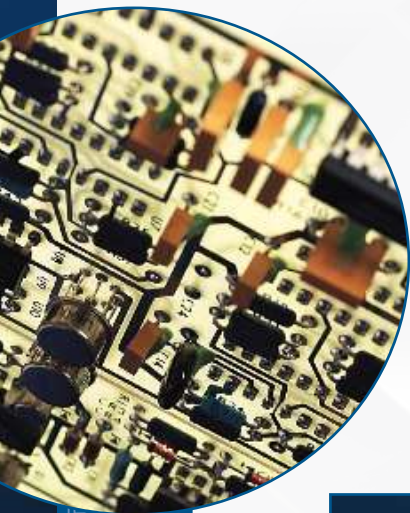




ANNUAL REPORT 2004

INDEX LIMITED



CONTENTS

- 1 Index at a Glance
- 2 Index 2004 Snapshot
- 3 Year in Review & Group Results
- 4 Chairman's Report
- 5 Managing Director's Report
- 10 Index's Businesses
- 12 Director Profiles
- 15 Financial Report 2004

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Imdex is listed on the
Australian Stock Exchange
under the ASX code **IMD**

Index at a Glance

Index Limited is Australia's leading supplier of drilling products and services to the mining, water well and horizontal directional drilling industries and is expanding its presence in the oil & gas industry. Index also conducts minerals processing.

The Board's strategy is to transform a diverse domestic Group into a focused, global Group providing drilling products & services to the oil & gas, mining, water well and civil industries.

The Board remains committed to its four-point plan to build value for Shareholders:

- Continue operational earnings improvement within Australia;
- Progressively realize the potential of Index's investment in Index Arabia;
- Achieve an overall improvement in Group financial performance to make Index a competitive investment in the Australian market; and
- Translate the improved performance into dividend income for our Shareholders.

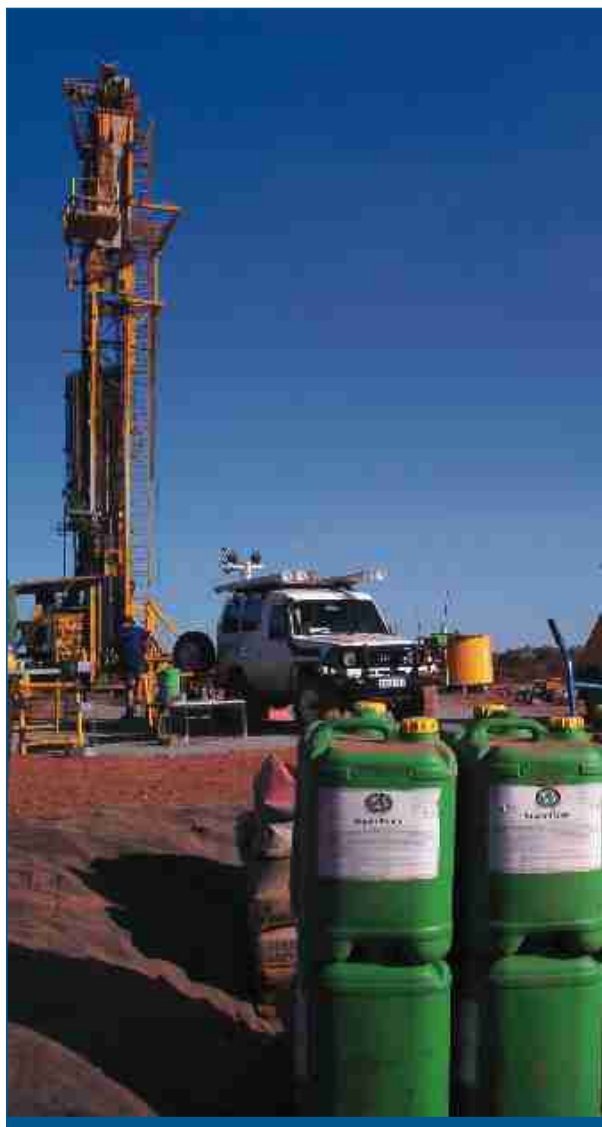
Index's Trading Locations





Imdex 2004 Snap-shot

Much has been **accomplished during the year**. The underlying financial performance of the Group was **strong**, with an **increase in revenue** of 29% to \$39.83 million for the year ended 30 June 2004 (FY04).



Financial Performance:

- Total revenue increased by 29% from \$30.9 million in FY03 to \$39.8 million in FY04, with a 95% increase in underlying profitability;
- Write downs of \$4.1 million relating to shortfalls in stock and debtors at Imdex Minerals, and a \$3.1 million write down in the value of the investment in the Rashid Trading Establishment/Imdex Limited Joint Venture in Saudi Arabia;
- The write downs referred to above have given rise to a net loss after tax of \$3.7 million.

Divisional Highlights:

- The Australian Mud Company (AMC) was the standout performer for the Group generating FY04 revenue of \$21 million and earnings before interest & tax of \$3.3 million;
- Surtron Technologies (Surtron) logging activities are at record levels based on the strength of the Iron Ore industry. Surtron is arguably the industry leader in Australia for wireless steering technology in the Coal Bed Methane gas industry;
- Ace Drilling Supplies (Ace) experienced strong demand for its products and services during FY04 and is now a solid contributor to the Imdex Group.

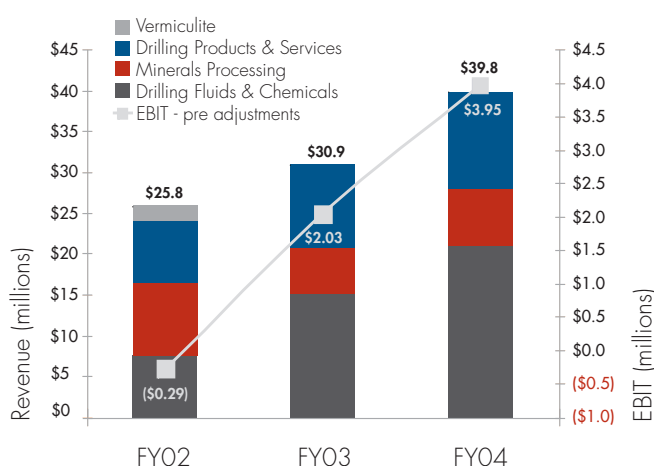
Saudi Arabian Joint Venture:

- Heads of Agreement reached with Rashid Trading Establishment (RTE) to re-structure the drilling fluids and chemicals Joint Venture in Saudi Arabia (subject to Shareholders' approval).

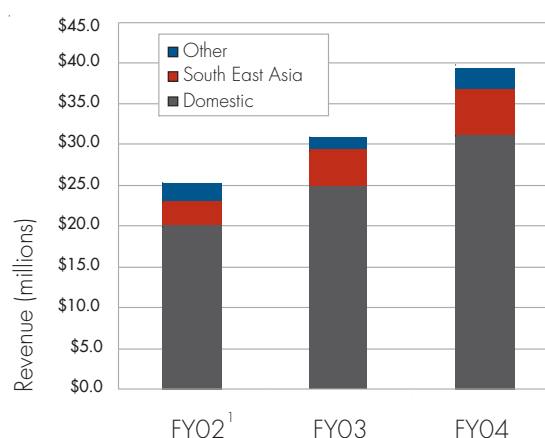
Year in Review & Group Results



	FY04		FY03		FY02
	(\$M)	% CHANGE FROM FY03	(\$M)	% CHANGE FROM FY02	(\$M)
Total Revenue	39.83	+29%	30.91	-14%	35.99
<i>Comprising</i>					
Revenue from sale of goods	33.42	+27%	26.30	-4%	27.27
Revenue from rendering of services	5.95	+37%	4.33	+28%	3.39
Other revenue	0.46	+60%	0.28	-95%	5.33
Earnings before interest, tax and depreciation (EBITDA) - pre adjustments	5.89	+52%	3.86	+134%	1.65
Depreciation and amortisation	(1.94)	+6%	(1.83)	-5%	(1.94)
EBIT - pre adjustments	3.95	+95%	2.03	-802%	(0.29)
Adjustments:					
Minerals prior years one-off write-downs	(2.80)		-		-
Minerals current year one-off write-down	(1.26)		-		-
Saudi Joint Venture write-down	(3.11)		-		-
Reported EBIT	(3.22)	-259%	2.03	+802%	(0.29)
Net interest expense	(0.56)	-2%	(0.55)	-10%	(0.50)
Taxation expense	0.09	+115%	(0.57)	-312%	0.27
Net profit/(loss) after tax	(3.69)	-506%	0.91	+275%	(0.52)
Net assets	18.11	-17%	21.80	+18%	18.45
Shares on issue	120,055,368	+0%	120,055,368	+11%	107,881,455
Net tangible asset backing per share	14.59c	-12%	16.58c	+2%	16.33c
Earnings per share	(3.07)c	-504%	0.76c	+252%	(0.50)c



Increasing Three Year Operating Revenue and EBIT Trend (pre-adjustments)



Increasing International Revenue

¹FY02 excludes the sale proceeds relating to the Vermiculite Division of \$4.85m & non profit sales to KSA JV of \$5.34m



Chairman's Report

The year has been one of contradictions – improvements in the conditions of trade for the Drilling Fluids and Services Divisions – negated in terms of profit by the discovery during the period of improper practices in the Minerals Division. A re-appraisal of the Saudi Arabian Joint Venture leading to a re-structure of this arrangement has also led to a write down of the carrying value of the investment in the Balance Sheet at 30 June 2004.

Whilst underlying earnings have been significantly stronger than in the previous year (almost double), one off adjustments have resulted in a net loss for the year of \$3.7 million.

The Board believes appropriate actions have been taken with respect to the circumstances relating to both Imdex Minerals and the Saudi Arabian Joint Venture, enabling re-development of these businesses to ensure a profit contribution in the years ahead.

With the international focus on the extractive industries being, probably, at an all time high given energy supply/demand as well as the demand for minerals, particularly by China, Imdex finds itself with an unprecedented demand for its skills, products and services.

The Australian Mud Company has an increasing sales profile and is broadening its sphere of operations into additional overseas markets, further building on successes over the past two years.

Imdex Minerals can, we believe, become a significant contributor to the Company's success in dealing with a variety of sought after industrial minerals in Australia.

Surtron is strengthening both its competency and market position with Coal Bed Methane technology as well as in drill hole logging and surveying services.

Ace Drilling Supplies is likewise trading profitably and is expected to continue to do so with the intending introduction of new technically "smart" devices.

The re-structure proposed for the Saudi Arabian Joint Venture is directed at diminishing Imdex's equity interest in the supply of drilling fluids and chemicals, whilst maintaining the ability to create a service organisation in Saudi Arabia at the appropriate time. The ability to provide Australian Mud Company products, services and technology will also be retained.

Our aims are as before, and despite the recent set backs, will continue to be focused upon wealth creation for you, the shareholders, the owners of the business.

A handwritten signature in black ink, reading "I.F. Burston". The signature is stylized, with the first letters of the first and last names being prominent.

I.F. Burston
Chairman



Managing Director's Report

Much has been accomplished during the year as the underlying financial performance of the Group was strong with an increase in revenue of 29% to \$39.83 million for the year ended 30 June 2004 (FY04).

Among the highlights were the following:

- continued growth in the core businesses;
- Group sales up by 29% on FY03;
- underlying EBIT strong and improving further; and
- 28% increase in Saudi Arabian Joint Venture sales.

During the year, our internal processes discovered major problems with debtors and stock at Imdex Minerals and it also became necessary to re-structure the Saudi Arabian Joint Venture.

We have taken responsible action by bringing to account the following:

- one-off write downs at Imdex Minerals totalling \$4.06 million; and
- a \$3.11 million write-down in the value of the investment in the Rashid Trading Establishment/ Imdex Joint Venture in Saudi Arabia as a result of the proposed re-structure of the Joint Venture.

These one-off adjustments have destroyed a good operating result and have translated into a net loss after tax of \$3.7 million for FY04.

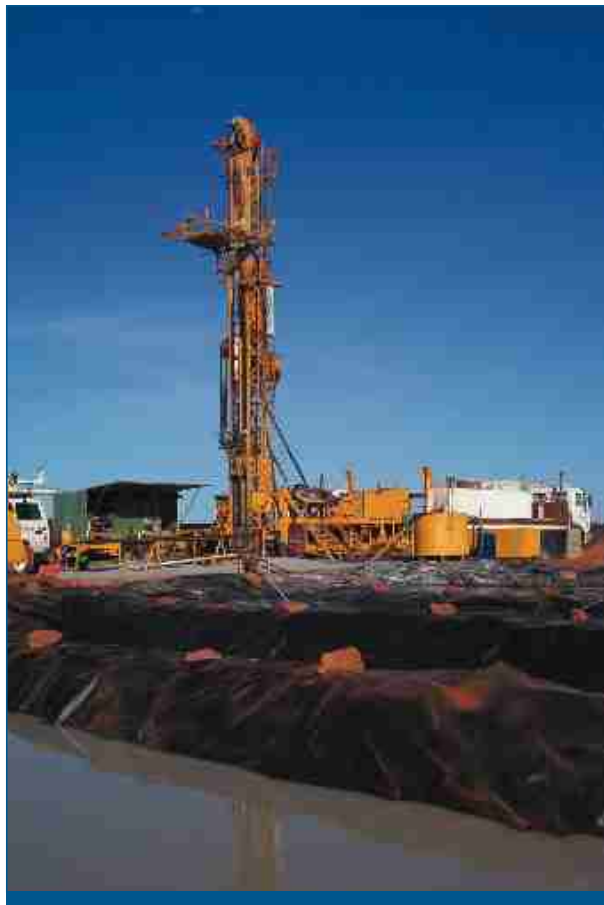
The frustrating part of this is that Imdex, being a provider of products and services to the resources industry, is the beneficiary of strong market conditions in the sector associated with growth in demand from China and the additional oil and gas exploration activity as a result of higher oil prices. The continuation of these buoyant trading conditions is evident in the early part of the 2005 financial year (FY05) and the results for FY05 should not be impaired by any of the circumstances which affected the results for FY04.

The one-off adjustments referred to above mask the true trading position of the Group and the table below shows the strong underlying performance.

	YEAR ENDED		
	30 JUNE 04 (\$M)	30 JUNE 03 (\$M)	CHANGE %
Total Revenue	39.83	30.91	+29%
Earnings before interest, tax and depreciation (EBITDA) - pre adjustments	5.89	3.86	+52%
Depreciation and amortisation	(1.94)	(1.83)	
EBIT - pre adjustments	3.95	2.03	+95%
Adjustments			
Minerals prior years one-off write-downs	(2.80)	-	
Minerals current year one-off write-down	(1.26)	-	
Saudi Joint Venture write-down	(3.11)	-	
Reported EBIT	(3.22)	2.03	-259%



The **excellent performance** of the **Australian based businesses**, (apart from Imdex Minerals), particularly the **Australian Mud Company**, was **very pleasing**.



Australian Mud Company (AMC)

AMC provides drilling products and services to the mining, oil and gas, water well and horizontal directional drilling industries. It was trading especially strongly in the latter part of the year, generating EBIT in excess of \$1 million for the final quarter of FY04. AMC has more than doubled sales in the last two years to \$21 million and, in FY04, generated a record EBIT margin of 15%. AMC's revenue accounted for 54% of total Imdex domestic Group sales.

The increase in revenue has largely flowed from offshore activities in Africa, South America, Asia, Eastern Europe, China and increased activity in the onshore oilfields in Australia and Papua New Guinea.

AMC is a beneficiary of increased exploration spending in Australia and overseas. The buoyant state of mineral commodity markets supported by growing demand in the Asian region is likely to sustain relatively high levels of exploration spending for the foreseeable future.

AMC has developed a very strong brand identity within the industry in Australia and in a number of overseas jurisdictions. Its strong technical back-up and service complements the extensive product range.

AMC will continue to expand its presence locally and in offshore markets.

Managing Director's Report



Surtron Technologies (Surtron)

Surtron Technologies (Surtron) provides geophysical logging, down hole surveying and steering services. Geophysical logging services are provided to Australia's major iron ore producers, including BHP Billiton, Hamersley Iron and Robe River.

