

ANNUAL REPORT

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IMDEX

An Australian Global Drilling Products & Services Company. "a service provider to the natural resources industries"

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

IMDEX AT A GLANCE

Imdex 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 and gas industry.

The Board's continuing strategy is to transform a diverse local company into a focused global company providing drilling products and services to the oil and 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;
- → Achieve an overall improvement in Group financial performance to make Imdex a competitive investment in the Australian market;
- → Progressively realise the potential of Imdex's 20% investment in Imdex Arabia (post re-structure);
- → Translate the improved performance into dividend income for our Shareholders.

IMDEX'S TRADING LOCATIONS



IMDEX 2005 SNAPSHOT

For the financial year ended 30 June 2005 (FYO5) Net Profit after Tax increased by 183% to \$3.1 million, with Revenue increasing by 21% to \$48.2 million.

FINANCIAL PERFORMANCE

- → Total revenue increased by 21% to \$48.2 million in FYO5 from \$39.8 million in FYO4;
- → Earnings before Interest and Tax (EBIT) increased to \$4.0 million in FYO5, from a loss of \$3.2 million in FYO4.

DIVISIONAL HIGHLIGHTS

- → The Australian Mud Company (AMC) traded strongly in FY05, delivering 50% of the Group's revenue and an EBIT contribution of \$3.0 million;
- → Surtron Technologies (Surtron) off the back of its Logging, Survey and Coal Bed Methane (CBM) steering activities in Australia and the USA, recorded 63% revenue and 237% EBIT growth in FY05;
- → Ace Drilling Supplies (Ace) benefited from the strong increases in the resources sector and the introduction of the new electronic core orientation tool, lifting revenue by 23% and EBIT by 63% in FYO5;
- → The RTE/Imdex Joint Venture re-structure was approved by Shareholders at the 2004 AGM and, as a result, 10 million shares held by RTE were cancelled and RTE is repaying US\$1.5 million to Imdex. On completion of the re-structure Imdex's interest in the Joint Venture will reduce from 49% to 20%.

DELIVERING ON ITS STRATEGY

- → The non-core Imdex Minerals was sold on 1 July 2005 for \$6.3 million, with further, deferred, sale proceeds of \$1.5 million conditional on the future success of certain new agricultural products being developed by the business;
- → The business of Samchem, the South African muds and chemicals company, was acquired effective from 1 August 2005;
- → Continuing Divisional operational and earnings improvement forecast for FY06.

VERVIE

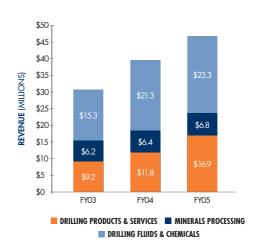
FINANCIAL HIGHLIGHTS

FY03 (\$m)	FY04 (\$m)	FY05 (\$m)
30.9	39.8	48.2
		+ 21%
3.9	(1.3)	5.9
(1.8)	(1.9)	(1.9)
2.0	(3.2)	4.0
		+ 224%
(0.6)	(0.6)	(0.5)
1.5	(3.8)	3.5
(0.6)	0.1	(0.4)
0.9	(3.7)	3.1
		+ 183%
21.8	18.1	19.1
16.58	14.59	16.78
		+ 15%
0.76	(3.07)	2.69
		+ 188%
	30.9 3.9 (1.8) 2.0 (0.6) 1.5 (0.6) 0.9 21.8 16.58	30.9 39.8 3.9 (1.3) (1.8) (1.9) 2.0 (3.2) (0.6) (0.6) 1.5 (3.8) (0.6) 0.1 0.9 (3.7) 21.8 18.1 16.58 14.59

INCREASING THREE YEAR REVENUE AND EBIT TREND



THREE YEAR REVENUE (BY DIVISION)





IAN BURSTON Chairman

CHAIRMAN'S REPORT

The year ended 30 June 2005 (FYO5) has been very positive and it is pleasing to see the benefit of the strategy adopted in 2004 showing through in the improved financial results of the Company. There is no doubt that the buoyant resources and energy sectors have seen increased expenditure in exploration and

development of which Imdex has been a beneficiary. However, management must be able to take advantage of the favourable trading conditions and I am pleased to report that this has been the case in FYO.5.

This is evidenced by the 21% increase in revenue in comparison to FYO4 with a substantial lift in Net Profit after Tax to \$3.1 million for FYO5 from a loss of \$3.7 million in FYO4. This equates to Earnings per Share of 2.7 cents (FYO4, loss per share of 3.1 cents) with a Net tangible Asset Backing per Share of 16.8 cents (FYO4, 14.6 cents).

There has continued to be a steady movement to focus on our core businesses, and during the year we sold Imdex Minerals and the results referred to above include the write down of \$1.4 million in the net assets of Imdex Minerals at 30 June 2005 in preparation for the sale of the business which occurred on 1 July 2005. The Board adopted a conservative approach in relation to this issue as there remains the strong possibility of receiving an additional sale consideration of \$1.5 million in the future. This additional cash amount is conditional on the future profitability of certain agricultural products sold with the business. If and when the additional consideration is received, it will be accounted for as a credit to the Profit and Loss account.

The Balance Sheet is strong, profits are improving and the Company's cash position continues to strengthen. This is at a time when, according to Metals Economics Group's latest edition of Corporate Exploration Strategies, 2004, worldwide non-ferrous exploration budgets totalled US\$3.8 billion which is up 58% on 2003.

Exploration expenditure is up in most regions around the world with sharp increases in countries such as Russia, Mongolia and China and regions such as Africa and Latin America led by Peru and Mexico. Increased expenditure in these regions supports the strategy adopted by the Board in concentrating on growing our business internationally.

The Australian Mud Company has been expanding its sales profile internationally and was a solid profit contributor for the year. Part of the international growth strategy includes the acquisition of the South African drilling fluids and chemicals company, Samchem. This acquisition was approved by Shareholders in General Meeting on 5 August 2005. The Samchem acquisition provides a strategic manufacturing and research and development facility in South Africa from which the business is ideally located to supply greater Africa and take advantage of the increased exploration expenditure being experienced in Africa generally. There is also good scope to expand Samchem's oilfield business in Africa.

As a result of the Samchem acquisition, we are also pleased to welcome to the Board Mr Ivan Freeman.

Surtron's improved financial performance was pleasing and is a tribute to the hard work and dedication of the Surtron team. All divisions within Surtron experienced improved revenue and profitability and further growth is forecast for FYO6.

Ace Drilling Supplies was also a significant improver in FYO5. The staged introduction of an electronic core orientation tool has proven to be a success and further growth is expected in the new financial year as its international roll-out gathers pace. This new product was the concept of one of our senior staff members and we have a patent pending on the device.

The re-structure of the Saudi Arabian Joint Venture was approved by Shareholders at the 2004 Annual General Meeting. The cancellation of the 10 million shares previously held by Rashid Trading Establishment (RTE) has occurred and RTE is continuing to pay Imdex a total of US\$1.5 million in instalments. The total amount is due to be paid by RTE to Imdex by 31 December 2005.

Our aims are to continue to focus on wealth creation for you, the Shareholders, the owners of the business and during FY05, much progress was made with the generation of Net Profit after Tax of \$3.1 million with continuing growth forecast for FY06.

The Board has decided not to declare a dividend for the year ended 30 June 2005. However, delivering a sustainable and increasing dividend stream to Shareholders remains one of the goals set by Directors for the Company to achieve in the short to medium term.

The timing of this goal has been balanced against the capital needs of the business. Directors have been driving Shareholder value by continuing to invest in the expansion of the domestic and international businesses. This strategy has been successful and the revenue and profit growth is now readily evident giving Directors greater confidence that the goal for the payment of dividends to Shareholders will be met.

Such growth cannot be achieved without the dedication and hard work demonstrated by all of the Company's employees, consultants and fellow Board members. On behalf of you, the Shareholders, I would like to extend my utmost appreciation to all of our workforce for their efforts during the year.

In addition, I would like to thank all Shareholders for your support and trust that this may continue and I look forward to seeing as many of you at the forthcoming Annual General Meeting to be held in Perth on 27 October 2005.

lan Burston CHAIRMAN

REPORTS



BERNIE RIDGEWAYManaging Director

MANAGING DIRECTOR'S REPORT

The result for the year is a reflection of the strategy enunciated at the 2004 Annual General Meeting to expand the core drilling products and services business and the continued good operational

performances of the core business units. Revenue was up 21% to \$48.2 million for the year ended 30 June 2005 (FY05).

Highlights for the year included the following:

- → continued growth in the core businesses;
- → Group sales up by 21% on FYO4;
- → Earnings before Interest and Tax (EBIT) strong and expected to improve further in FYO6; and
- → Net Profit after Tax of \$3.1 million with significant growth forecast for FY06.

During the year, the Board decided that Imdex Minerals was non-core and should be sold. Accordingly, an agreement was reached with Unimin Australia Pty Ltd (Unimin) and the business was sold for a price of \$6.3 million cash which settled on 1 July 2005. As part of the sale agreement, Imdex Limited is entitled to a further \$1.5 million, subject to the future profitability of certain agricultural products which, at the time of sale, were in the early stages of development and commercialisation. Unimin have confirmed that they are continuing the commercialisation of one of these products, in particular, and Imdex has reason to believe that future profitability will be sufficient to ensure the collection of the additional consideration.

At the time of sale of the business, net assets totalled \$7.6 million compared to the sale price of \$6.3 million. However, the Directors have taken a conservative view in relation to the collection of the additional \$1.5 million conditional consideration and have written the net assets down to the cash consideration received at settlement on 1 July 2005. This one-off adjustment has caused the EBIT to be reduced from \$5.4 million to \$4.0 million.

Nevertheless, the disposal of Imdex Minerals placed the Company in a position to acquire the business of Samchem, further enhancing the core business of drilling products and services and was a positive step in the implementation of the strategic plan adopted by Imdex in 2004.

The solid performance of the Australian Mud Company (AMC) and the continued improvement in the operations of Surtron Technologies (Surtron) and Ace Drilling Supplies (Ace) was pleasing.



THE AUSTRALIAN MUD COMPANY PTY LTD (AMC)

Australian Mud Company (AMC) provides drilling products and services to the mining, oil and gas, water well and horizontal directional drilling industries. It traded strongly during the year generating EBIT in excess of \$3 million for FY05. AMC's revenue accounted for approximately 50% of total Imdex Group sales.

In November 2004, the Metals Economics Group in Canada forecast an increase in overall non-ferrous worldwide exploration expenditure over that experienced in 2004. Base metals commodity markets are being supported by low inventories and a lack of new production with the gold price remaining buoyant. These factors continue to drive exploration expenditure and AMC is a beneficiary of this increased exploration spending in Australia and internationally.

AMC continues to offer a superior service which is supported by a very strong brand identity within the industry in Australia and overseas. International markets continue to be a focus for AMC and increased sales have been achieved in China, Africa, New Zealand and Asia.

AMC will continue to consolidate its presence in the Australian market and pursue growth internationally.



SURTRON TECHNOLOGIES PTY LTD

Surtron Technologies (Surtron) provides geophysical logging, downhole surveying and steering services. Geophysical logging services are provided to Australia's major iron ore producers in BHP Billiton, and Rio Tinto. Surtron provides downhole survey services to the major gold producers operating in Australia and steering services are provided to coal seam gas explorers and producers in Australia and the United States.

MANAGING DIRI

SURTRON TECHNOLOGIES (CONTINUED)

Surtron continued to build on its improved trading performance demonstrated in FYO4 with a 63% increase in revenue and a 237% increase in EBIT in FYO5 compared to FYO4.

It is well documented that there is significant expansion taking place in the iron ore industry in the Pilbara region of Western Australia to meet demand from China and Japan. Surtron is a beneficiary of this expansion in that the additional drilling by the iron ore producers requires geophysical logging; and additional logging trucks have been placed into the field. These vehicles are operating at increased day rates and utilisation is also at elevated levels.

Surtron's downhole survey division has also been very active primarily servicing the gold producers in Australia. The gold price has been relatively buoyant and a number of the junior exploration companies have been active in the sector. The majors have also been active as they recognised a dearth of new projects moving to production and exploration budgets have been increased post the industry consolidation phase seen in 2000 and 2001.

The coal bed methane gas drainage (CBM) market continued to be the focus for Surtron's steering division during the year. Services continue to be supplied to CBM explorers and producers in Australia, including CH4 at Moranbah in Queensland. The CH4 project is a joint venture between CH4 and BHP Billiton and is operated by CH4. It is the largest CBM project utilising surface to in seam (STIS) technology in Australia.

Surtron provides similar services to the CBM industry in the United States and is evaluating additional opportunities in that market.

Surtron continues to invest in software development to assist and enhance the Company's steering capability which ensures Surtron's continued industry leadership in Australia.

Surtron is forecasting further revenue and EBIT growth in FYO6.



