2006 Annual General Meeting

Meeting Documents

Notice of Annual General Meeting & Explanatory Memorandum

Proxy Form for Annual General Meeting

Corporate Representative Certificate for Annual General Meeting

To be held on Thursday
19 October 2006 at the Celtic Club
48 Ord Street
West Perth, Western Australia
commencing at 11.00am WST

NOTICE OF 2006 ANNUAL GENERAL MEETING

Notice is given that the 2006 Annual General Meeting of Shareholders of Imdex Limited will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia, on 19 October 2006 commencing at 11.00am WST

Agenda

Ordinary Business

1 To receive and consider the Annual Financial Report, together with the Directors' and Auditor's reports for the year ending 30 June 2006.

2 To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

That, for all purposes, Mr Ross Kelly, who retires from the office of Director by rotation, and being eligible, offers himself for re-election, is re-elected as a Director.

3 To consider and, if thought fit, pass the following resolution as an Advisory Resolution:

That, for all purposes, the Directors' and Executives' Remuneration Report, included within the Directors' Report, for the year ended 30 June 2006 be approved.

Special Business

4 To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

That, for the purposes of Chapter 2E of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, the Company approves the grant of 1,000,000 Options to acquire ordinary fully paid shares in the Company to Mr I Burston, on the terms set out in the accompanying Explanatory Memorandum.

Voting Exclusion: The Company will disregard any votes cast on Resolution 4 by Mr Burston or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

5 To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

That, for the purposes of ASX Listing Rule 10.17, Chapter 2E of the Corporations Act, Article 17.8 of the Company's Constitution and for all other purposes the Non-Executive Directors are to be paid a fee for their services not to exceed the aggregate sum of $500,000, to be divided as determined by the Directors.

Voting Exclusion: The Company will disregard any votes cast on Resolution 5 by Non-Executive Directors and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

6 To consider any other business that may be brought before the Meeting in accordance with the Company's Constitution.

Explanatory Memorandum

Shareholders are referred to the Explanatory Memorandum accompanying and forming part of this Notice of Annual General Meeting.

Snap Shot Time

Regulation 7.11.37 of the Corporations Regulations 2001 permits the Company to specify a time, not more than 48 hours before the meeting, at which a "snap shot" of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the Meeting.

The Company's Directors have determined that all Shares of the Company that are quoted on ASX at 5pm WST, 17 October 2006 shall, for the purposes of determining voting entitlements at the Annual General Meeting, be taken to be held by the persons registered as holding the Shares at that time.

Proxies

Please note that:

(a) a member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a Proxy;
(b) a Proxy need not be a member of the Company; and
(c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each Proxy is appointed to exercise, but where the proportion or number is not specified, each Proxy may exercise half of the votes.

The enclosed Proxy Form for the Annual General Meeting provides further details on appointing Proxies and lodging the Proxy Form. Proxies must be returned by 11.00am WST on 17 October 2006.

Corporate Representative

If a representative of a Shareholder corporation is to attend the meeting the attached "Appointment of Corporate Representative" form should be completed and produced prior to admission.

Dated 11 September 2006

By Order of the Board of Directors
Imdex Limited

Stephen J Lyons
Company Secretary

1 Purpose of this Document

This Explanatory Memorandum has been prepared to assist Shareholders with their consideration of the Resolutions in the accompanying Notice of Annual General Meeting.

2 Resolution 2 – Re-election of Director

In accordance with ASX Listing Rule 14.4 and Article 17.4 of the Constitution, at every Annual General Meeting, one third of the Directors for the time being must retire from office and are eligible for re-election. The Directors to retire are to be those who have been longest in office since their appointment or last re-appointment or, if the Directors have been in office for an equal length of time and unless mutually agreed, by lot.

Mr Ross Kelly, a Director of the Company since 14 January 2004, seeks re-election by reason of retirement by rotation pursuant to Resolution 2 of the Notice of Meeting. A record of Mr Ross Kelly's attendances at Board meetings over the 12 month period to 30 June 2006 is set out in the 2006 Annual Report as are further details concerning his qualifications and experience.

The Directors recommend that Shareholders vote in favour of Resolution 2 to appoint Mr Ross Kelly.

3 Resolution 3 – Remuneration Report

Included in the Directors' Report contained within the 2006 Annual Report is a Remuneration Report that sets out the details of the remuneration of all Directors and the highest paid Group Executives. In addition, it describes the Board's remuneration policy.

The Board submits the Remuneration Report to Shareholders for their consideration and adoption by way of a non-binding resolution as required by the Corporations Act.

The Directors recommend that Shareholders vote in favour of Resolution 3.

4 Resolution 4 – Issue of Options

In accordance with ASX Listing Rule 10.11, and Chapter 2E of the Corporations Act, Resolution 4 of the Notice of Meeting deals with the consideration by Shareholders of the proposed issue to Mr Ian Burston, Imdex's Chairman, or his nominee of 1,000,000 five year Options to acquire Shares in the Company, exercisable at 75 cents per Option, which are subject to the general terms and conditions set out below.

Each Option entitles the holder to subscribe for one Share in the Company at an exercise price of $0.75 per Share. The Options may only be exercised at any time after two years from the date of their issue and will expire five years from the date of their issue. Options may expire earlier in certain circumstances (such as if the Mr Burston ceases to be a director of the Company or a related party of the Company). The Options will not be quoted on ASX, although the Company will apply for quotation of any Shares issued on exercise of the Options. It is intended that the Options will be issued as soon as practicable after the date of the meeting but no later than one month after the meeting.

The Options will be granted for no consideration. If the Options are fully exercised by Mr Burston, $750,000 will be received by the Company. This money will be used by the Company for general working capital purposes. The dilution effect if all Options are exercised by Mr Burston would amount to approximately 0.7% (based on the Company's current issued share capital of 140,509,370 Shares). No material opportunity cost is considered to arise to the Company in respect of the proposed grant of Options to Mr Burston.

Management of the Company believes that in order to retain quality non-executive directors on the board, some incentive to maintain their future involvement, commitment and loyalty to the Company, is required on certain occasions, over and above nominal directors' fees. To this end, it is proposed to issue a total of 1,000,000 Options to Mr Ian Burston, a non-executive director (or his nominee), who has been a member of the Board of the Company (and Chairman) for 5 years. Management of the Company intends that these Options will operate as an incentive for Mr Burston to assist in the future performance and growth of the Company.

Management of the Company acknowledge the valuable contribution that Mr Burston has made and is expected to make to the Company in the future, and therefore recommend Shareholders vote in favour of Resolution 4.

The Company is mindful of the ASX Corporate Governance Council's (Principles of Good Corporate Governance and Best Practice Recommendations) recommendation that non-executive directors should not be remunerated via the issue of options. However as noted above, the Company regards the incentive created to non-executive directors by allowing them the opportunity to share in the growth of the Company via the issue of the Options (and thereby assist in the future performance and growth of the Company) to be aligned to and consistent with long-term benefit to investors in achieving such growth.

Requirements of the Listing Rules

Listing Rule 10.11 provides that a listed entity must not issue equity securities to a related party without Shareholder approval. The proposed grant of Options to Mr Burston requires approval by Shareholders under the Listing Rules.

If approval is given under Listing Rule 10.11, the Listing Rules specify that approval is not required under Listing Rule 7.1 (which limits the number of equity securities the Company may issue within a 12 month period to not more than 15% of the total number of ordinary securities on issue without the requirement for Shareholder approval).

Requirement of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a “financial benefit” to a “related party” unless the giving of that benefit is approved by a resolution passed at a General Meeting of the Company.

Mr Burston is a related party of the Company within the meaning of Chapter 2E of the Corporations Act and the Options to be granted to him to acquire Shares in the Company will constitute a financial benefit for the purposes of Chapter 2E of the Corporations Act. The grant will, therefore, involve the giving of a financial benefit to a related party of the Company. Accordingly, the Company is required to seek Shareholder approval of the grant of the Options to Mr Burston prior to making that grant.