Surtron's trading performance has continued to improve with a 37% increase in revenue in FY04 compared to FY03 with a commensurate increase in EBIT for the year. Late in the year, logging service rates were increased and additional logging field service vehicles have been commissioned in order to satisfy client demand driven by the expansion of the iron ore industry in the Pilbara region of Western Australia.

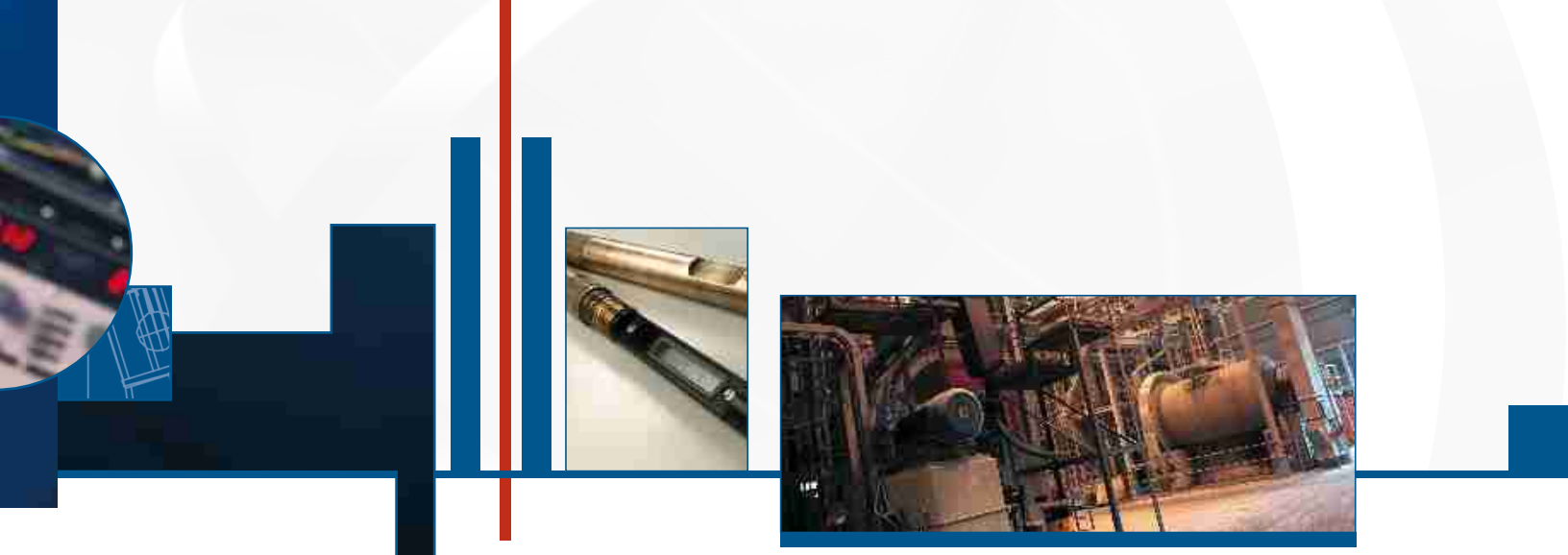
Surtron has made a substantial investment in the successful introduction of new wireless steering technology into the Coal Bed Methane (CBM) market and is arguably the industry leader in Australia. Surtron continues to work on the Moranbah Gas Project for Mitchell Drilling and CH4 in Queensland. Surtron also provided steering services to BHP Billiton in New South Wales during the year.

Surtron has also invested in software development to assist and enhance the Company's steering capability which should also differentiate Surtron from its competitors. The CBM industry should continue to expand in Australia and Surtron is also examining offshore opportunities. Surtron's down hole survey activities continued throughout the year. The Company continues to service many of Australia's major gold producers and also provides services offshore.

Surtron is forecasting a significant increase in revenue and EBIT in FY05 primarily due to the continued expansion of the Steering Division and the increased profitability of the Logging Division.



Wireless Steering Technology



Imdex Minerals

Imdex Minerals operates a multi-purpose industrial minerals processing facility in Western Australia. Toll milling for mineral sands producers is a major part of its activities. The mining, processing and sale of micaceous iron oxide (MIO) and custom packaging also represent significant activities of Imdex Minerals.

The operations during the year were marred by the discovery of shortfalls in debtors and stock and the impact of these adjustments have been highlighted above. The overstatement in debtors and stock have masked what was, in reality, an under performing division of Imdex. The problems were not discovered until three quarters of the way through FY04 and swift action was taken to re-structure the business, including the appointment of a new general manager and the implementation of more rigid internal controls.

Under new management, the performance of this division has been stabilised and a high priority has been placed on strengthening existing client and business relationships. Management is also focusing on expanding its existing business and taking advantage of the growing demand for the type of mineral processing services which it can offer the mining industry in Western Australia.

It is anticipated that Imdex Minerals will return to profitability in the first half of FY05.

Ace Drilling Supplies (Ace)

Ace Drilling Supplies (Ace) markets drilling consumables and down hole motors and cameras to the drilling industry in Australia and internationally.

Ace experienced strong demand for its products and services during FY04, with revenue up by 21% at an EBIT margin of 12%. The improved financial performance has been driven by the general increase in activity in the resources sector, together with a strong customer focus by management.

Further increases in sales and EBIT margin are expected in FY05 as a result of the introduction of new products and the continuation of buoyant trading conditions in the resources sector.

RTE/Imdex Joint Venture

Imdex currently has a 49% Joint Venture interest with Rashid Trading Establishment (RTE) to provide drilling products and services to the oil and gas industry in the Kingdom of Saudi Arabia.

Joint Venture sales, which commenced in June 2001, have been building steadily and totalled US\$17.6 million in 2004 (2003 – US\$13.8m). Operationally, Imdex's 49% share of losses for FY04 was \$292,000, down from \$894,000 in FY03. This financial result was below Imdex expectations as gross margins continued at less than desirable levels.

On 5 July 2004, Imdex announced that a Heads of Agreement had been signed with RTE to re-structure the Saudi Arabian Joint Venture. In summary, it is proposed that Imdex will reduce its equity in the Joint Venture to 20% (being a 20% interest in Imdex Arabia Limited). In return, Imdex will receive a net US\$1.5 million in cash and RTE will return 10 million shares in Imdex which will be cancelled.

As part of the proposed re-structure, Imdex has written down its investment by AUD\$3.1 million at 30 June 2004 to a value approximating \$2 million once the re-structure has been completed.

The oil & gas business in Saudi Arabia is the largest in the world and we believe that Imdex should continue to have a presence there. We have a good relationship with our Joint Venture partner, sales are trending up (currently exceeding US\$2 million per month) and gross margins should continue to show improvement. The introduction of services, which are planned for FY05, should further enhance the business.

Managing Director's Report



COMPANY OUTLOOK

The strong performance experienced by the Australian-based businesses (excluding Imdex Minerals) in FY04 has continued into FY05.

AMC has continued to trade strongly in the first part of FY05, and international expansion plans continue in order to take advantage of increased world wide exploration expenditure.

Surtron is operating with increased rates and expanded capacity in geophysical logging in the Pilbara region of Western Australia. The emerging CBM industry is continuing to be a focus for Surtron's wireless steering technology both in Australia and internationally.

Ace is forecasting strong growth in both revenue and earnings through the introduction of additional products into the marketplace.

Imdex Minerals is consolidating its proprietary business in toll milling, custom packaging, micaceous iron oxide, agricultural products and sand/gravel. New management is focused on growing the business in traditional and new areas.

In relation to the Australian based businesses, the Board is anticipating domestic revenue growth of around 15% to \$46 million in FY05 generating an EBIT margin of around 11%.

Internationally, the proposed 20% investment in Imdex Arabia should generate an adequate return on the post re-structure carrying value of \$2 million.

Looking ahead, the Board remains committed to its four-point plan to build value for shareholders:

- continuing operational and earnings improvement within Australia;
- progressive realisation of the potential of its 20% holding in Imdex Arabia (post re-structure);
- overall improvement in Group financial performance to make Imdex a competitive investment in the Australian market; and,
- translation of the improved performance into dividend income for shareholders.

B.W. Ridgeway
Managing Director



DRILLING FLUIDS & CHEMICALS

DRILLING FLUIDS & CHEMICALS
JOINT VENTURE



Drilling fluids, chemicals and services to the mining, oil & gas, water well and horizontal directional drilling industries.

Drilling fluids, chemicals and services to the oil & gas and water well industries.

FINANCIAL

- Revenue \$21.3m
- EBIT \$3.3m¹

- Revenue US\$17.6m (100% Joint Venture)
- Net Loss \$0.292m (Imdex 49% share)

YEAR IN BRIEF

- 38% increase in revenue;
- Exceeded budget EBIT by 125%;
- Continued to increase sales in onshore oil & gas industry;
- International growth initiatives continued;
- Niche products added to extensive product range;
- Environmentally friendly packaging successfully introduced into market place;
- First sales into China & India.

- 28% increase in revenue;
- Continued to demonstrate reliable track record;
- Gross margins at unacceptable levels;
- Heads of Agreement reached to re-structure Joint Venture;
- One-off write down in value of investment of \$3.11m.

FUTURE DIRECTIONS

- Continued international expansion;
- Further diversification of product range;
- Consolidate rapid revenue/earnings growth;
- Mergers/acquisitions/alliances.

- Complete re-structuring process;
- Continue to deliver on contracts worth approx USD \$30m, p.a.;
- New products/services and contracts;
- Earnings and margin growth.

¹Earnings before interest and tax, and before allocation of corporate overheads.

Index's Businesses



DRILLING PRODUCTS AND SERVICES

MINERALS PROCESSING



Geophysical logging, down hole surveying, steering, sale and rental of drill hole survey instruments, down hole motors, cameras and drilling products.

Toll milling, silica flour, custom packaging, agricultural products, sand & gravel packs and micaceous iron oxide (MIO).

- Revenue \$11.8m
- EBIT \$1.14m¹

- Revenue \$6.4m
- EBIT (\$0.921m)¹, before prior years adjustments of \$2.8m.

- 29% increase in revenue;
- Increased profitability by 306% on FY03;
- EBIT margin of 10% in FY04;
- Geophysical logging capacity expanded at increased rates;
- Survey services provided internationally;
- Wireless steering technology proven in market place;
- Expansion of steering services;
- Continued high demand for down hole cameras and motors.

- Serious misrepresentations discovered in debtors/stock;
- One-off write downs of \$4.06m;
- Appointment of new General Manager;
- Stabilisation of business;
- Implementation of tighter internal controls;
- Continued strong demand for toll milling, primarily zircon sand;
- Focus on servicing existing client base and markets, quality and processes.

- Continued expansion of wireless steering technology in CBM market, both in Australia and internationally;
- Increase capacity further in logging;
- Continue to service offshore survey markets;
- Introduce new products, including core orientation tool.

- Return the business to profitability;
- Increase efficiencies of plant and processes;
- Grow domestic and international silica flour markets;
- Increase profitability of MIO business;
- Develop further toll milling and custom packaging business.



Mr Ian Fred Burston
AM
Non Executive Chairman
Age: 69 years

Mr Burston holds a Diploma in Aeronautical Engineering and a Bachelor of Engineering (Mechanical). He is a Fellow of the Institution of Engineers, Australia, a Fellow of the Australasian Institute of Mining and Metallurgy and he is a Fellow of the Australian Institute of Company Directors.

Mr Burston was appointed Chairman at the Annual General Meeting held on 22 November 2000.

Mr Burston has been the Managing Director of Hamersley Iron, the Chief Executive Officer for Kalgoorlie Consolidated Gold Mines, the Managing Director and Chief Executive Officer of Aurora Gold Ltd and the Managing Director of Portman Limited. Mr Burston's vast experience at the helm of public companies, both listed and unlisted, makes him well qualified to lead Imdex during this important growth phase of the Company.



Mr Bernard William Ridgeway
B.Bus (ACCTG) ACA
Managing Director
Age: 50 years

Mr Ridgeway was appointed to the Board on 23 May 2000 and appointed Managing Director effective from 3 July 2000.

He is a qualified Chartered Accountant and a Member of the Institute of Chartered Accountants in Australia and a Member of the Australian Institute of Company Directors. Mr Ridgeway has been involved with a number of public and private companies for the last 20 years as an Owner, Director or Manager. He embraces a hands-on management style and has extensive experience and expertise in finance, administration, marketing and business development.



Mr Hadi Hamed Al-Merry
Non Executive Director
Age: 42 years

Mr Al-Merry was appointed as a Non Executive Director in April 2002.

He is the President of RTE and has been involved in supplying products and services to the oil and gas business in Saudi Arabia and the Middle East for many years. He has many long-standing business and government relationships in Saudi Arabia and the Middle East.

Director Profiles



Mr Ross Kelly
BE(Hons) FAICD
Non Executive Director
Age: 66 years

Mr Kelly graduated as an engineer from the University of Western Australia and has worked in Australia and many overseas countries.

Mr Kelly was appointed to the Board on 14 January 2004.

Mr Kelly is a qualified engineer, a fellow of the Institute of Company Directors, a director of Clough Limited and a commissioner with the Western Australian Football Commission. He has previously been Chairman of Clough Limited, Sumich Group Limited, Orbital Engine Corporation Limited, Beltreco Limited and a director of Aurora Gold Limited, PA Consulting Services Ltd and the Fremantle Football Club.

He has specialised in the mining and heavy process industries and has consulted to many of Australia's major mining companies and the Western Australian Government. He has also worked in the offshore gas, oil refining and steel industries.

Mr Kelly was previously a Councillor of the Australian Institute of Company Directors, and a Member of the Advisory Board, Curtin Graduate School of Business.



Mr Kevin Dundo
B Com, LLB
Non Executive Director
Age: 52 years

Mr Dundo practises as a lawyer in Perth. Mr Dundo was appointed to the Board on 14 January 2004.

He is also a Director of NuStar Mining Corporation Ltd (formerly Taipan Resources NL).

Mr Dundo gained a Bachelor of Commerce from the University of Western Australia and a Bachelor of Laws from the Australian National University. Mr Dundo specialises in the commercial and corporate areas (in particular mergers and acquisitions) with experience in the mining sector, the service industry and the financial services industry.

Mr Dundo is a Member of the Law Society of Western Australia, a Member of the Law Council of Western Australia, a Fellow of the Australian Society of Certified Practising Accountants and a Member of the Australian Institute of Company Directors.



Mr Stephen John Lyons
B.Bus (ACCTG) ACA
Company Secretary
Age: 35 years

Mr Lyons is a qualified Chartered Accountant and a Member of the Institute of Chartered Accountants in Australia: he has an audit, corporate services and banking background.

He was previously the Company Secretary for the Australian operations of the Swiss based, Société Générale de Surveillance (SGS) Group and has consulted to other private and public companies. He was appointed Company Secretary on 19 November 2001.



Financial Report 2004

CONTENTS

16	Directors' Report
22	Corporate Governance Statement
28	Independent Audit Report
30	Directors' Declaration
31	Statements of Financial Performance
32	Statements of Financial Position
33	Statements of Cash Flows
34	Notes to the Financial Statements
75	ASX Additional Information

Directors' Report

The Directors of Imdex Limited present their report together with the annual financial report of the Company for the financial year ended 30 June 2004.

In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

(a) **Directors**

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Name	Role	Age	Particulars
Mr I F Burston	Independent Non Executive Chairman	69	Member of the Audit & Remuneration Committees. Director since November 2000.
Mr B W Ridgeway	Managing Director	50	Director since May 2000.
Mr H H Al-Merry	Non Executive Director	42	Director since April 2002.
Mr R Kelly	Independent Non Executive Director	66	Member of the Audit & Remuneration Committees. Director since 14 January 2004.
Mr K Dundo	Independent Non Executive Director	52	Chairman of the Audit & Remuneration Committees. Director since 14 January 2004.
-			
Mr M L Gasson	Independent Non Executive Director	56	Chairman of the Audit & Remuneration Committees. Appointed a Director in May 1989, resigned as a Director on 14 January 2004.
Mr G W Cobbledick	Independent Non Executive Director	36	Member of the Audit & Remuneration Committees. Appointed a Director in January 2003, resigned as a Director on 30 October 2003.