ACE DRILLING SUPPLIES

Ace Drilling Supplies (Ace) markets drilling consumables and downhole motors and cameras to the drilling industry in Australia and internationally. Ace experienced strong demand for its products and services during the year.

This has seen revenue increase by 23% producing a robust EBIT margin of almost 16%. The improved financial performance is a result of the general increase in activity in the resources sector and the introduction of the new electronic core orientation tool (patent pending) to the diamond drilling industry. This tool is being phased into the market and is gaining wide acceptance in Australia and internationally as the only electronic core orientation tool on the market. Marketing of this tool will continue in FY06 and it is expected that the Ace core tool will be the dominant core orientation tool in the market by the end of FY06.

Further increases in sales and EBIT margin are expected in FYO6 as a result of the market acceptance of the quality products in the Ace portfolio and the expected continuation of favourable trading conditions in the resources sector.



RTE/IMDEX JOINT VENTURE

Imdex currently has a 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\$25.3 million in 2005 (2004 – US\$17.6m) producing a Net Profit of US\$351,000 (100%) for the year ended 30 June 2005.

On 5 July 2004, Imdex announced a re-structure of the Saudi Arabian Joint Venture. In summary, Imdex is reducing its equity in the Joint Venture to 20% (being a 20% interest in Imdex Arabia Limited). The re-structure was approved by Shareholders at the 2004 Annual General Meeting whereby it was agreed that RTE would return 10 million shares in Imdex for cancellation and RTE would also pay a total of US\$1.5 million cash to Imdex.

The 10 million shares in Imdex held by RTE were duly cancelled in accordance with the re-structure agreement.

In relation to the US\$1.5 million due from RTE as part of the restructure agreement, a further legally binding agreement, including a promissory note and personal guarantee from Mr HH Al-Merry, (the principal of RTE and currently a Director of Imdex), was reached with RTE at the end of February 2005 which required RTE to pay a minimum of US\$100,000 per month to Imdex with the entire amount to be paid by 31 December 2005. As at the date of this report, RTE had paid a total of US\$550,000 in accordance with this agreement.

CTOR'S REPORT



SAMCHEM DRILLING FLUIDS & CHEMICALS (PTY) LTD

The acquisition of Samchem on 1 August 2005 is expected to impact positively on earnings for FY06. The business is currently trading well and is also a beneficiary of increased exploration spending, particularly in Africa. There are a number of opportunities to expand the business and these include the oilfield and through the worldwide application for the chemicals used in the clay brick manufacturing process.



Samchem Research and Development facility - South Africa



Samchem Manufacturing Plant

COMPANY OUTLOOK

The strong performances of the core business units in FYO5 has continued into FYO6.

AMC has continued to trade strongly in the initial months of FY06, and international expansion plans continue in order to capitalise on the buoyant business conditions being experienced in the resources industries.

Surtron experienced a very good year in FYO5 and favourable trading conditions have continued into FYO6. The Company has expanded capacity in the geophysical logging division and the steering division to satisfy increased demand in these areas. Surtron will continue to pursue opportunities and grow its business in international markets.

Ace is forecasting strong growth in both revenue and earnings through the continued introduction of the electronic core orientation tool into the marketplace and the expansion of its traditional business of downhole motors and cameras.

In relation to the Imdex Group of businesses, the Board is anticipating continuing revenue growth in FY06 of around 15% to \$55 million. Profit levels are also expected to increase on the levels achieved in FY05.

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

- continuing operational and earnings improvement in all business units;
- → progressive realisation of the potential of its 20% investment in Imdex Arabia;
- 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.

Bernie Ridgeway

MANAGING DIRECTOR

MDEX'S B



DRILLING FLUIDS & CHEMICALS

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

FINANCIAL

- → Revenue \$23.2m
- → EBIT \$3.0m

YEAR IN BRIEF

- → 10% increase in revenue
- → Continued to increase sales in onshore oil & gas industry
- Further brand development from superior service offering
- → International growth initiatives continued
- → Increasing sales into China and India continuing

FUTURE DIRECTIONS

- → Exploration sector continues to appear buoyant
- → Continued international expansion
- → Further consideration of mergers / acquisitions / alliances



DRILLING FLUIDS & CHEMICALS

Drilling fluids, chemicals and services to the mining, oil and gas, water well and horizontal directional drilling industries. Clay and cement chemical additives.

Samchem Drilling Fluids & Chemicals acquired effective 1 August 2005

NEW ACQUISITION

- → Shareholders approved acquisition on 5 August 2005
- → 16m shares in Imdex issued, cash purchase price of approx \$3.5m

THE BUSINESS

- → In FYO5 reported revenue of AUD\$8.7m with EBIT of AUD\$1.5m
- → Major manufacturer and supplier of drilling fluids and services in South Africa – expanding in other African countries
- → Highly qualified and capable research and development function
- → 35 employees including key management transferred with the business

FUTURE DIRECTIONS

- → Combined operating synergies of AMC and Samchem to be realised
- Capitalise on strategic location for manufacturing, supply and R&D of drilling fluids & chemicals
- → Diversify via chemical additives for clay brick and cement block manufacturing
- → Expand the mining, oil and gas business.





DRILLING PRODUCTS & SERVICES

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

FINANCIAL

- → Revenue \$16.9m
- → EBIT \$2.9m

YEAR IN BRIEF

- → 43% increase in revenue
- → Increased EBIT contribution by 153%
- → Pilbara iron ore expansion drove strong demand for logging services
- → Survey operations servicing the gold sector have been very active
- → Wireless steering to the CBM market was strong in Australia and increased in the USA
- → Continued high demand for down hole cameras and motors
- → Electronic core orientation tool gaining market acceptance

FUTURE DIRECTIONS

- Additional offshore CBM steering in the USA remains a focus
- Secure dominance of core orientation tool in the market place
- → Continue to service offshore survey markets



DRILLING FLUIDS & CHEMICALS JOINT VENTURE

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

FINANCIAL

- → Revenue US\$25.3m (100% Joint Venture)
- → NPAT US\$351k (100% Joint Venture)

YEAR IN BRIEF

- Re-structure approved by Shareholders at 2004 AGM
- → 10m shares held by RTE cancelled
- → RTE is repaying US\$1.5m to Imdex at which time Imdex's interest will reduce from 49% to 20%

FUTURE DIRECTIONS

- → Continue to realise value of 20% investment (post re-structure)
- → To consider introduction of services



MINERALS PROCESSING

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

SOLD EFFECTIVE 1 JULY 2005

FINANCIAL

- → Revenue \$6.7m
- → EBIT loss \$229k

YEAR IN BRIEF

- → Board determination that business was non-core
- → Successfully negotiated sale of business
- → Cash proceeds realised of \$6.3m. Deferred sale proceeds of \$1.5m conditional on success of new agricultural products. Sale placed Imdex in a position to acquire the Samchem business, reduce debt and augment working capital

DIRECTOR

MR IAN BURSTON



AM Non Executive Chairman Age: 70 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 RIDGEWAY



B,Bus (ACCTG) ACA Managing Director Age: 51 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 ROSS KFIIY



BE(Hons) FAICD Non Executive Director Age: 67 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.

S PROFIES

MR KEVIN DUNDO



B Com, LLB Non Executive Director Age: 53 years

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

He is also a Director of NuStar Mining Corporation Limited (ASX: NMC). Previous directorships include St Barbara Mines Limited (ASX: SBM) and Defiance Mining Corporation (listed on the Toronto Stock Exchange).

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.



Non Executive Director Age: 63 years

Mr Freeman is the Executive Chairman of the Iscosa group of companies and is based in Johannesburg, South Africa.

Mr Freeman was appointed to the Board on 23 August 2005.

He holds advanced Diplomas in Chemical Technology and Production Engineering and has completed several courses in business administration, supervisory management, marketing and finance.

His career has focused mainly on mining and oil exploration related projects and he is well versed in the use of chemical additives that improve the clay brick making process.

He is an Associate Member of the South African Clay Brick Association. Administrative and fiscal disciplines form the corner stone of his management style.

MR HADI HAMMED AL-MERRY



Non Executive Director Age: 43 years

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

MR STEPHEN LYONS



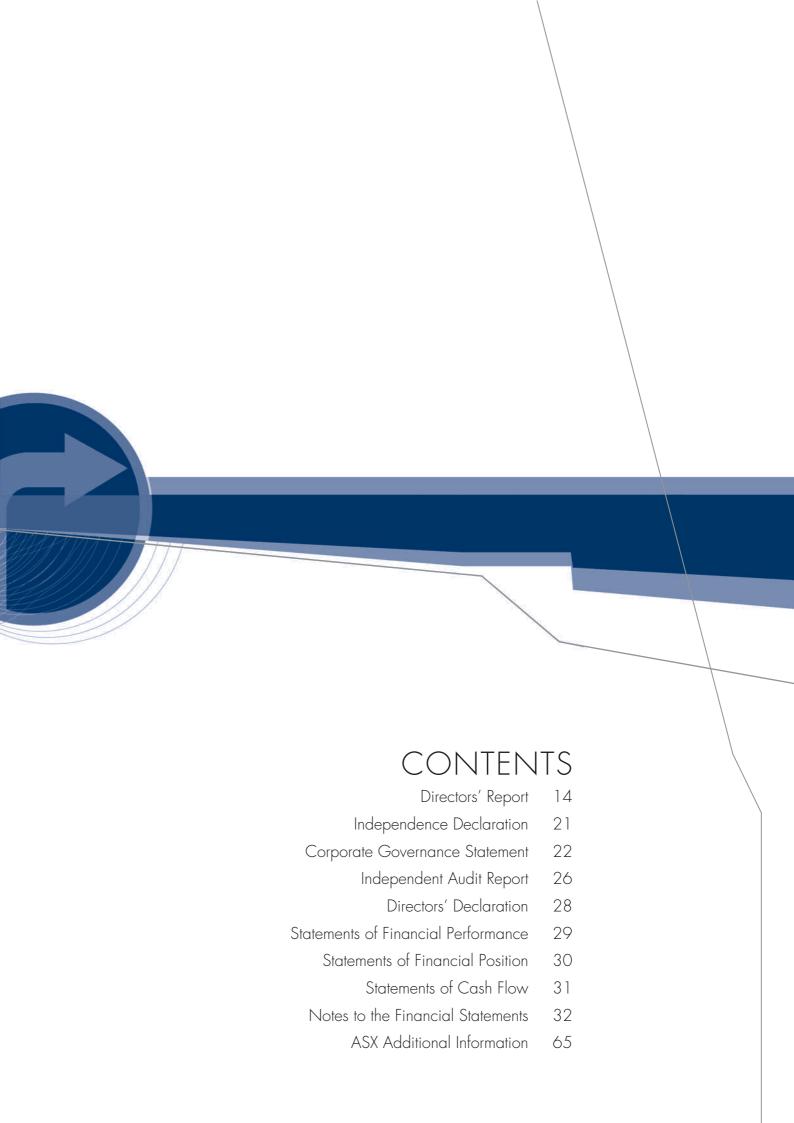
B.BUS (ACCTG) ACA Company Secretary Age: 36 years

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.





The Directors of Imdex Limited ("Imdex" or "the Company") present their report together with the annual Financial Report of the Company and its controlled entities for the financial year ended 30 June 2005.

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	70	 Mechanical Engineer Member of the Audit & Remuneration Committees. Director since November 2000.
Mr B W Ridgeway	Managing Director	51	Chartered AccountantDirector since May 2000.
Mr R W Kelly	Independent, Non Executive Director	67	EngineerMember of the Audit & Remuneration Committees.Director since 14 January 2004.
Mr K A Dundo	Independent, Non Executive Director	53	 Practicing Lawyer Chairman of the Audit & Remuneration Committees. Director since 14 January 2004.
Mr H H Al-Merry	Non Executive Director	43	 President of Rashid Trading Establishment (involved in a Joint Venture with Imdex, known as the RTE/Imdex Joint Venture) Director since April 2002.
Mr I R Freeman	Non Executive Director	63	Chemical Technology and Production EngineerDirector since 23 August 2005.
Mr J P O'Neil	Non Executive Director – Alternate Director to Mr I Freeman	58	 Muds and Drilling Fluids Engineer Alternate Director since 23 August 2005.

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

(b) Directorships of other listed companies

Directorships of other listed companies held by the Directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Position	Period of Directorship
Mr I F Burston	Aztec Resources Ltd	Chairman and Chief Executive Officer	2004 - Current
	Mincor Resources NL	Non Executive Director	2003 - Current
	Aviva Corporation Ltd	Non Executive Director	2003 - Current
Mr R W Kelly	Clough Limited	Non Executive Director	Since 1996
	Clough Limited	Chairman	During 2002 - 2003
	Orbital Engine Corp Ltd	Chairman and Non Executive Director	Resigned 21 August 2003
	Aurora Gold Limited	Non Executive Director	Resigned 5 February 2003
Mr K A Dundo	NuStar Mining Corp Ltd	Non Executive Director	2002 - Current
	St Barbara Mines Limited	Non Executive Director	2002 – 2004
	Defiance Mining Corporation	Non Executive Director	2003 - 2004

(c) Company Secretary

 $Mr\;S\;J\;Lyons$

Chartered Accountant aged 36. Mr Lyons was appointed Company Secretary of Imdex Limited on 19 November 2001. He has an audit, corporate services and banking background. Previously, he was 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. Mr Lyons is a Member of the Institute of Chartered Accountants in Australia.