Specific Disclosure of Information as Required by the Corporations Act and the Listing Rules

In accordance with Section 219 of the Corporations Act, and for the purposes of Listing Rule 10.11, the following information is provided:

a) The related party to whom this Resolution 4 would permit financial benefits to be given is Mr Ian Burston or his nominee;

b) The financial benefit to Mr Ian Burston consists of the grant to him of 1,000,000 Options exercisable at 75 cents per Option which are subject to the general terms and conditions set out below;

c) The Directors of the Company other than Mr Burston recommend to Shareholders that this Resolution be passed. As noted above, the primary purpose of the grant of options is to provide an incentive for Mr Burston to maintain his future involvement, commitment and loyalty to the Company, and to provide remuneration to Mr Burston other than by way of director's fees. Mr Burston makes no recommendation;

d) None of the Directors of the Company other than Mr Burston has a direct interest in the outcome of the Resolution. Mr Burston has a direct interest in the outcome of the Resolution as he is the recipient (or his nominee will be the recipient) of the Options;

e) ASIC requires that a dollar value be placed on the Options to be granted and has indicated the Black Scholes Option valuation method is acceptable for calculating such value. The Black Scholes Option Valuation method is designed to value listed securities, that are freely tradeable. A range of values for the Options has been estimated using this valuation method. On this basis, the Options currently have a value of approximately 4.1 cents each. Therefore, the implied "value" being received by Mr Burston by the issue of the Options is assessed at approximately $41,120. The key assumptions used in this calculation are:

   - risk free rate of 5.75% based on the prevailing 5 year Government bank rate;
   - strike price of the Option of 75 cents, being the exercise price on or before 5 years from the date of issue of the Options;
   - time to expiry of 5 years;
   - current share price of 69.5 cents, based on the closing share price on 11 September 2006;
   - annualised share volatility of 15%, as calculated by the Company based on the daily share prices over the last 3 months; and

- a lack of marketability discount of 40%;

f) The highest and lowest closing prices on the ASX for the Company's Shares in the past 12 months was 69.5 cents on 11 September 2006 and 24 cents on 7 October 2005. The closing share price of the Company's Shares on 11 September 2006, being the latest practicable date before the date of this Notice of Meeting was 69.5 cents;

g) The dilution effect if the Options granted to Mr Burston are exercised would amount to approximately 0.7% based on the Company's current issued share capital;

h) Mr Burston currently indirectly holds 200,000 fully paid ordinary shares in Imdex Limited. Mr Burston currently does not hold any options in Imdex Limited. As at the date of this Explanatory Memorandum and as set out in further detail in Imdex's 2006 Annual Report that accompanies this Notice of Meeting, Mr Burston's total remuneration for the year ended 30 June 2006 was $82,875 by way of director's fees and it is anticipated that Mr Burston will be paid a similar amount for director's fees for the current financial year. Mr Burston does not currently receive any other remuneration or emoluments from the Company;

i) The primary purpose of the grant of Options is to provide an incentive for Mr Burston to maintain his future involvement, commitment and loyalty to the Company, and to provide remuneration to Mr Burston other than by way of director's fees Given these purposes, the Directors do not consider that there is any material opportunity cost or benefit foregone to the Company in granting the Options;

j) The Board determined the number and value of the Options to be issued to Mr Burston based on Mr Burston's historical level of participation and assistance to the Company and the desired level of incentive to be created by allowing Mr Burston the opportunity to share in the growth of the Company via the issue of the Options (and thereby assist in the future performance and growth of the Company);

k) The maximum number of Shares which may be issued upon exercise of the Options is 1,000,000 and upon exercise of the Options, the shares will rank equally with all other shares of the Company on issue;

l) The funds raised from the conversion of the Options will be used for working capital purposes; and

m) Other than the information set out in this Explanatory Memorandum, neither the Directors nor the Company are aware of any additional information that would be reasonably required by the Shareholders to enable them to make a decision in relation to whether the grant to Mr Burston is in the Company's interests.

General Terms and Conditions

a) The Options shall be exercisable by the optionholder by notice in writing to the Company together with a payment of the exercise price of the Options, provided that Mr Burston is a director of the Company at the time the Options are exercised or he may exercise the Options or part thereof within three calendar months of ceasing to be a director unless otherwise determined by the Board of the Company;

b) An optionholder may exercise all of the Options granted to him at any time within the period beginning two years after the date of issue of the Options and ending five years of the date of issue of the Options;

c) Any notice of exercise of an Option received by the Company shall be deemed to be a notice of the exercise of the Option on the first business day after the date of receipt of the notice;

d) No Option will entitle the optionholder to:

   (i) distributions or bonus issues made by the Company to its Shareholders; or
   (ii) the right to participate in any new offers of securities which may be made to the existing Shareholders of the Company without first exercising that option and the option holder has no rights to a change in the exercise price, or a change in the number of shares over which the Option may be exercised;

e) In the event of any re-organisation (including reconstruction, consolidation, subdivision, share buy-back, reduction or return) of the issued capital of the Company, the rights of the Option holder shall be reorganised (as appropriate) in accordance with the Listing Rules of the ASX and (subject to the provisions with respect to rounding of entitlements) in all other respects the terms of the Options shall remain unchanged;

f) Shares issued pursuant to the exercise of the Options will be granted following the receipt of all relevant documentation and payments;

g) Any shares granted on exercise of Options will be credited as fully paid and will rank pari passu in all respects with other shares on issue as at the exercise date;

h) If Mr Burston ceases to be a director of the Company within two years of the date of issue of the Options, the Options will be cancelled immediately upon cessation of office unless otherwise determined by the Board of the Company;

i) During the time Mr Burston holds office as a director of the Company or any of its subsidiaries, the holder may transfer the Options to an associate or related party of the holder.

j) In the event of the holder dying whilst a director of the Company or any of its subsidiaries prior to the expiry of the Options, the right of the holder to exercise the Options shall vest in his executor and/or administrator and they shall have the same rights to exercise the Options as such deceased holder would have had during the option period but for his death;

k) The Options will not be quoted on ASX; and

l) The Company will make an application to ASX for the quotation of shares issued on exercise of Options. The Company will not be under any obligation to ensure that such shares will be quoted.

Voting Restrictions

The Company will disregard any votes cast on this Resolution by Mr Burston or his associates. However, the Company need not disregard a vote if:

a) It is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or

b) It is cast by the Chairperson of the meeting as proxy for a person who is entitled to vote as the proxy decides.

5 Resolution 5 – Increase to Non-Executive Directors' Fees

Resolution 5 seeks the approval of members to establish a maximum amount of remuneration to be paid to Non-Executive Directors. Resolution 5 seeks to establish this maximum at $500,000 in aggregate.

ASX Listing Rule 10.17 and Article 17.8 of the Constitution require that Shareholder approval is obtained to establish the maximum amount of remuneration payable to Non-Executive Directors and that the notice of meeting contain the amount of the maximum sum payable to Non-Executive Directors. In accordance with the Constitution the Board may determine the proportions in which the remuneration, up to the maximum amount, is to be divided between the Non-Executive Directors for remuneration for their services as directors.

Previously, in 2003, Shareholders approved the maximum aggregate amount to be paid to Non-Executive Directors as $300,000. An increase to $500,000 will allow for inflationary increases as well as any additional Board members who may be appointed as part of the Company's ongoing expansion. Although it is unlikely that the Board would fully utilise the maximum amount permitted of $500,000, the maximum amount will enable the Board to appoint and remunerate appropriately qualified persons to the Board as and when required.

6 Glossary

In this Explanatory Memorandum, the following terms have the following meanings unless the context otherwise requires:

AGM	means the 2006 Annual General Meeting of the Company to be held at 11.00am on 19 October 2006
ASIC	means the Australian Securities & Investments Commission.
ASX	means Australian Stock Exchange Limited ABN 98 008 624 691.
Board	means the Board of Directors.
Company	means Imdex Limited ABN 78 008 947 813.
Constitution	means the Constitution of the Company.
Corporations Act	means Corporations Act 2001 (Cth).
Director	means a Director of the Company.
Options	means the options to acquire Shares set out in section 4 of the Explanatory Memorandum.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a holder of a Share.
WST	means Australian Western Standard Time.

imdex
LIMITED

2006 ANNUAL REPORT

Contents

Registered Office

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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 Australian company into a focused global group providing drilling products and services to the oil and gas, mining, water well and civil industries.

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

- Continue operational earnings improvement within Australia;
- Move toward an increasing global presence;
- Achieve an overall improvement in Group financial performance to make Imdex a competitive investment in the Australian market; and
- Continue to translate the improved performance into dividend income for our Shareholders.

Global operations

Eastern Europe	China	Australia
Sweden	Laos	New Zealand
Ghana	Thailand	Chile
Tanzania	Philippines	Peru
Zambia	Indonesia	Canada
South Africa	PNG	USA

Imdex 2006 Snapshot

Financial Performance

- **Revenue from continuing operations increased by 67%** to $66.8 million in FY06 from $40.0 million in FY05;
- Earnings before Interest and Tax **(EBIT) increased to $12.0 million** in FY06, from $5.5 million in FY05;
- Net profit after tax **(NPAT) increased by 91% to $8.0 million**, from $4.2 million in FY05.

Divisional Highlights

- The Australian Mud Company (**AMC**) traded strongly in FY06, delivering 47% of the Group's revenue and an EBIT contribution of $5.2 million;
- Surtron Technologies (**Surtron**) off the back of its logging and Coal Bed Methane (CBM) steering activities recorded 43% revenue and 27% EBIT growth in FY06;
- 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 51% and EBIT by 162% in FY06;
- Samchem Drilling Fluids & Chemicals (**Samchem**) recorded turnover of $10.4 million and EBIT of $0.6 million since its acquisition on 1 August 2005.

