

A leading global Mining -Tech company



2 December 2019

Company Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2001

Dear Sir / Madam

IMDEX EXERCISES OPTION TO ACQUIRE FLEXIDRILL

Leading global Mining-Tech company, Imdex Limited (IMDEX or the Company), is pleased to announce it is exercising its Option to acquire Flexidrill¹ and its patent protected drilling productivity technologies, COREVIBE™ and MAGHAMMER™.

The transaction is expected to be completed in January 2020 by the payment of NZ\$3 million cash.

Commenting on the proposed acquisition, IMDEX Managing Director, Mr Bernie Ridgeway said:

"The investment proposition is compelling. COREVIBE™ has consistently delivered substantial drilling productivity benefits in hard ground conditions at our test site in New Zealand and in client trials. We are confident this new technology will be a step-change for the minerals drilling industry globally and deliver significant earnings for IMDEX.

"Our focus for COREVIBE™ during the balance of FY20 is further introducing the technology to clients.

"Further development of MAGHAMMER™ at our test site is also progressing well and we are on-track to commence client trials in 3Q20.

"The COREVIBE™ and MAGHAMMER™ are a strong strategic fit with our Drilling Optimisation Solution.

"We will provide further updates regarding these technologies with our 1H20 results announcement in February 2020, however, we anticipate these technologies will provide recurring rental revenue from FY21."

IMDEX Chairman, Mr Anthony Wooles added:

"The Board and Executive Leadership team have rigorously assessed this acquisition. We are confident it supports our strategy of delivering sustainable earnings growth for our shareholders and strengthens our position as a leading global Mining-Tech company.

"IMDEX has a successful history of growth in the mining sector, both organically and via strategic

¹ 100% of shares in Flexidrill Limited and Flexidrill Construction Limited – together Flexidrill.

acquisitions. Given the highly-collaborative approach over the past two years, we expect the Flexidrill integration to be a smooth process.”

Acquisition Terms and Purchase Price

The consideration payable to exercise the option is NZ\$3 million cash, which will be funded from IMDEX's existing cash flow. Subsequent payments include:

- NZ\$5 million (50% cash and 50% IMDEX shares) payable following the successful commercialisation of MAGHAMMER™; and
- NZ\$22 million to be satisfied by:
 - An amount set off equal to the increase in the value of the IMDEX shares already issued to the vendors of Flexidrill in the four-year period from the date of their issue (“Value Uplift”) plus any dividends paid on these shares during this period; and
 - Payment of 10% of generated revenues earned by IMDEX from all Flexidrill commercial products.

Further details regarding the transaction can be found in IMDEX's [announcement on 18 January 2018](#).

BACKGROUND

IMDEX entered into an exclusive Option Agreement to acquire Flexidrill and its patent protected drilling productivity technologies, the COREVIBE™ & MAGHAMMER™ on 18 January 2018.

The Option Agreement was structured to allow for further development and comprehensive testing of the COREVIBE™ and MAGHAMMER™, before committing to the acquisition.

COREVIBE™ & MAGHAMMER™

COREVIBE™ utilises high frequency energy pulse assisted drilling for wireline coring and provides a significant advancement in core drilling productivity.

This unique technology can deliver significant benefits to clients including: higher penetration rates – up to 90%; reduced hole deviation; fewer inner tube blockages and associated tripping; and longer drill bit life.

IMDEX undertook successful trials at the Company's test site in New Zealand, which concluded the COREVIBE™ generated a productivity gain of 33% over conventional coring. These results were also validated by SGS, the world's leading inspection, verification, testing and certification company, and client trials in diverse locations and conditions.

MAGHAMMER™ utilises a new hybrid drilling technique, which combines rotary diamond drilling with fluid driven percussive drilling to achieve higher penetration rates compared to conventional coring.

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The technology enables an entire drill hole to be completed with a coring rig where RC and diamond drilling is required.

Benefits for clients include: the ability to drill deeper faster and with lower cost – MAGHAMMER™ is not affected by water intrusion and is only limited in depth by the pullback capacity of the rig; rapid drill case setting; lower rig mobilisation and demobilisation costs; and a safer operating environment with substantially less dust than compressed air RC drilling.

The first iteration of MAGHAMMER™ will be targeting high speed pre-collar drilling through barren rock to the coring zone. This eliminates the need for multiple drill rigs at site and accordingly, the MAGHAMMER™ will significantly reduce the cost of drilling these targets. Additional development of the MAGHAMMER™ will provide geological samples.

XTRACTA™

XTRACTA™ was developed in-house by IMDEX and complements the COREVIBE™ and MAGHAMMER™ technologies. The technologies enable drill bits to be inspected or changed without retrieving the rods. Benefits for clients include: significantly enhanced productivity; increased safety and the integrity of the drillhole is maintained.

ABOUT FLEXIDRILL

New Zealand based Flexidrill is a leading developer of vibration and magnetic field assisted drilling technologies. www.flexidrill.co.nz.

ABOUT IMDEX

IMDEX is a leading Mining-Tech company, which enables successful and cost-effective operations from exploration to extraction.

The Company develops cloud-connected devices and drilling optimisation products to improve the process of identifying and extracting mineral resources for drilling contractors and resource companies globally. www.imdexlimited.com

Yours faithfully,

Imdex Limited

A handwritten signature in blue ink, appearing to read "P. Evans", is positioned above the name Paul Evans.

Paul Evans

Company Secretary

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