(d) 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, nine Board meetings and three Audit and Compliance Committee meetings were held.

The Remuneration Committee did not meet during the year, however has met once since the end of the year.

	Board o	f Directors	Audit and Compliance Committee			
	Held	Attended	Held	Attended		
I F Burston	9	9	3	3		
B W Ridgeway	9	9	-	-		
H H Al-Merry	9	-	-	-		
R W Kelly	9	8	3	3		
K A Dundo	9	9	3	3		

In addition to the Directors' and Audit and Compliance Committee meetings, there were also regular meetings of the RTE/Imdex Saudi Arabian Joint Venture. These are attended by Mr Ridgeway on behalf of Imdex Limited and Mr Al-Merry on behalf of Rashid Trading Company.

(e) Directors' Shareholdings

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

Directors	Shares Held Directly	Shares Held Indirectly	Options Held Directly
I F Burston	100,000	-	-
B W Ridgeway	-	5,000,000	-
H H Al-Merry	755,000	-	-
R W Kelly	-	265,000	-
K A Dundo	300,000	-	-
I R Freeman	-	16,059,002	-
J P O'Neil – alternate Director to Mr I Freeman	-	12,847,202	-

At the date of this report, the options on issue by the Company are disclosed at (g) below and in Note 28. No shares were issued during the year on the exercise of options granted by the Company.

(f) Remuneration Report

Remuneration policy for Directors and Executives

The Board seeks the approval of Shareholders in relation to the aggregate of Non Executive Directors remuneration and any options that may be granted to Directors. The remuneration for Non Executive Directors is reviewed from time to time, with due regard to current market rates. The remuneration for Non Executive Directors is not linked to the Company's performance. Other than statutory superannuation, no Non Executive Director is entitled to any additional benefits on retirement from the Company.

The Managing Director's remuneration is determined by the Remuneration Committee with due regard to current market rates. The remuneration for the Managing Director is not linked to the Company's performance. The Remuneration Committee intends to review the Managing Director's remuneration at 31 December 2005 and, at that time, the extent to which it is linked to the performance of the Company.

All specified Executives, and all staff of the Company, are subject to formal annual reviews of their performance. The remuneration of specified Executives comprises a fixed monetary total, not linked to the performance of the Company, although bonuses related to the performance of the Company may be agreed between that Executive and the Company from time to time. Refer below for further details.

Director and Executives details

The Directors of Imdex Limited during the year were:

- (i) Mr I F Burston (Non Executive Chairman);
- (ii) Mr B W Ridgeway (Managing Director);
- (iii) Mr R W Kelly (Non Executive Director);
- (iv) Mr K A Dundo (Non Executive Director); and
- (v) Mr H H Al-Merry (Non Executive Director).

The Group Executives of Imdex Limited during the year were:

- (i) Mr S J Lyons (Company Secretary);
- (ii) Mr D L Kinley (Group Financial Controller);
- (iii) Mr G E Weston (General Manager: Australian Mud Company Pty Ltd, Surtron Technologies Pty Ltd and Ace Drilling Supplies);
- (iv) Mr C S Munyard (Manager Surtron Technologies Pty Ltd); and
- (v) Mr I Tan (General Manager: Imdex Minerals).

Elements of Director and Executive Remuneration

Remuneration packages contain the following key elements:

- (i) Primary benefits salary/fees, bonuses and non monetary benefits including the provision of motor vehicles and health benefits;
- (ii) Post-employment benefits including superannuation and prescribed retirement benefits;
- (iii) Equity share options granted under the Staff Option Scheme as disclosed in Note 28; and
- (iv) Other benefits.

Details of Directors' remuneration are set out below. Further information is also set out in Note 26:

		Primary		Post Employment			Equity	Other benefits	Total
	Salary & fees \$	Bonus \$	Non- monetary \$	Super- annuation \$	Prescribed benefits \$	Other \$	Options \$	\$	\$
Executive Director									
B W Ridgeway, Managing Director (i)	250,000	-	22,123	22,500	-	-	-	-	294,623
Non Executive Directors									
I F Burston, Chairman	50,000	-	-	4,500	-	-	-	-	54,500
H H Al-Merry	-	-	-	-	-	-	-	-	-
R W Kelly	35,000	-	-	3,150	-	-	-	-	38,150
K A Dundo	35,000	-	-	3,150	-	-	-	-	38,150
Total	370,000	-	22,123	33,300	-	-	-	-	425,423

Details of remuneration of the highest remunerated Group Executives are set out below:

	Primary		Po	Post Employment			Other benefits	Total	
	Salary & fees \$	Bonus \$	Non- monetary \$	Super- annuation \$	Prescribed benefits \$	Other \$	Options \$	\$	\$
S J Lyons, Company Secretary (iii)	112,078	-	-	-	-	-	600	-	112,678
D L Kinley, Group Financial Controller (iii)	107,231	-	9,612	9,651	-	-	1,200	-	127,694
G E Weston, General Manager AMC, Ace & Surtron (iii)	200,000	-	6,795	17,965	-	-	24,000	-	248,760
C S Munyard, Manager Surtron (iii)	106,838	-	9,351	9,615	-	-	900	-	126,704
l Tan, General Manager Imdex Minerals (iii)	152,269	-	6,357	13,704	-	-	-	-	172,330
Total	678,416	-	32,115	50,935	-	-	26,700	-	788,166

Elements of remuneration related to performance

- (i) Managing Director: The remuneration of the Managing Director is not directly linked to the performance of the Company. In general terms, options have been the method by which Imdex has sought to reward key executives in a manner linked to the performance of the Company. Any such options to the Managing Director, or any Director, require the approval by Shareholders in General Meeting. As set out in (g) below, during the year the Managing Director's options expired.
- (ii) Non Executive Directors: The remuneration of Non Executive Directors is not linked to the performance of the Company. The maximum total remuneration payable to Non Executive Directors was approved by Shareholders at the 2003 Annual General Meeting and is currently \$300,000. In the current year remuneration to Non Executive Directors totalled \$130,800, including statutory superannuation. The Board determines the apportionment of directors' fees between each Director.
- (iii) Group Executives: The remuneration of specified Executives generally comprises a fixed monetary total that is not linked to the performance of the Company. Bonuses related to the performance of the Company may, however, be agreed between that Executive and the Company from time to time. In addition, subject to a qualifying period, Group Executives may be issued options in the Staff Option Plan at the discretion of the Board. The percentage of the value of remuneration that consisted of options for each Executive is set out below.

Value of options issued to Directors and Executives

The following table discloses the value of options granted, exercised or lapsed during the year:

	Options Granted (i)	Options Exercised	Options Lapsed	Total value of options granted, exercised and lapsed	Value of options included in remuneration during the year (ii)	Percentage of remuneration for the year that consisted of options
	Value at grant date \$	Value at exercise date \$	Value at time of lapse \$	\$	\$	%
S J Lyons	600	-	-	600	600	0.5%
D L Kinley	1,200	-	-	1,200	1,200	0.9%
G E Weston	24,000	-	-	24,000	24,000	8.9%
C S Munyard	900	-	-	900	900	0.7%

- (i) the total value of options granted during the year is calculated based on the fair value of the option at grant date multiplied by the number of options issued during the year;
- (ii) The total value of options included in remuneration for the year is calculated in accordance with Accounting Standard AASB 1046 "Director and Executive Disclosures by Disclosing Entities", as amended by Accounting Standard AASB 1046A. As the options immediately vest the full value of the option is recognised in remuneration in the current year.

(g) Share options

(i) Share options granted to Directors and Executives

During or since the end of the financial year an aggregate of 2,225,000 options were granted to the following executives of the Group under the Staff Option Plan – refer Note 28. No options were granted during or since the end of the financial year to Directors.

Name	Number of options granted	Issuing entity	Number of ordinary shares under option
S J Lyons	50,000	Imdex Limited	50,000
D L Kinley	100,000	Imdex Limited	100,000
G E Weston	2,000,000	Imdex Limited	2,000,000
C S Munyard	75,000	Imdex Limited	75,000

During the financial year the following options to Directors expired:

Name	Number of options that expired	Issuing entity	Number of ordinary shares under option	
I F Burston	1,000,000	Imdex Limited	1,000,000	
B W Ridgeway	2,000,000	Imdex Limited	2,000,000	

The options held by Mr Ridgeway and Mr Burston were granted on 25 October 2001, following approval by Shareholders at the 2001 Annual General Meeting. These options expired on 24 October 2004.

(ii) Share options on issue at year end

Details of unissued shares or interests under option are:

Issuing Entity	Class of option	Class of shares	Exercise price of option	Issue date of option	Expiry date of option	Key terms of option	Number of shares under option
Imdex Limited	Staff Share Options	Ordinary	20 cents	1 Aug 2004	31 Jul 2009	(aa)	3,160,000
Imdex Limited	Corporate Advisor Options	Ordinary	20 cents	23 Dec 2004	31 Jul 2009	(bb)	100,000
Imdex Limited	Corporate Advisor Options	Ordinary	20 cents	23 Dec 2004	31 Oct 2007	(cc)	2,000,000
Imdex Limited	Corporate Advisor Options	Ordinary	35 cents	23 Dec 2004	31 Oct 2007	(dd)	1,000,000

- (aa) exercisable one year after the date of issue, in one-third lots each year thereafter;
- (bb) exercisable at any point prior to expiry;
- (cc) exercisable at any point prior to expiry on the condition that Imdex shares trade at 30 cents for 5 consecutive trading days; and
- (dd) exercisable at any point prior to expiry.
- (iii) No shares were issued during the financial year or since the end of the financial year as a result of the exercise of an option.

(h) 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.

(i) Review of Operations

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

(i) Dividends

No dividends were paid or declared by the Company during the year (2004 \$Nil). The Directors do not recommend the payment of a dividend in respect of the financial year ended 30 June 2005.

(k) Changes in State Of Affairs

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

(i) Subsequent Events

(i) On 1 July 2005 Imdex Limited sold its mineral processing business, Imdex Minerals, for a cash price of \$6.3 million. As part of the sale agreement, Imdex Limited is entitled to a further cash payment of \$1.5 million, subject to the future profitability of certain agricultural products which, at the time of sale, were in the early stages of development and commercialisation.

Whilst Imdex has reason to believe that the future profitability of these products will be sufficient to ensure the collection of the additional consideration, a definitive assessment is unable to be made at 30 June 2005. The Directors have therefore taken a conservative view of the carrying value of Imdex Minerals business as at 30 June 2005. As the carrying value of the net assets of Imdex Minerals at 30 June 2005 totalled \$7.6 million, the Directors have decided to write down the carrying value by \$1.37 million at 30 June 2005 to \$6.3 million, representing the amount realised in cash on 1 July 2005. This write down, of property, plant and equipment, has been reflected as a charge against current period profits.

Further details concerning this event are set out in Note 31 to the Financial Report.

(ii) On 5 August 2005, Imdex Limited held a General Meeting of Shareholders at which the acquisition, and associated share issue, of the business, certain related assets and intellectual property of SA Mud Services (Pty) Ltd and Iscosa (Pty) Ltd was approved. On 10 August 2005, settlement of the acquisition took place and 16,059,002 shares in Imdex Limited were issued to SA Mud Services and Iscosa. The balance of the purchase price, approximately \$3.5m, was transferred to the trust account of an independent attorney pending the finalisation of the completion accounts and other defined matters.

Apart from these matters, 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.

(m) 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.

(n) 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 by Imdex Minerals, continue to minimise dust emission and the impact of dust on the surrounding area. A dust management and improvement program was completed during the year which resulted in the improved efficiency of site dust collectors.

One complaint was received by the Department of Environmental Protection (DEP) during the year. The complaint related to the storm water run off from the plant sedimentation pond. In response, a new stormwater pond and pump was installed and consequently resulted in the matter being rectified.

During the year the Environmental Protection Act (EPA) 1986 Licence was revised by DEP representatives and presented to Imdex Minerals management in September 2004. The revision of the licence enables Imdex Minerals to enhance their ability to monitor and manage environmental protection matters.

As described in this Financial Report, Imdex Minerals was sold on 1 July 2005.

(o) Non-audit services

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 4 to the Financial Report.

(p) Auditor's Independence Declaration

The auditor's independence declaration is included on page $21\,$ of the Financial Report.

(q) 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.

(r) 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 \$.298(2) of the Corporations Act 2001.

On behalf of the Directors

Mr Ian Burston

Chairman

PERTH, Western Australia, 22 September, 2005

INDEPENDENCE DECLARATION

Deloitte.

