



imdex news

Issue 26 | April 2011 | Imdex Limited



Bernie Ridgeway,
Managing Director

Dear shareholders

Welcome to Imdex News, the newsletter for shareholders of Imdex Limited (IMD). We are pleased to bring you this edition for the quarter ending 31 March 2011 which has generated record revenue and EBITA for the Group. Investment in mining exploration within Australia and the key mining regions of the world is strong and is forecast to continue at record levels.

We trust you enjoy this update of our recent activities and factors contributing to our record results. Our outlook for the next quarter and beyond is outlined on page 4.

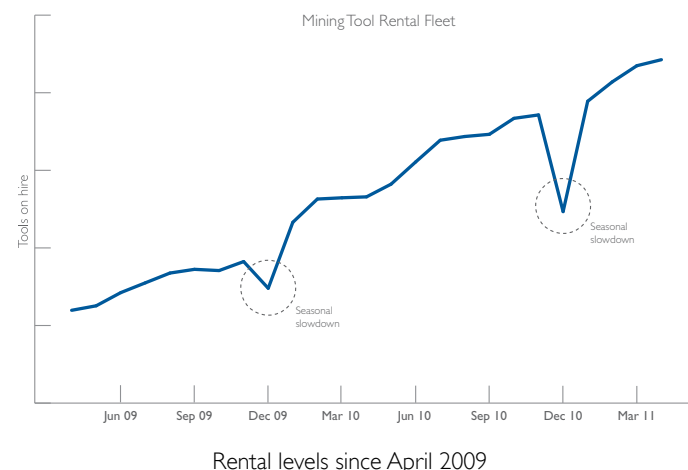
Strong financial results

Looking at the nine months to 31 March 2011, the year-to-date unaudited financial results from continuing operations were:

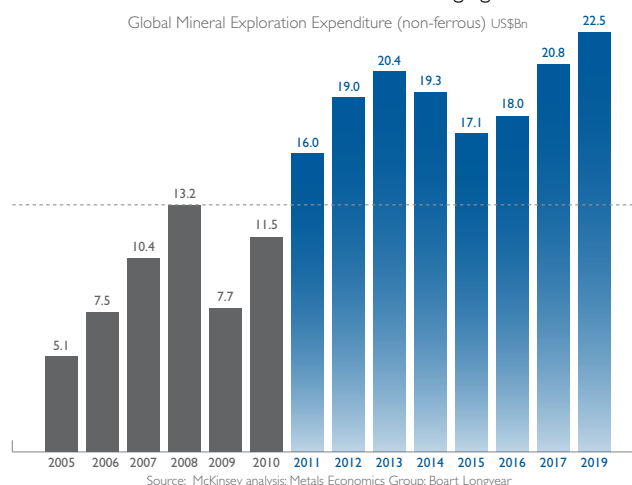
- Record revenue (excluding interest revenue) of \$145.1 million (1H11: \$95.9 million; and an increase of 59% on the previous corresponding period of \$91.4 million);
- Record EBITA (excluding non-operational items) of \$33.2 million (a 162% increase on the previous corresponding period of \$12.7 million);

The unaudited financial results for the third quarter to 31 March 2011 were:

- Operating revenue of \$49.2 million, a 49% increase on the previous corresponding period of \$33.0 million;
- EBITA of \$12.0 million, a 132% increase on the prior corresponding period of \$5.2 million.



Global Mineral Exploration Expenditure (non-ferrous) US\$bn



Increasing estimated global exploration spend

Record revenue

The results summarised above set a new record for Imdex, due to a range of factors including strong market conditions, industry-leading technology, maintaining our focus on establishing and solidifying strategic relationships with customers and extending our reach into new markets around the world. We are delighted with these results and current trends remain positive.

It is also very pleasing to see record mining tool fleet numbers achieved. Levels at the end of March are at an all time high, around 50% above our previous peak in July 2008.

There has been strong performance from all of our regions, with record sales in Chile, Mexico and Argentina and strong sales in Africa and parts of Asia Pacific for AMC. Significant revenue was also generated given strong demand for Reflex's rental tools in Asia Pacific, Canada, Latin America and Africa. As global exploration expenditure is estimated to continue at record levels, Imdex is well placed to respond to the growing needs of the sectors in which we specialise.