Information on the Director's experience and qualifications is set out under Director Profiles.

Directors' Report

(b) Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member). During the financial year, sixteen Board meetings and three Audit and Compliance Committee meetings were held.

Due to the recent appointment of Mr Kelly and Mr Dundo to the Board, the Remuneration Committee did not formally meet during the year. Decisions relating to remuneration were instead dealt with by the Board.

	Board of Directors		Audit and Compliance Committee	
	Held	Attended	Held	Attended
I F Burston	16	16	3	3
B W Ridgeway	16	16	-	-
H H Al-Merry	16	4	-	-
R Kelly	8	8	2	2
K Dundo	8	8	2	2
M L Gasson	8	7	1	1
G W Cobbledick	4	4	1	1

In addition to the Directors' and Audit and Compliance Committee meetings there are also regular meetings in relation to the RTE/Imdex Saudi Arabian Joint Venture. These are attended by Mr B W Ridgeway, and regularly by Mr I F Burston, on behalf of Imdex Limited and Mr H H Al-Merry on behalf of Rashid Trading Company.

(c) Directors' Shareholdings

At the date of this report the Directors held the following interests in shares and options of the Company:

	Shares Held Directly	Shares Held Indirectly	Options Held Directly
I F Burston	-	100,000	1,000,000
B W Ridgeway	-	6,143,993	2,000,000
H H Al-Merry	10,755,000	-	-
R Kelly	-	65,000	-

At the date of this report, the options issued under the Imdex Limited Employee Staff Option Scheme are disclosed in Note 27. No additional options were granted during the year. No shares were issued during the year on the exercise of options granted to Directors and employees.

Directors' Report

(d) Directors' and Executives' Remuneration

The remuneration policy for Directors is set out in the Corporate Governance Statement. The Remuneration Committee assists the Board in determining executive remuneration policy. Remuneration packages are reviewed with due regard to performance and other relevant factors.

Remuneration packages contain the following key elements:

- (i) Primary benefits – salary/fees, bonuses and non monetary benefits including the provision of motor vehicles;
- (ii) Post-employment benefits – including superannuation and prescribed retirement benefits;
- (iii) Equity – share options granted under the Staff Option Scheme as disclosed in Note 27; and
- (iv) Other benefits.

Details of Directors' remuneration and the remuneration of the five highest remunerated executives of the Company and the Consolidated Entity are set out below.

2004	Primary			Post Employment			Equity	Other benefits	Total
	Salary & fees	Bonus	Non-monetary	Super annuation	Prescribed	Other benefits	Options		
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Executive Director									
B W Ridgeway, Managing Director	249,999	-	42,101	22,500	-	-	-	-	314,600
Non Executive Directors									
I F Burston, Chairman	50,000	-	-	4,500	-	-	-	-	54,500
H H Al-Merry (i)	-	-	-	-	-	-	-	-	-
R Kelly	16,040	-	-	1,444	-	-	-	-	17,484
K Dundo	16,040	-	-	1,444	-	-	-	-	17,484
M L Gasson (ii)	12,500	-	-	21,125	-	-	-	-	33,625
G W Cobbledick (iii)	8,333	-	-	750	-	-	-	-	9,083
Executive Officers (excluding Directors)									
G E Weston, General Manager AMC, Ace Drilling Supplies & Surtron Technologies	179,423	20,000	8,574	16,148	-	-	-	-	224,145
I Tan, General Manager Imdex Minerals	29,423	-	-	2,648	-	-	-	-	32,071
R Hancock, General Manager Imdex Minerals	102,072	-	2,023	7,902	-	-	-	-	111,997

Directors' Report

- (i) Mr H H Al-Merry is the President and owner of Rashid Trading Establishment (RTE), which is involved in a Joint Venture with Imdex Limited in the Middle East. Mr Al-Merry is remunerated directly by the RTE/Imdex Joint Venture;
- (ii) Mr M L Gasson resigned from the Company on 14 January 2004;
- (iii) Mr G W Cobbledick resigned from the Company on 30 October 2003;
- (iv) Mr I Tan was appointed as the General Manager of Imdex Minerals on 14 April 2004; and
- (v) Mr R Hancock was terminated from Imdex Minerals on 25 March 2004.

(e) Principal Activities

The Consolidated Entity's principal continuing activities during the course of the financial year were the manufacturing and sale of a range of drilling products and services and minerals processing.

(f) Review of Operations

A review of the operations for the financial year together with future prospects is contained in the Chairman's Report and Managing Director's Review.

(g) Dividends

No dividends were paid or declared by the Company during the year (2003 \$Nil). The Directors do not recommend the payment of a dividend in respect of the financial year ended 30 June 2004.

(h) Changes in State Of Affairs

During the financial year there was no significant change in the state of affairs of the Consolidated Entity other than referred to in the Financial Statements or notes thereto.

(i) Subsequent Events

On 5 July 2004, Imdex Limited announced to the ASX that it had signed a Heads of Agreement with Rashid Trading Establishment (RTE) to re-structure the existing RTE/Imdex Limited Joint Venture. The proposed re-structure, which is subject to shareholder approval, involves:

- (i) RTE increasing its interest in the Joint Venture from 51% to 80% and accordingly, Imdex reducing its interest in the Joint Venture from 49% to 20%;
- (ii) Imdex cancelling 10,000,000 shares held by Mr H H Al-Merry, the President of RTE and a Director of Imdex. The number of shares on issue in Imdex will be reduced to 110,055,368;
- (iii) RTE paying to Imdex a total of USD\$2.25 million: USD\$1.75 million due on the date that shareholders approve the transaction and USD\$500,000 due on, or before, 31 March 2005; and
- (iv) Imdex subscribing for additional shares in Imdex Arabia with an aggregate subscription price of USD\$750,000.



Directors' Report

Following completion of the proposed re-structure, the value of the capital of Imdex Arabia will be AUD\$10 million, of which Imdex will hold 20% and RTE will hold 80%.

The carrying value of the investment in the RTE/Imdex Joint Venture at 30 June 2004 is AUD\$5.413 million. Following the receipt of the AUD\$2.089 million (net) in cash (items (iii) and (iv) above) and the cancellation of the 10,000,000 shares held by Mr H H Al-Merry totalling approximately AUD\$1.25 million (item (ii) above), the post proposed re-structure carrying value will be AUD\$2.074 million.

Apart from this matter, no other matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the operation of the Consolidated Entity, the results of those operations, the financial position or the state of affairs of the Consolidated Entity in future financial years.

(j) Future Developments

Disclosure of information regarding likely developments in the operations of the Consolidated Entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Consolidated Entity. Accordingly, this information has not been disclosed in this report.

(k) Environmental Regulations

The Consolidated Entity's operations are conducted in environments that are subject to significant environmental regulation under both Commonwealth and State Legislation. The Directors of the Consolidated Entity are conscious of these regulations and understand that good environmental management reduces costs and minimises the impact on the environment.

At its Jandakot facility, in Western Australia, Imdex Minerals, a division of Imdex Limited, carries out toll milling of mineral sands in what is a naturally dusty process. The Jandakot area is also a wind prone location.

Significant efforts continue to minimise dust emission and the impact of dust on the surrounding area. A dust management and control systems audit for the main processing equipment, materials handling and transfer points was conducted in April 2004 by environmental consultants, MPL Pty Ltd (MPL). The MPL report notes the significant changes in housekeeping and dust management already implemented since the recent change of management at Imdex Minerals. A similar audit of the Dust Collectors has been conducted by Advanced Pollution Control. An improvement program is underway to improve the efficiency of these collectors.

Two complaints were received by the Department of Environmental Protection (DEP) during the year. Both complaints related to dust emissions on one of the processing plants. On both occasions, the plant was shut down, corrective action implemented and the DEP consequently recommended no further action be taken over the matter.

Directors' Report

(l) Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary, and all executive officers of the Company and of any related body corporate against a liability incurred as such a Director, Secretary or Executive Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

(m) Rounding Off of Amounts

The Company is a Company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and the financial report are rounded off to the nearest thousand dollars.

Signed in accordance with a resolution of the Directors made pursuant to S.298(2) of the Corporations Act 2001.

On behalf of the Directors



Mr I F Burston

Chairman

PERTH, Western Australia

27 September 2004.

Corporate Governance Statement

(a) ASX Governance Principles and ASX Recommendations

On 31 March 2003, the Australian Stock Exchange Corporate Governance Council released its Principles and Best Practice Recommendations (ASX Recommendations) of Good Corporate Governance. ASX Listing Rule 4.10.3 requires companies to disclose the extent to which they have complied with the ASX Recommendations and to give reasons for not following them.

Imdex commenced the process of assessing the impact of the ASX Recommendations in April 2003 and since that time the various policies and procedures have been reviewed and refined to their current form. The Board of Imdex formally approved and adopted the Company's ASX Principles in late June 2004. As required, the Company has included a Corporate Governance section on its website: www.imdex.com.au (under the "Investor" heading) which includes the relevant documentation suggested by the ASX Recommendations.

Unless otherwise indicated, the Company has formally adopted the ASX Recommendations in late June 2004, although many of them have been in operation for the full year ended 30 June 2004. In its 2003 Annual Report, Imdex reported on the extent to which each of the ASX Recommendations were met and the additional work underway to ensure compliance. The extent to which Imdex has complied with the ASX Recommendations during the year ended 30 June 2004, and the main corporate governance practices in place are set out below.

(b) Principle 1: Lay solid foundation for management and oversight

The Board has implemented a Board Charter that formalises the functions and responsibilities of the Board. The Charter is published on the Company's website.

(c) Principle 2: Structure the Board to add value

Imdex's Board structure is consistent with the ASX Recommendations on Principle 2, with the exception that it does not have a separate nomination committee for the reasons detailed below.

(i) Board Structure

The Board consists of a Non Executive Chairman, three Non Executive Directors and one Executive Director.

In accordance with the Company's Constitution the minimum number of Directors is three. There is no maximum number, although it would be expected that the optimal number of Directors would be five or six.

The names of the Directors of the Company in office at the date of this Statement are set out in the Directors' Report and further details concerning the skills, experience, expertise and term of office of each Director is set out in the Directors' Profiles in the first section of the Annual Report.

(ii) Board Independence

Directors are expected to bring independent judgement to bear in the decision making of the Board. To facilitate this, each Director has the right to seek independent legal advice at the Consolidated Entity's expense with the prior approval of the Chairman, which may not be unreasonably withheld.

In assessing Director independence, materiality has been determined from both a quantitative and qualitative perspective. An amount of over 5% of turnover is considered material. Similarly, a transaction of any amount, or a relationship, is deemed material if knowledge of it impacts, or may impact, the Shareholders' understanding of the Director's performance. The Board has conducted a review of each Director's independence and reports as follows:

Corporate Governance Statement

Director	Assessment	Existence of any matters contained in ASX Recommendation 2.1 affecting Independence
Mr I F Burston, Non Executive Chairman	Independent	Nil
Mr B W Ridgeway, Managing Director	Not Independent	Managing Director
Mr H H Al-Merry, Non Executive Director	Not Independent	Mr Al-Merry is a substantial shareholder of the Company and the principal of Rashid Trading Establishment which is involved as a Joint Venture partner with the Company in the Middle East.
Mr R Kelly, Non Executive Director	Independent	Nil
Mr K Dundo, Non Executive Director	Independent	Nil

(iii) Board Nomination

The Board does not have a separate nomination committee and, given the Company's size, the Board does not intend to form such a committee. However, the composition of the Board is determined using the following principles:

- The Board should comprise a majority of independent, Non Executive Directors with a broad range of experience, skills and expertise;
- The Chairman of the Board should be an independent, Non Executive Director; and
- The roles of the Chairman and the Managing Director should not be exercised by the same individual.

(iv) Procedure for the selection and appointment of new Directors to the Board

The Company has published on its website, procedures for the selection and appointment of new Directors to the Board. The Company also has terms and conditions which govern the appointment of Non Executive Directors. These are subject to the Company's Constitution and the Corporations Act 2001, and cover: appointment, retirement, Corporate Governance, remuneration, Board meetings and Board Committees.

The Board does not impose on Directors an arbitrary time limit on their tenure. Under the Company's Constitution and the ASX Listing Rules however, each Director must retire by rotation within a three year period following their appointment. In such cases, the Director's nomination for re-election should be based on performance and the needs of the Company.

(d) Principle 3: Promote ethical and responsible decision-making

(i) Code of Conduct

The Company has developed a Code of Conduct that applies to all employees, officers or Directors of the Company. The Code addresses matters relevant to the Company's legal and other obligations to its Shareholders and covers: the way in which we must discharge our duties; compliance with laws; conflicts of interest; confidentiality; insider trading; the use of the Company's resources and the environment, health and safety.

The Code is published on the Company's website.

Corporate Governance Statement

(ii) Share Trading Policy

The Board has developed a Share Trading Policy that restricts Directors and Senior Management to trading in the Company's shares during the one month periods following the annual and half yearly results announcements and the Annual General Meeting. At all other times the Chairman must be approached to determine whether trading at the particular time is appropriate.

The Policy also reminds other staff of the laws applying to insider trading and stipulates that employees must not engage in short term trading of Imdex's shares.

Each of the Directors has signed an agreement requiring them to provide immediate notification to the Company of any changes in securities held, or controlled, by the Director. The Company makes an immediate notification to the ASX providing details of any changes in a Director's shareholding.

The Policy is published on the Company's website.

(e) Principle 4: Safeguard integrity in financial reporting

(i) Statement by the Managing Director and Group Financial Controller

The Managing Director and the Group Financial Controller have signed a declaration to the Board attesting to the fact that the 2004 Annual Financial Report presents a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

(ii) The Audit and Compliance Committee

The Audit and Compliance Committee consists of three independent Non Executive Directors and operates under a formal charter approved by the Board. The Charter is published on the Company's website.

The Committee is chaired by an independent Chairperson who is not the Chairman of the Board of Directors.

The role of the Committee is to advise on the establishment and maintenance of a framework of internal control, risk management protocols and appropriate ethical standards for the management of the Company. It also gives the Board assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies for inclusion in Financial Statements.

The members of the Audit Committee during the year and at the date of this Statement were:

- Mr K Dundo (Chairman), joined the Committee on 14 January 2004 when he was appointed as a Director;
- Mr I F Burston;
- Mr R Kelly, joined the Committee on 14 January 2004 when he was appointed as a Director;
- Mr M L Gasson, was Chairman of the Committee until his resignation as a Director on 14 January 2004;
- Mr G W Cobbledick, was a Committee member until his resignation as a Director on 30 October 2003.

The experience and qualifications of each committee member is set out in the Directors' Profiles in the first section of the Annual Report. The external auditors, the Managing Director and the Group Financial Controller are invited to Audit Committee meetings at the discretion of the Committee. The Audit Committee met three times during the year as set out in the Directors' Report.

Corporate Governance Statement

(iii) External Auditors

The Board reviews the performance, skills, cost and other matters when assessing the appointment of external auditors. This review is generally undertaken at the completion of the preparation of the annual Financial Statements and involves discussions with the auditors and the Consolidated Entity's senior management. Information concerning the selection and appointment of external auditors is published on the Company's website.

The external auditors are invited to attend the Annual General Meeting of the Company and to be available to answer questions from Shareholders.

(f) Principle 5: Make timely and balanced disclosure

(i) Continuous disclosure policies and procedures

The Company has developed procedures to ensure that it complies with the disclosure requirements of the ASX Listing Rules. The procedures are published on the Company's website.

The procedures set out who is responsible for determining whether information is of a type or nature that requires disclosure, the Board's role in reviewing the information disclosed to ASX and the procedures for ensuring that the information is released to the ASX.

All information disclosed to the ASX is published to the Company's website as soon as practicable.