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The Board of Directors Imdex Limited Level 3, Redgum House 18 Richardson Street West Perth WA 6005

22 September 2005

Dear Sirs

Imdex Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Imdex Limited.

As lead audit partner for the audit of the financial statements of Imdex Limited for the financial year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Keith Jones Partner

Chartered Accountant

Member of **Deloitte Touche Tohmatsu**

(a) ASX Governance Principles and ASX Recommendations

The Australian Stock Exchange Corporate Governance Council sets out best practice recommendations, including corporate governance practices and suggested disclosures. 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.

Unless otherwise indicated the best practice recommendations of the ASX corporate Governance Council, including corporate governance practices and suggested disclosures, have been adopted by the Company for the full year ended 30 June 2005. In addition, the Company has 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.

The extent to which Imdex has complied with the ASX Recommendations during the year ended 30 June 2005, 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.

In addition, excluding Mr J P O'Neil who is an alternate Director for Mr I F Freeman, the Board currently has six Directors, three of whom are considered independent. Despite not having a "majority" of independent Non Executive Directors, the structure of the Board is considered appropriate and adequate at the current time, for the Company's operations.

(i) Board Structure

The Board consists of a Non Executive Chairman, four 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 Director's 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:

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 the principal of Rashid Trading Establishment which is involved as a Joint Venture partner with the Company in the Middle East.
Mr R W Kelly, Non Executive Director	Independent	Nil
Mr K A Dundo, Non Executive Director	Independent	Nil
Mr I R Freeman, Non Executive Director	Not Independent	Mr Freeman is a major shareholder, having an indirect interest in 16,059,002 shares of the Company.
Mr J P O'Neil, Alternate Director to Mr I R Freeman	NI II I	Mr O'Neil is a major shareholder, having an indirect interest in 12,847,202 shares of the Company.
	Not Independent	Mr O'Neil is the Managing Director of Samchem Drilling Fluids and Chemicals (Pty) Ltd, Imdex's South African subsidiary.

(iii) Board Nomination

The Board does not have a separate nomination committee and, given the Company's size, 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 and 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.

(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, prior to trading, to determine whether trading at that 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 2005 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 A Dundo (Chairman);

Mr I F Burston;

Mr R W Kelly.

The experience and qualifications of each committee member is set out in the Directors' Profiles in the first section of the Annual Report. The Company Secretary acts as secretary of this Committee.

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.

(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 Boards role in reviewing the information disclosed to ASX and the procedures for ensuring that the information is released to ASX.

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

(g) Principle 6: Respect the rights of Shareholders

Shareholders Communications Strategy: The Board 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:

- (i) 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;
- (ii) the Half-Yearly report which contains summarised financial information and a review of the operations of the Consolidated Entity during the period. Half year 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;
- (iii) regular reports released through the ASX and the media;
- (iv) proposed major changes in the Consolidated Entity, which may impact on share ownership rights are submitted to a vote of Shareholders; and
- (v) 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 re-appointment of Non Executive 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 and Shareholders may register on the Company's website to receive automatic notification of ASX announcements.

The auditor is also invited to the Company's Annual General Meetings and is available to answer Shareholders questions concerning the conduct of the audit.

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

(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.

During the year, and with the assistance of an independent consultant, the Company Secretary and the Group Financial Controller conducted a targeted internal control review programme for the Imdex Group during the year. The results of this review were reported to the Audit Committee,

Apart from this review, which may be conducted from time to time in the future, 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 Reports are 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 an informal process in place 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. A formal performance evaluation of the Board was not conducted during the year.

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 or to formalise the performance evaluation process.

All other Executives, and all staff of the Company, are subject to formal annual reviews of their performance as set out in the Directors Report.

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 and Executives are set out in Note 26. The Company's remuneration policies are set out in the Remuneration Report contained in the Directors Report.

(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 K A Dundo (Chairman);

Mr I F Burston; and,

Mr R W Kelly.

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

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.

All Non Executive Directors are remunerated by way of fixed cash fees. Non Executive Directors are not provided with retirement benefits other than statutory superannuation. The maximum total remuneration payable to Non Executive Directors was approved by Shareholders at the 2003 Annual General Meeting and is currently \$300,000.

No Non Executive Director received options in the Company during the year.

(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.

Independent audit report to the members of Imdex Ltd

Deloitte Touche Tohmatsu A.C.N. 74 490 121 060

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Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Imdex Ltd ("the company") and the consolidated entity, for the financial year ended 30 June 2005 as set out on page 21 and pages 28to 64. 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

INDEPENDENT AUDIT REPORT

Deloitte.

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Audit Opinion

In our opinion, the financial report of Imdex Ltd 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 2005 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

Partner Partner

Chartered Accountants Perth, 22 September 2005

DIRECTORS' DECLARATION

The Directors declare that:

- (i) 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;
- (ii) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company and the Consolidated Entity; and
- (iii) the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

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 Ian Burston

Chairman

PERTH, Western Australia, 22 September, 2005

STATEMENTS OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2005

Consolidated

		Consolidated		Company	
	Note	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenue from sale of goods	2	37,156	33,423	13,986	12,275
Revenue from rendering of services	2	9,679	5,948	-	-
Other revenue from ordinary activities	2	1,335	460	1,959	1,110
Total Revenue		48,170	39,831	15,945	13,385
Share of net (profit)/loss of equity accounted investments	16	_	292	_	_
Write down of the investment in the RTE/Imdex Joint Venture to recoverable amount	2,16	-	3,108	-	3,108
Prior year adjustments relating to Imdex Minerals	2	-	2,796	-	2,796
Write down of property, plant and equipment of Imdex Minerals to recoverable amount	2	1,370	-	1,370	-
Raw materials and consumables used		21,637	19,338	6,103	5,798
Other expenses from ordinary activities	2	10,660	8,837	4,569	4,853
Employee benefits expenses		8,569	6,739	3,079	2,565
Depreciation and amortisation expenses	2	1,949	1,938	1,040	1,034
Borrowing costs	2	529	559	359	420
Profit/(Loss) from ordinary activities before related income tax expense		3,456	(3,776)	(575)	(7,189)
Income tax (expense)/benefit relating to ordinary activities	5	(383)	87	431	289
Profit/(Loss) from ordinary activities after related income tax expense		3,073	(3,689)	(144)	(6,900)
Net Profit/(Loss)		3,073	(3,689)	(144)	(6,900)
Net profit attributable to outside equity interests		-	-	-	-
Net Profit/(Loss) attributable to members of the Parent Entity	23	3,073	(3,689)	(144)	(6,900)
Total Changes in Equity Other than those Resulting from Transactions with Owners as Owners		3,073	(3,689)	(144)	(6,900)

		Cents	Cents
Basic Earnings per Share (cents)			
Ordinary Shares	6	2.69	(3.07)
Diluted Earnings per Share (cents)			
Ordinary Shares	6	2.69	(3.07)

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 2005

		Consolidated		Company	
	Note	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current Assets					
Cash Assets	7	103	56	96	35
Receivables	8	13,920	9,355	4,556	2,548
Inventories	9	8,356	6,340	2,249	947
Current Tax Assets	11	-	-	-	22
Other	12	19	7	3	-
Total Current Assets		22,398	15,758	6,904	3,552
Non Current Assets					
Other Financial Assets	10	1,475	5,413	2,984	6,917
Property, Plant and Equipment	13	10,414	11,771	6,571	7,429
Exploration, Evaluation and Development Expenditure	14	601	641	601	641
Intangibles	15	12	-	12	-
Deferred Tax Assets	11	664	595	329	260
Total Non Current Assets		13,166	18,420	10,497	15,247
Total Assets		35,564	34,178	17,401	18,799
Current Liabilities					
Payables	17	7,971	7,221	2,526	2,482
Interest Bearing Liabilities	18	4,047	4,429	4,698	3,898
Current Tax Liabilities	11	574	39	531	-
Provisions	19	860	639	247	203
Total Current Liabilities		13,452	12,328	8,002	6,583
Non Current Liabilities					
Interest Bearing Liabilities	18	2,883	3,239	4,172	4,405
Deferred Tax Liabilities	11	-	370	-	370
Provisions	19	103	130	38	50
Total Non Current Liabilities		2,986	3,739	4,210	4,825
Total Liabilities		16,438	16,067	12,212	11,408
Net Assets	:	19,126	18,111	5,189	7,391
Equity					
Contributed Equity	21	19,008	21,058	19,008	21,058
Reserves	22	-	8	-	8
Retained Profits/(Accumulated Losses)	23	118	(2,955)	(13,819)	(13,675)
Total Equity		19,126	18,111	5,189	7,391

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 2005

		Consolidated Com		pany	
	Note	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Cash flows from Operating Activities					
Receipts from customers		48,767	40,747	15,135	13,699
Other income		-	-	1,020	840
Payments to suppliers and employees		(44,975)	(38,366)	(16,027)	(13,982)
Dividends received		-	-	688	-
Interest received		16	-	18	-
Interest and other costs of finance paid		(351)	(378)	(351)	(376)
Income taxes paid		(286)	(543)	-	(14)
Net cash provided by Operating Activities	34	3,171	1,460	483	167
Cash flows from Investing Activities					
Payments for property, plant and equipment		(2,791)	(1,926)	(1,719)	(463)
Proceeds from disposal of property, plant and equipment		639	343	251	270
Proceeds from receivable – RTE/Imdex Joint Venture		189	-	189	-
Payments for intangible assets		(11)	-	(11)	-
Payments for other assets		(216)	-	(216)	-
Net cash used in Investing Activities		(2,190)	(1,583)	(1,506)	(193)
Cash flows from Financing Activities					
Advances from Controlled Entities		-	-	657	757
Repayments hire purchase and lease borrowings		(1,296)	(1,234)	(387)	(522)
Proceeds from borrowings		2,479	2,176	1,682	1,122
Repayment of borrowings		(1,075)	(1,250)	(1,075)	(1,250)
Net cash provided by/(used in) Financing Activities		108	(308)	877	107
Net Increase/(Decrease) in Cash Held		1,089	(431)	(146)	81
Cash at the beginning of the financial year	34	(1,453)	(1,022)	(1,567)	(1,648)
Cash at the end of the financial year	34	(364)	(1,453)	(1,713)	(1,567)

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 24 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(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) Acauisition

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.

(ii) 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:

Buildings

Plant and Equipment

Leased Plant and Equipment

2005	2004
2.5%	2.5%
10% - 40%	10% - 40%
13% - 22.5%	13% - 22.5%

NOTES TO THE FINANCIAL STATEMENTS

(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.

(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.

(I) 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 28 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 27.

(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.

liiil 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.

(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 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.

2. PROFIT FROM ORDINARY ACTIVITIES

Profit from ordinary activities before income tax includes the following items of revenues and expenses:

Operating Revenue

Sale of goods

Rendering of services

Non Operating Revenue

Gross proceeds from sale of non-current assets

Management fees from Controlled Entities

Dividends from Controlled Entities

Grants received

Other revenue

Total Revenue from Ordinary Activities

Conso	lidated	Com	pany
2005 \$'000	2004 \$′000	2005 \$'000	2004 \$'000
37,156	33,423	13,986	12,275
9,679	5,948	-	-
46,835	39,371	13,986	12,275
1,254	343	251	270
-	-	1,020	840
-	-	688	-
77	59	-	-
4	58	-	-
1,335	460	1,959	1,110
48,170	39,831	15,945	13,385

Expenses

Gross proceeds from the sale of non-current assets

Written down value of non-current assets sold

Net gain on disposal of non-current assets – property, plant and equipment

Depreciation of non-current assets

- buildings
- plant and equipment

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

Operating lease rental expense

Other Expenses from Other Activities

Commissions

Consultancy fees

Electricity

Repairs and maintenance

Rent and premises costs

Insurance

Freight

Communication

Hire of plant and equipment

Travel and accommodation

Vehicle expenses

Foreign exchange gain/(loss)

Other expenses

Conso	lidated	Com	pany
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
1,254	343	251	270
(870)	(288)	(207)	(208)
384	55	44	62
98	102	98	102
1,124	1,131	695	708
1,222	1,233	793	810
687	660	207	179
40	45	40	45
727	705	247	224
1,949	1,938	1,040	1,034
194	181	26	44
335	378	333	376
529	559	359	420
23,180	25,083	7,832	8,148
9	30	9	30
715	504	278	225
726	608	120	210
634	656	279	266
377	414	362	411
964	714	586	470
1,013	770	331	277
280	276	99	140
518	575	305	436
320	305	122	139
811	298	168	182
989	801	122	99
748	511	211	129
(84)	87	(6)	67
3,364	2,822	1,870	2,027
10,660	8,837	4,569	4,853

Write down of the property, plant and equipment of Imdex Minerals to recoverable amount (i)

Write down of the investment in the RTE/Imdex Joint Venture to recoverable amount (ii)

Prior year adjustments relating to Imdex Minerals (iii)