Another growth area benefiting Imdex around the world is rig utilisation, which is predicted to achieve full capacity by mid 2011. Drill rig utilisation rates of our customers are currently around 75%-80% driven by market conditions as the price of gold sets new records and demand for other commodities remains strong.

As stated, Reflex's mining rental tool fleet continues to achieve new records (depicted in the graph to the left) due to additional drill rig utilisation and growing market share globally.



MINERALS DIVISION

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

Financial performance

In the quarter to 31 March 2011, the Minerals division achieved a new revenue record of \$43.3 million, up 54% on the previous corresponding quarter. Other highlights include:

- Year-to-date revenue of \$124.8m and 67% above the previous corresponding period of \$74.5 million;
- Record mining tool fleet numbers were achieved as at 31 March 2011 with rental levels exceeding the previous peak achieved in July 2008 by approximately 50%. Our regional areas posted record revenues in the quarter; particularly Reflex Asia Pacific, Reflex Canada and Reflex Africa;
- AMC South America also posted record revenue in the quarter with strong sales in Chile, Mexico and Argentina.

With activity continuing to gather momentum in all key mining regions, particularly Asia Pacific, Africa and the Americas, we are able to respond to the increasing demands of our customers around the world.

The drilling fluids research and development laboratory in Osborne Park, Western Australia is adding value and combined with significant expertise in the field, is assisting us to expand in the mining and oil and gas sectors globally.

Whilst the Queensland floods had a negative affect on sales of our coal bed methane fluid products during the quarter, sales should pick up in 4Q11 as rigs resume operation.

OIL & GAS DIVISION

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

Financial performance

In 3Q11, the Oil and Gas division generated revenue of \$5.9 million and in the 9 months to 31 March 2011, revenue of \$20.3 million which represented 14% of Imdex's year-to-date revenue.

Whilst the minerals industry will continue to be an important focus for the business, the oil and gas sector has significant growth potential and is a logical diversification from the cyclical minerals industry. Imdex is looking to accelerate the growth of this sector through organic growth in drilling fluids, our joint venture with DHS Oil and the acquisition of Mud-Data (as outlined on page 3).

Our SCU – meeting the needs of our customers and the environment

Commercialisation of AMC's Solids Control Unit (SCU) continues with exciting results from several field trials conducted earlier this year in Western Australia. AMC's original SCU was first trialled in 2009 with exploration customers, developed to conserve water, contain used drilling fluids and enable the responsible disposal of solids and reduce the digging of mud pits.

Since then, the next generation of the SCU has been developed. The latest model incorporates several improvements on the earlier model including:

- Removes 300% more solids than the previous generation
- Modified tank design incorporates two pumps instead of one
- Separates the mixing and de-sludging processes
- Significantly cleaner surface on site
- Increased g-force of shale shaker
- Smaller and quicker to mobilise
- Safer and eco-friendly due to the absence of pits and trenches, reducing slip and trip hazards.

AMC's manager of equipment and rental, Mathias Stolzenberg is responsible for leading the development of the SCUs with some 30 years experience in integrated waste control and solids management. Commenting on the latest field trials, Mathias said "It's exciting that the modifications have delivered significantly better results. The unit provides significant savings from every perspective; reducing the use of chemicals and water, time spent rigging up, and preparing and remediating the site. Every box is ticked and everyone is getting really excited about the technology".



AMC Solids Control Unit

Recent field trials involved access to a restricted area of national park in northwest Australia. Previously off limits to exploration drilling, crews had not been permitted to dig in this highly sensitive area. With the contained drilling fluid system of AMC's SCU, crews were given permission to enter the area and operations were successfully conducted. The customer was impressed at the potential advantages afforded by the unit and continues to participate in the trials.

The SCU earned AMC the top prize in the Innovator of the Year awards in November 2010 in its home town of Perth, Western Australia. We look forward to bringing you further updates as the technology is commercialised.

Expanding our business

As announced to the ASX on 22 March 2011, Imdex completed the acquisition of Mud Data, a drilling fluids and equipment supplier to the oil and gas and geothermal markets in Europe. This important transaction substantially increases Imdex's presence in Europe, a market which has attractive growth opportunities. You can read more about this below.

Another key initiative underway is a proposed joint venture agreement between DHS Oil and Imdex to form DHSO Services to provide a full down hole survey service offering to the oil and gas industry and to facilitate the deployment of Flexit's current technology and continuing product development.

