



8 Pitino Court, Osborne Park  
Western Australia 6017

PO Box 1262, Osborne Park  
Western Australia 6916

Tel: +61 (0) 8 9445 4020

Fax: +61 (0) 8 9445 4042

imdex@imdexlimited.com

www.imdexlimited.com

ABN 78 008 947 813

18 February 2013

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

Dear Sir/Madam

**RESULTS ANNOUNCEMENT, APPENDIX 4D AND FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

Please find attached a statement by the Chairman and Managing Director of Imdex Limited regarding the Group's financial results and operating performance for the half year ended 31 December 2012.

The Appendix 4D and Half Yearly Financial Report for the half year ended 31 December 2012 follow this announcement.

Yours faithfully  
**Imdex Limited**

A handwritten signature in blue ink, appearing to read "P. Evans", with a long horizontal flourish extending to the right.

**Paul Evans**  
Company Secretary

## **IMDEX GENERATES SOLID 1H13 RESULTS WITH RECORD OIL & GAS REVENUE**

18 February 2013

Imdex Limited (ASX: IMD) today announced its results for the six months ended 31 December 2012 (1H13).

The results reported today reflect:

- the challenging market conditions in the minerals sector in the first half, set against the backdrop of record Minerals Division results in the prior comparative period
- growth in the company's Oil & Gas Division to record revenue levels.

The company's 1H13 revenue demonstrates progress towards being able to offset minerals industry cyclical slowdowns as Imdex continues to advance its diversification strategy – by industry, product, geography and customer.

### **Key financial results**

- Statutory revenue down 8% to \$127.6 million (1H12: \$138.5 million)
- Combined revenue\* down 3% to \$135.6 million (1H12: \$139.9 million)
  - Minerals down 18%
  - Oil & Gas up 111%
- EBITA down 32% to \$26.2 million (1H12: \$38.3 million)
- Minerals gross margins maintained
- Net profit after tax down 27% to \$16.6 million (1H12: \$22.7 million)
- Pre-tax operating cash flow up 8% to \$35.9 million (1H12: \$33.2 million)
- Strong balance sheet with low gearing, net debt/capital of 23%
- Interim dividend of 2.50 cents per share fully franked (1H12: 3.25 cents per share).

*\* including Imdex's share of VES International joint venture (formerly DHS joint venture) revenue*

### **Key operational highlights**

- Seamless integration of ioGlobal
- Global introduction of solids removal units (SRUs) commenced
- Further development of underground SRUs, trials on track for early 2H13
- Continued focus and investment in product research and development
- Increased minerals market share in underpenetrated regions of Africa and the Americas

- Oil and gas market share growth, notably in Asia Pacific, Europe, and coal bed methane industry in Australia
- Continuing strong revenues and EBITA performance by the VES International joint venture.

Commenting on the financial performance for 1H13, Imdex's Managing Director, Mr Bernie Ridgeway said:

"Our combined revenue was only marginally down from our record result achieved in the prior corresponding period, and is the third highest result to date."

Mr Ridgeway attributed the decline in EBITA to the cyclical slowdown of the higher margin minerals sector.

"We are pleased to note, however, gross margins were maintained throughout the first half and there are early signs that activity levels may be starting to increase again," said Mr Ridgeway.

## **Minerals Division**

Imdex's Minerals Division consists of the AMC, Reflex and ioGlobal businesses. These businesses market innovative drilling fluids, chemicals, solids removal technologies, downhole instrumentation and data solutions, together with geo-analytics services, to the global minerals industry.

### ***Financial performance***

The Division generated revenue of \$102.1 million, contributing 75% of the company's combined 1H13 revenue. This result represents an 18% decrease on the previous corresponding period (1H12: \$124.0 million). Operational EBITA decreased 38% to \$26.7 million (1H12: \$43.1 million) due to the cyclical slowdown of the minerals sector.

### ***Key operating highlights***

- Seamless integration of ioGlobal: Since the transaction was finalised on 1 November 2012, there has been strong interest from Imdex's global customer base for the

company's new capabilities, including cloud-based data management. The acquisition of ioGlobal provides Imdex with a range of significant growth opportunities and enhanced product offerings;

- SRUs were dispatched and deployed to all principal mining regions: These highly innovative units are unique to Imdex and are now generating additional rental revenue. The company aims to reach its target of 50 units in service by the end of FY13;
- Further development of Imdex's underground SRUs, with trials planned in early 2H13: Similar to the surface SRU, this unique technology is generating significant customer interest and will also contribute additional rental revenue once released to the market;
- Increased minerals market share in underpenetrated regions: During 1H13, Reflex achieved revenue growth in Africa and Brazil, while AMC increased revenue in USA, Chile and Peru;
- Investment in AMC USA, where significant potential for market share growth has been identified: Areas of investment included infrastructure, equipment, personnel, field trials and establishment of the AMC brand in the region;
- New manufacturing facilities in Brisbane, Calgary and Argentina: These facilities will enhance operational efficiencies, inventory management and customer satisfaction by reducing lead times and overcoming import restrictions;
- Continued investment in product research and development of Imdex's instrumentation: Imdex has built its reputation on the quality and performance of its advanced products. While the development of the Reflex Ez-Gyro and Smart Barrel instruments is progressing, there is more work to be done to ensure the products meet all of Imdex's stringent performance standards. The company remains confident the Ez-Gyro and Smart Barrel instruments will be embraced by the market when they are ready to be released, which is now likely to be in FY14;
- Continuing development of innovative drilling fluid products: AMC's dedicated fluids laboratory is continually developing and enhancing its product range to optimise the efficiency of its customers' operations; and

- A rebound of Reflex's rental fleet: At 8 February 2013, Imdex's rental fleet utilisation had increased 56% from the low point recorded in December 2012.