Consolidated		Company	
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
1,370	-	1,370	-
-	3,108	-	3,108
-	2,796	-	2,796

- (i) On 1 July 2005 Imdex Limited sold its mineral processing business, Imdex Minerals, for a cash price of \$6.3 million. As part of the sale agreement, Imdex Limited is entitled to a further cash payment of \$1.5 million, subject to the future profitability of certain agricultural products which, at the time of sale, were in the early stages of development and commercialisation.
 - Whilst Imdex has reason to believe that the future profitability of these products will be sufficient to ensure the collection of the additional consideration, a definitive assessment is unable to be made at 30 June 2005. The Directors have therefore taken a conservative view of the carrying value of Imdex Minerals business as at 30 June 2005. As the carrying value of the net assets of Imdex Minerals at 30 June 2005 totalled \$7.6 million, the Directors have decided to write down the carrying value by \$1.37 million at 30 June 2005 to \$6.3 million, representing the amount realised in cash on 1 July 2005. This write down, of property, plant and equipment, has been reflected as a charge against current period profits and is noted above as a significant expense. Further details concerning this matter are set out in Note 31.
- (ii) In the prior year, the Company reached agreement with Rashid Trading Establishment (RTE), to re-structure the existing drilling fluids and chemicals joint venture in Saudi Arabia. As part of the re-structure, as at 30 June 2004, Imdex Limited wrote down the carrying value of the investment in the Joint Venture to its recoverable amount.
- (iii) In the prior year, discrepancies in the recorded value of stock and debtors, totalling \$4.06 million, were uncovered at Imdex Minerals. Of this total, \$1.3 million related to the year ended 30 June 2004, and \$2.8 million related to earlier financial years. The background and rectification measures initiated by Directors as a result of the discrepancies have been the subject of previous announcements to ASX and the 2004 Annual Financial Report. Due to the nature of the discrepancies, and the period 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

Property, plant and equipment

Consol	lidated	Com	pany
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
384	55	44	62

4. AUDITORS' REMUNERATION

Auditor of the parent entity – Deloitte Touche Tohmatsu

Audit or review of the financial report

Taxation services

Other non-audit services: other consulting services

Other non-audit services: advice concerning the impact of A-IFRS

Other auditors

Other non-audit services: taxation services

Consolidated		Company	
2005 \$	2004 \$	2005 \$	2004 \$
83,206	59,185	83,206	59,185
82,326	22,840	82,326	22,840
27,300	-	27,300	-
12,500	-	12,500	-
205,332	82,025	205,332	82,025
-	600	-	600
205,332	82,625	205,332	82,625

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 year adjustments relating to Imdex Minerals

Non-deductible write down of the investment in the RTE/Imdex Joint Venture
Non-deductible expenses and capital proceeds relating to the

investment in the RTE/Imdex Joint Venture

Intercompany dividends

Bad debts written off

Non-deductible share of RTE/Imdex Joint Venture losses

Recoverable amount write off – fixed assets

Deductible share raising costs

Taxable/(Non taxable) income

Non deductible expenses

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 year 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

Conso	lidated	Com	pany
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
3,456	(3,776)	(575)	(7,189)
1,037	(1,133)	(173)	(2,157)
-	(25)	389	395
-	<i>7</i> 88	-	<i>7</i> 88
-	932	-	932
-	-	379	-
-	-	(206)	-
(876)	-	(876)	-
-	87	-	-
379	-	-	-
(13)	(13)	(13)	(13)
-	31		4
43	38	29	27
24	-	24	-
(211)	(4)	16	4
	(788)		(788)
-	-	-	519
383	(87)	(431)	(289)
	(0.7	(10.)	(201)

Future income tax benefits not brought to account as assets:

Tax losses - revenue

Tax losses – capital

Timing differences

Conso	lidated	Com	pany
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
-	-	-	-
-	135	-	135
-	-	-	_

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 have elected to be taxed as a single entity from 1 July 2003. The head entity within the tax consolidated group for the purposes of the tax consolidation system is Imdex Limited.

Entities within the tax-consolidated group have entered into a tax-sharing agreement with the head entity. Under the terms of this agreement, Imdex Limited and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the net accounting profit or loss of the entity and the current tax rate. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

6. EARNINGS PER SHARE

Basic earnings per share

Diluted earnings per share

Consolidated		
2005 2004 Cents Per Share Cents Per Share		
2.69	(3.07)	
2.69	(3.07)	

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 (a)

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 (a)

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/(loss)

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		
2005 \$'000	2004 \$'000	
3,073	(3,689)	
2005 Number	2004 Number	
114,055,368	120,055,368	
2005 \$'000	2004 \$′000	
3,073	(3,689)	
3,073	(3,689)	
2005 \$'000	2004 \$′000	
3,073	(3,689)	
2005 Number	2004 Number	
114,086,252	120,055,368	
2005 \$'000	2004 \$'000	
3,073	(3,689)	
3,073	(3,689)	

(b) (c)

(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 $\ensuremath{\mathsf{EPS}}$

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 share:

Director share options

Employee and Consultants share options

Corporate Advisors share options

Consolidated			
2005 Number	2004 Number		
114,055,368	120,055,368		
30,884	-		
114,086,252	120,055,368		
2005 Number	2004 Number		
-	3,000,000		
3,160,000	-		
3,100,000	-		
6,260,000	3,000,000		

7. CASH ASSETS

Cash

8. RECEIVABLES

Current

Receivables

Allowance for doubtful debts

Other receivables

Due from Rashid Trading Establishment – refer Note 10

Conso	lidated	Com	pany
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
103	56	96	35

Consolidated		Company	
2005 \$'000	2004 \$′000	2005 \$'000	2004 \$'000
11,871	9,765	2,744	2,789
(383)	(557)	(113)	(252)
11,488	9,208	2,631	2,537
663	147	156	11
1,769	-	1,769	-
13,920	9,355	4,556	2,548

9. INVENTORIES

Current

Raw material – at cost

Finished goods - at cost

Consc	olidated	Company			
2005 \$'000	2004 \$'000	2005 \$′000	2004 \$'000		
1,070	34	1,070	34		
7,286	6,246	1,179	913		
8,356	6,340	2,249	947		

10. OTHER FINANCIAL ASSETS

Non-current: at recoverable amount (i)

Investment in Other Entities - RTE/Imdex Saudi Arabian Joint Venture (ii)

Other

Investments in Controlled Entities

Conso	lidated	Company			
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000		
1,400	5,413	2,585	6,593		
75	-	75	-		
-	-	324	324		
1,475	5,413	2,984	6,917		

- (i) Based on the Directors conservative estimate of the discounted future cash flows arising from each asset;
- (ii) At the Annual General Meeting on 8 November 2004, Shareholders approved the re-structure of the investment in Imdex Arabia and the RTE/Imdex Joint Venture. The main outcomes of the re-structure were:
 - The cancellation of 10,000,000 shares in Imdex Limited held by Mr H H Al-Merry. This occurred on 23 November 2004. Refer Note 21;
 - That RTE pay to Imdex Limited, \$US1.5 million net; and
 - That, on the completion of the re-structure, the Company's interest in Imdex Arabia and the RTE/Imdex Joint Venture be reduced from 49% to 20%.

In relation to the US\$1.5 million due from Rashid Trading Establishment (RTE), in February 2005, a further binding agreement, including a promissory note and personal guarantee from Mr H H Al-Merry (the principal of RTE and a Director of Imdex) was reached with RTE which required RTE to pay US\$100,000 per month to Imdex with the entire amount to be paid by 31 December 2005. At the date of this report, of the \$US1.5 million due from RTE, \$US550k has been received with the balance of \$US950k due from RTE on, or before, 31 December 2005.

As at 30 June 2005, the amount due from RTE is AUD \$1.769 million as disclosed in Note 8 whilst the carrying value of the investment in Imdex Arabia Limited and the RTE/Imdex Joint Venture is AUD \$1.400 million as shown above.

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

12. OTHER ASSETS

Prepayments

Conso	lidated	Company		
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	
	-	-	22	
664	595	329	260	
574	39	531	-	
-	370	-	370	

Consolidated		Company		
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	
19	7	3	-	

13. PROPERTY, PLANT AND EQUIPMENT

		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		
Gross Carrying Value								
Balance at 30 June 2004	875	3,278	12,915	5,093	-	22,161		
Additions	-	-	1,540	899	353	2,792		
Disposals	-	-	(627)	(1,112)	-	(1,739)		
Transfer	-	-	426	(443)	-	(17)		
Recoverable amount write down – refer Note 2	-	-	(1,370)	-	-	(1,370)		
Balance at 30 June 2005	875	3,278	12,884	4,437	353	21,827		
Accumulated Depreciation/Amortisation								
Balance at 30 June 2004	-	744	7,902	1,744	-	10,390		
Disposals	-	-	(195)	(674)	-	(869)		
Depreciation expense	-	98	1,124	687	-	1,909		
Transfer	-	-	850	(867)	-	(17)		
Balance at 30 June 2005	-	842	9,681	890	-	11,413		
Net book value								
As at 30 June 2004	875	2,534	5,013	3,349	-	11,771		
As at 30 June 2005	875	2,436	3,203	3,547	353	10,414		

	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
Gross Carrying Value Balance at 30 June 2004	875	3,278	7,388	1,597	-	13,138
Additions	-	-	1,117	304	298	1,719
Disposals		-	(427)	(99)	-	(526)
Transfer		-	431	(441)	-	(10)
Recoverable amount write down – refer Note 2	-	-	(1,370)	-	-	(1,370)
Balance at 30 June 2005	875	3,278	7,139	1,361	298	12,951
Accumulated Depreciation/Amortisation Balance at 30 June 2004	-	744	4,446	519	-	5,709
Disposals	-	-	(5)	(314)	-	(319)
Depreciation expense	-	98	695	207	-	1,000
Transfer	-	-	(2)	(8)	-	(10)
Balance at 30 June 2005	-	842	5,134	404	-	6,380

Company

	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			
875	2,534	2,942	1,078	-	7,429			
875	2,436	2,005	957	298	6,571			

(i) Land and buildings located at 7-1.5 Spencer Street, Jandakot, Western Australia and 1 Tichbourne Street, Jandakot, Western Australia, were independently valued in January 2005 by T D Anderson FAPI (Certified Practising Valuer – Reg No.471), of Jones Lang LaSalle, on the basis of existing use at \$3,900,000. At 30 June 2005 the carrying value of the land and buildings was \$3,310,000.

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

Net book value
As at 30 June 2004
As at 30 June 2005

Plant and Equipment

Equipment under finance lease

Conso	lidated	Company			
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000		
98	102	98	102		
1,124	1,131	695	708		
687	660	207	179		
1,909	1,893	1,000	989		

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

Conso	lidated	Company		
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$′000	
894	894	894	894	
(293)	(253)	(293)	(253)	
601	641	601	641	
894	894	894	894	
-		-	-	
894	894	894	894	
253	208	253	208	
40	45	40	45	
293	253	293	253	

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

15. INTANGIBLES

Patent costs

Accumulated amortisation

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

Patent costs

Conso	lidated	Company			
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000		
12	-	12	-		
-	-	-	-		
12	-	12	-		
	_		_		
-	-	-			

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Details of Joint Venture entities

				Percentage interest held		Investment Carrying Amount	
	Note	Principal Activities	Balance Date	2005 %	2004 %	2005 \$'000	2004 \$'000
RTE/Imdex Saudi Arabian Joint Venture	(i)	Oil & Gas	31 Dec	20% (i)	49%	1,400 (i)	5,413

At the Annual General Meeting on 8 November 2004, Shareholders approved the re-structure of the investment in Imdex Arabia and the Rashid Trading Establishment (RTE)/Imdex Joint Venture. The main outcomes of the re-structure were:

- The cancellation of 10,000,000 shares in Imdex Limited held by Mr H H Al-Merry. This occurred on 23 November 2004. Refer Note 21;
- That RTE pay to Imdex Limited, \$US1.5 million net as set out in Note 8; and
- That, on the completion of the re-structure, the Company's interest in Imdex Arabia and the RTE/Imdex Joint Venture be reduced from 49% to 20%.

Following the re-structure, the carrying amount of the interest in the Joint Venture was \$3.363 million (refer (b) below). This represented the investment of \$1.400 million and a receivable from RTE of \$1.958 million which were separately classified as 'Other Financial Assets' and 'Receivables" respectively.

As at 30 June 2005, the receivable from RTE is AUD \$1.769 million as disclosed in Note 8 whilst the carrying value of the investment in Imdex Arabia Limited is AUD \$1.400 million as shown in Note 10.

(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.