Delivering on its Strategy

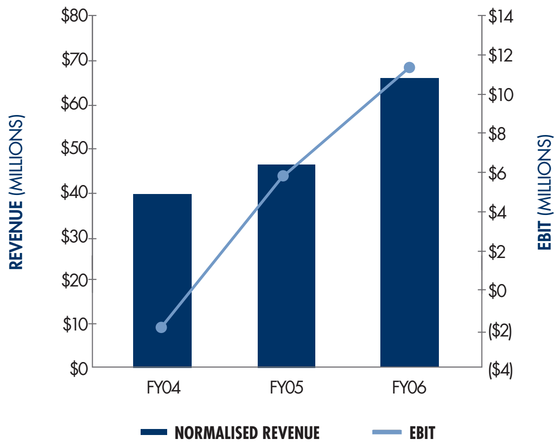
- **Operational and earnings improvement** across all businesses in FY06 with further strong growth forecast for FY07;
- Fully Franked **Dividend** of 1 cent per share paid on 30 March 2006 with a further 1 cent per share dividend due to be paid in October 2006;
- The purchase of Swedish-based **Reflex Group** and United Kingdom-based **Chardec Consultants**, effective 1 August 2006;
- The non-core **Imdex Minerals** was sold on 1 July 2005 for $6.3 million; and
- The business of **Samchem**, the South African muds and chemicals company, was acquired effective from 1 August 2005.

	FY06 ($m)	FY05 ($m)	FY04 ($m)
Revenue from continuing operations	66.8	40.0	33.4
Revenue from Imdex Minerals: sold 1 July 2005	-	6.8	6.4
Total Revenue	**66.8**	**46.8**	**39.8**
Change in percentage - Total Revenue	*43%*		
Change in percentage - Revenue from continuing operations	*67%*		
Operating profit before interest, tax, depreciation & amortisation	12.2	6.9	(1.3)
Depreciation & amortisation	(2.4)	(1.4)	(1.9)
Earnings before Interest & Tax (normal operations only)	**9.8**	**5.5**	**(3.2)**
EBIT margin	*15%*	*12%*	
Change in percentage - Total EBIT	*77%*		
Net interest expense	(0.2)	(0.5)	(0.6)
Operating profit before tax	9.6	5.0	(3.8)
Income tax benefit/(expense)	(2.6)	(1.7)	0.1
Net Profit after Tax (normal operations only)	**7.0**	**3.3**	**(3.7)**
Change in percentage	*114%*		
Non-operational items			
Sino Gas & Energy Limited value uplift	4.5	-	-
RTE/Imdex Joint Venture impairment	(2.3)	-	-
Tax effect of non-operational items	(1.2)	-	-
Net Profit after Tax from Continuing Operations	**8.0**	**3.3**	**(3.7)**
Change in percentage	*143%*		
Profit from discontinuing operations	-	**0.9**	-
Net Profit for the Year	**8.0**	**4.2**	**(3.7)**
Change in percentage	*91%*		
Total Group EBIT	**12.0**	**5.5**	**(3.2)**
Change in percentage	*118%*		
Basic Earnings per Share (cents)	**6.07**	**3.66**	**(3.07)**
Change in percentage	*66%*		
Net Assets	**32.7**	**19.0**	**18.1**
Change in percentage	*72%*		
Net Tangible Assets per Share (cents)	**21.10**	**16.78**	**14.59**
Change in percentage	*26%*		

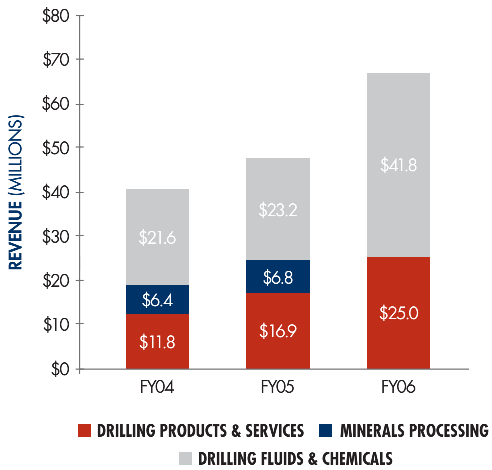
Imdex 2006 Snapshot continued

The Group is delivering strong revenue and earnings growth in all Divisions

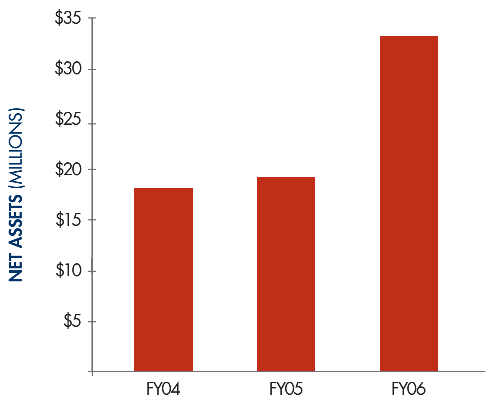
Normalised* Group Revenue and EBIT Three Year Trend



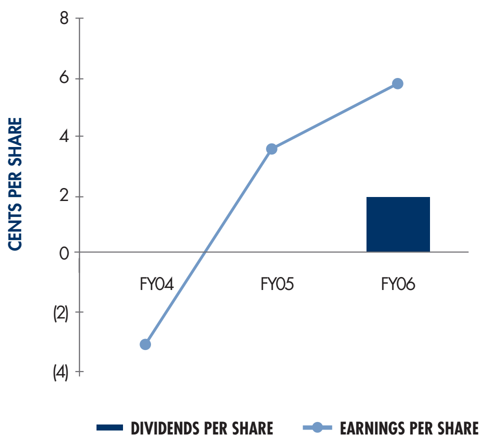
Normalised* Divisional Revenue Three Year trend



Strong growth in Net Assets has enabled the Group to continue its international expansion



Continued earnings growth has enabled the commencement of a fully franked dividend payment program



* Normalised revenue includes revenue from discontinued operations separately disclosed in FY05

"We have **delivered** on our strategy in FY06"

The Imdex Group is Australia's leading supplier of drilling products and services to the mining, water well and horizontal drilling industries and is expanding it's presence in the oil and gas industry.

Chairman's Report

It gives me great pleasure to report to you that the year ended 30 June 2006 (FY06) has been another very positive one for the Imdex Group. The Imdex Group has delivered on the strategy outlined at the 2005 Annual General Meeting and has taken valuable steps to position itself as a successful global drilling products and services company.

During the year, the Board implemented a strategy to build value for you, our Shareholders, through:

- Continued operational earnings improvement within Australia;
- Moving toward an increasing global presence;
- Achieving an overall improvement in Group financial performance to make Imdex a competitive investment in the Australian market; and
- Translating the improved performance into dividend income.

The Imdex Group was able to take advantage of continuing strong conditions in the global resources and energy markets and achieved a 67% increase in revenue from continuing operations and a 91% increase in net profit for the year, taking it to $8.0 million in FY06. This delivered earnings per share of 6.07 cents (FY05: 3.66 cents per share) with a net tangible asset backing per share of 21.10 cents (FY05: 16.78 cents per share).

The aim of focusing on our core businesses while establishing a global presence has progressed well during the current year. Notable milestones include the integration of the South African drilling fluids and chemicals company, Samchem, acquired with effect from 1 August 2005 and finalisation of the sale of Imdex Minerals on 1 July 2005.

The acquisition of Samchem has contributed positively to the Imdex Group earnings during the eleven months and is very strategic given the continuing uplift in exploration expenditure in the resources and energy sectors in Africa generally. It also provides some interesting diversification through the development and sale of environmental management products and chemicals used in the clay brick manufacturing process.

As announced to the market, the Imdex Group has recently acquired the Swedish-based Reflex Group (Reflex) and the United Kingdom-based Chardec Consultants Limited (Chardec). Reflex and Chardec are leading developers and suppliers of borehole survey equipment to the exploration, mining/quarrying and construction industries globally. Their innovative technology offers cost saving solutions through the use of electronic instruments to deliver survey data accurately and in a timely fashion.

These acquisitions are significant in both their size and nature. Following the acquisition in August 2006, the Imdex Group will have a much expanded global presence with access to new clients and markets in North America, South America and South Africa. The acquisitions are expected to generate significant additional EBIT in FY07.

The Australian Mud Company has continued to expand its sales profile both locally and internationally and has delivered record revenue and profit for the year. Further expansion and growth is expected in FY07 as the identification and implementation of synergies with Samchem builds momentum. The aim for FY07 is to take advantage of the significant increase in exploration expenditure throughout Africa, Mexico, Central and South America by aggressively pursuing opportunities in these countries and regions.