(g) Principle 6: Respect the rights of Shareholders

(i) Shareholder Communications Strategy

The Board of Directors aims to ensure that Shareholders are informed of all major developments affecting the Consolidated Entity's state of affairs. Information is communicated to Shareholders through:

- the Annual Report distributed to all Shareholders (unless a Shareholder has specifically requested not to receive the Report). The Board ensures that the Annual Report includes relevant information about the operations of the Consolidated Entity during the year, changes in the state of affairs of the Consolidated Entity and details of future developments, in addition to the other disclosures required by the Corporations Act 2001;
- the Half-Yearly report which contains summarised financial information and a review of the operations of the Consolidated Entity during the period. Half year audited Financial Statements prepared in accordance with the requirements of Accounting Standards and the Corporations Act 2001 are lodged with the Australian Securities & Investments Commission and the Australian Stock Exchange. The Financial Statements are sent to any Shareholder who requests them;
- regular reports released through the ASX and the media;
- proposed major changes in the Consolidated Entity, which may impact on share ownership rights are submitted to a vote of Shareholders; and
- the Board encourages full participation by Shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Consolidated Entity's strategy and goals. Important issues are presented to the Shareholders as single resolutions. The Shareholders are responsible for voting on the appointment of Directors.

Further information concerning the Company and the full text of the various announcements and reports referred to above are available on the Company's website: www.imdex.com.au. Further information can also be obtained by emailing the Company at: imdex@imdex.com.au

The Company's Shareholder Communications Strategy is published on the Company's website.

Corporate Governance Statement

(h) Principle 7: Recognise and manage risk

(i) Risk oversight and management policies

The Board has sought to minimise the business' risks by focusing on the Company's core business, making changes as outlined in the Chairman's Report and the Managing Director's Report. The Board is responsible for ensuring that the Company's risk management systems are adequate and operating effectively.

The Company Secretary and the Group Financial Controller have been instructed by the Audit Committee to develop a targeted internal control review programme for the Imdex Group; to conduct such a review and to report the findings to the Committee.

Apart from this action, the Company does not have a separate internal audit function and, given the Company's size, the Board does not intend to implement such a function.

The Board believes that through the Board itself, the Audit Committee and the external auditors there is adequate oversight of the Company's risk management and internal controls.

The risk management policy is published on the Company's website.

(ii) Statement by the Managing Director and Group Financial Controller

The Managing Director and the Group Financial Controller have signed a declaration to the Board attesting to the fact that the integrity of financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board, and that the system is operating efficiently and effectively in all material respects.

(i) Principle 8: Encourage enhanced performance

(i) Performance evaluation of the Board, its Committees, individual Directors and key executives

There is a regular process to enable the Chairman to discuss and evaluate with each Director their contribution to the Board and to enable that Director to comment on all facets of the operation of the Board.

Given the recent changes in the composition of the Board a performance evaluation was not conducted during the period, of individual directors, including the Managing Director.

Given the Company's size, the Board considers that this process is adequate and does not envisage forming a Nomination Committee to perform this function.

All other Executives, and all staff of the Company, are subject to formal annual reviews of their performance.

The description of the process for performance evaluation is published on the Company's website.

(j) Principle 9: Remunerate fairly and responsibly

(i) Company's remuneration policies

Details on the remuneration of Directors are set out in Note 25.

The Managing Director's remuneration is determined by the Chairman who seeks independent advice on the appropriateness of the Managing Director's salary package as required.

The Managing Director's remuneration is currently a fixed monetary total that is not linked to the Company's performance. It is the intention of the Remuneration Committee to review the Managing Director's remuneration, including the extent to which it is linked to the Company's performance, during the year ended 30 June 2005.

Corporate Governance Statement

The remuneration of key executives generally comprises a fixed monetary total, although bonuses related to the performance of the Company may be agreed between that executive and the Company from time to time.

Details concerning the remuneration of Non Executive Directors is set out in this statement.

The Board seeks the approval of Shareholders, where required, in relation to the aggregate of Directors fees and option allocations to staff and Directors.

(ii) Remuneration Committee

The Remuneration Committee consists of three Non-Executive Directors and assists the Board in determining executive remuneration policy, determining the remuneration of Executive Directors and reviewing and approving the remuneration of senior management.

The members of the Committee during the year and at the date of this Statement were:

Mr I F Burston (Chairman);

Mr K Dundo, joined the Committee on 14 January 2004 when he was appointed as a Director;

Mr R Kelly, joined the Committee on 14 January 2004 when he was appointed as a Director;

Mr M L Gasson, was Committee member until his resignation as a Director on 14 January 2004;

Mr G W Cobbledick, was a Committee member until his resignation as a Director on 30 October 2003.

The experience and qualifications of each committee member is set out in the Directors' Profiles in the first section of the Annual Report.

Due to the recent appointment of Mr Kelly and Mr Dundo to the Board, the Remuneration Committee did not formally meet during the year. Decisions relating to remuneration were instead dealt with by the Board.

The Remuneration Committee Charter is published on the Company's website.

(iii) Non Executive Director's remuneration

The terms and conditions governing the remuneration of Non Executive Director's are set out in their appointment letter.

With the exception of Mr M L Gasson, who resigned as a Director on 14 January 2004, all Non Executive Directors are remunerated by way of fixed cash fees and statutory superannuation contributions only. In addition, Non Executive Directors are not provided with retirement benefits other than statutory superannuation.

A benefit of \$20,000 was paid to Mr M L Gasson in connection with his retirement from the Board. This payment was for past services provided to the Company and did not exceed the payment limit set by section 200G(2) of the Corporations Act 2001. This payment has been included in the Directors' and Executives' remuneration set out in the Directors' Report and in Note 25.

The Chairman, Mr I F Burston, holds 1,000,000 options in the Company that were allotted on 25 October 2001 and expire on 24 October 2004. Apart from Mr Burston, no other Non Executive Director holds options in the Company.

(k) Principle 10: Recognise the legitimate interests of stakeholders

(i) Code of Conduct

As set out in Principle 3 above, the Company has developed and published to its website a Code of Conduct.

Independent Audit Report

Deloitte

Deloitte Touche Tohmatsu
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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF IMDEX LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cashflows, accompanying notes to the financial statements, and the directors' declaration for both Imdex Limited (the company) and the consolidated entity, for the financial year ended 30 June 2004 as set out on pages 30 to 74. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Member of
Deloitte Touche Tohmatsu

The liability of Deloitte Touche Tohmatsu, is limited by, and to the extent of,
the Accountants' Scheme under the Professional Standards Act 1994 (NSW).

Independent Audit Report

Deloitte.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of Imdex Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



DELOITTE TOUCHE TOHMATSU



K F JONES
Partner
Chartered Accountants

Perth, Western Australia, 27 September 2004

Directors' Declaration

The Directors declare that:

- (i) the attached financial statements and notes thereto comply with accounting standards;
- (ii) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Company and the Consolidated Entity;
- (iii) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- (iv) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to S.295(5) of the Corporations Act 2001.

On behalf of the Directors



Mr I F Burston

Chairman

PERTH, Western Australia

27 September 2004.

Statements of Financial Performance

for the year ended 30 June 2004

	Note	Consolidated		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue from sale of goods	2	33,423	26,297	12,275	11,032
Revenue from rendering of services	2	5,948	4,326	-	-
Other revenue from ordinary activities	2	460	288	1,110	941
Total Revenue		39,831	30,911	13,385	11,973
Share of net loss of equity accounted investments	15	292	894	-	-
Write down of the investment in the RTE/Imdex Joint Venture to recoverable amount	15	3,108	-	3,108	-
Prior year adjustments relating to Imdex Minerals	2	2,796	-	2,796	-
Raw materials and consumables used		19,338	14,315	5,798	4,405
Other expenses from ordinary activities	2	8,837	6,163	4,853	3,074
Employee benefits expenses		6,739	5,676	2,565	2,390
Depreciation and amortisation expenses	2	1,938	1,834	1,034	1,043
Borrowing costs	2	559	551	420	465
Profit/(Loss) from ordinary activities before related income tax expense		(3,776)	1,478	(7,189)	596
Income tax benefit/(expense) relating to ordinary activities	5	87	(570)	289	(4)
Profit/(Loss) from ordinary activities after related income tax expense		(3,689)	908	(6,900)	592
Net Profit/(Loss)		(3,689)	908	(6,900)	592
Net profit attributable to outside equity interests		-	-	-	-
Net Profit/(Loss) attributable to members of the Parent Entity	22	(3,689)	908	(6,900)	592
Total Changes in Equity Other than those Resulting from Transactions with Owners as Owners		(3,689)	908	(6,900)	592

		Consolidated	
		2004 Cents Per Share	2003 Cents Per Share
Basic Earnings per Share (cents)			
Ordinary Shares	6	(3.07)	0.76
Diluted Earnings per Share (cents)			
Ordinary Shares	6	(3.07)	0.76

The Statements of Financial Performance are to be read in conjunction with the notes to the Financial Statements.

Statements of Financial Position

as at 30 June 2004

	Note	Consolidated		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current Assets					
Cash Assets	7	56	325	35	42
Receivables	8	9,355	7,617	2,548	2,915
Inventories	9	6,340	6,723	947	3,345
Current Tax Assets	11	-	-	22	-
Other	12	7	42	-	39
Total Current Assets		15,758	14,707	3,552	6,341
Non Current Assets					
Receivables	8	-	-	-	2,243
Other Financial Assets	10	5,413	8,811	6,917	10,029
Property, Plant and Equipment	13	11,771	12,027	7,429	8,164
Exploration, Evaluation and Development Expenditure	14	641	686	641	686
Deferred Tax Assets	11	595	605	260	263
Total Non Current Assets		18,420	22,129	15,247	21,385
Total Assets		34,178	36,836	18,799	27,726
Current Liabilities					
Payables	16	7,221	5,645	2,482	2,031
Interest Bearing Liabilities	17	4,429	3,171	3,898	3,042
Current Tax Liabilities	11	39	561	-	236
Provisions	18	639	595	203	213
Total Current Liabilities		12,328	9,972	6,583	5,522
Non Current Liabilities					
Interest Bearing Liabilities	17	3,239	4,460	4,405	7,439
Deferred Tax Liabilities	11	370	489	370	421
Provisions	18	130	115	50	53
Total Non Current Liabilities		3,739	5,064	4,825	7,913
Total Liabilities		16,067	15,036	11,408	13,435
Net Assets		18,111	21,800	7,391	14,291
Equity					
Contributed Equity	20	21,058	21,058	21,058	21,058
Reserves	21	8	8	8	8
Retained Profits	22	(2,955)	734	(13,675)	(6,775)
Total Equity		18,111	21,800	7,391	14,291

The Statements of Financial Position are to be read in conjunction with the notes to the Financial Statements.

Statements of Cash Flows

for the year ended 30 June 2004

	Note	Consolidated		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cash flows from Operating Activities					
Receipts from customers		40,747	32,218	13,699	11,992
Other income		-	-	840	840
Payments to suppliers and employees		(38,366)	(29,487)	(13,982)	(12,140)
Interest received		-	12	-	10
Interest and other costs of finance paid		(378)	(407)	(376)	(405)
Income taxes paid		(543)	(131)	(14)	(27)
Net cash provided by Operating Activities	32	1,460	2,205	167	270
Cash flows from Investing Activities					
Payments for property, plant and equipment		(1,926)	(2,162)	(463)	(770)
Proceeds from disposal of property, plant and equipment		343	223	270	91
Proceeds from sale of shares		-	54	-	54
Proceeds from disposal of Controlled Entities		-	500	-	500
Payments for mine development		-	(150)	-	(150)
Payments for other assets/investments – Saudi Arabia, Dubai		-	(1,325)	-	(1,325)
Net cash used in Investing Activities		(1,583)	(2,860)	(193)	(1,600)
Cash flows from Financing Activities					
Advances from Controlled Entities		-	-	757	906
Repayments hire purchase and lease borrowings		(1,234)	(868)	(522)	(386)
Proceeds from borrowings		2,176	3,806	1,122	2,726
Repayment of borrowings		(1,250)	(1,000)	(1,250)	(1,000)
Net cash provided by/(used in) Financing Activities		(308)	1,938	107	2,246
Net Increase/(Decrease) in Cash Held		(431)	1,283	81	916
Cash at the beginning of the financial year	32	(1,022)	(2,305)	(1,648)	(2,564)
Cash at the end of the financial year	32	(1,453)	(1,022)	(1,567)	(1,648)

The Statements of Cash Flows are to be read in conjunction with the notes to the Financial Statements.

Notes to the Financial Statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Reporting Framework

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or fair values of non current assets. Cost is based on the fair values of the consideration given in exchange for assets.

(b) Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies have been consistently applied by each entity in the Consolidated Entity and, except where there is a change in accounting policy, are consistent with the previous year. Comparative information has been restated where applicable to ensure consistency.

The significant policies which have been adopted in the preparation of this Financial Report are as follows:

(c) Principles of Consolidation

The consolidated Financial Statements are prepared by combining the financial statements of all the entities that comprise the Consolidated Entity, being the Company (the Parent Entity) and its controlled entities as defined in Accounting Standard AASB 1024 'Consolidated Accounts'. A list of controlled entities appears in Note 23 to the Financial Statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated Financial Statements.

The consolidated Financial Statements include the information and results of each controlled entity from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated Financial Statements, all intercompany balances and transactions, and unrealised profits arising within the Consolidated Entity are eliminated in full.

(d) Revenue Recognition

Revenue is recognised at the fair value of the consideration received net of the amount of Goods and Services Tax (GST). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

(i) Sale of goods

Revenues from sale of goods are recognised (net of returns of discounts and allowances) when the control of goods passes to the customer.

(ii) Rendering of services

Revenue from rendering services is recognised in the period when the service is provided, having regard to the stage of completion of the contract.

(iii) Interest income

Interest income is recognised as it accrues.

Notes to the Financial Statements

(iv) Sale of Non Current Assets

The gross proceeds of non current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(e) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statements of Financial Position. Cash flows from operating activities are included in the Statements of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(f) Taxation

The Consolidated Entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income.

The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the Statement of Financial Position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the assets is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain.

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to the Company. Further details concerning the impact of this legislation on the Company are set out at Note 5.

(g) Acquisition of Assets

(i) Acquisition

All assets acquired, including property, plant and equipment are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

The costs of assets constructed or internally generated by the Consolidated Entity, include the cost of materials and direct labour.

Directly attributable overheads and other incidental costs are also capitalised to the asset.

Expenditure including that on internally generated assets, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be reliably measured. Costs attributable to feasibility and alternative approach assessment are expensed as incurred.

Notes to the Financial Statements

(iii) Subsequent Additional Costs

Costs incurred on property, plant and equipment subsequent to initial acquisition are capitalised when it is probable that future economic benefits, in excess of the originally assessed performance of the asset, will flow to the Consolidated Entity in future years. Where these costs represent separate components they are accounted for as separate assets and are separately depreciated over their useful lives.

(h) Depreciation and Amortisation

(i) Useful Lives

All assets have limited useful lives and are depreciated using the straight line or diminishing value method over their estimated useful lives, with the exception of carried forward exploration, evaluation and development costs on areas of interest in production which is amortised on a units of production basis over the life of the economically recoverable reserves and finance lease assets which are amortised over the term of the relevant lease, or where it is likely the Consolidated Entity will obtain ownership of the asset, the life of the asset.

Assets are depreciated or amortised from the date of acquisition.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until commercial production commences.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed, except to the extent that they are included in the carrying amount of another asset as an allocation of production overheads.

(ii) The depreciation/amortisation rates used for each class of asset are as follows:

	2004	2003
Buildings	2.5%	2.5%
Plant and Equipment	10% - 40%	10% - 40%
Leased Plant and Equipment	13% - 22.5%	13% - 22.5%

(i) Leased assets

Leases of plant and equipment under which the Company or its Controlled Entities assume substantially all of the risks and benefits of ownership, are classified as finance leases. Other leases are classified as operating leases.

(i) Finance Leases

Finance leases are capitalised. A lease asset and liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed as incurred. Finance lease assets are amortised on a straight line basis over the estimated useful life of the asset.

(ii) Operating Leases

Payments made under operating leases are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased assets are consumed.

Notes to the Financial Statements

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost includes direct materials, direct labour, other direct variable costs and allocated production overheads necessary to bring inventories to their present location and condition, based on normal operating capacity of the production facilities.