		Collsoi	luuleu
h in the second	Note	2005 \$'000	2004 \$'000
Equity accounted amount of investment at the beginning of the financial year		5,413	8,811
Re-structure of the investment in the Joint Venture		(4,013)	-
Share of losses	(e)	-	(292)
Write down of investment		-	(3,108)
Reclassification of equity accounted investment during the year	(i)	(1,400)	-
Equity accounted amount of investment at the end of the financial year		-	5,413

⁽i) As indicated above, as a result of this re-structure, Imdex will have a 20% interest in Imdex Arabia Limited which is no longer classified as a joint venture entity. As a result, equity accounting for a joint venture entity has ceased, and the investment will be recognised at the lower of cost and recoverable value. Refer to (a) above for further details.

(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.

	Conso	lidated
	2005 \$'000	2004 \$'000
Current assets		
Receivables	-	1,725
Inventories	-	2,035
Other	-	28
Non current assets		
Property, plant and equipment	-	142
Other	-	559
Current liabilities		
Payables	-	(4,892)
Interest bearing liabilities	-	-
Non current liabilities		
Other	-	-
Net assets	-	(403)

As described above, due to the fact that the investment in the Joint Venture is no longer equity accounted, the summary of the financial position of the Joint Venture at year end is not disclosed.

(d) Share of Reserves attributable to Joint Venture entities

	Consolidated	
	2005 \$'000	2004 \$'000
Retained profit/(loss)		
At the beginning of the financial year	(1,186)	(894)
Share of net loss of associates after income tax	-	(292)
Cessation of equity accounting during the year	1,186	-
At the end of the financial year	-	(1,186)

(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.

	Conso	lidated
	2005 \$'000	2004 \$'000
Revenue from ordinary activities	-	12,097
Expenses from ordinary activities	-	(12,389)
Profit/(Loss) from ordinary activities before income tax	-	(292)
Income tax (expense)/benefit on ordinary activities	-	-
Share of net profit/(loss) of associates after income tax	-	(292)

(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.

17. PAYABLES

Trade payables

Other payables

Consolidated		Company	
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
6,795	6,360	2,208	1,987
1,176	861	318	495
7,971	<i>7</i> ,221	2,526	2,482

18. INTEREST BEARING LIABILITIES

		Consolidated		Company	
	Note	2005 \$'000	2004 \$′000	2005 \$'000	2004 \$'000
Current					
Bank overdraft (i)	34	467	1,509	1,809	1,602
Bank loan – secured (i)		2,500	2,000	2,500	2,000
Hire purchase liabilities (ii)	27	1,080	920	389	296
		4,047	4,429	4,698	3,898
Non-current					
Bank loan – secured (i)		1,125	1,700	1,125	1,700
Hire purchase liabilities (ii)	27	1,758	1,539	331	102
Loans from Controlled Entities		-	-	2,716	2,603
		2,883	3,239	4,172	4,405
Financing Arrangements					
The Consolidated Entity has access to the following lines of credit: $ \\$					
(a) Total facilities available					
Bank loan		2,755	3,700	2,755	3,700
Equipment finance facility		500	500	500	500
Multi option facility (including bank overdraft)		2,175	1,550	2,175	1,550
		5,430	5,750	5,430	5,750
(b) Facilities utilised at balance date					
Bank loan		2,755	3,700	2,755	3,700
Equipment finance facility		500	257	372	257
Multi option facility (including bank overdraft)		622	1,509	622	1,509
		3,877	5,466	3,749	 5,466

Bank loan

Equipment finance facility

(c) Facilities not utilised at balance date

Multi option facility (including bank overdraft)

Conso	Consolidated		pany
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
-	-	-	-
-	243	128	243
1,553	41	1,553	41
1,553	284	1,681	284

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 Index Limited, Australian Mud Company Pty Ltd and Surtron Technologies Pty Ltd. The bank overdraft is repayable on demand and is subject to regular review.

Note

The weighted average interest rate for the overdraft and bank loans is set out in Note 25.

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.

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.

19. PROVISIONS

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(H	TE	nt
•	v.		

Employee entitlements

Non-current

Employee entitlements

Conso	Consolidated		pany
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
860	639	247	203
103	130	38	50

20. EMPLOYEE BENEFITS

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

Consol	idated	Company	
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
860	639	247	203
103	130	38	50
320	178	63	38
1,283	947	348	291
127	120	50	46
	2005 \$'000 860 103 320 1,283	\$'000 \$'000 860 639 103 130 320 178 1,283 947	2005 2004 2005 \$'000 \$'000 860 639 247 103 130 38 320 178 63 1,283 947 348

(i) Accrued wages and salaries are included in the current trade payables balance in Note 17.

CONTRIBUTED EQUITY

Issued and paid up capital

Fully paid ordinary shares (i)

Consolidated		Company	
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
19,008	21,058	19,008	21,058

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

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U	rai	nai	·V	SI	10	res

Balance at beginning of financial year

Cancellation of shares held up Mr H H Al-Merry in connection with the re-structure of the RTE/Imdex Joint Venture

Balance at the end of financial year

	200	5	2004		
Note	Number of shares	\$'000	Number of shares	\$′000	
	120,055,368	21,058	120,055,368	21,058	
16	(10,000,000)	(2,050)	-	-	
	110,055,368	19,008	120,055,368	21,058	

22. RESERVES

Asset revaluation

Asset revaluation reserve

Balance at beginning of financial year

Written off to the Profit and Loss

Balance at end of financial year

Conso	lidated	Company					
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000				
-	8	-	8				
8	8	8	8				
(8)	-	(8)	-				
-	8	-	8				

23. **RETAINED PROFITS/(ACCUMULATED LOSSES)**

(Accumulated losses)/retained profits at the beginning of the year

Net profit/(loss) attributable to members of the members of the parent entity

Retained profits/(accumulated losses) at the end of the year

Consol	idated	Company					
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000				
(2,955)	734	(13,675)	(6,775)				
3,073	(3,689)	(144)	(6,900)				
118	(2,955)	(13,819)	(13,675)				

24. CONTROLLED ENTITIES

Particulars in relation to Controlled Entities

		incorporation	Percentage in	nterest held
	Note		2005 %	2004 %
Parent Entity				
Imdex Limited	(i)	Australia		
Controlled Entities				
Australian Mud Company Pty Ltd		Australia	100	100
Surtron Technologies Pty Ltd		Australia	100	100
Australian Mud Company Chile SA	(ii)	Chile	100	100

Country of

25. 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:

				Fixed I	nterest Matu	ring in:		
	Note	Weighted average interest rate	Floating interest rate	Less than 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total
		%	\$'000	\$'000	\$'000	\$′000	\$'000	\$'000
2005								
Financial Assets								
Cash	7	0.50%	95	-	-	-	8	103
Receivables	8	-	-	-	-	-	13,920	13,920
			95	-	-	-	13,928	14,023
Financial Liabilities								
Payables	17	-	-	-	-	-	7,971	7,971
Bank overdraft	18	8.95%	467	-	-	-	-	467
Bank loans	18	7.12%	2,625	1,000	-	-	-	3,625
Hire purchase/lease liabilities	18	7.56%	-	1,080	1,758	-	-	2,838
Employee entitlements	19 (i)	5.97%	-	-	-	-	963	963
			3,092	2,080	1,758	-	8,934	15,864

⁽i) Ultimate parent Company.

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

				Fixed I	nterest Matu	ring in:					
	Note	Weighted average interest rate	Floating interest rate	Less than 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total			
		%	\$'000	\$'000	\$'000	\$′000	\$′000	\$'000			
2004											
Financial Assets											
Cash	7	0.25%	33	-	-	-	23	56			
Receivables	8	-	-	-	-	-	9,355	9,355			
			33	-	-	-	9,378	9,411			
Financial Liabilities											
Payables	17	-	-	-	-	-	7,221	7,221			
Bank overdraft	18	8.70%	1,509	-	-	-	-	1,509			
Bank loans	18	6.87%	2,000	-	1,700	-	-	3,700			
Hire purchase/lease liabilities	18	7.62%	-	920	1,539	-	-	2,459			
Employee entitlements	19 (i)	5.97%	-	-	-	-	769	769			
			4,209	920	2,539	-	7,990	15,658			

⁽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.

(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.

26. DIRECTORS' AND EXECUTIVES' REMUNERATION

(a) Specified Directors and Executives

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 W Kelly (Independent, Non Executive Director);
- (v) Mr K A Dundo (Independent, Non Executive Director).

The specified Executives of Imdex Limited during the year were:

- (i) Mr S J Lyons (Company Secretary, Imdex Limited);
- (ii) Mr D L Kinley (Group Financial Controller, Imdex Limited);
- (iii) Mr G E Weston (General Manager: Australian Mud Company Pty Ltd, Surtron Technologies Pty Ltd and Ace Drilling Supplies);
- (iv) Mr C S Munyard (Manager: Surtron Technologies Pty Ltd);
- (v) Mr I Tan (General Manager Imdex Minerals).

(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 Non Executive Director remuneration and any options that may be granted to Directors.

Remuneration packages are reviewed and determined with due regard to current market rates.

Specified Director's Remuneration 2005

	Primary			Post	- Employmen	t	Equity	Other benefits	Total
	Salary & fees	Bonus	Non- monetary	Super- annuation	Prescribed benefits	Other	Options		
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Executive Director									
B W Ridgeway, Managing Director (i)	250,000	-	22,123	22,500	-	-	-	-	294,623
Non Executive Directors									
I F Burston, Chairman	50,000	-	-	4,500	-	-	-	-	54,500
H H Al-Merry (ii)	-	-	-	-	-	-	-	-	-
R W Kelly	35,000	-	-	3,150	-	-	-	-	38,150
K A Dundo	35,000	-	-	3,150	-	-	-	-	38,150
Total	370,000	-	22,123	33,300	-	-	-	-	425,423

Specified Director's Remuneration 2004

	P	rimary		Post	Employmen	nt	Equity	Other benefits	Total
	Salary & fees	Bonus	Non- monetary	Super- annuation	Prescribed benefits	Other	Options		
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Executive Director B W Ridgeway, Managing Director (i)	250,000	-	42,101	22,500	-	-	-	-	314,601
Non Executive Directors I F Burston, Chairman	50,000	-	-	4,500	-	-	-	-	54,500
H H Al-Merry (ii)	-	-	-	-	-	-	-	-	-
R W Kelly	16,040	-	-	1,444	-	-	-	-	17,484
K A 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	352,913	-	42,101	51,763	-	-	-	-	446,777

⁽i) The Managing Director, Mr B W Ridgeway does not, currently, have a service contract with the Company. The Managing Director's remuneration is reviewed and determined by the Remuneration Committee;

⁽ii) 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.

Specified Executive's (Excluding Directors) Remuneration 2005

	Primary			Post	Employmen	t	Equity	Other benefits	Total
	Salary & fees	Bonus	Non- monetary	Super- annuation	Prescribed benefits	Other	Options		
	\$	\$	\$	\$	\$	\$	\$	\$	\$
S J Lyons, Company Secretary (i)	112,078	-	-	-	-	-	600	-	112,678
D L Kinley, Group Financial Controller (ii)	107,231	-	9,612	9,651	-	-	1,200	-	127,694
G E Weston, General Manager AMC, Ace & Surtron (iii)	200,000		6,795	17,965	-	-	24,000		248,760
C S Munyard, Manager Surtron (iv)	106,838	-	9,351	9,615	-	-	900	-	126,704
l Tan, General Manager Imdex Minerals (v)	152,269	-	6,357	13,704	-	-	-	-	172,330
Total	678,416	-	32,115	50,935	-	-	26,700	-	788,166

Specified Executive's (Excluding Directors) Remuneration 2004

		Primary		Post	Employmen	t	Equity	benefits	Total
	Salary & fees	Bonus	Non- monetary	Super- annuation	Prescribed benefits	Other	Options		
	\$	\$	\$	\$	\$	\$	\$	\$	\$
· · · · · · · · · · · · · · · · · · ·	179,423	20,000	8,574	16,148	-	-	-	-	224,145
×	29,423	-	-	2,648	-	-	-	-	32,071
×	102,072	-	2,023	7,902	-	-	-	-	111,997
	310,918	20,000	10,597	26,698	-	-	-	-	368,213

- G E Weston,
 General Manager AMC,
 Ace & Surtron (iii)

 I Tan,
 General Manager Imdex
 Minerals (v)

 R Hancock,
- General Manager Imdex Minerals

Total

- (i) Mr S J Lyons is party to a consulting agreement with the Company, which sets out a fixed fee basis and prescribes other general terms and conditions. The consulting agreement specifies a two month notice period in the event that the agreement is terminated.
 - In the current year, Mr Lyons was granted 50,000 options, along with other staff of the Group, under the Imdex Staff Option Scheme as set out in Note 28. The percentage of the value of remuneration that consisted of options was 0.5%;
- (ii) Mr D L Kinley is a party to a service contract with Imdex Limited, which sets out a fixed remuneration package, reviewable annually. The service contract specifies a one month notice period in the event that the contract is terminated. Additional performance incentives may be agreed between Mr Kinley and the Company from time to time.
 - In the current year, Mr Kinley was granted 100,000 options, along with other staff of the Group, under the Imdex Staff Option Scheme as set out in Note 28. The percentage of the value of remuneration that consisted of options was 0.9%;
- (iii) Mr G E Weston is party to a service contract with the Australian Mud Company Pty Ltd, which sets out a fixed remuneration package, reviewable annually. The service contract stipulates a 12 month notice period in the event that the contract is terminated. Performance incentives may be agreed between Mr Weston and the Australian Mud Company from time to time.
 - Additionally, Mr Weston is party to a deed with Imdex Limited, in respect of which Mr Weston has a right of first refusal in the event that Imdex receives an offer to purchase 100% of the shares held by Imdex in the Australian Mud Company. This 'right' lapses automatically should Mr Weston no longer be employed by the Australian Mud Company.

