

18 January 2018

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

Dear Sir/Madam

IMDEX ENTERS INTO OPTION WITH FLEXIDRILL TO ACQUIRE UNIQUE DRILLING PRODUCTIVITY TECHNOLOGIES

IMDEX Limited (ASX: IMD) ("IMDEX" or the "Company"), a leading mining equipment, technology and services (METS) provider to the global minerals industry, is pleased to announce it has entered into an exclusive option and technology development agreement ("Option Agreement") to acquire New Zealand based companies Flexidrill Limited and Flexidrill Construction Limited (together "Flexidrill") and its patent protected technologies – the CoreVIBE and MagHAMMER.

Key Points

- Flexidrill is a leading developer of vibration and magnetic field assisted drilling technologies. The company has two unique drilling productivity technologies, the CoreVIBE and MagHAMMER, which can be commercialised in the near-term.
- The CoreVIBE technology has the potential to increase average drilling productivity rates by approximately 30% in traditional diamond coring applications – results that have been substantiated by IMDEX field trials.
- The MagHAMMER technology allows for RC drilling to be run without compressed air resulting in significant economic, safety and operational benefits. It may also be used for blast hole drilling applications.
- The CoreVIBE and MagHAMMER technologies are patent protected and align with IMDEX's rental model.
- The Flexidrill technologies complement IMDEX's Drilling Optimisation Solution and would strengthen the Company's competitive position in this market segment.
- Should IMDEX exercise its option to acquire Flexidrill, the companies' technologies are expected to provide a significant additional global revenue stream for IMDEX in the near-term and be EPS accretive within 12 months of option exercise.

Option Agreement

The Option Agreement is structured to provide IMDEX a period of exclusivity in which to further develop the Flexidrill technologies. It provides for an immediate payment of NZ\$5 million (comprising NZ\$2.5 million cash and NZ\$2.5 million worth of IMDEX shares based on the volume weighted average price (VWAP) 10 days prior to the issue date). The option exercise period is until mid-September 2018 and can be extended for 12 months to mid-September 2019 (the secondary option period) by payment of a further NZ\$5 million (50% cash and 50% IMDEX shares on terms consistent with the first option payment set out above).

Should IMDEX exercise its option to acquire Flexidrill, the terms and purchase price of the acquisition have been established in a Sale and Purchase Agreement and are summarised at the end of this announcement. The option can be exercised at any time during the option periods.

During the option periods Flexidrill will work solely with IMDEX to commercialise its CoreVIBE and MagHAMMER technologies to complement IMDEX's unique Drilling Optimisation Solution. In its current state this integrated Solution

combines the: [REFLEX TN14 GYROCOMPASS™](#); [REFLEX CORE REMOVAL TOOL™](#); [REFLEX MOBILE](#); and [IMDEXHUB-IQ](#); together with AMC's range of innovative drilling fluids and equipment including [AMC Solids Removal Units™](#) and the brand's new [AMC BOS™](#) and [AMC's Mud Aid™](#) technologies.

IMDEX is the only company to provide such an integrated drilling optimisation system, which cannot be replicated by any competitors due to patent protection.

Flexidrill CoreVIBE and MagHAMMER Technologies

The CoreVIBE and MagHAMMER have the potential to increase the productivity, safety and accuracy of drilling, while substantially reducing the cost and environmental impact of the process for clients.

The CoreVIBE can increase average productivity by circa 30% in traditional diamond coring applications with increased penetration rates of up to 60%. These industry changing benefits have been substantiated by positive IMDEX field trials.

The MagHAMMER enables RC drilling, and potentially blast hole drilling, to be run without compressed air. When combined with the CoreVIBE and existing IMDEX products, it is anticipated that it will deliver significant economic, safety and transformational productivity benefits.

It is widely recognised within the industry that drilling costs represent approximately half of global mineral exploration expenditure. Reducing these costs has been a major challenge, which is likely to intensify given increasing safety standards, environmental restrictions and greater average hole depths.

Commenting on the Option Agreement, IMDEX's Managing Director Mr Bernie Ridgeway said:

"We are very pleased to have an exclusive option over patent-protected, near-commercial technologies, which have the potential to deliver substantial economic and productivity benefits to our clients globally. If we choose to exercise our option to purchase Flexidrill, we would expect the acquisition to be EPS accretive in the first 12 months following exercise of the option.

"Flexidrill's CoreVIBE and MagHAMMER complement our Drilling Optimisation Solution and will strengthen our competitive position in this market segment. Importantly, these technologies also have the potential to provide a significant additional global rental revenue stream for IMDEX in the near-term.

"The drilling industry has not seen any material productivity improvements for decades and we anticipate significant market adoption post commercialisation. Upon commercialisation, we would leverage our extensive global presence to penetrate the market."

Summary of Acquisition Terms and Purchase Price

In the event IMDEX exercises its option to acquire Flexidrill, the additional consideration payable is set out below (which is in addition to the two option payments totalling NZ\$10 million detailed above¹):

- Cash of NZ\$3 million payable immediately on exercise of the option;
- NZ\$5 million (50% cash and 50% IMDEX shares on the terms consistent with prior payments) payable following the successful commercialisation of a Flexidrill product (likely to be MagHAMMER), excluding the CoreVIBE; 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"); and

¹ If the secondary option payment of NZ\$5 million has not been paid at this time then this will be paid at the time of exercise.

- To the extent the Value Uplift is less than NZ\$22 million, payment of 10% of generated revenues earned by IMDEX from all Flexidrill commercial products.

Imdex shares to be issued under the immediate initial option payment will be issued utilising existing Listing Rule 7.1 capacity and subsequent share issues will be subject to any applicable necessary approvals.

All cash components of the transaction will be funded from existing IMDEX resources.

For further information please contact:

Bernie Ridgeway, Managing Director or Paul Evans, Chief Financial Officer and Company Secretary on +61 8 9445 4010.

About Flexidrill

New Zealand based Flexidrill is a leading developer of vibration and magnetic field assisted drilling technologies. The company has two unique drilling productivity technologies, the CoreVIBE and MagHAMMER, which can be commercialised in the near-term. For further information visit www.flexidrill.co.nz

About IMDEX

We are a global mining equipment, technology and services – or METS – company. Our IMDEX solution sets improve the process of identifying and extracting what is below the earth's surface for drilling contractors and resource companies – we let clients know where it is and what it is, now.

Our company delivers these solution sets, which include: Drilling Optimisation; Downhole Navigation; Structural Geology; In-Field Geoanalysis; and Driller Operable Geophysics, to the global minerals industry and targeted non-mining applications via our leading REFLEX and AMC brands. For further information visit www.imdexlimited.com

AMC redefines the way drilling fluids, equipment, technologies and software are used to optimise drilling programs – AMC strives to maximise productivity while enhancing safety and sustainability for customers. AMC has a strong presence within the global minerals, horizontal directional drilling, waterwell and civil construction sectors.

REFLEX is a global supplier of advanced subsurface intelligence solutions comprising downhole instrumentation, data management and analytical software for geological modelling. These market leading technologies – recognised for their ease of use and accuracy – are completed by unrivalled expertise in geo-scientific data analysis and interpretation.

Together, our products and technologies assist clients to reduce their costs and increase their productivity by providing end-to-end solutions across the full mining life cycle. Our vision is to be the leading provider of real-time subsurface intelligence solutions for the global minerals industry.

Yours faithfully

Imdex Limited



Paul Evans

Company Secretary