(i) *Manufacturing activities*

The cost of manufacturing inventories and work in progress are assigned on a first in, first out basis. Costs arising from exceptional wastage are expensed as incurred.

(ii) *Mining activities*

The cost of mining inventories is determined using a weighted average basis.

(iii) *Net realisable value*

Net realisable value is determined on the basis of each inventory line's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

(k) Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development costs are accumulated in respect of each separate area of interest.

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Development costs related to an area of interest are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest.

When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

Provisions are made for mine site rehabilitation and restoration on an incremental basis during the course of mine life (which includes the mine closure phase). Provisions, which are determined on an undiscounted basis, include the following costs: reclamation, plant closure, waste site closure and monitoring activities. These costs have been determined on the basis of current costs, current legal requirements and current technology. Changes in estimates are dealt with on a prospective basis.

Notes to the Financial Statements

(l) Recoverable Amounts of Non Current Assets

The carrying amounts of non current assets valued on the cost basis, other than exploration and evaluation expenditure carried forward, are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write down is expensed in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non current assets, the relevant cash flows have not been discounted to their present value, except where specifically stated.

(m) Employee Benefits

The provision for employee benefits to wages, salaries, annual leave and other employee benefits represents the amount which the Consolidated Entity has a present obligation to pay resulting from employees' services provided up to the balance date. Provisions expected to be settled within 12 months, are calculated at nominal amounts based on the remuneration rate expected to apply at the time of settlement.

The liability for employee benefits to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employee's services provided up to the balance date.

Liabilities for employee benefits which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the liability for employee entitlements, consideration has been given to future increases in wages and salary rates, and the Consolidated Entity's experience with staff departures. Related on-costs have also been included in the liability.

(i) Employee Share and Option Plans

Imdex Limited has granted options to certain employees under an Employee Share Option Plan. Further information is set out in Note 27 to the Financial Statements. Other than the costs incurred in administering the plan, which are expensed when incurred, the plan does not result in any expense being recognised in the financial report of the Consolidated Entity.

(ii) Superannuation Plan

The Company and other Controlled Entities contribute to several defined contribution Superannuation plans.

Contributions are charged as an expense as they are incurred. Further information is set out in Note 26.

Notes to the Financial Statements

(n) Financial instruments issued by the Company

(i) Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

(ii) Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would normally not have been incurred had those instruments not been issued.

(iii) Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the Statement of Financial Position classification of the related debt or equity instrument.

(o) Investments

(i) Controlled Entities

Investments in Controlled Entities are carried in the Company's Financial Statements at the lower of cost and recoverable amount.

(ii) Other Companies

Investments in other unlisted companies are carried at the lower of cost and recoverable amount.

(iii) Associates

Associates are those entities, other than partnerships, over which the Consolidated Entity exercises significant influence and which are not intended for sale in the near future.

In the Consolidated Financial Statements, investments in associates are accounted for using equity accounting principles.

Investments in associates are carried at the lower of the equity accounted amount and recoverable amount.

The Consolidated Entity's equity accounted share of the associates' net profit or loss is recognised in the consolidated statement of financial performance from the date significant influence commences until the date significant influence ceases. Other movements in reserves are recognised directly in consolidated reserves.

(iv) Dividend Revenue

Dividend revenue is recognised on a receivable basis.

Notes to the Financial Statements

(p) Joint Ventures

Interests in joint venture entities that are:

- (i) Partnerships are accounted for under the equity method in the company and the consolidated Financial Statements; and
- (ii) Not partnerships are accounted for under the equity method in the consolidated Financial Statements and the cost method in the company Financial Statements.

(q) Accounts Payable

Trade payables and other accounts payable are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services.

(r) Provisions

Provisions are recognised when the Consolidated Entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

(s) Foreign Currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date.

Exchange differences are recognised in net profit or loss in the period in which they arise except that:

- (i) exchange differences which relate to assets under construction for future productive use are included in the cost of those assets; and
- (ii) exchange differences on transactions entered into in order to hedge the purchase or sale of specific goods and services are deferred and included in the measurement of the purchase or sale.

(t) Interest Bearing Liabilities

Bills of exchange are recorded at an amount equal to the net proceeds received, with the premium or discount amortised over the period until maturity. Interest expense is recognised on an effective yield basis.

Debentures, bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing.

(u) Receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

Notes to the Financial Statements

2. PROFIT FROM ORDINARY ACTIVITIES

Profit from ordinary activities before income tax includes the following items of revenue:

Operating Revenue

Sale of goods
Rendering of services

Non Operating Revenue

Interest from other parties
Gross proceeds from sale of non-current assets
Management fees from Controlled Entities
Grants received
Other revenue

Total Revenue from Ordinary Activities

Profit from ordinary activities before income tax includes the following items of revenue and expense

Net foreign exchange loss
Net (gain)/loss on disposal of non-current assets – property, plant and equipment

Depreciation of non-current assets
- buildings
- plant and equipment

Consolidated		Company	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
33,423	26,297	12,275	11,032
5,948	4,326	-	-
39,371	30,623	12,275	11,032
-	12	-	10
343	223	270	91
-	-	840	840
59	53	-	-
58	-	-	-
460	288	1,110	941
39,831	30,911	13,385	11,973
87	73	67	25
(55)	(92)	62	19
102	94	102	94
1,131	1,246	708	763
1,233	1,340	810	857

Notes to the Financial Statements

Amortisation of:

- leased assets
- exploration, evaluation and development expenditure

Total Depreciation/Amortisation

Borrowing costs:

- hire purchase liabilities
- other parties

Cost of sales

Bad debts written off – trade debtors

Provisions

- Doubtful debts
- Stock obsolescence

Operating lease rental expense

Other Expenses from Other Activities

Commissions

Consultancy fees

Electricity

Repairs and maintenance

Rent and premises costs

Insurance

Freight

Communication

Travel and accommodation

Foreign exchange loss

Other expenses

Consolidated		Company	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
661	458	179	150
44	36	45	36
705	494	224	186
1,938	1,834	1,034	1,043
181	144	44	60
378	407	376	405
559	551	420	465
25,083	19,303	8,148	6,910
30	9	30	6
28	55	14	131
80	65	15	-
504	390	225	202
608	399	210	97
656	404	266	192
414	318	411	301
714	428	470	268
770	702	277	270
276	232	140	117
575	186	436	97
305	285	139	141
801	564	99	51
87	58	67	25
3,631	2,587	2,338	1,515
8,837	6,163	4,853	3,074

Notes to the Financial Statements

Prior year adjustments relating to Imdex Minerals

Consolidated		Company	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
2,796	-	2,796	-

In March 2004, discrepancies in the recorded value of stock and debtors, totalling \$4.06 million, were uncovered at Imdex Minerals, a division of Imdex Limited. Of this total, \$1.3 million relates to the current financial year (stock \$0.5 million; debtors \$0.8 million), and \$2.8 million relates to prior financial years (stock \$2.2 million; debtors \$0.6 million). The background and rectification measures initiated by Directors as a result of the discrepancies have been the subject of previous announcements to the ASX. Due to the nature of the discrepancies, and the periods to which they relate, it is impracticable to restate the comparative information relating to prior financial years.

3. SALES OF ASSETS

Sales of assets in the ordinary course of business have given rise to the following profits and losses:

Net profits

Investments

Property, plant and equipment

Consolidated		Company	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
-	-	-	1
55	92	62	-
55	92	62	1

Net losses

Property, plant and equipment

Consolidated		Company	
2004 \$	2003 \$	2004 \$	2003 \$
59,185	50,425	59,185	50,425
600	25,420	600	25,420
22,840	-	22,840	-
82,625	75,845	82,625	75,845

4. AUDITORS' REMUNERATION

Audit services:

- Auditors of the Company – Deloitte Touche Tohmatsu

Other services:

- Auditors of the Company – KPMG

- Auditors of the Company – Deloitte Touche Tohmatsu

Notes to the Financial Statements

5. INCOME TAX

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the Financial Statements as follows:

Profit/(loss) from ordinary activities before tax
Income tax expense/(benefit) calculated at 30%

Permanent Differences

Tax benefit of losses transferred to a controlled entity
Prior years adjustments relating to Imdex Minerals
Non-deductible write down of the investment in the RTE/Imdex Joint Venture
Non-deductible share of RTE/Imdex Joint Venture losses
Recoverable amount write off – fixed assets
Deductible share raising costs
Taxable/(Non taxable) income
Other items
Recognition of net timing differences not previously brought to account
(Over)/under provision of income tax in previous year
(Over)/under provision of income tax in previous year – relating to the prior years stock and debtors write-downs at Imdex Minerals
(Over)/under provision of income tax in previous year – relating to loss transfers between entities in the wholly owned group
Income tax expense/(benefit) relating to ordinary activities

Future income tax benefits not brought to account as assets:

Tax losses – revenue
Tax losses – capital
Timing differences

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Profit/(loss) from ordinary activities before tax	(3,776)	1,478	(7,189)	596
Income tax expense/(benefit) calculated at 30%	(1,133)	443	(2,157)	179
Permanent Differences				
Tax benefit of losses transferred to a controlled entity	(25)	-	395	-
Prior years adjustments relating to Imdex Minerals	788	-	788	-
Non-deductible write down of the investment in the RTE/Imdex Joint Venture	932	-	932	-
Non-deductible share of RTE/Imdex Joint Venture losses	87	247	-	-
Recoverable amount write off – fixed assets	-	2	-	4
Deductible share raising costs	(13)	(13)	(13)	(13)
Taxable/(Non taxable) income	31	7	4	7
Other items	38	31	27	17
Recognition of net timing differences not previously brought to account	-	(194)	-	(190)
(Over)/under provision of income tax in previous year	(4)	47	4	-
(Over)/under provision of income tax in previous year – relating to the prior years stock and debtors write-downs at Imdex Minerals	(788)	-	(788)	-
(Over)/under provision of income tax in previous year – relating to loss transfers between entities in the wholly owned group	-	-	519	-
Income tax expense/(benefit) relating to ordinary activities	(87)	570	(289)	4
Future income tax benefits not brought to account as assets:				
Tax losses – revenue	-	-	-	-
Tax losses – capital	135	135	135	135
Timing differences	-	-	-	-

Notes to the Financial Statements

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

- (i) assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- (ii) conditions for deductibility imposed by the law are complied with; and
- (iii) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

Tax Consolidation System

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. The company and its wholly-owned Australian resident entities are eligible to consolidate for tax purposes under this legislation and the Directors of these entities consider it likely that they will elect to implement the tax consolidation system in due course.

However, at the date of this report the Directors have not yet finalised an assessment of the financial effect that implementation may have on the company and the consolidated entity. Accordingly, the Directors have not made a final formal decision whether or not to implement the tax consolidation system, and if so, from which date implementation would occur. As a result, only the financial effects of the mandatory aspects of the enabling legislation has been recognised in the financial statements and no adjustment has been made to recognise the financial effects that may arise from the implementation of the tax consolidation system.

In the event that the tax consolidation system is implemented, the company is likely to become the 'head entity' of the tax-consolidated group, and has agreed to compensate each wholly-owned subsidiary for the carrying amount of its deferred tax balances.

Notes to the Financial Statements

6. EARNINGS PER SHARE

Basic earnings per share
Diluted earnings per share

Basic Earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

Earnings

Weighted average number of ordinary shares

- (a) Earnings used in the calculation of basic earnings per share reconciles to the net result in the statement of financial performance as follows:
- Net profit/(loss)
Earnings used in the calculation of basic EPS

Diluted Earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

Earnings

Weighted average number of ordinary shares

- (a) Earnings used in the calculation of diluted earnings per share reconciles to net profit in the statement of financial performance as follows:
- Net profit
Earnings used in the calculation of diluted EPS
Options outstanding to Directors and Employees, under their respective option plans, have been classified as potential ordinary shares and considered for the purpose of calculating the diluted earnings per share only.

Consolidated	
2004 Cents Per Share	2003 Cents Per Share
(3.07)	0.76
(3.07)	0.76

Consolidated	
2004 \$'000	2003 \$'000
(3,689)	908

(a)

2004 Number	2003 Number
120,055,368	118,752,211

2004 \$'000	2003 \$'000
(3,689)	908
(3,689)	908

2004 \$'000	2003 \$'000
(3,689)	908

(a)

2004 Number	2003 Number
120,055,368	118,752,211

(b) (c)

2004 \$'000	2003 \$'000
(3,689)	908
(3,689)	908

Notes to the Financial Statements

- (b) Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

Weighted average number of ordinary shares used in the calculation of basic EPS

Shares deemed to be issued for no consideration in respect of employee and director options

Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS

- (c) The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares used in the calculation of diluted earnings per shares

Employee and Director options

2004 Number	2003 Number
120,055,368	118,752,211
-	-
120,055,368	118,752,211
3,000,000	6,050,000

7. CASH ASSETS

Consolidated		Company	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
56	325	35	42

8. RECEIVABLES

Current

Receivables

Allowance for doubtful debts

Other receivables

Non-current

Loans to Controlled Entity

Consolidated		Company	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
9,765	8,151	2,789	3,116
(557)	(592)	(252)	(247)
9,208	7,559	2,537	2,869
147	58	11	46
9,355	7,617	2,548	2,915
-	-	-	2,243

Notes to the Financial Statements

9. INVENTORIES

Current

Raw material – (at cost)
Finished goods – (at cost)

Consolidated		Company	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
6,660	1,296	1,215	1,296
(320)	5,427	(268)	2,049
6,340	6,723	947	3,345

10. OTHER FINANCIAL ASSETS

Non-current: at recoverable amount (i)

Investment in Other Entities – RTE/Imdex Saudi Arabian Joint Venture (ii)
Investments in Controlled Entities – at recoverable amount

Consolidated		Company	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
5,413	8,811	6,593	9,705
-	-	324	324
5,413	8,811	6,917	10,029

(i) Based on the Directors conservative estimate of the discounted future cash flows arising from each asset.

(ii) Refer to Note 15 for accounting treatment of investments accounted for using the equity method.

11. TAX ASSETS/LIABILITIES

Current tax assets

Tax refund receivable

Non-current tax assets

Future income tax benefit arising from timing differences

Current tax liabilities

Tax payable

Non-current

Deferred tax liability

Consolidated		Company	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
-	-	22	-
595	605	260	263
39	561	-	236
370	489	370	421

12. OTHER ASSETS

Prepayments

Consolidated		Company	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
7	42	-	39

Notes to the Financial Statements

13. PROPERTY, PLANT AND EQUIPMENT

Gross Carrying Value

Balance at 30 June 2003
Additions
Disposals
Transfer
Balance at 30 June 2004

Accumulated Depreciation/Amortisation

Balance at 30 June 2003
Disposals
Depreciation expense
Transfer
Balance at 30 June 2004

Net book value

As at 30 June 2003
As at 30 June 2004

Consolidated					
Freehold Land at cost (i)	Freehold Buildings at cost (i)	Plant and Equipment at cost	Equipment under hire purchase at cost	Capital works in progress at cost	TOTAL
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
875	2,920	12,576	4,106	414	20,891
-	-	1,169	757	-	1,926
-	-	(466)	(237)	-	(703)
-	358	(364)	467	(414)	47
875	3,278	12,915	5,093	-	22,161
-	642	7,092	1,130	-	8,864
-	-	(321)	(94)	-	(415)
-	102	1,131	661	-	1,894
-	-	-	47	-	47
-	744	7,902	1,744	-	10,390
875	2,278	5,484	2,976	414	12,027
875	2,534	5,013	3,349	-	11,771

Company

Gross Carrying Value

Balance at 30 June 2003
Additions
Disposals
Transfer
Balance at 30 June 2004

Freehold Land at cost (i)	Freehold Buildings at cost (i)	Plant and Equipment at cost	Equipment under hire purchase at cost	Capital works in progress at cost	TOTAL
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
875	2,920	7,375	1,586	414	13,170
-	-	322	141	-	463
-	-	(365)	(137)	-	(502)
-	358	56	7	(414)	7
875	3,278	7,388	1,597	-	13,138

Notes to the Financial Statements

Accumulated Depreciation/ Amortisation

Balance at 30 June 2003
Disposals
Depreciation expense
Transfer
Balance at 30 June 2004

Net book value

As at 30 June 2003
As at 30 June 2004

Company					
Freehold Land at cost (i)	Freehold Buildings at cost (i)	Plant and Equipment at cost	Equipment under hire purchase at cost	Capital works in progress at cost	TOTAL
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
-	642	3,985	379	-	5,006
-	-	(247)	(46)	-	(293)
-	102	708	179	-	989
-	-	-	7	-	7
-	744	4,446	519	-	5,709
875	2,278	3,390	1,207	414	8,164
875	2,534	2,942	1,078	-	7,429

- (i) Land and buildings located at 7-15 Spencer Street, Jandakot, Western Australia and 1 Tichbourne Street, Jandakot, Western Australia, were independently valued in September 2002 by N F Freshwater AAPI (Certified Practising Valuer), of Jones Lang LaSalle, on the basis of existing use at \$3,450,000. At 30 June 2004 the carrying value of the land and buildings was \$3,409,000.