Mr Weston was granted a cash bonus of \$20,000 in 2004 due to the Australian Mud Company exceeding pre-determined earnings hurdles for that year.

In the current year, Mr Weston was granted 2,000,000 options, along with other staff of the Group, under the Imdex Staff Option Scheme as set out in Note 28. The percentage of the value of remuneration that consisted of options was 8.9%;

(iv) Mr C S Munyard is a party to a service contract with Surtron Technologies Pty Ltd, which sets out a fixed remuneration package reviewable annually. The service contract specifies a one month notice period in the event that the contract is terminated.

Additional performance incentives may be agreed between Mr Munyard and the Surtron Technologies Pty Ltd from time to time.

In the current year, Mr Munyard was granted 75,000 options, along with other staff of the Group, under the Imdex Staff Option Scheme as set out in Note 28. The percentage of the value of remuneration that consisted of options was 0.7%;

(v) Mr I Tan is party to a service contract with Imdex Limited, which sets out a fixed remuneration package, reviewable annually. The service contract specifies a one month notice period in the event that the contract is terminated. Mr Tan was not granted any options during the current year due to his limited tenure at the time the Staff options were issued.

Note

(i)

27. 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

Со	nsoli	dated	Com	pany
2005 \$'000		2004 \$'000	2005 \$'000	2004 \$'000
533	7	484	251	249
67.	5	746	102	327
30	0	400	-	-
1,51	2	1,630	353	576

Present value of minimum future lease payments

	Consol	idated	Comp	oany	Conso	idated	Com	pany
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Hire purchase commitments								
Hire purchase commitments are payable as follows. Due:								
Within one year	1,261	1,077	425	311	1,216	920	396	296
Between one and five years	1,907	1,707	347	104	1,622	1,539	324	102
Later than five years	-	-	-	-	-	-	-	-
Minimum lease payments	3,168	2,784	772	415	2,838	2,459	720	398
Less: future finance charges	(330)	(325)	(52)	(17)	-	-	-	-
	2,838	2,459	720	398	2,838	2,459	720	398
Hire purchase liabilities provided for in the Financial Statements								
Current - Note 18					1,080	920	389	296
Non current - Note 18					1,758	1,539	331	102
					2,838	2,459	720	398

Minimum future lease payments

(i) Operating leases relate to premises and the lease of motor vehicles 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.

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.

28. SHARE OPTIONS

(a) Staff Option Plan

The Consolidated Entity has in place a Staff Option Scheme (Scheme) to reward employees (including Executives) 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.

The number of options granted to staff is generally based on an assessment of the performance of that staff member as determined by the Board of Directors. Staff are only eligible to receive options when they have been with the Company in excess of 12 months.

Generally the options will also be taken to have expired when the option holder ceases to be employed by the Consolidated Entity. As at 30 June 2005 all of the options had vested.

(b) Directors Options

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 2004 all of the options had vested.

(c) Corporate Advisors Options

During the year options were issued to Corporate Advisors of the Company as a performance incentive. The options carry no rights to dividends and no voting rights. As at 30 June 2005 all of the options had vested.

	Issue Date	Vesting Date	Expiry Date	Exercise Price \$	Opening balance	Issued current year	Exercised current year	Lapsed current year	Closing balance
Staff Options Tranche 1	1 Aug 04	1 Aug 04	31 July 09	0.20	-	3,210,000	-	(50,000)	3,160,000
Directors' Options									
Tranche 1	25 Oct 01	25 Oct 01	24 Oct 04	0.20	1,000,000	-	-	1,000,000	-
Tranche 2	25 Oct 01	25 Oct 01	24 Oct 04	0.35	1,000,000	-	-	1,000,000	-
Tranche 3	25 Oct 01	25 Oct 01	24 Oct 04	0.45	1,000,000	-	-	1,000,000	-
					3,000,000	-	-	3,000,000	-
Corporate Advisors Options									
Tranche 1 (i)	23 Dec 04	23 Dec 04	31 Jul 09	0.20	-	100,000	-	-	100,000
Tranche 2 (ii)	23 Dec 04	23 Dec 04	31 Oct 07	0.20	-	2,000,000	-	-	2,000,000
Tranche 3 (i)	23 Dec 04	23 Dec 04	31 Oct 07	0.35	-	1,000,000	-	-	1,000,000
					-	3,100,000	-	-	3,100,000

- (i) Exercisable at any time up to expiry;
- (ii) Exercisable at any time on the condition that Imdex shares have traded at 30 cents for 5 consecutive trading days.

29. CONTINGENT LIABILITIES

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

		Consolidated		Company	
	Note	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Indemnity to power transmission utility	(i)	16	16	16	16
Rental bond	(i)	100	100	100	100
Department of Mines	(i)	27	27	27	27
Minister of State Development	(i)	12	12	12	12
		155	155	155	155

(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.

30. 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:

- 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;
- (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 fro custo		Inter-segment		Other		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Drilling products and services	16,880	11,796	-	-	-	-	16,880	11,796
Minerals processing	6,784	6,436	-	-	-	-	6,784	6,436
Drilling fluids and chemicals	23,171	21,139	-	-	81	117	23,252	21,256
Total of all segments	46,835	39,371	-	-	81	117	46,916	39,488
Eliminations							-	-
Unallocated							1,254	343
Total							48,170	39,831

Drilling products and services

Minerals processing

Drilling fluids and chemicals

Total of all segments

Share of net profit/(loss) of equity accounted investments

Carrying value of equity accounted investment

Receivable and investment in the RTE/Imdex Joint Venture

Eliminations

Write down of the investment in the RTE/Imdex Joint Venture Write down of the property, plant and equipment of Imdex Minerals to recoverable amount

Unallocated

Profit from ordinary activities before income tax expense

Income tax expense

 $\label{profit-loss} \mbox{Profit/(loss) from ordinary activities after related income tax} \\ \mbox{expense}$

Consolidated

Segment results		Segmer	nt assets	Segment liabilities		
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	
2,872	1,137	12,474	8,052	6,051	3,859	
(229)	(3,721)	8,820	8,582	900	2,528	
3,006	3,257	13,427	11,376	4,644	4,265	
5,649	673	34,721	28,010	11,595	10,652	
-	(292)					
		-	5,408			
		3,169	-			
-	-	(2,077)	(60)	(2,077)	(60)	
-	(3,108)					
(1,370)	-	(1,370)	-			
(823)	(1,050)	1,121	820	6,920	5,475	
3,456	(3,776)					
(383)	87					
3,073	(3,689)					
		35,564	34,178	16,438	16,067	

Other segment information

Drilling products and services

Minerals processing

Drilling fluids and chemicals

Total of all segments

Unallocated

Consolidated

Secondary Reporting: Geographical Segments

Australia

Saudi Arabia

Africa

South East Asia

China

Other

Total

	Depreciation and amortisation		of segment sets	Non cash expenses other than depreciation and amortisation		
2005 \$'000	2004 \$'000	2005 2004 \$'000 \$'000		2005 \$'000	2004 \$'000	
1,166	1,042	2,198	1,566	63	7	
560	652	65	107	1,101	2,889	
147	150	250	246	41	65	
1,873	1,844	2,513	1,919	1,205	2,961	
76	94	279	7	-	3,052	
1,949	1,938	2,792	1,926	1,205	6,013	

Revenue from external customers		Segmer	nt assets	Acquisition of segment assets		
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	
37,389	30,597	29,886	26,756	2,792	1,926	
-	-	3,169	5,408	-	-	
1,217	475	335	298	-	-	
4,808	6,474	1,264	1,349	-	-	
543	-	316	-	-	-	
2,878	1,825	594	367	-	-	
46,835	39,371	35,564	34,178	2,792	1,926	

DISCONTINUING OPERATIONS

As announced to the Australian Stock Exchange, on 9 June 2005 Imdex Limited entered into a definitive agreement for the sale of the Imdex Minerals Division. As set out in Note 33 the sale was completed on 1 July 2005.

The sale was one part of the Company's strategy to focus on its core business as a global provider of "drilling products and services".

The Imdex Minerals Division is disclosed in Note 30 "Segment Information" as the Minerals Processing segment in the current and prior financial years.

Details of the financial performance, financial position and cash flows of the Imdex Minerals Division are as follows:

Financial	Pert	orma	nce
Revenue f	rom	onero	ıtina

Expenses from operating activities

Loss from ordinary activities before income tax expense

Income tax benefit/(expense) relating to ordinary activities

Net Loss after tax

Financial Position

Assets

Liabilities

Net assets

Cash Flows

Net cash from operating activities

Net cash from investing activities

Net cash from financing activities

2005 \$'000	2004 \$'000
6,784	6,436
(8,383)	(10,157)
(1,599)	(3,721)
695	477
(904)	(3,244)
6,453	6,443
(182)	(285)
6,271	6,158
(1,077)	208
(65)	(41)
(285)	(842)
(1,427)	(675)

32. RELATED PARTY DISCLOSURES

(a) Controlling Entity

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

(b) Equity interests in related parties

Details of the percentage ownership of controlled entities and the wholly owned Group is set out in Note 24. The wholly owned Group consists of Imdex Limited and its wholly owned Controlled Entities.

Details of ownership interests in joint venture entities are set out in Note 16.

(c) Directors' and Specified Executives' Remuneration

Information on the remuneration of Directors is disclosed in Note 26.

(d) Directors' and Specified Executives holdings of Shares and Share Options

The numbers of shares in the Company held during the financial year by Directors' and specified Executives of the Group are set out below:

(i) Fully paid ordinary shares issued by Imdex Limited

	Balance at 1 July 2004	Granted as remuneration	Received on exercise of options	Net other change	Balance at 30 June 2005	Balance held nominally
	No.	No.	No.	No.	No.	No.
Directors						
Mr I F Burston	100,000	-	-	-	100,000	-
Mr B W Ridgeway	6,143,993	-	-	(118,993)	6,025,000	-
Mr H H Al-Merry	10,755,000	-	-	(10,000,000)	755,000	-
Mr R W Kelly	65,000	-	-	-	65,000	-
Mr K A Dundo	-	-	-	100,000	100,000	-
	17,063,993	-	-	(10,018,993)	7,045,000	-
Specified Executives						
Mr S J Lyons	50,000	-	-	-	50,000	-
Mr D L Kinley	120,000	-	-	-	120,000	
Mr G E Weston	-	-	-	-	-	-
Mr C S Munyard	-	-	-	-	-	-
Mr I Tan	-	-	-	-	-	-
	170,000	-	-	-	170,000	-

(ii) Share options issued by Imdex Limited

Balance at 1 July 2004	Granted as remuneration	Exercised	Other change	Balance at 30 June 2005	Bal. vested at 30 June 2005	Vested but not exercisable	Vested and exercisable	Options vested during year
No.	No.	No.	No.	No.	No.	No.	No.	No.
1,000,000	-	-	(1,000,000)	-	-	-	-	-
2,000,000	-	-	(2,000,000)	-	-	-	-	-
3,000,000	-	-	(3,000,000)	-	-	-	-	-

Directors

Mr I F Burston Mr B W Ridgeway

	Balance at 1 July 2004	Granted as remuneration	Exercised	Other change	Balance at 30 June 2005	Bal. vested at 30 June 2005	Vested but not exercisable	Vested and exercisable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
Specified Executives Mr S J Lyons	_	50,000		_	50.000	50,000	50.000	_	
Mr D L Kinley	_	100,000		_	100.000	100.000	100.000		
Mr G F Weston	_	2,000,000	-		2,000,000	,	,	-	-
Mr C S Munyard	-	75,000	-	-	75,000	75,000	75,000	-	-
Mr I Tan	-	-	-	-	-	-	-	-	-
	-	2,225,000	-	-	2,225,000	2,225,000	2,225,000	-	-

The options granted to specified Executives during the financial year were made in accordance with the Staff Option Plan, as further described in Note 28. Each share option converts into 1 ordinary share of Imdex Limited. No amounts were paid, or are payable, by the recipient on receipt of the option. The options are exercisable in one third lots at the end of each of the first three years during their life.

(e) Directors' Transactions in Shares and Share Options

During the year, and as approved by Shareholders at the 2004 Annual General Meeting, 10,000,000 shares held by Mr H H Al-Merry, in connection with the RTE/Imdex Saudi Arabian Joint Venture, were cancelled. Refer to Note 10 for further details.

