Bernie Ridgeway,
Managing Director

imdex news

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Dear shareholders

Welcome to the February 2011 edition of Imdex News for shareholders.

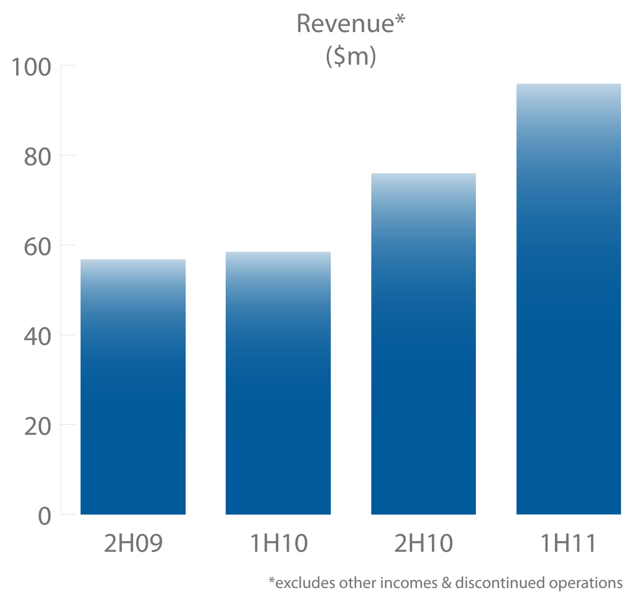
We bring you this edition of Imdex News with a summary of Imdex's half year financial and operating performance to 31 December 2010.

A robust global drilling sector with increased exploration expenditure has renewed confidence in the core markets in which Imdex operates and generated significantly better results for the Imdex Group.

Imdex's revenue to 31 December 2010 was 64% higher than at the same time 12 months ago, mainly due to strong demand from our markets for drilling fluids and down hole instrumentation. Mining rental tool numbers reached record levels during the half. Markets have significantly improved and current trends suggest more favourable times ahead.

Record revenue

With record financial results for Imdex, the Board is delighted to declare the payment of a fully franked interim dividend of 1.75 cents per share. By continuing our focus on building strategic relationships with customers and expanding our global reach into key markets, Imdex emerged from the global financial crisis downturn in a strong position.



Record revenue achieved for 1H11

Looking at the past six months, a summary of the operational highlights includes:

- Record revenue from continuing operations (excluding interest revenue) for 1H11 of $95.9 million (2H10: $75.9 million; 1H10: $58.4 million);
- Record EBITA from continuing operations excluding non-operational items of $21.2 million (2H10: $13.2 million; 1H10: $7.5 million);
- Normalised net profit after tax from continuing operations (excluding non-operational items and impairment charges) of $12.1 million (2H10: $6.9 million; 1H10: $2.9 million);
- Declaration of a 1.75 cents per share fully franked interim dividend;
- Net assets of $109.7 million (30 June 2010 – $94.5 million) which includes organic growth in the business and the acquisition of Fluidstar;
- Cash flow from operating activities of $13.9 million (2H10: $1.1 million; 1H10: $4.6 million); and
- Conservative gearing (net debt/capital) at 18.4% (FY10 – 19.6%) despite the acquisition of Fluidstar.

Resuming dividends

The Directors are pleased to announce a 1.75 cents per share fully franked interim dividend for the current half. The record date is set at 11 March 2011 with payment to be made on 25 March 2011. This decision reinforces the Board's commitment to the payment of a growing dividend stream while balancing the capital needs of the business during this exciting growth phase.

Developing technology

The commercialisation of Imdex's innovative solids control technology is a milestone achievement. This technology is new and has presented many challenges which have now been overcome. The Solids Control technology achieved overall winner in the Innovator of the Year Awards in the Western Australian Chamber of Commerce's Industry and Export Awards held on 4 November 2010.

Demand continues to grow for Imdex's newly launched MEMS gyro down hole survey tool within the global mineral exploration and mining market.

These technologies are leading products from Imdex using innovation to support our customers in the Australian and global markets.

