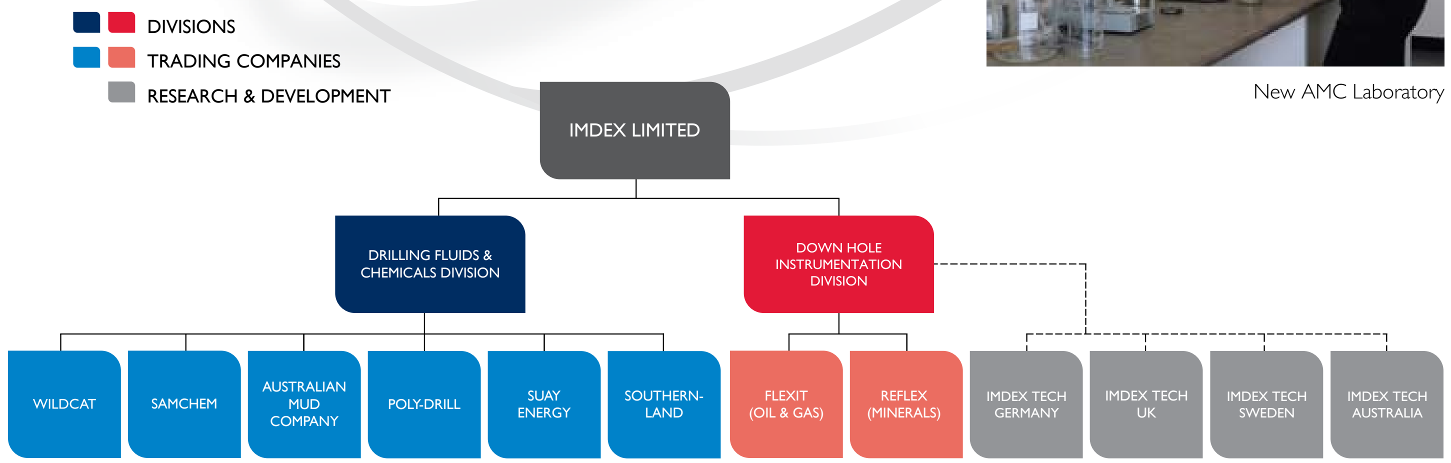
In early July 2009, AMC relocated its Head Office to a refurbished facility, adjacent to Imdex's premises in Osborne Park Western Australia. The new facility includes a new fully customised drilling fluids research laboratory.

The laboratory is equipped with specialised analytical equipment to test and develop fluids used in the oilfield, mining, water well and specialised drilling sectors, and is central to the Technical Department. The Technical Department is headed by Group DFC Technical Manager Charlie Oliver who is supported by a PhD chemist and a senior research and development chemist.

The establishment of the improved laboratory provides enhanced analytical support, research and development services, and more efficient drilling fluid products and operations for Imdex's DFC customers globally. The Technical Department will also work with the National Association of Testing Authorities (N.A.T.A) to achieve the ISO 17025 certification which is internationally recognised.

AMC Head Office

New AMC Laboratory



Other Events

Termination of Proposed Imdex Coretrack Merger

On the 21 July 2009, Imdex announced a proposal to merge with Coretrack Limited (Coretrack) whereby Imdex would acquire 100% of shares and options in Coretrack.

Coretrack is a Perth based listed company which provides technological solutions to the global oil and gas industry.

Following Imdex's prudent due diligence process, it was agreed that the merger would not be beneficial to either party and the agreement was terminated.

Imdex remains committed to its growth strategy including pursuing increased business within the global oil and gas industry.

Nine Acquisitions, No Outstanding Vendor Liabilities

In the past four years, Imdex has successfully integrated nine strategic acquisitions into the Group. On 31 July 2009, the final instalment of £1.1 million relating to the acquisition of Imdex Technology UK (formerly Chardec) was paid. The payment not only finalised the acquisition of Imdex Technology UK, it was also the final vendor liability relating to these nine acquisitions.