While trading conditions within the minerals sector were challenging during 1H13, Mr Ridgeway said sentiment within the minerals industry appeared to be improving.

"There are early signs of increasing activity, together with growing confidence the current minerals cycle may have bottomed. This confidence is supported by industry forecasts, customer feedback and the increasing utilisation of Reflex's rental fleet," said Mr Ridgeway.

### **Oil & Gas Division**

Imdex's Oil & Gas Division consists of AMC Oil & Gas and a 30% share of VES International (formerly DHS Energy Services). These businesses provide drilling fluids, production and completion chemicals and downhole survey services to the oil and gas industry.

### ***Financial performance***

Imdex's Oil & Gas Division contributed 25% of Imdex's combined revenue for the half, generating revenue of \$33.5 million. This result is a significant increase (111%) on the previous corresponding period (1H12: \$15.9 million).

Operational EBITA for the Division was \$1.2 million. This included a \$1.6 million share of the VES International joint venture net loss after tax. The joint venture performed strongly, recording a \$5.3 million EBITA profit for 1H13. Imdex's 30% share of this was impacted by large non-cash amortisation charges and unusually high taxation charges. Tax charges are expected to normalise as all jurisdictions become profitable.

Margins were impacted by Imdex's continued investment in people and infrastructure. As this Division grows, these margins will improve.

### ***Key operational highlights***

- Record divisional revenue: The investment committed to the consolidation and development of Imdex's Oil & Gas Division over the past 18 months is generating additional revenue, an upward trend that is expected to continue
- Hiring of key oil and gas personnel to support the delivery of the Division's growth potential
- Continuing strong revenues and EBITA performance by the VES International joint venture
- Increased momentum of the Australian coal bed methane industry with an increased demand for sumpleless drilling solutions
- Progress on consolidation of Imdex Technology from Germany to one location in California.

Mr Ridgeway said that the Board was pleased with the continued growth and record performance from Imdex's Oil & Gas Division.

"These results are encouraging and demonstrate the benefits from our investment in the oil and gas sector are now starting to flow. We are advancing our strategic goal of generating 30-40% of revenues from the oil and gas sector within the next two to three years," said Mr Ridgeway.

"Diversifying our business by industry, product, geography and customer, positions the business well for the future. The oil and gas sector has lower exposure to the cyclical nature of the minerals industry and offers significant growth potential," added Mr Ridgeway.

Commenting on the Oil & Gas Division's EBITA for the half, Mr Ridgeway said:

"We are pleased with the progress of the oil and gas business and its strong potential for continued growth."

### **Dividend**

The Directors declared a fully franked interim dividend of 2.50 cents per share. The dividend is consistent with Imdex's policy of reinvesting in products and future growth, while maintaining a sustainable dividend stream for shareholders.

Dividend record and payment dates are 8 and 22 March 2013, respectively.

## **Outlook**

The fundamentals driving Imdex's business are improving at both a macro economic and industry level.

Gold and copper prices remain above long term averages and the iron-ore price has strengthened considerably. Drilling contractors are beginning to report steady activity, with improved sentiment reflected in the rebound in Reflex's rental fleet in 2H13 to date.

Imdex's Minerals business is well positioned to benefit from an improvement in market conditions. While there is growing evidence that the current minerals cycle may have bottomed, the second half performance will be influenced by the pace of that recovery. The robust growth momentum in the oil and gas business during the first half has continued into the second half and this division is in a strong position for continued growth.

Commenting on the prospects for growth, Mr Ridgeway said:

"We have developed a strong technology based company with a superior product range to support global customers at every stage of their cycle. Our strategy of diversifying the business by industry, product, geography and customer is progressing well and the benefits of this are evidenced in this result.

"We have a range of growth opportunities in both our oil and gas and minerals businesses. In oil and gas there are significant opportunities for AMC Oil & Gas and our VES International joint venture to gain market share. As this part of our business develops and volumes grow, margins in this Division will also improve. Our minerals business will benefit from the continued role out of our SRUs, growing market share in underpenetrated regions, and from capitalising on the opportunities from the ioGlobal acquisition."

## **Key priorities**

In 2H13 the key priorities for Imdex will be:

- Marketing the company's SRUs via Imdex's global distribution channels
- Continuing to increase Imdex's market share in underpenetrated regions such as Canada, Latin America, Africa, the United States and Europe
- Utilising Imdex's specialist technical expertise and product development laboratories to enhance existing and develop new drilling fluid products and downhole instrumentation for the minerals and oil and gas markets
- Expanding ioGlobal's data solution offerings to new and existing customers globally

- Growing oil and gas market presence to increase return on investment in this Division
- Where appropriate, undertaking strategic, bolt-on acquisitions, which are earnings accretive and provide excellent growth opportunities when combined with the Imdex Group.

**For further information please contact:**

Mr Bernie Ridgeway  
Managing Director  
T: +61 (0)8 9445 4010

Mr Paul Evans  
Chief Financial Officer & Company Secretary  
T: +61 (0)8 9445 4010

[imdex@imdexlimited.com](mailto:imdex@imdexlimited.com)