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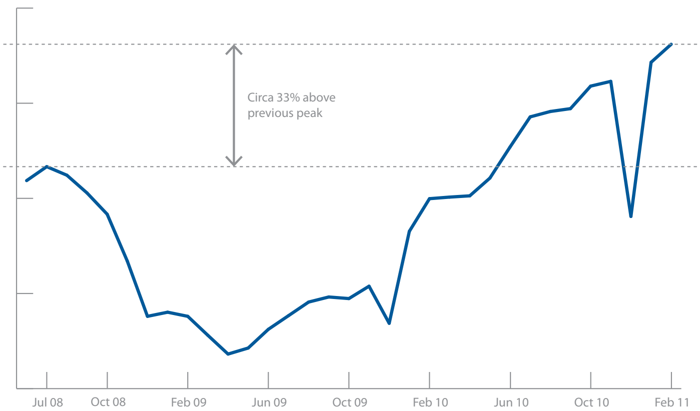
Rental tool utilisation

Rig utilisation levels globally rebounded strongly in the year to 31 December 2010. Since the low activity levels in early 2009, Imdex's tool rental fleet has increased to a new record level at the end of January 2011 and is 33% above the prior July 2008 peak. This increase has mainly been driven by market recovery but more significantly by continued investment in research and product development to ensure market leading technology is available to our global customers.

As rig utilisation levels continue to improve, Imdex is well positioned to respond to the strong demand for drilling fluids and down hole instrumentation from this sector.



Rental levels since July 2008

Integration of the new regional structure

The new regional structure adopted from 1 July 2010 in the Minerals Division has had a significant impact on the business globally and facilitates product cross selling opportunities for Imdex.

The regional structure divides the business into four operational regions – Asia Pacific, Africa, Europe and the Americas. Our trading companies responsible for sales of those products in each sector largely share the same customer base and the new structure gives customers access to the full range of Imdex products from one source. Regional managers also ensure operational efficiencies, greater local support for customers, and the realisation of opportunities to gain market share.

Successful relocation of Imdex Technology, Sweden

Over the past two years, we have centralised our global manufacturing facilities to enhance operational efficiencies, generate cost saving benefits, and allow greater control over the manufacturing and research & development functions. The first of these activities relocated Reflex's manufacturing facility at Imdex Technology in the United Kingdom to Osborne Park, Western Australia.

All global mining tools are now manufactured in Perth. Since then, we have also relocated Imdex Technology, Sweden to Australia and Germany to lower costs and facilitate ongoing research, product development and future growth.

Imdex Technology MEMS calibration facility at Osborne Park, Western Australia

AMC receiving the WA Innovator of the Year Award

MINERALS DIVISION

The Minerals Division comprises 'AMC Minerals' branded fluids and 'Reflex' branded down hole instrumentation, and is aimed primarily at the mining and mineral exploration markets and operates across Asia Pacific, Europe, Africa and the Americas.

Financial performance

In 1H11, Minerals Division revenue was up 75% to $81.5 million (1H10: $46.4 million; 2H10: $64.7 million). This represents 85% of the company's total revenue for the first half.

Key operational highlights and achievements

- Fluidstar was acquired effective 1 September 2010 for $12.4 million and has contributed strongly to the first half performance and cash flow. Integration has been seamless and we look forward to further growth as part of the AMC brand;
- Record mining tool fleet numbers were achieved with rental levels surpassing the previous peak achieved in July 2008 by 33% at the end of January 2011. The Group expects further increases through 2H11;
- The Reflex brand of down hole instrumentation continues to be the market leader for the global mining and exploration industry;
- The solids control technology is commercial and at the early stages of market introduction. This is new technology for the global mining and exploration industry and won the WA Innovator of the Year in 2010;
- Continued investment in engineering and product development to maintain Imdex's position as a leader and innovator in quality drilling fluids and advanced down hole instrumentation; and
- Cross selling benefits have been gained in the current half through the restructuring of the Imdex business along regional lines.

OIL & GAS DIVISION

The Oil & Gas Division comprises 'AMC Oil & Gas' branded drilling, completion and production fluids and 'Flexit' branded down hole instrumentation. This Division is aimed primarily at the oil & gas, geothermal and coal bed methane industries.