Surtron Technologies has continued to be a solid performer for the year with healthy increases in revenue. All divisions within Surtron have performed well with additional growth forecast for FY07.

Ace Drilling Supplies has experienced significant growth in FY06 in both the products and rentals divisions. Ace is aiming for increased global growth with the international roll-out of its patented electronic core orientation tool.

Operational synergies and access to cross sell product and service opportunities among international clients are expected through the acquisitions of Reflex and Chardec.

During the year, Directors reappraised the role of the Rashid Trading Establishment/ Imdex Saudi Arabian Joint Venture in the light of other business opportunities available to the Group. The Directors have decided, in accordance with the introduction of Australian Equivalents of International Accounting Standards (A-IFRS), to adopt a conservative view of this investment. Accordingly, the balance of the investment and the outstanding receivable were written off. Nevertheless, Imdex will pursue RTE for the outstanding amount due under the re-structure and any recovered amounts will be recorded as credits through the income statement.

The Board decided to pay a 1 cent per share fully franked interim dividend in respect of the half year ended 31 December 2005 and is pleased to be able to pay a further 1 cent per share fully franked final dividend in October 2006. The Board's goal of delivering a sustainable and increasing dividend stream, consistent with the capital needs of the Company, remains a high priority.

I would like to thank all our employees, fellow Board members and consultants for their special efforts during the year as it has taken much hard work and dedication to deliver the revenue and profits achieved in FY06.

I would also like to thank all Shareholders for their support during the current year and trust that this support will continue as the Imdex Group progresses toward establishing a substantial global drilling products and services company.

I look forward to seeing many of you at the forthcoming Annual General Meeting to be held in Perth on 19 October 2006.

Ian Burston
CHAIRMAN

"**Our** focus is to continue to **grow internationally**"

Managing Director's Report

In a very active year, the Company made great progress at three levels:

- financially, we raised net profit from the ongoing business units by 143%;
- operationally, we expanded all core businesses; and
- strategically, we continued the global repositioning of the Company.

As we commence the new financial year, the business is stronger, more profitable and has more growth potential.

Importantly, as we have extended our offshore presence, we have added greatly to our skills and, as we have expanded our team of people, we have improved our ability to deliver the high standards of service demanded by our customers.

There were several highlights in the past year, including:

- strong growth across all core businesses;
- a rise in group sales from continuing operations of 67% to $66.8 million;
- growth in earnings before interest and tax of 118% to $12.0 million;
- an interim dividend payment of 1 cent per share and a 1 cent per share final dividend to be paid in October 2006;
- agreements to acquire the Swedish-based Reflex Group and the United Kingdom-based Chardec Consultants;
- integration of South African-based Samchem, acquired with effect from 1 August 2005;
- finalisation of the sale of Imdex Minerals on 1 July 2005; and
- repayment of all bank debt.

Reflex and Chardec

The acquisitions of Reflex and Chardec usher in a new phase in the development of the Imdex Group. These acquisitions have furthered the Imdex strategy of establishing a global presence in its core business of drilling products and services. They significantly increase Imdex's international reach.

The direct benefits of the acquisitions include access to new markets, technology and skills across a range of geographic locations including Canada, Chile and South Africa. Additional synergies are also expected as these acquisitions complement the existing Imdex businesses.

The direct and indirect benefits of these acquisitions are expected to add significantly to the Company's EBIT in FY07.

The acquisition of Chardec was completed on 4 August 2006, with an effective date of 1 August 2006. The purchase price for Chardec of GBP6.8 million ($17 million) comprised a payment of

GBP2.5 million in cash at settlement and a further GBP4.3 million to be paid over the following three years.

The acquisition of Reflex was completed on 10 August 2006 with an effective date of 1 August 2006. The purchase price of $25.4 million was made up of a Convertible Note with a value of $10.4 million and two cash payments, one of $13 million at settlement and another of $2 million to be paid on 31 January 2007. The Convertible Note bears interest at 8% per annum and is convertible into 20.8 million Imdex shares at 50 cents each at any time within two years of the issue of the Note. Under the terms of the Note, conversion will automatically occur upon the Imdex share price reaching $1.00.

DRILLING FLUIDS and CHEMICALS

The Australian Mud Company Pty Ltd (AMC)

AMC, accounting for 47% of total Imdex sales and around half its operating profit, 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 record sales and EBIT of $5.2 million.

AMC's record trading results reflect the continued strength of the worldwide resources and energy markets in FY06 which has led to strong growth in exploration and development expenditure, particularly in Africa and Asia.

Also important in AMC's business outcome has been the commitment of its management to provide a superior service to its clients helping to create a strong brand identity within the industry in Australia and overseas.

While maintaining its high standards of service to existing clients, AMC management will provide an additional focus on a broader range of international markets including Mexico and Central and South America in the coming year. A further priority in FY07 will be the ongoing integration and growth of Samchem in Africa.

Samchem Drilling Fluids and Chemicals (Pty) Ltd

The business of Samchem was acquired with effect from 1 August 2005 and has been progressively integrated into the Imdex Group over the past year.

In its first 11 months, Samchem's turnover of $10.4 million exceeded its budgeted revenue by 16% offering encouraging signs for its future growth prospects in the African exploration drilling and oilfield markets. However, the integration process has been more costly than expected and Samchem's EBIT of $0.6 million was sharply lower than originally expected due to higher than anticipated one-off integration costs.

Samchem has some outstanding business prospects. Its share of the clay brick chemicals market in South Africa has been rising. It has the potential to export into other markets once the business has achieved satisfactory market penetration locally. The development and introduction to the market of its environmental management products continues and should gain pace in FY07. These products are a natural diversification for Samchem as protection of the environment is accorded a higher priority by its customers.

DRILLING PRODUCTS and SERVICES

Surtron Technologies Pty Ltd (Surtron)

Surtron built on its improved FY05 trading performance with a further 43% increase in revenue and a 27% increase in EBIT in FY06.

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

Surtron's results in FY06 reflect the expanding output of these commodities driven by the strong demand for metal and energy products in China, India and Japan and increases in global raw material prices.

Higher energy prices and new technologies are contributing to the viability of the coal seam gas industry which is likely to play an increasingly important role in meeting future energy needs. Surtron has provided directional drilling services to the Moranbah gas project in Queensland as well as a number of emerging projects elsewhere in Australia. Early in FY07 Surtron successfully provided directional drilling services to a new coal seam gas project in Scotland which should lead to further work. Additional work in the United States is also expected.

Gold producers have been very active due to the strong gold price which has also fuelled increased activity among the junior exploration companies. With capital markets more readily funding these explorers, there has been increased demand for Surtron's downhole surveying expertise.

Ace Drilling Supplies (Ace)

Ace markets drilling consumables and downhole motors and cameras to the drilling industry in Australia and internationally. The introduction of its patented electronic core orientation tool as well as a general upsurge in local and international drilling activity resulted in significant increases in revenue and profit for Ace. Revenue grew by 51% to $11.2 million and EBIT grew impressively by 162% to $3.0 million.

Further increases in sales and profit are expected as a result of broadening recognition of the quality products in the Ace portfolio, wider geographic coverage and continuation of favourable trading conditions in the resources sector.

STRATEGIC INVESTMENTS

RTE/Imdex Joint Venture

The role of the Company's Saudi Arabian Joint Venture and the priority being accorded the business changed during the year in the light of other opportunities. The Board has therefore reviewed the value of the Company's investment.

Directors have decided to take a conservative approach and write off the joint venture investment balance and remaining amounts due from Rashid Trading Establishment under the re-structure approved by shareholders in 2004. Imdex will pursue collection of the remaining US$650,000 due under the re-structure agreement. Any amounts recovered will be accounted for as a credit to the income statement.

Sino Gas & Energy Limited (SGE)

Imdex holds an investment of 15 million shares in SGE, an unlisted public company, engaged in the Chinese energy and gas industry through three Production Sharing Contracts (PSC's) in the highly prospective Ordos Basin in northern China.

Field operations involving drilling, fraccing and flow testing predominantly tight gas sands are continuing in the 5,500 square kilometre area of the PSC's. SGE currently intends to list on the Alternative Investment Market of the UK Stock Exchange in February 2007.

The newly adopted A-IFRS accounting standards require Imdex to write up its investment in SGE from cost to reflect current market value as this investment is classified as being 'held for trading'.

In adjusting the value, Imdex has taken into account factors which might have a bearing on the value of SGE. An adjustment of $4.5 million was taken through the income statement to reflect the enhanced value of this investment.