Imdex acquires Mud-Data

The acquisition of the German based company, Mud-Data GmbH and Mud-Data-Rom S.R.L. was effective 1 March 2011. This strategic move provides a base for Imdex to effectively penetrate the oil and gas and geothermal drilling fluids markets in Europe, with considerable potential for market growth in Germany, Romania and Spain.

The acquisition is complementary to our existing drilling fluids and chemicals business. It will deliver an expanded product range, excellent capabilities and enhanced exposure to the oil and gas and geothermal industries in Europe.

First announced to the ASX on 17 December 2010, the acquisition involved:

- €1.3 million in cash on settlement;
- A further €3.7 million in cash and shares, conditional on certain operational milestones being achieved; and
- A conditional earn-out equivalent to 1.065% of certain contract revenue of Mud-Data GmbH in the financial years 2011-2015 inclusive.

Full details of the acquisition are outlined in the Investors section of our website. The acquisition is funded from existing cash resources. Whilst the expected profit contribution from Mud-Data is expected to be minimal in FY11, the business is expected to generate substantial revenues and profits in future periods.

Images from top right clockwise:

Mud Data Shaker, Mud Data Mixing Unit, and Mud Data Flocking Unit

Imdex to form an oilfield services joint venture

Imdex recently announced a proposed services joint venture with DHS Oil, based in Dubai. The joint venture will provide oil and gas customers with down hole survey and steering services globally. DHS Oil is already a significant user of Flexit technology and has completed an investment from Lime Rock Partners (Lime Rock), to provide Lime Rock with majority ownership of DHS Oil.



Announced to the ASX on 21 January 2011, the joint venture services company, DHSO Services, will be owned 50% by Imdex and 50% by DHS Oil, based in Dubai. The joint venture should allow Flexit to gain a sustainable return and is expected to contribute meaningfully to Imdex's revenue and profits from FY12.

The proposed joint venture provides Flexit with a direct path to market and allows the business to grow the more traditional service model while maintaining its current focus on technology and product development.

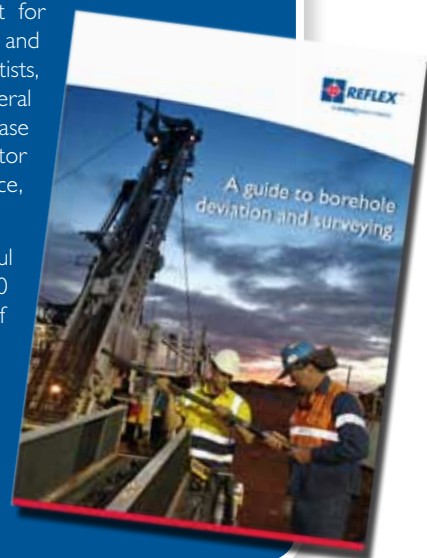




PDAC Conference 2011

In early March, Reflex and AMC exhibited at the 2011 Prospectors and Developers Association of Canada (PDAC) Annual Convention, which is the premier event for operators within the mineral industry and attracts mining companies, geoscientists, government agencies involved in mineral exploration, together with the supplier base that supports the industry. The financial sector is also heavily represented at the conference, attended by analysts and bankers.

PDAC was once again very successful this year, attended by more than 26,000 delegates. Imdex took full advantage of the opportunity to engage and interact with customers with significant generation of new sales and leads. Reflex's newly launched *A guide to borehole deviation and surveying* was well received by visitors to the booth.



Outlook

At Imdex, our focus will always be on creating value for our shareholders and generating the best returns from all of our markets. With a very positive financial year for Imdex so far, we certainly expect continued growth across our business for the final quarter of FY11. Mining tool rentals are at record highs, and commodity prices and activity levels in both the minerals and oil and gas sectors are strong.

Despite the fact that global economic concerns remain, we continue to be optimistic.

Our focus for the next 3 to 6 months is on:

- Expanding our capabilities and presence in the oil and gas and geothermal markets in Germany and the rest of Europe;
- Developing organic initiatives, particularly the solids control technology for delivery to major mining markets around the world;

- Continuing research and development of our quality drilling fluids and down hole instrumentation;
- Launching the DHSO oilfield services joint venture globally; and
- Positioning the group for further bolt on acquisitions.

We expect to generate strong organic growth, the smooth integration of Mud-Data and the DHSO joint venture, and continued buoyant trading activity in the major mining regions of the world.

I look forward to bringing shareholders future updates.

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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