Aggregate depreciation/amortisation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:

Freehold Buildings
Plant and Equipment
Equipment under finance lease

Consolidated		Company	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
102	94	102	94
1,131	1,246	708	763
661	458	179	150
1,894	1,798	989	1,007

Notes to the Financial Statements

14. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

Costs carried forward in respect of areas of interest in production phase:

- At cost
- Accumulated amortisation

Cost

Balance at the beginning of the financial year

Expenditure incurred

Balance at the end of the financial year

Accumulated Amortisation

Balance at the beginning of the financial year

Amortisation charge

Balance at the end of the financial year

Consolidated		Company	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
894	894	894	894
(253)	(208)	(253)	(208)
641	686	641	686
894	744	894	744
-	150	-	150
894	894	894	894
208	172	208	172
45	36	45	36
253	208	253	208

No Government subsidies or grants were received in respect of these areas of interest.

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Details of Joint Venture entities

Name	Note	Principal Activities	Balance Date	Percentage interest held		Investment Carrying Amount	
				2004 %	2003 %	2004 \$'000	2003 \$'000
RTE/Imdex Saudi Arabian Joint Venture(i)		Oil & Gas	31 Dec	49%	49%	5,413	8,811

- (i) This represents the RTE/Imdex Saudi Arabian Joint Venture in the Kingdom of Saudi Arabia (KSA). The Joint Venture provides drilling fluids and chemicals to the oil and gas business in KSA. Imdex holds a 49% equity interest in the Venture, with Rashid Trading Establishment (RTE) holding the remaining 51%. RTE is a Saudi based entity in which Mr H H Al-Merry, a Director of Imdex, is the President and Owner. On 7 June 2001, Imdex and RTE entered into a formal Shareholders Agreement which set out the nature and terms of the Joint Venture and also provided for the formation and registration of Imdex Arabia Company Ltd. In compliance with the laws in KSA, the Shareholders' Agreement also provides for RTE to act as agent for the Joint Venture.

On 5 July 2004, Imdex Limited announced that a Heads of Agreement had been signed with RTE to re-structure the Joint Venture. Further details concerning the proposed re-structure are set out in Note 31.

Notes to the Financial Statements

(b) Movements in Investments in Joint Venture entities

The following is a summary of the movement in the carrying value of the RTE/Imdex Saudi Arabian Joint Venture.

	Consolidated	
	2004 \$'000	2003 \$'000
Equity accounted amount of investment at the beginning of the financial year	8,811	6,379
Issue of shares to Mr H H AlMerry on the issuance of the formal Certificate of Registration for Imdex Arabia Company Ltd. Note 20	-	2,000
Formation capital for Imdex Arabia Company Ltd and additional establishment costs	-	1,326
Share of losses (e)	(292)	(894)
Write down of investment	(3,108)	-
Equity accounted amount of investment at the end of the financial year	5,413	8,811

(c) Share of assets and liabilities in Joint Venture entities

The following is a summary of the financial position of the Joint Venture entities at year end.

	Consolidated	
	2004 \$'000	2003 \$'000
Current assets		
Receivables	1,725	1,210
Inventories	2,035	1,651
Other	28	49
Non current assets		
Property, plant and equipment	142	68
Other	559	662
Current liabilities		
Payables	(4,892)	(3,746)
Interest bearing liabilities	-	-
Non current liabilities		
Other	-	(4)
Net assets	(403)	(110)

Notes to the Financial Statements

(d) Share of Reserves attributable to Joint Venture entities

	Consolidated	
	2004 \$'000	2003 \$'000
Retained profit/(loss)		
At the beginning of the financial year	(894)	-
At the end of the financial year	(1,186)	(894)

(e) Share of Net result of Joint Venture entities

The following is a summary of the aggregate share of results from the RTE/Imdex Saudi Arabian Joint Venture.

	Consolidated	
	2004 \$'000	2003 \$'000
Revenue from ordinary activities	12,097	10,731
Expenses from ordinary activities	(12,389)	(11,646)
Profit/(Loss) from ordinary activities before income tax	(292)	(915)
Income tax (expense)/benefit on ordinary activities	-	21
Share of net profit/(loss) of associates after income tax	(292)	(894)

(f) Contingent Liabilities and Capital Commitments

The Consolidated Entity does not have any contingent liabilities or capital commitments in relation to its interest in the RTE/Imdex Saudi Arabian Joint Venture.

16. PAYABLES

Trade payables
Other payables

Consolidated		Company	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
6,360	4,912	1,987	1,764
861	733	495	267
7,221	5,645	2,482	2,031

Notes to the Financial Statements

17. INTEREST BEARING LIABILITIES

INTEREST BEARING LIABILITIES		Consolidated		Company	
	Note	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current					
Bank overdraft (i)	32	1,509	1,347	1,602	1,690
Bank loan – secured (i)		2,000	1,000	2,000	1,000
Finance lease liabilities (ii)	26	-	29	-	15
Hire purchase liabilities (ii)	26	920	795	296	337
		4,429	3,171	3,898	3,042
Non-current					
Bank loan – secured (i)		1,700	2,950	1,700	2,950
Finance lease liabilities (ii)	26	-	-	-	-
Hire purchase liabilities (ii)	26	1,539	1,510	102	400
Loans from Controlled Entities		-	-	2,603	4,089
		3,239	4,460	4,405	7,439
Financing Arrangements					
The Consolidated Entity has access to the following lines of credit:					
(a) Total facilities available					
Bank loan		3,700	3,950	3,700	3,950
Equipment finance facility		500	500	500	500
Multi option facility (including bank overdraft)		1,550	1,800	1,550	1,800
		5,750	6,350	5,750	6,350
(b) Facilities utilised at balance date					
Bank loan		3,700	3,950	3,700	3,950
Equipment finance facility		257	372	257	48
Multi option facility (including bank overdraft)		1,509	1,407	1,509	1,407
		5,466	5,729	5,466	5,405
(c) Facilities not utilised at balance date					
Bank loan		-	-	-	-
Equipment finance facility		243	128	243	452
Multi option facility (including bank overdraft)		41	393	41	393
		284	621	284	945

(i) Bank Overdraft and Bank Loans

The bank overdraft together with the other loan facilities are secured by a registered mortgage over the Company's freehold land and a registered debenture over all of the Consolidated Entity's assets. The loan is subject to a cross guarantee and indemnity between the Challenge Bank and Imdex Limited, Australian Mud Company Limited and Surtron Technologies Pty Ltd. The bank overdraft is repayable on demand and is subject to regular review.

The weighted average interest rate for the overdraft and bank loans is set out in Note 24.

(ii) The finance and hire purchase liabilities are secured over the assets to which they relate, the current market value of which exceeds the value of the finance and hire purchase liability.

Assets Pledged as Security

In accordance with the security arrangements of liabilities, as disclosed above, effectively all non-current assets of the Consolidated Entity, except goodwill and deferred tax assets, have been pledged as security.

Notes to the Financial Statements

18. PROVISIONS

Current

Employee entitlements

Non-current

Employee entitlements

Consolidated		Company	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
639	595	203	213
130	115	50	53

19. EMPLOYEE ENTITLEMENTS

The aggregate employee benefit liability recognised and included in the Financial Statements is as follows:

Provision for employee entitlements

Current

Non Current

Accrued wages and salaries (i)

Number of employees at year end

Note	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
18	639	595	203	213
18	130	115	50	53
	178	40	38	1
	947	750	291	267
	120	101	46	43

(i) Accrued wages and salaries are included in the current trade payables balance in Note 16.

20. CONTRIBUTED EQUITY

Issued and paid up capital

Fully paid ordinary shares (i)

(i) Fully paid ordinary shares carry one vote per share and the right to dividends.

Consolidated		Company	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
21,058	21,058	21,058	21,058

Ordinary shares

Balance at beginning of financial year

Issue of shares - 6 September 2002

Issue of shares to Mr H H Al-Merry

Balance at the end of financial year

Note	2004		2003	
	Number of shares	\$'000	Number of shares	\$'000
	120,055,368	21,058	107,881,455	18,612
	-	-	2,173,913	446
15	-	-	10,000,000	2,000
	120,055,368	21,058	120,055,368	21,058

Notes to the Financial Statements

5

21. RESERVES

Asset revaluation

Consolidated		Company	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
8	8	8	8

22. RETAINED PROFITS/(ACCUMULATED LOSSES)

Retained profits/(accumulated losses) at the beginning of the year
 Net profit/(loss) attributable to members of the parent entity
 Retained profits/(accumulated losses) at the end of the year

Consolidated		Company	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
734	(174)	(6,775)	(7,367)
(3,689)	908	(6,900)	592
(2,955)	734	(13,675)	(6,775)

23. CONTROLLED ENTITIES

Particulars in relation to controlled entities.

Name

Note

Parent Entity

Index Limited

(i)

Controlled Entities

Australian Mud Company Limited

Surtron Technologies Pty Ltd

Australian Mud Company Chile SA

(ii)

	Country of incorporation	Percentage interest held	
		2004 %	2003 %
	Australia		
	Australia	100	100
	Australia	100	100
	Chile	100	100

(i) Ultimate parent Company

(ii) Under Chilean law an audit of this Company is not required.

Notes to the Financial Statements

24. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

(a) Interest rate risk

The Consolidated Entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities are set out below:

	Note	Weighted average interest rate	Floating interest rate	Fixed Interest Maturing in:			Non-interest bearing	Total
				Less than 1 year	1 to 5 years	More than 5 years		
		%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2004								
Financial Assets								
Cash	7	0.025	33	-	-	-	23	56
Receivables	8	-	-	-	-	-	9,355	9,355
Other financial assets	10	-	-	-	-	-	-	-
			33	-	-	-	9,378	9,411
Financial Liabilities								
Payables	16	-	-	-	-	-	7,139	7,139
Bank overdraft and loans	17	7.40	4,209	-	1,000	-	-	5,209
Hire purchase/lease liabilities	17	7.62	-	920	1,539	-	-	2,459
Employee entitlements	18(i)	5.97	-	-	-	-	769	769
			4,209	920	2,539	-	7,908	15,576
2003								
Financial Assets								
Cash	7	0.025	313	-	-	-	12	325
Receivables	8	-	-	-	-	-	7,617	7,617
Other financial assets	10	-	-	-	-	-	-	-
			313	-	-	-	7,629	7,942
Financial Liabilities								
Payables	16	-	-	-	-	-	5,573	5,573
Bank overdraft and loans	17	7.05%	3,797	-	1,500	-	-	5,297
Hire purchase/lease liabilities	17	7.52%	-	824	1,510	-	-	2,334
Employee entitlements	18(i)	5.97%	-	-	-	-	710	710
			3,797	824	3,010	-	6,283	13,914

(i) Employee entitlements to be settled in cash fall under the definition of financial liabilities. The weighted average interest rate is the discount rate used to calculate Long Service Leave Liability.

(b) Net fair values of financial assets and liabilities

The carrying amount of financial assets and financial liabilities recorded in the Financial Statements approximates their net fair values.

Notes to the Financial Statements

(c) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Consolidated Entity measures credit risk on a fair value basis.

The Consolidated Entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

25. DIRECTORS' AND EXECUTIVES' REMUNERATION

The information relating to Directors' and Executives' remuneration has been prepared in accordance with the new Accounting Standard AASB 1046 "Directors and Executives Disclosures by Disclosing Entities". The Standard replaces the disclosure previously required by section 4 of AASB 1017 "Related Party Disclosures" and section 6 of AASB 1034 "Financial Report Presentation and Disclosures".

(a) The specified Directors of Imdex Limited during the year were:

- (i) Mr I F Burston (Independent, Non Executive Chairman);
- (ii) Mr B W Ridgeway (Managing Director);
- (iii) Mr H H Al-Merry (Non Executive Director);
- (iv) Mr R Kelly (Independent, Non Executive Director), appointed on 14 January 2004;
- (v) Mr K Dundo (Independent, Non Executive Director), appointed on 14 January 2004;
- (vi) Mr M L Gasson (Independent, Non Executive Director), resigned on 14 January 2004; and
- (vii) Mr G W Cobbledick (Independent, Non Executive Director), resigned on 30 October 2003.

The specified Executives of Imdex Limited during the year were:

- (i) Mr G E Weston (General Manager AMC, Surtron and Ace Drilling Supplies);
- (ii) Mr I Tan (General Manager Imdex Minerals), appointed on 14 April 2004;
- (iii) Mr R Hancock (General Manager Imdex Minerals), left the Company on 25 March 2004; and
- (iv) Mr H H Al-Merry (Non Executive Director).

(b) Specified Directors' and specified Executives remuneration

All specified Executives, and all staff of the Company, are subject to formal annual reviews of their performance. The remuneration of specified Executives generally comprises a fixed monetary total, although bonuses related to the performance of the Company may be agreed between that Executive and the Company from time to time.

The Board seeks the approval of Shareholders, where required, in relation to the aggregate of Directors remuneration.

The Managing Director's remuneration is determined by the Chairman who seeks independent advice on the appropriateness of the Managing Director's salary package as required. The Managing Director's remuneration is currently a fixed monetary total that is not linked to the Company's performance. It is the intention of the Remuneration Committee to review the Managing Director's remuneration, including the extent to which it is linked to the Company's performance, during the year ended 30 June 2005.

Notes to the Financial Statements

2004	Primary			Post Employment			Equity		
	Salary & fees	Bonus	Non-monetary	Super-annuation	Prescribed benefits	Other	Options	Other benefits	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Executive Director									
B W Ridgeway, <i>Managing Director</i>	249,999	-	42,101	22,500	-	-	-	-	314,600
Non Executive Directors									
I F Burston, <i>Chairman</i>	50,000	-	-	4,500	-	-	-	-	54,500
H H Al-Merry (i)	-	-	-	-	-	-	-	-	-
R Kelly	16,040	-	-	1,444	-	-	-	-	17,484
K Dundo	16,040	-	-	1,444	-	-	-	-	17,484
M L Gasson	12,500	-	-	21,125	-	-	-	-	33,625
G W Cobbledick	8,333	-	-	750	-	-	-	-	9,083
Total	352,912	-	42,101	51,763	-	-	-	-	446,776
Specified Executives (excluding Directors)									
G E Weston, <i>General Manager AMC, Ace Drilling Supplies & Surtron Technologies (ii)</i>	179,423	20,000	8,574	16,148	-	-	-	-	224,145
I Tan, <i>General Manager Imdex Minerals (iii)</i>	29,423	-	-	2,648	-	-	-	-	32,071
R Hancock, <i>General Manager Imdex Minerals</i>	102,072	-	2,023	7,902	-	-	-	-	111,997
Total	310,918	20,000	10,597	26,698	-	-	-	-	368,214

Notes to the Financial Statements

- (i) Mr H H Al-Merry is the President and owner of Rashid Trading Establishment (RTE), which is involved in a Joint Venture with Imdex Limited in the Middle East. Mr Al-Merry is remunerated directly by the RTE/Imdex Joint Venture;
- (ii) Mr G E Weston (General Manager – Australian Mud Company) was granted a cash bonus of \$20,000 due to the Australian Mud Company exceeding a pre-determined hurdle based on the earnings before interest and tax for the division, for the year ended 30 June 2004. Mr Weston is party to a service contract with the Australian Mud Company, which sets out a fixed remuneration package, reviewable annually. Additional performance incentives may be agreed between Mr Weston and the Australian Mud Company;
- (iii) Mr I Tan is party to a service contract with Imdex Limited, which sets out a fixed remuneration package, reviewable annually.

