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# imdex news

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## Dear shareholders

Welcome to Imdex News, the newsletter for shareholders of Imdex Limited (IMD). We are pleased to bring you this edition outlining our record performance for the first quarter of the new financial year, continuing on from the most exciting period in the history of our Company in FY11.

### Record IQ12 results

The highlights of our financial performance for the quarter were:

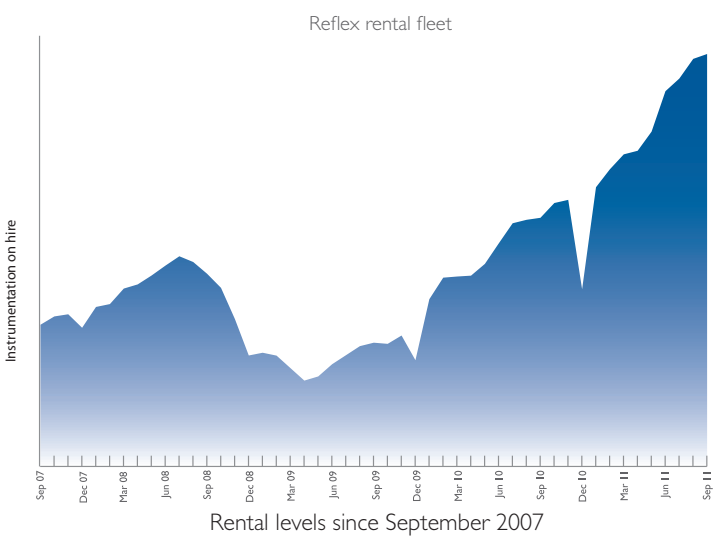
- Record revenue (excluding interest revenue), up 54% to \$72.3 million (IQ11: \$46.9 million)
- Record EBITA, up 87% to \$21.1 million (IQ11: \$11.3 million)

EBITA of \$21.1 million was up 42% on the previous high of \$14.9 million generated in 4Q11. The very strong growth in EBITA reflected:

- Continued recovery in margins due to additional fixed cost leverage
- Continued growth in the Reflex rental fleet as a result of ongoing investment in product development
- Market share growth underpinned by robust business activity in all four major mining regions of Asia Pacific, Africa, Canada and Latin America.

### Our activities in the first quarter

Imdex set a number of records in the quarter to 30 September 2011 (IQ12). As outlined above, both revenue and EBITA were our best ever. We also experienced record revenues from our Minerals business with both AMC and Reflex setting new records in each of the major mining regions.



Strong demand was experienced globally from the major, intermediate and junior mining companies with global rig utilisation rates estimated to be around 75% to 80% at the end of the quarter. Commodity prices have remained robust and despite the uncertainty in global financial markets are forecast to remain above their long term trading averages in the foreseeable future.

On 1 July 2011 two new growth initiatives came into operation:

1. Oil & gas services joint venture with DHS Oil, based in Dubai – this 50/50 joint venture is focused on providing down hole survey services to the oil & gas industry combining Imdex's advanced technologies with the customer network and industry expertise of DHSO Services.
2. Australian Drilling Specialties (ADS), an AMC dedicated drilling fluids manufacturer based in Australia acquired by Imdex. This acquisition allows improved synergies and ownership of fluids technology and intellectual property.

Our technologies and product development continue to position us as a market leader in both drilling fluids and down hole instrumentation. We continue to invest in this area and are regularly rolling out new drilling fluid products. In addition, we plan to launch new and improved down hole instrumentation over the balance of the current financial year:

As we grow and expand globally, our Group has been further exposed to currency fluctuations, especially in US and Canadian dollars. In order to better manage this foreign currency exposure and build in a natural hedge, we have entered into arrangements with two banking partners, Westpac (our existing bank) and HSBC for their expertise and ability to service the international banking needs of our growing business.

### Market review

- European debt crisis continues to create uncertainty in financial markets around the world
- The uncertainty in global financial markets has not filtered down to negatively impact operations in the field as we have experienced continued robust trading conditions and record activity in Asia Pacific, the Americas, Africa and Europe
- Drilling activity continued to be robust in the four major mining regions with the major drilling contractors estimating increased rig utilisation in the quarter at around 75%-80%.





## MINERALS DIVISION

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

In the first quarter, the Minerals division achieved record revenues of \$65.0 million and represented 90% of the Company's total revenue for the quarter.

This record quarterly revenue was due to continued robust drilling activity and increased mineral exploration expenditure globally. Metals Economics Group (MEG), Canada indicated in mid September 2011 that they expected calendar 2011 non ferrous expenditure to be up by circa 50% on 2010 levels and at a new all time high of US\$17 billion. MEG also commented that despite a sharp rise in the amount of money planned for grassroots work in 2011, the proportion of the overall industry exploration effort committed to long term project generation is anticipated to remain at about one third of 2011's total.

Gold and copper constitute approximately 70% of forecast expenditure and both are trading at attractive prices. In addition, the MEG figure of US\$17 billion does not include expenditure on iron ore or coal. The iron ore and coal prices are robust, as is exploration and development expenditure for both commodities.

### Key operating highlights

- Record mining down hole instrumentation rental fleet results (as shown in the graph on front)
- Regional structure in the Minerals division continued to have a significant impact on the business globally, particularly in facilitating product cross selling, operational efficiencies, greater local support for customers, and increasing market share
- Strong performance from our regions, with the potential to expand through volume growth and increasing market share
- Record revenue was generated given strong demand for Reflex's rental instruments in Asia Pacific, Canada, Latin America, Europe and Africa
- Reflex continued its active product development and technology improvements. As the preferred down hole instrumentation system for drillers and geologists, Reflex's next generation tools are due to be launched at the Prospectors & Developers Association of Canada conference in March 2012
- Continued development and refinement of AMC's solids control technology which is the way forward for the global diamond drilling industry.