Company Outlook

Strong global natural resources and energy markets are supporting continuing growth in all core business units. A strong start to the new financial year among the ongoing business units is already being enhanced by the acquisition of Reflex and Chardec.

As the Chairman announced when he released our financial results in August, we are expecting growth in operating revenue of approximately 45% in FY07 as well as further improvement in EBIT margins.

While these results would partly reflect the strength of international raw material and energy markets, they could not be achieved without the commitment of our highly skilled and growing team of people to technological excellence and customer service as they extend the global reach of the Company.

Bernie Ridgeway
MANAGING DIRECTOR

"**Our Products and Services** are exported to the **world**"

Director Profiles

Mr Ian Burston

AM

Non Executive Chairman

Age: 71 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: 52 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 Kelly

BE(Hons) FAICD

Non Executive Director

Age: 68 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 Corporation Limited, Beltreco Limited and a Director of Aurora Gold Limited, PA Consulting Services Ltd and the Fremantle Football Club.

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

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

Mr Kevin Dundo

B. Com, LLB
Non Executive Director
Age: 55 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 Intrepid Mines Ltd ASX: IAU (formerly NuStar Mining Corporation Limited). 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.

Mr Ivan Freeman

N.Dip Chem Tech, N.Dip Prod Eng
Non Executive Director
Age: 64 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 Stephen Lyons

B.Bus (ACCTG) ACA
Company Secretary
Age: 37 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 Group is **well positioned** to benefit from strong growth in the **global resources market**"

Financial Report 2006

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 2006.

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	71	Mechanical Engineer Member of the Audit and Compliance & Remuneration Committees. Director since November 2000.
Mr B W Ridgeway	Managing Director	52	Chartered Accountant Director since May 2000.
Mr R W Kelly	Independent, Non Executive Director	68	Engineer Member of the Audit and Compliance & Remuneration Committees. Director since 14 January 2004.
Mr K A Dundo	Independent, Non Executive Director	55	Practicing Lawyer Chairman of the Audit and Compliance & Remuneration Committees. Director since 14 January 2004.
Mr H H Al-Merry	Non Executive Director	44	President of Rashid Trading Establishment (involved in a Joint Venture with Imdex, known as the RTE/Imdex Joint Venture) Director since April 2002. Office vacated 18 August 2006.
Mr I R Freeman	Non Executive Director	64	Chemical Technology and Production Engineer Director since 23 August 2005.
Mr J P O'Neil	Non Executive Director – Alternate Director to Mr I R Freeman	59	Muds and Drilling Fluids Engineer Alternate Director since 23 August 2005.

Additional 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 Mincor Resources NL Aviva Corporation Ltd	Chairman and Chief Executive Officer Non Executive Director Non Executive Director	2004 – Current 2003 – Current 2003 – Current
Mr R W Kelly	Clough Limited Clough Limited Orbital Corp Ltd Aurora Gold Limited	Non Executive Director Chairman Chairman and Non Executive Director Non Executive Director	Since 1996 During 2002 – 2003 Resigned 21 August 2003 Resigned 5 February 2003
Mr K A Dundo	Intrepid Mines Ltd (formerly NuStar Mining Corp Ltd) St Barbara Mines Limited Defiance Mining Corporation	Non Executive Director Non Executive Director Non Executive Director	2002 – Current 2002 – 2004 2003 – 2004

(c) Company Secretary

Mr S J Lyons

Chartered Accountant aged 37. 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, seven Board meetings, three Audit and Compliance Committee and two Remuneration Committee meetings were held.

	Board of Directors		Audit and Compliance Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
I F Burston	7	6	3	2	2	2
B W Ridgeway	7	7	-	-	-	-
H H Al-Merry	7	-	-	-	-	-
R W Kelly	7	7	3	3	2	2
K A Dundo	7	7	3	3	2	2
I R Freeman	6	5	-	-	-	-

(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	-	200,000	-
B W Ridgeway	-	5,000,000	2,000,000
H H Al-Merry	755,000	-	-
R W Kelly	200,000	65,000	-
K A Dundo	300,000	-	-
I R Freeman	-	16,059,002	-
J P O'Neil – alternate Director to Mr I R 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 31.

(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 Managing Director has a short term incentive bonus amounting to 20% of his cash remuneration package that is linked to the EBIT performance of the Company. The balance of his remuneration package is not linked to the Company's performance.

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 table on page 21 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);

(v) Mr H H Al-Merry (Non Executive Director), office vacated 18 August 2006;

(vi) Mr I R Freeman (Non Executive Director), appointed 23 August 2005; and

(vii) Mr J P O'Neil (Non Executive Director), Alternate to Mr I R Freeman, appointed 23 August 2005.

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); and

(iv) Mr C S Munyard (Manager Surtron: Technologies Pty Ltd).

Elements of Director and Executive Remuneration

Remuneration packages contain the following key elements:

(i) Short-term 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 31; and

(iv) Other benefits.

Details of Directors' remuneration are set out below. Further information is also set out in Note 30:

	Notes	Short-term employee benefits				Post Employment		Other long-term employee benefits	Termination Benefits	Share-based payment				Total
		Salary & fees	Bonus	Non-monetary	Other	Super-annuation	Other			Equity-settled		Cash settled	Other	
										Shares & Units	Options & Rights			
		$	$	$	$	$	$	$	$	$	$	$	$	$
Executive Director														
B W Ridgeway, Managing Director	(i)	261,827	-	28,601	-	23,564	-	4,789	-	-	25,760	-	-	344,541
Non Executive Directors														
I F Burston, Chairman	(ii)	82,875	-	-	-	-	-	-	-	-	-	-	-	82,875
H H Al-Merry	(ii)	-	-	-	-	-	-	-	-	-	-	-	-	-
R W Kelly	(ii)	50,000	-	-	-	4,500	-	-	-	-	-	-	-	54,500
K A Dundo	(ii)	50,000	-	-	-	4,500	-	-	-	-	-	-	-	54,500
I R Freeman	(ii)	43,288	-	-	-	-	-	-	-	-	-	-	-	43,288
		487,990	-	28,601	-	32,564	-	4,789	-	-	25,760	-	-	579,704

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

	Notes	Short-term employee benefits				Post Employment		Other long-term employee benefits	Termination Benefits	Share-based payment				Total
		Salary & fees	Bonus	Non-monetary	Other	Super-annuation	Other			Equity-settled		Cash settled	Other	
										Shares & Units	Options & Rights			
		$	$	$	$	$	$	$	$	$	$	$	$	$
Group Executives														
S J Lyons, Company Secretary	(iii)	134,900	-	2,282	-	5,310	-	-	-	-	3,600	-	-	146,092
D L Kinley, Group Financial Controller	(iii)	118,413	-	10,946	-	10,657	-	-	-	-	2,400	-	-	142,416
G E Weston, General Manager AMC, Ace & Surtron	(iii)	237,539	-	14,068	-	25,852	-	13,024	-	-	24,000	-	-	314,483
C S Munyard, Manager Surtron *	(iii)	129,538	54,950	9,314	-	11,658	-	10,262	-	-	1,800	-	-	217,522
J P O'Neil	(iii)	82,472	9,023	28,764	-	13,151	-	-	-	-	-	-	-	133,410
		702,862	63,973	65,374	-	66,628	-	23,286	-	-	31,800	-	-	953,923

* - C S Munyard was paid a bonus of $54,950 during the current year for work done in relation to the development of the Ace Core Tool, not in his capacity as Manager of Surtron.

Elements of remuneration related to performance

(i) Managing Director: Of the cash remuneration package of the Managing Director, 20% is linked to the performance of the Company by way of short term cash incentives. In addition 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.

(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 $235,163, 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			
	$	$	$	$	$	%
B W Ridgeway	25,760	-	-	25,760	25,760	7.5%
S J Lyons	3,600	-	-	3,600	3,600	2.5%
D L Kinley	2,400	-	-	2,400	2,400	1.7%
G E Weston	24,000	-	-	24,000	24,000	7.6%
C S Munyard	1,800	6,167	-	7,967	1,800	0.8%

(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 3,325,000 options were granted to the following directors and executives of the Group. No options were granted during or since the end of the financial year to Non-Executive Directors.

Name	Number of options granted	Issuing entity	Number of ordinary shares under option
B W Ridgeway	2,000,000	Imdex Limited	2,000,000
S J Lyons	150,000	Imdex Limited	150,000
D L Kinley	100,000	Imdex Limited	100,000
G E Weston	1,000,000	Imdex Limited	1,000,000
C S Munyard	75,000	Imdex Limited	75,000

(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	35 cents	1 Feb 2006	31 Jan 2011	(aa)	2,660,000
Imdex Limited	Staff Share Options	Ordinary	20 cents	1 Aug 2004	31 Jul 2009	(aa)	3,048,333
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
Imdex Limited	Managing Director Options	Ordinary	30 cents	15 Sep 2005	14 Sep 2010	(ee)	2,000,000

(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. The condition that Imdex shares trade at 30 cents for 5 consecutive trading days has now been achieved;

(dd) exercisable at any point prior to expiry; and

(ee) exercisable at any point from 2 years after date of issue until expiry.