As set out in (c) above, there were no other share or share options issued to the Directors during the current year.

(f) Directors' Share transactions with the Company or its Controlled Entities

As described in these financial statements, 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 the Company and RTE as agent.

Note

(i)

(g) Transactions with Directors

The following transactions occurred with related parties:

Profit from ordinary activities before income tax includes the following items of expenses relating to transactions, other than remuneration, with Directors or their personally-related entities

Legal services

Total liabilities arising from transactions, other than remuneration, with Directors or their personally-related entities Current Liabilities

	Consol	idated	Company				
:	2005 \$	2004 \$	2005 \$	2004 \$			
	82,126	-	82,126	-			
	37,572	-	37,572	-			

Mr K A Dundo is a Partner of the legal firm Q Legal, that provided legal services to the Imdex Group on normal commercial terms and conditions.

(h) Transactions within the wholly-owned Group

Details of dividend revenue received by the ultimate parent entity is disclosed in Note 2. Amounts receivable from, and payable to entities in the wholly-owned Group are disclosed in Note 18, Note 8 and Note 17. During the financial year Imdex Limited provided management services to entities in the wholly-owned Group as disclosed in Note 2.

During the financial year, the Directors elected for wholly-owned Australian entities within the Group to be taxed as a single entity from 1 July 2003. Entities within the tax-consolidated group have entered into a tax-sharing agreement with the head entity. Under the terms of this agreement, Imdex Limited and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the net accounting profit or loss of the entity and the current tax rate. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated Group.

33. SUBSEQUENT EVENTS

- (i) On 1 July 2005 Imdex Limited sold its mineral processing business, Imdex Minerals, for a cash price of \$6.3 million. As part of the sale agreement, Imdex Limited is entitled to a further cash payment of \$1.5 million, subject to the future profitability of certain agricultural products which, at the time of sale, were in the early stages of development and commercialisation. Whilst Imdex has reason to believe that the future profitability of these products will be sufficient to ensure the collection of the additional consideration, a definitive assessment is unable to be made at 30 June 2005. The Directors have therefore taken a conservative view of the carrying value of Imdex Minerals business as at 30 June 2005. As the carrying value of the net assets of Imdex Minerals at 30 June 2005 totalled \$7.6 million, the Directors have decided to write down the carrying value by \$1.37 million at 30 June 2005 to \$6.3 million, representing the amount realised in cash on 1 July 2005. This write down, of property, plant and equipment, has been reflected as a charge against current period profits.
- (ii) On 5 August 2005, Imdex Limited held a General Meeting of Shareholders at which the acquisition, and associated share issue, of the business, certain related assets and intellectual property of SA Mud Services (Pty) Ltd and Iscosa (Pty) Ltd was approved. On 10 August 2005, settlement of the acquisition took place and 16,059,002 shares in Imdex Limited were issued to SA Mud Services and Iscosa. The balance of the purchase price, approximately \$3.5m, was transferred to the trust account of an independent attorney pending the finalisation of the completion accounts and other defined matters.

Apart from these matters, 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.

34. 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:

		Consolidated		Company	
	Note	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Cash	7	103	56	96	35
Bank overdraft	18	(467)	(1,509)	(1,809)	(1,602)
		(364)	(1,453)	(1,713)	(1,567)

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

Profit/(loss) from ordinary activities after related income tax	<
Profit on sale of non-current assets	
Share of Associates loss (less dividends)	
Write down of the property, plant and equipment of Imdex Minerals to recoverable amount	(
Write down on the investment in the RTE/Imdex Joint ventu	re
Interest on hire purchase liabilities	
Depreciation and amortisation of non-current assets	
Increase/(decrease) in current tax liability	
Increase in deferred tax balances	

Consol	idated	ated Company	
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
3,073	(3,689)	(144)	(6,900)
(384)	(55)	(44)	(62)
-	292	-	-
1,370	-	1,370	-
-	3,108	-	3,108
194	181	26	44
1,949	1,938	1,040	1,034
535	(574)	(14)	(257)
(439)	(56)	(418)	(46)

Changes in assets and liabilities during the financial year:

(Increase)/decrease in assets:

Current receivables

Current inventories

Other current assets

Increase/(decrease) in liabilities:

Current payables

Provision for employee entitlements

Net cash from operating activities

Conso	Consolidated		pany
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
(2,039)	(1,649)	(97)	368
(2,016)	383	(1,301)	2,398
(13)	(57)	(2)	40
748	1,579	35	453
193	59	32	(13)
3,171	1,460	483	167

(c) Non Cash Financing and Investing Activities

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

- (i) At the Company's Annual General Meeting on 8 November 2004, Shareholders approved the re-structure of the investment in Imdex Arabia and the RTE/Imdex Joint Venture. One of the outcomes of the re-structure was the cancellation of 10,000,000 shares in Imdex Limited held by Mr H H Al-Merry; and
- (ii) During the year, the Company issued 3,210,000 options to Employees and Consultants and 3,100,000 to Corporate Advisors of the Company.

These transactions are not reflected in the statement of cash flows.

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

(a) Management of the transition to A-IFRS

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 ending 31 December 2005, and its first annual financial report prepared under A-IFRS will be for the year ending 30 June 2006.

As previously reported in the 2004 Annual Report and ASX Appendix 4E Preliminary Final Report at 30 June 2005, Imdex has managed the transition to A-IFRS in 3 phases: phase 1, a scoping and impact analysis; phase 2, an evaluation and design phase; and phase 3, implementation and review. Risk management and change management has been managed throughout the life of the project.

The Company has substantially completed the transition to A-IFRS, including the assessment of likely impacts on the results and financial position of Imdex Limited. Based on the work completed, the Board believes that the Company will be able to comply with its reporting obligations to present a financial report appropriately prepared in accordance with A-IFRS for the half-year ended 31 December 2005 and the full year ended 30 June 2006.

As set out in the Appendix 4E Preliminary Final Report at 30 June 2005, it was intended that the quantitative impact of A-IFRS would be disclosed in the Consolidated Financial Report at 30 June 2005. However, despite the fact that the Company has substantially completed the work required to transition to A-IFRS, at this time, the impacts of adopting A-IFRS have not been finalised.

(b) The likely impacts of A-IFRS on the results and financial position of Imdex Limited

The impact of transition to A-IFRS, including the transitional adjustments disclosed is based on A-IFRS standards that management expect to be in place, or where applicable, early adopted, when preparing the Consolidated Entity's first complete A-IFRS Financial Report (being the half-year ending 31 December 2005). The likely impacts of A-IFRS on the Company, which may change as the impacts are finalised, are outlined below.

Users of the financial report should note that further developments in A-IFRS (for example, the release of further pronouncements by the Australian Accounting Standards Board and the Urgent Issues Group), if any, may also result in changes to the accounting policy decisions made by the Directors to date, and, consequently, the likely impacts outlined below.

In accordance with AASB 1, Imdex has elected not to restate business combinations and acquisitions of investments in associates and interest in joint ventures prior to the date of transition.

(i) Share-based payments

During the year the Company issued the Staff and Corporate Advisor options set out in Note 28.

Equity settled share based payments in respect of equity instruments issued after 7 November 2002 that were unvested as at 1 January 2005 are measured at fair value at grant date. The fair value determined at grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the estimated number of equity instruments that will vest.

The impact of A-IFRS, which is expected to be immaterial, is likely to result in an increase in contributed equity with a corresponding additional employee benefit expense and consultants's expense recognised in the Statement of Financial Performance for the financial year ended 30 June 2005.

(ii) 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 some of defined 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.

Based on the work completed, it is likely that there will be an impairment write down of selected property, plant and equipment within the Imdex Minerals Division. As a consequence, as at 1 July 2004, opening retained earnings will decrease with a corresponding write-down of the carrying amount of the applicable assets. The amount of this adjustment has not yet been finalised.

This decrease in the carrying value of property, plant and equipment will also result in the reduction in the depreciation expense relating to the Minerals Division.

(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.

This impact of A-IFRS is likely to result in a decrease in the opening deferred tax liability due to the expected impairment of the property, plant and equipment relating to the Imdex Minerals impairment writedown described above. The Company is still considering the impact of UIG 1052 Tax Consolidation Accounting.

(iv) Financial Instruments

The Directors expect to take advantage of the election to not restate comparatives for AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement. As a result, there are no expected adjustments in relation to these standards as at 1 July 2004 or the year ended 30 June 2005 as the current AGAAP will continue to apply.

The Company is still considering the impact of AASB 132 and AASB 139 on the year ended 30 June 2006.

(v) Exploration, Evaluation and Development Expenditure

The introduction of A-IFRS is not likely to result in any material change to accounting for exploration, evaluation and development expenditure.

(vi) Proceeds from sale of assets

The current definition of revenue requires proceeds on the 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 the profit or loss. Consequently, there will be no net impact on the income statement.

(vii) Retained Earnings

With limited exceptions, adjustments required on first time adoption of A-IFRS are recognised directly in retained earnings at the date of transition to A-IFRS. The cumulative effect of the expected adjustments referred to above will be treated in this manner.

ADDITIONAL STOCK EXCHANGE INFORMATION

AS AT 16 SEPTEMBER 2005

(a) Distribution of Shareholders

1 - 1,000 1,001 - 5,000 5,001 - 10,000 10,001 - 100,000 100,001 - and over

Holding less than a marketable parcel

(b) Substantial Shareholders

Ordinary Shareholders

SA Mud Services (Pty) Ltd J P Morgan Nominees Limited Midcontinent Equipment (Australia) Pty Ltd

(c) Twenty Largest Holders of Quoted Equity Securities

Ordinary Shareholders

SA Mud Services (Pty) Ltd J P Morgan Nominees Limited Midcontinent Equipment (Australia) Pty Ltd Wear Services Pty Ltd Chelverton Dividend Income Fund Ltd Iscosa (Pty) Ltd Telic Alcatel (Australia) Pty Ltd Merrill Lynch (Australia) Nominees Pty Ltd Warnford Nominees Pty Limited Australian Executor Trustees Limited Mr Clarke James Roycroft Mr Petrus Cornelius Nicolaas Middendorp National Nominees Limited Tepany Pty Ltd Primbee Investments Pty Ltd Longo Pty Ltd Chippell Pty Ltd Runyon Pty Ltd Citicorp Nominees Pty Limited Mrs Patricia Rachel Shackell

Fully Paid Ordinary Shares	Options
18	-
227	4
240	5
526	29
144	3
1,155	41
24	-

Fully Paid			
Number	Percentage		
12,847,202	10.19%		
7,403,523	5.87%		
6,131,643	4.86%		

Fully Paid			
Number	Percentage		
12,847,202	10.19%		
7,403,523	5.87%		
6,131,643	4.86%		
5,000,000	3.96%		
5,000,000	3.96%		
3,211,800	2.55%		
2,850,000	2.26%		
2,750,000	2.18%		
2,750,000	2.18%		
2,498,943	1.98%		
2,151,731	1.71%		
1,753,500	1.39%		
1,700,000	1.35%		
1,647,500	1.31%		
1,615,921	1.28%		
1,572,826	1.25%		
1,210,273	0.96%		
1,206,939	0.96%		
1,138,194	0.90%		
1,100,000	0.87%		
65,539,995	51.97%		

ADDITIONAL STOCK EXCHANGE INFORMATION

AS AT 16 SEPTEMBER 2005

(d) Director's & Company Secretary's Shareholdings

Name

Mr B W Ridgeway (indirectly)

Mr I F Burston (indirectly)

Mr H H Al-Merry (directly)

Mr R W Kelly (indirectly)

Mr K A Dundo (directly)

Mr I R Freeman (indirectly)

Mr.J.P.O'Neil - alternate Director for Mr Freeman (indirectly)

Mr S J Lyons (directly)

Number of Shares	Number of Options
5,000,000	-
100,000	-
755,000	-
265,000	-
300,000	-
16,059,002	-
12,847,202	-
50,000	50,000
35,374,204	50,000

(e) Interests in Mining Tenements

Due to the disposal of Imdex Minerals on 1 July 2005, Imdex no longer holds an interest in any mining tenements at the date of this report.

(f) Company Secretary

Mr Stephen John Lyons

(g) Registered Office

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Phone: (+61 8) 9481 5777 Fax: (+61 8) 9481 6527

(h) Share Registry

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Phone: (+61 8) 9328 2000

GROUP HEAD OFFICE & REGISTERED OFFICE

Level 3. Redaum House

IMDEX LIMITED

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Telephone: +2711 908 5595 Facsimile: +2711 908 5526 Email: samchem@acenet.co.za Website: www.samchem.co.za

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Imdex Limited is an Australian, publicly listed,
Drilling Products and Services company,
dedicated to becoming a significant global player in supplying
Drilling Products and Services to the Mining, Oil and Gas,
Water Well, Horizontal Directional Drilling and Civil industries.