26. COMMITMENTS

Operating lease expense commitments
 Future operating lease commitments contracted for at balance date, but not provided for in the Financial Statements are as follows. Due:

Within one year
 Between one and five years
 Later than five years

Note	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
(i)				
	484	291	249	165
	746	436	327	297
	1,562	-	-	-
	2,792	727	576	462

Notes to the Financial Statements

Hire purchase commitments (ii)

Hire purchase commitments are payable as follows.
Due:

Within one year

Between one and five years

Later than five years

Minimum lease payments

Less: future finance charges

Hire purchase liabilities provided for in the Financial Statements
Current - Note 17

Non current - Note 17

Finance lease payment commitments (ii)

Finance lease commitments are payable as follows.

Due: Within one year

Between one and five years

Later than five years

Minimum lease payments

Less: future finance charges

Finance lease commitments provided for in the Financial Statements
Current - Note 17

Non current - Note 17

Minimum future lease payments				Present value of minimum future lease payments			
Consolidated		Company		Consolidated		Company	
2004	2003	2004	2003	2004	2003	2004	2003
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1,077	936	311	376	920	795	296	337
1,707	1,661	104	426	1,539	1,510	102	400
-	-	-	-	-	-	-	-
2,784	2,597	415	802	2,459	2,305	398	737
(325)	(292)	(17)	(65)	-	-	-	-
2,459	2,305	398	737	2,459	2,305	398	737
				920	795	296	337
				1,539	1,510	102	400
				2,459	2,305	398	737
-	29	-	15	-	29	-	15
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	29	-	15	-	29	-	15
-	-	-	-	-	-	-	-
-	29	-	15	-	29	-	15
				-	29	-	15
				-	-	-	-
				-	29	-	15

Notes to the Financial Statements

- (i) Operating leases relate to premises used by the Consolidated Entity in its operations, generally with terms between 2 and 5 years. Some of the operating leases contain options to extend for further periods and an adjustment to bring the lease payments into line with market rates prevailing at that time. The leases do not contain an option to purchase the leased property;
- (ii) Finance and hire purchase leases relate to plant and equipment used by the Consolidated Entity in its operations with lease terms generally between 3 and 5 years. The Consolidated Entity has options to purchase the equipment for a nominal amount at the end of the lease term.

Superannuation commitments

The Company and its Controlled Entities contribute to various defined contribution employee superannuation funds in accordance with the requirements of the Superannuation Guarantee Administration Act 1992. The contributions are based on a percentage of employee gross salaries. All employees are entitled to benefit on retirement, disability or death. The Company and its Controlled Entities are under no legal obligation to make up any shortfall in the funds assets to meet payments due to employees.

27. SHARE OPTION PLANS

The Consolidated Entity has in place a Staff Option Scheme (Scheme) to reward employees for their past services as well as provide an incentive for future efforts. The terms and conditions of the Scheme are set out in the Scheme Rules with the Board of Directors responsible for the administration of the Scheme. The options carry no rights to dividends and no voting rights. The options expire on their expiry date and generally there is a vesting period of 12 months from the issue date. Generally the options will also be taken to have expired when the option holder ceases to be employed by the Consolidated Entity. The options existing at the beginning and end of the financial year, those options issued and exercised during the financial year and those options lapsing during the financial year are set out below. As at 30 June 2003 and 30 June 2004 all of the options have vested.

The options issued to the Directors have been approved by members in General Meeting. The options carry no rights to dividends and no voting rights. The options expire on their expiry date or three calendar months after ceasing to be a Director, and may be exercised at any time from the date of issue to their expiry date. As at 30 June 2003 and 30 June 2004 all of the options have vested.

Notes to the Financial Statements

	Issue Date	Vesting Date	Expiry Date	Exercise Price \$	Opening Balance	Issued Current Year	Exercised Current Year	Lapsed Current Year	Closing Balance
Employee Options									
Tranch 1	31 Jan 01	31 Jan 02	31 Jan 04	0.25	1,700,000	-	-	1,700,000	-
Tranch 2	31 Jan 01	31 Jan 02	31 Jan 04	0.45	1,000,000	-	-	1,000,000	-
Tranch 3	10 Jan 02	10 Jan 03	31 Jan 04	0.25	50,000	-	-	50,000	-
Tranch 4	28 Feb 03	28 Feb 03	31 Jan 04	0.25	300,000	-	-	300,000	-
					3,050,000	-	-	3,050,000	-
Directors' Options									
Tranch 1	25 Oct 01	25 Oct 01	24 Oct 04	0.20	1,000,000	-	-	-	1,000,000
Tranch 2	25 Oct 01	25 Oct 01	24 Oct 04	0.35	1,000,000	-	-	-	1,000,000
Tranch 3	25 Oct 01	25 Oct 01	24 Oct 04	0.45	1,000,000	-	-	-	1,000,000
					3,000,000	-	-	-	3,000,000

28. CONTINGENT LIABILITIES

The details and estimated maximum amounts of contingent liabilities that may become payable are set out below.

	Note	Consolidated		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Indemnity to power transmission utility	(i)	16	16	16	16
Rental bond	(i)	100	20	100	20
Department of Mines	(i)	27	27	27	27
Minister of State Development	(i)	12	12	12	12
		155	75	155	75

- (i) Comprise bank guarantees supporting the extension of credit or the performance of the Consolidated Entity in respect of its operations. The Directors are not aware of any circumstance or information which would lead them to believe that these liabilities will crystallise and consequently no provisions are included in the Financial Statements in respect of these matters. No material losses are anticipated in respect of any of the guarantees.

Notes to the Financial Statements

29. SEGMENT INFORMATION

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

(a) Business Segments

The Consolidated Entity comprises the following main business segments, based on the Consolidated Entity's management reporting system:

- (i) Drilling products and services: Down hole surveying, geophysical logging and directional drilling; down hole motors, cameras and drilling products;
- (ii) Minerals Processing: Milling and processing of industrial minerals; and
- (iii) Drilling fluids and chemicals: Manufacture and supply of drilling fluids and chemicals to the mining, mineral exploration, oil and gas and water well drilling industries.

(b) Geographical Segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets.

The Consolidated Entity's business segments operate geographically as follows:

- (i) Australia: Drilling services; milling and processing of industrial minerals; manufacture and supply of drilling fluids and chemicals; down hole motors, cameras and drilling products;
- (ii) Saudi Arabia: Supply of drilling fluids and chemicals to the oil and gas industry;
- (iii) Africa: Drilling services, supply of drilling fluids and chemicals; and
- (iv) South East Asia: Manufacture and supply of drilling fluids and chemicals to the mining and mineral exploration industries.

Primary Reporting: Business Segments

Segment Revenues	Revenue from external customers		Inter-segment		Other		Total	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Drilling products and services	11,796	9,156	-	-	-	-	11,796	9,156
Minerals processing	6,436	6,202	-	-	-	-	6,436	6,202
Drilling fluids and chemicals	21,139	15,265	-	-	117	53	21,256	15,318
Total of all segments	39,371	30,623	-	-	117	53	39,488	30,676
Eliminations							-	-
Unallocated							343	235
Total							39,831	30,911

Notes to the Financial Statements

Segment results, assets and liabilities

	Segment Results		Segment assets		Segment liabilities	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Drilling products and services	1,137	280	8,052	7,146	3,859	3,586
Minerals processing	(3,721)	972	8,582	12,306	2,528	1,976
Drilling fluids and chemicals	3,257	1,847	11,376	7,751	4,265	2,783
Total of all segments	673	3,099	28,010	27,203	10,652	8,345
Share of net profit/(loss) of equity accounted investments	(292)	(894)				
Carrying value of equity accounted investment			5,408	8,811	-	-
Eliminations	-	-	(60)	(133)	(60)	(133)
Write down of the investment in the RTE/Imdex Joint Venture	(3,108)	-				
Unallocated	(1,050)	(727)	820	955	5,475	6,824
Profit from ordinary activities before income tax expense	(3,776)	1,478				
Income tax expense	87	(570)				
Profit/(loss) from ordinary activities after related income tax expense	(3,689)	908				
Consolidated			34,178	36,836	16,067	15,036

Other segment information

	Depreciation and amortisation		Acquisition of segment assets		Non cash expenses other than depreciation and amortisation	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Drilling products and services	1,042	932	1,566	1,724	7	118
Minerals processing	652	643	107	720	2,889	19
Drilling fluids and chemicals	150	160	246	144	65	31
Total of all segments	1,844	1,735	1,919	2,588	2,961	168
Unallocated	94	99	7	18	3,052	-
Acquisitions of non current assets - Investment in Saudi Arabia			-	3,325		
Consolidated	1,938	1,834	1,926	5,931	6,013	168

Notes to the Financial Statements

Secondary Reporting: Geographical Segments

	Revenue from external customers		Segment assets		Acquisition of segment assets	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Australia	30,597	24,733	26,756	26,990	1,926	2,595
Saudi Arabia	-	-	5,408	8,811	-	3,325
Africa	475	325	298	181	-	-
South East Asia	6,474	4,776	1,349	670	-	-
Other	1,825	789	367	184	-	11
Total	39,371	30,623	34,178	36,836	1,926	5,931

30. RELATED PARTY DISCLOSURES

(a) Directors' Remuneration

Information on remuneration of Directors is disclosed in Note 25.

(b) Specified Directors' and Specified Executives holdings of Share and Share Options

The interests of Directors of the Consolidated Entity, and their Director-related entities in shares and share options of entities within the Consolidated Entity, at the current date, are set out below:

(i) Fully paid ordinary shares issued by Imdex Limited

	Balance at 1 July 2003	Granted as remuneration	Received on exercise of options	Net other change	Balance at 30 June 2004	Balance held nominally
	No.	No.	No.	No.	No.	No.
Specified Directors						
Mr I F Burston	100,000	-	-	-	100,000	-
MR B W Ridgeway	6,000,000	-	-	143,993	6,143,993	-
MR H H Al-Merry	10,755,000	-	-	-	10,755,000	-
Mr R Kelly – appointed 14 January 2004	-	-	-	65,000	65,000	-
Mr K Dundo – appointed 14 January 2004	-	-	-	-	-	-
Mr M L Gasson – resigned 14 January 2004	5,165,838	-	-	(5,165,838)	-	-
Mr G W Cobbledick – resigned 30 October 2004	10,000	-	-	(10,000)	-	-
Total	22,030,838	-	-	(4,966,845)	17,063,993	-
Specified Executives						
Mr G E Weston	-	-	-	-	-	-
Mr I Tan	-	-	-	-	-	-
Mr R Hancock	50,000	-	-	(50,000)	-	-
Total	50,000	-	-	(50,000)	-	-

Notes to the Financial Statements

(ii) Share options issued by Imdex Limited

	Balance at 1 July 2003	Granted as remuneration	Received on exercise of options	Other change	Balance at 30 June 2004	Balance vested at 30 June 04	Vested but not exercisable	Vested and exercisable	Option vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
Specified Directors									
Mr I F Burston	1,000,000	-	-	-	1,000,000	-	-	1,000,000	-
Mr B W Ridgeway	2,000,000	-	-	-	2,000,000	-	-	2,000,000	-
	3,000,000	-	-	-	3,000,000	-	-	3,000,000	-
Specified Executives									
Mr G E Weston	2,000,000	-	-	(2,000,000)	-	-	-	-	-
Mr R Hancock	200,000	-	-	(200,000)	-	-	-	-	-
	2,200,000	-	-	(2,200,000)	-	-	-	-	-

No other Directors or Executives, other than those listed above, hold options in the company. Further details concerning options are set out in Note 27.

(c) Directors' Transactions in Shares and Share Options

In the prior year, there were 10,000,000 shares issued to Mr H H Al-Merry in connection with the RTE/Imdex Saudi Arabian Joint Venture, further details of which are set out at Note 20. There were no other share or share options issued to the Directors during the current year. No Directors' options were exercised during the year.

(d) Directors' Transactions with the Company or its Controlled Entities

As set out in this Financial Report, Imdex Limited is involved in a Joint Venture with Rashid Trading Establishment (RTE), a Company in which Mr H H Al-Merry is the President and Owner. RTE also acts as the agent of the Joint Venture in some circumstances.

There were no amounts recognised during the year relating to transactions between RTE as agent.

(e) Non Director/Executive related parties

The classes of Non Director related parties are:

- (i) controlling entity of the Company;
- (ii) wholly-owned Controlled Entities;
- (iii) associated companies; and
- (iv) Directors of related parties and their Director-related entities.

Notes to the Financial Statements

(f) Transactions

Transactions with Non Director related parties consisted of:

- (i) loans advanced by Imdex Limited to Controlled Entities;
- (ii) loans repaid to Imdex Limited from Controlled Entities;
- (iii) the payment of management fees to Imdex Limited. Refer Note 2; and
- (iv) inter-entity transactions in relation to the sale of finished goods at cost plus an average margin of 10%.

The amounts receivable from, and payable to, Controlled Entities are set out in Note 17 and Note 8.

(g) Controlling Entity

The ultimate parent entity in the Consolidated Entity is Imdex Limited, a Company incorporated in Western Australia.

(h) Wholly-Owned Group

The wholly owned Group consists of Imdex Limited and its wholly owned Controlled Entities. Ownership interests in these Controlled Entities are set out in Note 23.

(i) Joint Venture Entities

Details of ownership interests in joint venture entities are set out in Note 15.

31. SUBSEQUENT EVENTS

On 5 July 2004, Imdex Limited announced to the ASX that it had signed a Heads of Agreement with Rashid Trading Establishment (RTE) to re-structure the existing RTE/Imdex Limited Joint Venture. The proposed re-structure, which is subject to shareholder approval, involves:

- (i) RTE increasing its interest in the Joint Venture from 51% to 80% and accordingly, Imdex reducing its interest in the Joint venture from 49% to 20%;
- (ii) Imdex cancelling 10,000,000 shares held by Mr H H Al-Merry, the President of RTE and a Director of Imdex. The number of shares on issue in Imdex will be reduced to 110,055,368;
- (iii) RTE paying to Imdex a total of USD\$2.25 million: USD\$1.75 million due on the date that shareholders approve the transaction and USD\$500,000 due on, or before, 31 March 2005; and
- (iv) Imdex subscribing for additional shares in Imdex Arabia with an aggregate subscription price of USD\$750,000.

Following completion of the proposed re-structure, the value of the capital of Imdex Arabia will be AUD\$10 million, of which Imdex will hold 20% and RTE will hold 80%.

The carrying value of the investment in the RTE/Imdex Joint Venture at 30 June 2004 is AUD\$5.413 million. Following the receipt of the AUD\$2.089 million (net) in cash (items (iii) and (iv) above) and the cancellation of the 10,000,000 shares held by Mr H H Al-Merry totalling approximately AUD\$1.25 million (item (ii) above), the post proposed re-structure carrying value will be AUD\$2.074 million.

Apart from this matter, no other matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the operation of the Consolidated Entity, the results of those operations, the financial position or the state of affairs of the Consolidated Entity in future financial years.

Notes to the Financial Statements

32. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash

For the purposes of the Statements of Cash Flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:

	Note	Consolidated		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cash	7	56	325	35	42
Bank overdraft	17	(1,509)	(1,347)	(1,602)	(1,690)
		(1,453)	(1,022)	(1,567)	(1,648)

(b) Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Profit from ordinary activities after related income tax	(3,689)	908	(6,900)	592
Add/(Less)				
(Profit)/loss on sale of non-current assets	(55)	(92)	(62)	(19)
Share of Joint Ventures loss (less dividends)	292	894	-	-
Write down on the investment in the RTE/Imdex Joint venture	3,108	-	3,108	-
Interest on hire purchase liabilities	181	144	44	60
Depreciation and amortisation of non-current assets	1,938	1,834	1,034	1,043
Bad and doubtful debts	30	9	-	6
Increase/(decrease) in current tax liability	(574)	686	(257)	216
Increase/(decrease) in deferred tax balances	(56)	(254)	(46)	(238)
Changes in assets and liabilities during the financial year:				
(Increase)/decrease in assets:				
Current receivables	(1,679)	(622)	368	(24)
Current inventories	383	(1,500)	2,398	(959)
Other current assets	(57)	(24)	40	(29)
Increase/(decrease) in liabilities:				
Current payables	1,579	112	453	(398)
Provision for employee entitlements	59	110	(13)	20
Net cash from operating activities	1,460	2,205	167	270

Notes to the Financial Statements

(c) Non Cash Financing and Investing Activities

The following non cash financing and investing activities occurred during the year.