(iii) Share options exercised during the year

C S Munyard exercised 25,000 options during the year and received 25,000 ordinary shares. The exercise price was 20c per option. No unpaid amounts remain on these shares.

(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.

(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 Report.

(j) Dividends

A fully franked interim dividend of 1 cent per ordinary share was paid on 30 March 2006 to shareholders registered on 23 March 2006. In the prior year no dividends were declared or paid. Since 30 June 2006 the Directors have declared a fully franked final dividend of 1 cent per ordinary share, the financial effect of which has not been reflected in the Financial Report.

(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.

(l) Subsequent Events

Effective 1 August 2006 the Company acquired 100% of the shares of the Swedish-based Reflex Group (Reflex) and the United Kingdom-based Chardec Consultants Limited (Chardec).

The purchase price for Reflex is $25.4 million to be settled $15 million in cash at settlement and the issue of a convertible note with a face value of $10.4 million. The convertible note carries the right to convert into 20.8 million Imdex shares at a price of 50 cents per share at any time until 30 June 2008. The coupon rate will be 8% per annum. Under the terms of the agreement, conversion will be triggered automatically by the Imdex share price reaching $1 per share. Any Imdex shares issued under this note prior to 30 June 2008 will be held in voluntary escrow until 30 June 2008.

The purchase price for Chardec is GBP6.8 million (approximately $17 million) to be satisfied through the payment of GBP2.5 million in cash at settlement and a further GBP4.3 million over three years from date of settlement.

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.

Additional disclosures with respect to these acquisitions are impracticable at this stage as the fair value at acquisition balance sheet and other matters relating to the acquisitions are still being finalised.

Subsequent to year end the Directors declared a 1 cent per share fully franked dividend with a record date of 10 October 2006 and a payment date of 13 October 2006. The effect of this dividend has not been reflected in this financial report.

(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

In prior years the Company, through Imdex Minerals, was subject to onerous environmental regulations. 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 29 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 S.298(2) of the Corporations Act 2001.

On behalf of the Directors

Mr Ian Burston

Chairman

PERTH, Western Australia, 25 August 2006.

Deloitte.

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Independent audit report to the members of Imdex Ltd

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Imdex Ltd (the company) and the consolidated entity, for the financial year ended 30 June 2006 as set out on page 28 and pages 35 to 81. 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 Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial 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 Accounting Standards in Australia and the Corporations Act 2001 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, their changes in equity 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.

Member of
Deloitte Touche Tohmatsu

Deloitte.

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

Audit Opinion

In our opinion, the financial report of Imdex Ltd is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and

(b) complying with Accounting Standards in Australia and the Corporations Regulations 2001.

DELOITTE TOUCHE TOHMATSU

Keith Jones
Partner
Chartered Accountants
Perth, 25 August 2006

Directors' Declaration

The Directors declare that:

(a) 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;

(b) in the Directors' opinion, the attached Financial Report 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 Consolidated Entity; and

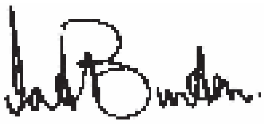
(c) the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in note 23 to the Financial Report will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the Directors made pursuant to s. 303(5) for the Corporations Act 2001.

Dated at Perth, 25 August 2006.



Ian F Burston
Chairman

Deloitte.

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The Board of Directors
Imdex Ltd
Level 3 Redgum House
18 Richardson Street
WEST PERTH WA 6005

25 August 2006

Dear Board Members

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 2006, 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

DELOITTE TOUCHE TOHMATSU

Keith Jones
Partner
Chartered Accountants

Member of
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation.

(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 2006. 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 2006, 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 R 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 was 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	Not Independent	Mr O'Neil is a major shareholder, having an indirect interest in 12,847,202 shares of the Company.

(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 2006 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; 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 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 Report 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 Report 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 Half-Year Financial Report is 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.

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 30. 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.

Income Statement for the financial year ended 30 June 2006

	Notes	Consolidated Year Ended 30 June 2006 $'000	Consolidated Year Ended 30 June 2005 $'000	Company Year Ended 30 June 2006 $'000	Company Year Ended 30 June 2005 $'000
Revenue from sale of goods, rendering of services and operating lease rental	2	66,614	40,051	11,379	7,202
Other revenue from operations	2	178	-	82	-
Total revenue		66,792	40,051	11,461	7,202
Other income	2	76	466	1,402	1,752
Share of losses of associates accounted for using the equity method	7	(301)	-	-	-
Raw materials and consumables used	2	(32,776)	(19,602)	(4,415)	(4,068)
Employee benefit expense		(11,086)	(6,859)	(2,179)	(1,368)
Depreciation and amortisation expense	2	(2,431)	(1,390)	(1,268)	(481)
Finance costs	2	(216)	(494)	(40)	(324)
Change in fair value of investments held for trading	7	4,500	-	4,199	-
Impairment adjustment	2	(2,275)	-	(3,460)	-
Other expenses	2	(10,419)	(7,167)	(3,193)	(1,737)
Profit before income tax expense		11,864	5,005	2,507	976
Income tax expense relating to ordinary activities	3	(3,880)	(1,723)	(1,329)	(909)
Profit from continuing operations		7,984	3,282	1,178	67
Profit from discontinued operations	26	-	890	-	890
Profit attributable to ordinary equity holders of Imdex Limited		7,984	4,172	1,178	957
Earnings per share:					
Basic earnings per share (cents)	18	6.07	3.66		
Diluted earnings per share (cents)	18	5.95	3.66		
Earnings per share from continuing operations:					
Basic earnings per share from continuing operations (cents)	18	6.07	2.88		
Diluted earnings per share from continuing operations (cents)	18	5.95	2.88		
Dividends per ordinary share:					
Interim dividend paid (cents)	19	1.00	-		
Final dividend declared (cents)	19	1.00	-		

The Income Statement should be read in conjunction with the accompanying notes.

Balance Sheet as at 30 June 2006

	Notes	Consolidated 30 June 2006 $'000	Consolidated 30 June 2005 $'000	Company 30 June 2006 $'000	Company 30 June 2005 $'000
Current Assets					
Cash and Cash Equivalents	28	6,421	103	2,003	96
Trade and Other Receivables	5	18,798	13,918	5,502	4,554
Inventories	6	9,707	7,030	1,081	923
Other Financial Assets	7	4,512	18	4,504	3
Non Current Assets classified as held for sale	26	-	6,453	-	6,453
Total Current Assets		39,438	27,522	13,090	12,029
Non Current Assets					
Other Financial Assets	8	124	1,475	2,296	2,984
Property, Plant and Equipment	9	9,967	5,890	4,088	2,047
Goodwill	10	1,906	-	-	-
Other Intangible Assets	11	1,313	12	-	12
Deferred Tax Assets	3	-	515	-	224
Total Non Current Assets		13,310	7,892	6,384	5,267
Total Assets		52,748	35,414	19,474	17,296
Current Liabilities					
Trade and Other Payables	12	13,629	7,972	3,111	2,526
Borrowings	13	1,391	3,965	498	4,616
Current Tax Payables	3	2,058	530	1,973	531
Provisions	14	830	569	189	107
Liabilities directly associated with Non Current Assets classified as held for sale	26	-	182	-	182
Total Current Liabilities		17,908	13,218	5,771	7,962
Non Current Liabilities					
Borrowings	13	1,503	2,883	220	4,172
Deferred Tax Liabilities	3	458	-	1,038	-
Provisions	14	226	293	40	78
Total Non Current Liabilities		2,187	3,176	1,298	4,250
Total Liabilities		20,095	16,394	7,069	12,212
Net Assets		32,653	19,020	12,405	5,084
Equity					
Issued Capital	15	26,490	19,008	26,490	19,008
Asset Revaluation Reserve	16	-	-	-	-
Foreign Currency Translation Reserve	16	(494)	-	-	-
Employee Equity-Settled Benefits Reserve	16	105	48	105	48
Retained Profits/(Accumulated Losses)	17	6,552	(36)	(14,190)	(13,972)
Total Equity		32,653	19,020	12,405	5,084

The Balance Sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the financial year ended 30 June 2006