## OIL & GAS DIVISION

The Oil and Gas division offers AMC Oil and Gas branded drilling, completion and production fluids and fluid handling equipment. This division is aimed primarily at the oil and gas, geothermal and coal bed methane industries. The division also offers down hole survey services to the global oil and gas industry through our DHSO joint venture, based in Dubai.

Oil & Gas division revenue was \$7.3 million, representing 10% of the Company's total revenue for this quarter.

The oil and gas sector has significant growth potential and Imdex has exciting growth opportunities through its oilfield services joint venture (DHSO) and the formation of AMC Oil & Gas Europe (as detailed next page).

### Key operating highlights

- AMC Oil & Gas brand continues to service customers in niche South East Asian markets and onshore Australia and PNG
- Expanding marketing efforts in niche markets for production and completion chemicals
- Continued investment in engineering and product development to maintain an active new product pipeline
- AMC Oil & Gas Europe positioning itself for growth in the oil and gas and geothermal markets in Germany and key parts of Europe by expanding their expertise and geographic reach
- The commencement of our joint venture with DHSO Services – allowing Imdex to effectively penetrate the global oil and gas down hole survey services market. Details of the joint venture are outlined in the Investors section of our website.



AMC Oil & Gas Europe recycling unit I500R



**Instrumental technology**

**Awards**

Imdex was proud to be involved in the successful rescue mission of miners trapped at the San Jose underground mine in Northern Chile in late 2010.

Since then, Kelvin Brown and Reflex have received several awards and commendations for their involvement in the rescue, including the "Outstanding Contribution to Mining" and "Miner of the Year" awards in the 2011 Australian Mining Prospect Awards held in Sydney on 7 September 2011 (pictured). The Australian Mining Prospect Awards aim to encourage, recognise and reward excellence in the Australian mining industry.



Reflex's Kelvin Brown presented with "Miner of the Year" award by Chadi Bazzi, National Account Manager, Drake International who sponsored the category

**Solids Control recycling units**

When it comes to advanced technology, Imdex continues to deliver leading products to our customers. The development of our solids control technology is one example – whilst providing many challenges, we are pleased to report that these challenges are being overcome. The unit for underground operations is commercial and at the early stages of delivery to market, whilst the surface unit is now in the final stages of testing and commercialisation.

With Imdex's solids control unit technologies, the existence of drilling fluid sumps beside the drilling rig in diamond drilling applications will become a thing of the past. The major mining companies and major drilling contractors are willing to embrace the new technology once it is 100% commercial. Demand for this new technology is high and increasing further. When developing new technology, setbacks are encountered and our solids control technology is no exception. However, the development work and testing is in the final stages for the surface unit and we are optimistic of having this technology ready for the market in 2H12. Unfortunately, this will be too late to have a material effect on the Company's earnings for FY12, however, should contribute meaningfully in FY13 and beyond.



AMC Solids Control Unit

**AMC Oil & Gas Europe**

Previously known as Mud-Data, Imdex acquired a complementary drilling fluids and equipment business based in Germany in March 2011. The company recently hosted an open day at Rastede, Northern Germany on 1 September 2011 and the event centred on introducing AMC to the German and European market and raising awareness of the equipment and services for existing and potential customers.

The event drew approximately 100 guests from the European oil and gas industry, including representatives from many major companies. Supported by senior management, the open day provided guests with the opportunity to see the full range of products and services on offer from AMC Oil & Gas Europe. State-of-the-art computer controlled centrifuges and customised mixing systems were focal points for visitors.



AMC Europe at the open day in Germany



### Latest acquisitions

Imdex acquired West-Australian based drilling fluids supplier, Australian Drilling Specialities (ADS) to enhance our Minerals and Oil and Gas drilling fluids manufacturing capability, acquire key intellectual property, and have greater control over our supply chain. ADS was formed in 1988 by Mr John Knox and the business manufactures and supplies high quality drilling fluid products for AMC to supply to the mining industry. John is currently assessing Imdex's drilling fluid manufacturing facilities globally with the aim of improving efficiencies, increasing the range of in-house manufactured products and decreasing costs.

ADS owns the formulations and intellectual property for its manufactured products, including PHPA (polymer), positioning Imdex to establish additional polymer plants in strategic locations and enhance services in other global markets.

The integration with ADS has proceeded very smoothly, providing a number of opportunities to grow our capabilities. In addition, John's knowledge of oil-based drilling fluids for the oil and gas industry will strengthen our push into this market.

### Outlook

While activity levels in both the minerals and oil & gas sectors are currently strong, we are alive to the potential for global economic concerns to impact the demand for commodities. Nevertheless, we are optimistic about FY12 and continue to progress a range of initiatives to grow the business both organically and through bolt-on acquisitions.

### Platform for growth

Our focus in the coming months will continue to be in the following areas:

- 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 fluids recycling technology for delivery to major mining markets around the world
- Continuing to invest in research and product development to extend our product offering and maintain technology market leadership
- Expanding the DHSO oilfield services joint venture in the Middle East and, ultimately globally
- Continuing to grow market share in under-penetrated minerals markets globally
- Completing and integrating the bolt on acquisition of System Mud in Brazil.

Long term global fundamentals in our key end markets are positive and Imdex is well positioned to respond to the growing needs of the sectors in which we specialise. We look forward to reporting on our 2Q12 and 1H12 results early in calendar 2012.

Yours faithfully,

Bernie Ridgeway

## 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](mailto:marketing@imdexlimited.com)

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