Financial performance

In 1H11, the Oil & Gas Division generated $14.4 million in revenue (2H10: $11.1 million; 1H10: $11.9 million) which represented 15% of Imdex's 1H11 revenue.

As announced to the ASX on 21 January, 2011 Imdex has agreed to the formation of a 50:50 joint venture with DHS Oil Holdings Pty Ltd (DHSO), majority owned by Lime Rock, based in Dubai. DHSO already operates the Flexit technology and the global joint venture should allow Flexit to gain a better and more sustainable return. The joint venture will be operative in 3Q11 and should contribute meaningfully to revenue and profits from FY12.

As announced to the ASX on 17 December 2010, Imdex entered into a heads of agreement to acquire 100% of the issued share capital of Mud-Data GmbH (Mud-Data), a drilling fluids and equipment supplier primarily based in Germany. Completion is expected in 3Q11 and Mud-Data should be a significant contributor to revenue and profits from FY12.

Key operational highlights and achievements

- Continued improvements in existing down hole instrumentation;
- Product development testing of the Drop version of the Target INS tool with commercial units expected to be delivered in mid 2011;
- The AMC Oil & Gas brand continues to grow in niche South East Asian markets and onshore Australia and PNG;
- The Mud-Data acquisition will strengthen our presence in Europe; and
- Continued investment in engineering and product development to maintain an active technology pipeline.

PDAC Convention 2011

AMC and Reflex will once again be showcasing their products and services at this year's Prospectors & Developers Association of Canada's (PDAC) Convention to be held in Toronto in early March.

The PDAC Convention is one of the most significant events for companies within the exploration and mining industries and has played an important role in launching new products for the Imdex group.

Outlook

I am very excited about the prospects for 2H11. Our record first half trading conditions have continued early in the second half and specific growth opportunities provided by the proposed acquisition of Mud-Data, the formation of the oil & gas down hole instrumentation services joint venture with DHSO, the introduction of commercialised solids control technology and other organic growth opportunities makes us optimistic for 2H11 and beyond.

The focus for 2H11 will be:

- Completion of the Mud-Data acquisition in Germany and expanding the capability of the business;
- Participating in the new DHSO oil & gas down hole instrumentation services joint venture based in Dubai;
- Manufacturing of the solids control technology, initially for the Asia Pacific market before moving to the other major mining markets of Africa, Canada and Latin America;
- Continuing to expand the global operations servicing the mining and exploration industries;
- Expanding the drilling fluids, production and completion chemicals in niche oil & gas markets;
- Continuing research and product development; and
- Positioning the group for further acquisitions.

A leading research house is predicting global mineral exploration spend levels for 2011 to be approximately 20% above 2010 with similar increasing trends in oil & gas exploration spending. This is supported by major, intermediate and small drilling companies who are reporting increased drilling rig utilisation levels.

Increased exploration spending driven by the underlying demand for commodities is encouraging for the continued growth of Imdex.

We are experiencing record levels of tool usage and demand for our leading technology and Imdex's strategy remains unchanged. We are confident that 2H11 will see increases in revenue levels and profitability as we execute our global growth strategy and expand our capability to respond to our markets in key mining regions of the world.

At Imdex, we remain focused on seizing new opportunities and growing our business for the benefit of all shareholders.

Yours faithfully,

Bernie Ridgeway
Managing Director

IMDEX LIMITED

Imdex is an ASX listed company providing quality drilling fluids and leading down hole instrumentation to the mining, oil and gas, water well and civil engineering and tunnelling industries worldwide. The Group has two distinct divisions – the Minerals division and the Oil and Gas division, allowing Imdex to service these industries exclusively. With a local presence in all key mining and exploration regions and supported by a network of distributors worldwide, the Group has the global profile and expertise to deliver long term growth.

Imdex News is prepared quarterly to update Imdex's valued shareholders with important news on performance and key operational activities. Your feedback is always welcome. Please send any comments or suggestions to marketing@imdexlimited.com

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