CONSOLIDATED	Notes	Ordinary Shares $'000	Foreign Currency Translation Reserve $'000	Employee Equity-Settled Benefits Reserve $'000	Asset Revaluation Reserve $'000	Retained Earnings / (Accumulated Losses) $'000	Total Attributable to Equity Holders of the Entity $'000
Balance at 1 July 2004		21,058	-	-	8	(4,208)	16,858
Revaluation adjustment	16	-	-	-	(8)	-	(8)
Net income recognised directly in equity		-	-	-	(8)	-	(8)
Profit for the period		-	-	-	-	4,172	4,172
Total recognised income and expense for the period		-	-	-	-	4,172	4,172
Share based payments	16	-	-	48	-	-	48
Cancellation of shares held by Mr H H Al-Merry on restructure of the RTE/Imdex Joint Venture	15	(2,050)	-	-	-	-	(2,050)
Balance at 30 June 2005		19,008	-	48	-	(36)	19,020
Exchange differences on translation of foreign operations after taxation	16	-	(494)	-	-	-	(494)
Net income recognised directly in equity		-	(494)	-	-	-	(494)
Profit for the period		-	-	-	-	7,984	7,984
Total recognised income and expense for the period		-	-	-	-	7,984	7,984
Dividend paid		-	-	-	-	(1,396)	(1,396)
Share based payments	16	-	-	59	-	-	59
Issue of shares as part consideration for the acquisition of Samchem	15	3,592	-	-	-	-	3,592
Issue of equity securities for working capital	15	3,990	-	-	-	-	3,990
Share issue costs (net of tax)	15	(112)	-	-	-	-	(112)
Options expired	15	1	-	(1)	-	-	-
Issue of shares under staff option plan	15	11	-	(1)	-	-	10
Balance at 30 June 2006		26,490	(494)	105	-	6,552	32,653

COMPANY	Notes	Ordinary Shares $'000	Foreign Currency Translation Reserve $'000	Employee Equity-Settled Benefits Reserve $'000	Asset Revaluation Reserve $'000	Retained Earnings / (Accumulated Losses) $'000	Total Attributable to Equity Holders of the Entity $'000
Balance at 1 July 2004		21,058	-	-	8	(14,929)	6,137
Revaluation adjustment	16	-	-	-	(8)	-	(8)
Net income recognised directly in equity		-	-	-	(8)	-	(8)
Profit for the period		-	-	-	-	957	957
Total recognised income and expense for the period		-	-	-	-	957	957
Share based payments	16	-	-	48	-	-	48
Cancellation of shares held by Mr H H Al-Merry on restructure of the RTE/Imdex Joint Venture	15	(2,050)	-	-	-	-	(2,050)
Balance at 30 June 2005		19,008	-	48	-	(13,972)	5,084
Profit for the period		-	-	-	-	1,178	1,178
Total recognised income and expense for the period		-	-	-	-	1,178	1,178
Dividend paid		-	-	-	-	(1,396)	(1,396)
Share based payments	16	-	-	59	-	-	59
Issue of shares as part consideration for the acquisition of Samchem	15	3,592	-	-	-	-	3,592
Issue of equity securities for working capital	15	3,990	-	-	-	-	3,990
Share issue costs (net of tax)	15	(112)	-	-	-	-	(112)
Options expired	15	1	-	(1)	-	-	-
Issue of shares under staff option plan	15	11	-	(1)	-	-	10
Balance at 30 June 2006		26,490	-	105	-	(14,190)	12,405

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Cash Flow Statement for the financial year ended 30 June 2006

	Notes	Consolidated Year Ended 30 June 2006 $'000	Consolidated Year Ended 30 June 2005 $'000	Company Year Ended 30 June 2006 $'000	Company Year Ended 30 June 2005 $'000
Cash Flows From Operating Activities					
Receipts from customers		67,509	48,767	10,568	15,135
Payments to suppliers and employees		(55,633)	(44,975)	(10,207)	(16,027)
Other income		-	-	1,020	1,020
Dividend received		-	-	344	688
Interest and other costs of finance paid		(6)	(351)	-	(351)
Income tax paid		(1,796)	(286)	-	-
Net cash provided by Operating Activities		10,074	3,155	1,725	465
Cash Flows From Investing Activities					
Interest and bill discounts received		97	16	82	18
Payment for property, plant and equipment		(6,730)	(2,791)	(3,393)	(1,719)
Proceeds from sale of property, plant and equipment		652	639	122	251
Payments for intangible assets		-	(11)	-	(11)
Proceeds from receivable - RTE/Imdex Joint Venture		928	189	928	189
Proceeds from sale of Imdex Minerals	26	6,271	-	6,271	-
Payment for the acquisition of the business of Samchem	24	(3,011)	-	(3,011)	-
Payment of deferred acquisition costs		(350)	(216)	(350)	(216)
Net cash provided by/(used in) Investing Activities		(2,143)	(2,174)	649	(1,488)
Cash Flows From Financing Activities					
Advances from Controlled Entities		-	-	2,435	657
Proceeds from issue of equity securities	15	3,990	-	3,990	-
Payment for share issue costs	15	(112)	-	(112)	-
Cash received on exercise of options		10	-	10	-
Dividend paid	19	(1,396)	-	(1,396)	-
Hire purchase and lease payments		(1,507)	(1,296)	(506)	(387)
Proceeds from borrowings		1,435	2,479	546	1,682
Repayment of borrowings	13	(3,625)	(1,075)	(3,625)	(1,075)
Net cash (used in)/provided by Financing Activities		(1,205)	108	1,342	877
Net Increase in Cash and Cash Equivalents Held		6,726	1,089	3,716	(146)
Cash and Cash Equivalents At The Beginning Of The Financial Year	28 (a)	(364)	(1,453)	(1,713)	(1,567)
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		59	-	-	-
Cash and Cash Equivalents At The End Of The Financial Year	28 (a)	6,421	(364)	2,003	(1,713)

The Cash Flow Statement should be read in conjunction with the accompanying notes.

1 Summary of Significant Accounting Policies

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Urgent Issues Group Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS').

Compliance with the A-IFRS ensures that the consolidated financial statements and notes of the Consolidated Entity comply with International Financial Reporting Standards ('IFRS'). The parent entity financial statements and notes also comply with IFRS except for the disclosure requirements in IAS 32 'Financial Instruments: Disclosure and Presentation' as the Australian equivalent Accounting Standard, AASB 132 'Financial Instruments: Disclosure and Presentation' does not require such disclosures to be presented by the parent entity where its separate financial statements are presented together with the consolidated financial statements of the Consolidated Entity.

The financial statements were authorised for issue by the directors on 25 August 2006.

(a) Basis of preparation

The Financial Report has been prepared on the basis of historical cost except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of A-IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

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 Consolidated Entity changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the Company's and Consolidated Entity's financial position, financial performance and cash flows is discussed in note 33.

The Directors have also elected under s.334(5) of the Corporations Act 2001 to apply Accounting Standard AASB 119 'Employee Benefits' (December 2004), even though the Standard is not required to be applied until annual reporting periods beginning on or after 1 January 2006.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005, and in the preparation of the opening A-IFRS balance sheet at 1 July 2004 (as disclosed in note 33), the Consolidated Entity's date of transition, except for the accounting policies in respect of financial instruments. The Consolidated Entity has not restated comparative information for financial instruments, including derivatives, as permitted under the first-time adoption transitional provisions. Refer note 1 (x) and (y).

The following significant accounting policies have been adopted in the preparation and presentation of the Financial Report:

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(c) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(d) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. Refer to note 1 (v).

(e) Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset (or disposal group) is available for immediate sale in its present condition and the sale of the asset (or disposal group) is expected to be completed within one year from the date of classification.

(f) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(g) Payables

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.

(h) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

(i) Property, plant and equipment

Land and buildings are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The annual depreciation rates used for each class of assets are as follows:

Freehold land:	nil
Freehold buildings:	5%
Plant and equipment:	10% to 40%
Equipment rented to third parties:	10% to 40%
Equipment under finance lease:	13% to 22.5%

(j) Share-based payments

Equity-settled share-based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes Model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Consolidated Entity's estimate of shares that will eventually vest.

(k) Principles of consolidation

The consolidated Financial Report is prepared by combining the financial statements of all the entities that comprise the Consolidated Entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. The consolidated Financial Report includes the information and results of each subsidiary 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 Report, all intercompany balances and transactions, and unrealised profits arising within the Consolidated Entity are eliminated in full.

(l) Borrowing costs

Borrowing costs are expensed as incurred.

(m) Foreign currency

(i) Foreign currency transactions

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 reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognised in profit or loss in the period in which they arise except that: exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the consolidated financial statements in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

(ii) Foreign operations

On consolidation, the assets and liabilities of the Consolidated Entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation. The financial statements of foreign subsidiaries, associates and jointly controlled entities that report in the currency of a hyperinflationary economy are restated in terms of the measuring unit current at the reporting date before they are translated into Australian dollars. Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after the date of transition to A-IFRS are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date.