Note	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Share issue to Mr H H Al-Merry	20	-	2,000	-

33. IMPACTS OF ADOPTING THE AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Management of the transition to A-IFRS

In accordance with the Financial Reporting Council's strategic directive, Imdex Limited will be required to prepare financial statements that comply with Australian equivalents to International Financial Reporting Standards ("A-IFRS") for annual reporting periods beginning on or after 1 January 2005. Accordingly, Imdex Limited's first half-year report prepared under A-IFRS will be for the half-year reporting period ended 31 December 2005, and its first annual financial report prepared under A-IFRS will be for the year ended 30 June 2006.

During the year, Imdex Limited commenced the management of the transition process to A-IFRS, with its Audit Committee being the ultimate body responsible for the transition to A-IFRS. The consolidated entity plans to manage the transition to A-IFRS in 3 phases: a scoping and impact analysis, an evaluation and design phase and an implementation and review phase. Risk management and change management will be managed throughout the life of the project.

Imdex Limited completed the high-level scoping and impact analysis in late July 2004, as part of its awareness training to obtain an idea of the effect and effort involved in adopting A-IFRS on the consolidated entity. Part of the scoping exercise involved identifying key areas of impact that will arise on adoption of A-IFRS including financial impact, effort required, and options available to the consolidated entity on first-time adoption of A-IFRS. Now that the consolidated entity has this information, it intends to conduct an additional, and more detailed, business impact study to determine the approximate impact and best options for the consolidated entity for future reporting periods, and to begin a process to identify any system and process changes required in order to capture information necessary to allow the preparation of financial statements which are fully compliant with A-IFRS.

The Audit Committee believes Imdex Limited will be able to achieve its plan for A-IFRS implementation such that financial statements which are fully compliant with A-IFRS will be able to be prepared.

(b) Key differences from current accounting policies

Imdex Limited has identified the following as being the significant areas of differences affecting the consolidated entity on first time adoption of A-IFRS. This does not represent an exhaustive list of the differences that will arise, and further analysis may change the consolidated entity's assessment of the importance or otherwise of the various differences.

Notes to the Financial Statements

(i) First-time adoption of A-IFRS

On first-time adoption of A-IFRS, the consolidated entity will be required to restate its comparative balance sheet such that the comparative balances presented comply with the requirements specified in the A-IFRS. That is, the balances that will be presented in the financial report for the year ended 30 June 2005 may not be the balances that will be presented as comparative numbers in the financial report for the following year, as a result of the requirement to retrospectively apply the A-IFRS. In addition, certain assets and liabilities may not qualify for recognition under A-IFRS, and will need to be derecognised. As any adjustments on first-time adoption are to be made against opening retained earnings, the amount of retained earnings at 30 June 2004 presented in the 2005 financial report and the 2006 financial report available to be paid out as dividends may differ significantly.

Various voluntary and mandatory exemptions are available to the consolidated entity on first-time adoption, which will not be available on an ongoing basis. The exemptions provide relief from retrospectively accounting for certain balances, instruments and transactions in accordance with A-IFRS, and includes relief from having to restate past business combinations, expense share-based payments granted before 7 November 2002, and the identification of a 'deemed cost' for property, plant and equipment.

The impact on Index Limited of the changes in accounting policies on first-time adoption of A-IFRS will be affected by the choices made. The consolidated entity is evaluating the effect of the options available on first-time adoption in order to determine the best possible outcome for the consolidated entity.

(ii) Share-based payment

The consolidated entity has in place a Staff Option Scheme to reward employees for the past services as well as to provide an incentive for future efforts, as disclosed in Note 27. The consolidated entity does not recognise an expense for any share-based compensation granted. Under A-IFRS, the consolidated entity will be required to recognise an expense for such share-based compensation. Share-based compensation is measured at the fair value of the share options determined at grant date and recognised over the expected vesting period of the options. A reversal of the expense will be permitted to the extent non-market based vesting conditions (e.g. service conditions) are not met. The entity will not retrospectively recognise share-based payments vested before 1 January as permitted under A-IFRS first time adoption.

The recognition of the expense will decrease the consolidated entity's opening retained earnings on initial adoption of A-IFRS and increase share capital by the same amount for share-based payments issued after 7 November 2002 but not vested before 1 January 2005. Similar impacts will also occur in future periods, however, quantification of the impact on equity and in the income statement of the existing share options granted as remuneration has not been completed at the reporting date.

(iii) Income tax

The consolidated entity currently recognises deferred taxes by accounting for the differences between accounting profits and taxable income, which give rise to 'permanent' and 'timing' differences. Under A-IFRS, deferred taxes are measured by reference to the 'temporary differences' determined as the difference between the carrying amount and the tax base of assets and liabilities recognised in the balance sheet.

Notes to the Financial Statements

Because A-IFRS has a wider scope than the entity's current accounting policies, it is likely that the amount of deferred taxes recognised in the balance sheet will increase. In particular, increases in deferred tax liabilities may occur in relation to deferred taxes associated with fair value adjustments and intangibles arising in relation to pre-transition business combinations, revaluations of land and buildings and investments in associates.

Adjustments to the recognised amounts of deferred taxes will also result as a consequence of adjustments to the carrying amounts of assets and liabilities resulting from the adoption of other A-IFRS. The likely impact of these changes on deferred tax balances has not currently been determined.

(iv) Property, plant and equipment

On transition to A-IFRS, the entity has several options in the determination of the cost of each tangible asset, and can also elect to use the cost or fair value basis for the measurement of each class of property, plant and equipment after transition. At the date of this report, the entity has not decided which options and measurement basis will be adopted and the likely impacts therefore cannot be determined.

(v) Provision for decommissioning, restoration and similar liabilities

A-IFRS specifically requires the capitalisation of costs of dismantling and removing an asset and restoring the site on which the asset was created when an asset is initially recognised. The consolidated entity currently accrues through profit and loss for the cost of dismantling and restoration over the life of the asset. Adjustments may be required to the liability recognised where the amount accrued and the date of transition under AGAAP differs from that required under A-IFRS. The entity is also still determining the adjustments to the carrying amounts of assets that may result from these requirements.

(vi) Impairment of assets

Non-current assets are written down to recoverable amount when the asset's carrying amount exceeds recoverable amount. Historically, although not mandated, Imdex Limited has discounted cash flows in determining the recoverable amount of its non-current assets.

Under A-IFRS, both current and non-current assets, are tested for impairment. In addition, A-IFRS has a more prescriptive impairment test, and requires discounted cash flows to be used where value in use is used to assess recoverable amount. Consequently, on adoption of A-IFRS, a further impairment of certain assets may need to be recognised, thereby decreasing opening retained earnings and the carrying amount of assets – the consolidated entity has not yet determined the impact, if any, of any further impairment which may be required. It is not practicable to determine the impact of the change in accounting policy for future financial reports, as any impairment or reversal thereof will be affected by future conditions.

(vii) Off-balance sheet financial assets and liabilities

A-IFRS requires the recognition of all financial assets and financial liabilities, including all derivatives and embedded derivatives, some of which may not be recognised under current Australian GAAP. Accordingly, recognition of these financial assets and financial liabilities may significantly change the net asset position of the consolidated entity, but the impact of the change will not be known until all financial instruments, including any embedded derivatives, are identified, measured and recognised in accordance with the new requirements.

An embedded derivative will have to be separately recognised at fair value from its host contract unless certain conditions are met. Changes in the fair value of the derivative are to be recognised in the income statement unless specific hedging criteria are met. The process of reviewing all contracts (e.g. lease contracts) for the existence of such derivatives is time-consuming, and whether any such derivatives exist and the value attaching to them, can only be determined subsequent to the review.

Notes to the Financial Statements

(viii) Financial assets and financial liabilities

Under current Australian GAAP, financial assets and financial liabilities are recognised at cost, at fair value, or at net market value. On adoption of A-IFRS, the consolidated entity will be required to classify these financial instruments into various specified categories. The classification of the instrument will affect the instrument's subsequent measurement – at amortised cost using the effective interest rate method, fair value with movements recognised through equity or fair value recognised through the profit and loss. The consolidated entity is evaluating the different options available, but has not made any determination at reporting date of the accounting to be adopted, and consequently, the impact of the change on the financial statements cannot yet be quantified.

(ix) Impairment of financial assets

The consolidated entity provides for doubtful debts using an estimate based on historical trends. Under A-IFRS, the entity will no longer be able to provide for doubtful debts on this basis, as a financial asset or group of financial assets is impaired only if there is objective evidence as a result of one or more events that occurred after the initial recognition of the asset – that is, an incurred but not yet reported model rather than an expected loss model must be applied. Consequently, on adoption of A-IFRS, and on an ongoing basis, general provisions and expected loss models may no longer be appropriate, which may cause the carrying amount of various financial assets to increase.

(x) Business combinations

Historically, the acquisition of an entity or operation is accounted for under the purchase method of accounting by the legal acquirer. Where consolidated accounts are prepared, the assets and liabilities purchased are initially recognised at their fair values in the consolidated accounts.

Under A-IFRS, the purchase method of accounting must be applied where there is a business combination, however, not all acquisitions will qualify as a business combination, and as such the purchase method of accounting for these acquisitions will no longer be appropriate. In addition, the legal acquirer may not be the 'acquirer' per A-IFRS, and the consolidated accounts may consequently reflect the fair values of the legal acquirer's assets and liabilities rather than the fair value of the assets and liabilities of the entity legally acquired.

Furthermore, there are a number of recognition and measurement differences that result in relation to assets and liabilities acquired in a business combination, particularly in relation to intangible assets and restructuring provisions. Acquired contingent liabilities must also be recognised at their fair values where acquired in a business combination.

The impact of these changes in accounting policy on first-time adoption will depend on whether the consolidated entity will elect to adopt the exemption available to it to not reopen past acquisitions and retrospectively account for them appropriately. On an ongoing basis, this change in policy may significantly affect the profit and loss and balance sheet, as the accounting going forward significantly differs from the manner in which such transactions are treated under current Australian GAAP.

(xi) Extractive industries

An A-IFRS on extractive industries has not yet been issued. Consequently, the consolidated entity is unable to determine the change in policies and related impacts, if any, that may arise on adoption of A-IFRS on its extractive-related operations and balances at reporting date.

Notes to the Financial Statements

(xii) Depreciation

Under current Australian GAAP, the consolidated entity's property, plant and equipment is depreciated to the extent of its depreciable amount, determined as the difference between carrying amount and residual value. The residual amount used in the determination of recoverable amount is estimated at the date of acquisition and is not subsequently increased for changes in prices, except where the asset had been revalued. Under A-IFRS, the residual amount is reviewed at each balance date and revised to the current net amount expected from the disposal of the asset if it were already at the age and condition expected at the end of its useful life. Accordingly, changes to the residual value may introduce additional volatility in the profit or loss.

(xiii) Employee benefits

Under A-IFRS, the consolidated entity will no longer be able to recognise provisions for annual leave on a nominal basis, regardless of when the leave is expected to be taken, but will instead be required to discount the portion of annual leave liabilities expected to be taken more than twelve months from the reporting date. This change in accounting policy is likely to reduce the aggregate provision for annual leave, but is unlikely to significantly affect the income statement.

(xiv) Proceeds from sale of assets

The current definition of revenue requires proceeds on sale of non-current assets to be included as revenue – this has the effect of 'grossing up' the statement of financial performance. Under A-IFRS, only the net gain or loss from the sale will be recognised in profit or loss. Consequently, there will be no net impact on the income statement.

(xv) Correction of errors

An error made in a prior reporting period is presently corrected in the reporting period in which the error is discovered by recognising the effect of the error in the current financial statements. In future financial periods, any material prior period errors are to be accounted for retrospectively, i.e. by adjusting the opening balance of retained earnings of the comparative period. Accordingly, the identification of a material prior period error will no longer give rise to volatility in the current period income statement.

(xvi) Government grants

Presently, non-reciprocal grants received are recognised as revenue when the consolidated entity obtains control of the grant, regardless of the specific purpose to which the grant is required to be expended or the periods over which the grant conditions apply. A liability to repay the grant is only recognised where a present obligation exists to repay grant monies. A-IFRS requires grants received to be recognised as income on a systematic basis over the periods necessary to match them with the related costs which they are intended to compensate, but only when there is reasonable assurance that the entity will comply with the conditions attaching to them and that the grants will be received. Accordingly, the change in accounting policy will result in the later recognition of grants as revenue and the recognition of additional liabilities on the balance sheet. This will reduce some of the volatility in the income statement arising from the current Australian GAAP grant revenue recognition policies.

Additional Stock Exchange Information

as at 14 September 2004

(a) Distribution of Shareholders

	Fully Paid Ordinary Shares	Options
1 – 1,000	18	2
1,001 – 5,000	251	-
5,001 – 10,000	266	-
10,001 – 100,000	670	-
100,001 – and over	146	-
	1,351	2
Holding less than a marketable parcel	109	-

(b) Substantial Shareholders

Ordinary Shareholders

	Fully Paid	
	Number	Percentage
Mr H H Al-Merry	10,755,000	8.96%
Midcontinent Equipment (Aust) Pty Ltd	6,131,643	5.11%
Wear Services Pty Ltd	6,000,000	5.00%

(c) Twenty Largest Holders of Quoted Equity Securities

Ordinary Shareholders

	Fully Paid	
	Number	Percentage
Hadi Hammad Al-Merry	10,755,000	8.96%
Midcontinent Equipment (Aust) Pty Ltd	6,131,643	5.11%
Wear Services Pty Ltd	6,000,000	5.00%
Chartac Pty Ltd	4,965,838	4.14%
J P Morgan Nominees	3,382,042	2.82%
Mr Clarke James Roycroft	3,321,500	2.77%
Telic Alcatel (Australia) Pty Ltd	2,900,000	2.42%
Total Meat Exports Pty Ltd	2,000,000	1.67%
Primbee Investments Pty Ltd	1,615,921	1.35%
Chippell Pty Ltd	1,581,000	1.32%
Longo Pty Ltd	1,572,826	1.31%
Mrs Patricia Rachel Shackell	1,500,000	1.25%
Tepany Pty Ltd	1,475,000	1.23%
Bremecca Nomiees Pty Ltd	1,208,000	1.01%
Runyon Pty Ltd	1,206,939	1.01%
Amsamac Pty Ltd	1,100,000	0.92%
Dimana Holdings Pty Ltd	1,100,000	0.92%
Midlec Agency Pty Ltd	1,100,000	0.92%
Mr Gordon Matthew & Ms Francine Wilson	1,062,000	0.88%
Mr B A Conway & Ms R O Conway	1,000,000	0.83%
	54,977,709	45.84%

Additional Stock Exchange Information

as at 14 September 2004

(d) Director's Shareholdings

Name	Number of Shares	Number of Options
Mr B W Ridgeway (directly)	-	2,000,000
Mr B W Ridgeway (indirectly)	6,143,993	-
Mr I F Burston (directly)	-	1,000,000
Mr I F Burston (indirectly)	100,000	-
Mr H H Al-Merry (directly)	10,755,000	-
Mr Ross Kelly (indirectly)	65,000	-
	17,063,993	3,000,000

(e) Interests in Mining Tenements

Imdex holds the following interest in mining tenements at the date of this report.

Project Particulars	Tenement	Imdex's Interest
Mt Gould Micaceous Iron Oxide	M52/0236	Right to occupy, explore, mine and market MIO product

(f) Company Secretary

Mr Stephen John Lyons

(g) Registered Office

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(h) Share Registry

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