(n) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Company financial statements.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

(ii) Held-to-maturity investments

Bills of exchange and debentures are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

(iii) Available-for-sale financial assets

Certain shares held by the Consolidated Entity are classified as being available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period.

(iv) Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

(o) 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 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 balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

(p) Intangible assets

(i) Patents

Patents are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives of 20 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

(ii) Intangible assets acquired in a business combination

All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

(q) Taxation

(i) Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

(ii) Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the Financial Report and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) that affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the Consolidated Entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated Entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Consolidated Entity intends to settle its current tax assets and liabilities on a net basis.

(iii) Current and deferred tax for the period.

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(iv) Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax consolidated group under Australian taxation law. Imdex Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

(r) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) Consolidated Entity as Lessor

Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recognised at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease payments are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

(ii) Consolidated Entity as Lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Consolidated Entity's general policy on borrowing costs.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(s) Revenue

(i) Sale of goods

Revenue from the sale of goods is recognised when the Consolidated Entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

(ii) Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

(iii) Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

(iv) Dividend and interest revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(t) Employee benefits

(i) Provisions

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Consolidated Entity in respect of services provided by employees up to reporting date.

(ii) Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

(u) Government grants

Government grants are assistance by the government in the form of transfers of resources to the Consolidated Entity in return for past compliance with certain conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the Consolidated Entity other than the requirement to operate in certain regions or industry sectors.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Consolidated Entity with no future related costs are recognised as income of the period in which it becomes receivable.

(v) Impairment of assets

At each reporting date, the Consolidated Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(w) 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.

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.

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 virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(x) Comparative information – financial instruments

The consolidated entity has elected not to restate comparative information for financial instruments within the scope of Accounting Standards AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement', as permitted on the first-time adoption of A-IFRS.

The accounting policies applied to accounting for financial instruments in the current financial year are detailed in notes 1(a) to (w). The following accounting policies were applied to accounting for financial instruments in the comparative financial year:

(i) 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.

(ii) Financial instruments issued by the company

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.

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 not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

(iii) Borrowings

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.

(iv) Investments

Investments other than investments in subsidiaries, associates and joint venture entities are recorded at cost.

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(v) Receivables

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

(y) Effect of changing the accounting policies for financial instruments

The effect of changes in the accounting policies for financial instruments on the balance sheet as at 1 January 2005 as detailed in note 1(x) is nil.

(z) Australian Accounting Standards not yet effective

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2006:

<table>
<tr><th>Affected Standards</th><th>Nature of change to accounting policy</th><th>Application date of standard*</th><th>Application date</th></tr>
<tr><td>AASB 1: First time adoption of AIFRS
AASB139: Financial instruments: Recognition and Measurement
AASB 3: Business Combinations</td><td rowspan="2">A project team has been formed to assess the impact of these new standards. A final assessment has not been made on the expected impact of these standards, however, it is expected that that there will be no significant changes in the Group's accounting policies.</td><td>1 January 2006</td><td>1 July 2006</td></tr>
<tr><td>AASB 132: Financial Instruments: Disclosure and Presentation
AASB101: Presentation of Financial Statements
AASB114: Segment reporting
AASB117: Leases
AASB133: Earnings per Share
AASB139: Financial instruments: Recognition and Measurement
UIG 4 Determining whether an Arrangement contains a lease
UIG 8 Scope of AASB 2
AASB7 Financial Instruments: Disclosures</td><td>1 January 2007</td><td>1 July 2007</td></tr>
</table>

* - reporting period commences on or after

The following amendments are not applicable to the Group and therefore have no impact:

Affected Standards	Comment
AASB1023: General Insurance Contracts AASB1028: Life Insurance Contracts AASB4: Insurance Contracts UIG 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds UIG 7 Applying the Restatement Approach under AASB129 Financial Reporting in Hyperinflationary Economies	These standards are not applicable to the Consolidated Entity.

2 Profit from Operations

	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
(a) Revenue from operations				
Revenue from continuing and discontinued operations consisted of the following items:				
Revenue from continuing operations				
Revenue from the sale of goods	47,251	30,372	5,859	7,202
Revenue from the rendering of services	13,843	9,679	-	-
Operating lease rental revenue	5,520	-	5,520	-
Other operating revenue	178	-	82	-
	66,792	40,051	11,461	7,202
Revenue from discontinued operations				
Revenue from the sale of goods	-	6,784	-	6,784
	66,792	46,835	11,461	13,986

(b) Profit before income tax

Other than as disclosed on the face of the income statement, profit before income tax has been arrived at after crediting / (charging) the following gains and losses from continuing and discontinued operations:

	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Grants received for the development of export markets	-	77	-	-
Gain/(loss) on disposal of property, plant and equipment	76	384	38	44
Foreign exchange gain/(loss)	(15)	(84)	533	(6)
	61	377	571	38
Gains attributable to:				
Continuing operations	76	461	571	50
Discontinued operations	-	-	-	-
	76	461	571	50
Losses attributable to:				
Continuing operations	(15)	(72)	-	-
Discontinued operations	-	(12)	-	(12)
	(15)	(84)	-	(12)
	61	377	571	38

Profit before income tax has been arrived at after charging the following items of income and expense. The line items below combine amounts attributable to both continuing and discontinued operations:

	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Other income				
Grants received for the development of export markets	-	77	-	-
Gain/(loss) on disposal of property, plant and equipment	76	384	38	44
Management fees from Controlled Entities	-	-	1,020	1,020
Dividends from Controlled Entities	-	-	344	688
Other revenue	-	5	-	-
	76	466	1,402	1,752
Depreciation and amortisation of Non Current Assets				
Depreciation of property, plant and equipment	2,431	1,646	1,268	737
Finance costs				
Hire purchase liabilities	210	194	40	26
Interest on loans	-	335	-	333
Other	6	-	-	-
	216	529	40	359

2 Profit from Operations (continued)

	Consolidated		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000

(b) Profit before income tax (continued)

Profit before income tax has been arrived at after charging the following items of income and expense. The line items below combine amounts attributable to both continuing and discontinued operations:

	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Other expenses				
Commissions	1,243	726	24	120
Communication	503	320	136	122
Consultancy fees	626	659	141	304
Electricity	51	377	13	362
Foreign exchange (gain)/loss	(15)	(84)	533	(6)
Freight	661	518	227	305
Hire of plant and equipment	168	811	7	168
Insurance	265	280	66	99
Other expenses	1,957	2,192	560	714
Legal and professional fees	316	304	246	287
Rent and premises costs	1,275	1,013	306	331
Repairs and maintenance	1,097	964	553	586
Travel and accommodation	1,215	989	216	122
Vehicle expenses	1,057	748	165	211
	10,419	9,817	3,193	3,725
Employee benefits expense				
Defined contribution superannuation costs	2,488	612	59	224
Post-employment benefits other than superannuation	-	-	-	-
	2,488	612	59	224
Equity-settled Share Based Payments				
Employee benefit expense	59	23	59	23
Consultancy expenses	-	25	-	25
	59	48	59	48
				-
Cost of sales	32,776	23,180	4,415	7,832
Bad debts written off - trade debtors	2	9	2	9
Operating lease rental expense (minimum lease payments)	1,443	715	312	278
Impairment adjustment				
Receivable due from Rashid Trading Enterprise	875	-	875	-
Investment in RTE/Imdex Joint Venture	1,400	-	2,585	-
	2,275	-	3,460	-

3 Income Taxes

	Consolidated		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000

(a) Income tax recognised in the income statement

	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Tax expense comprises:				
Current tax expense	2,835	1,034	153	(8)
Deferred tax expense relating to the origination and reversal of temporary differences	1,430	52	1,564	53
(Over)/under provision per prior year	(385)	(211)	(388)	16
Total tax expense	3,880	875	1,329	61
Attributable to:				
Continuing operations	3,880	1,723	1,329	909
Discontinued operations	-	(848)	-	(848)
	3,880	875	1,329	61

3 Income Taxes (continued)

	Consolidated		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:				
Profit from continuing operations	11,864	5,005	2,507	976
Profit from discontinued operations	-	42	-	42
Profit from operations	11,864	5,047	2,507	1,018
Income tax expense calculated at 30%	3,559	1,514	752	305
Tax benefit of losses transferred to a controlled entity	-	-	-	389
Non-deductible expenses and capital proceeds relating to the investment in the RTE/Imdex Joint Venture	9	-	9	379
Impairment of investment in RTE/Imdex Joint Venture	420	-	776	-
Intercompany dividends received	-	-	(103)	(206)
Bad debts	263	(876)	263	(876)
Recoverable amount adjustment - property, plant and equipment	-	379	-	-
Deductible share raising costs	-	(13)	-	(13)
Non-deductible expenses	20	58	20	43
Temporary differences not previously brought to account	-	24	-	24
Tax rate differential arising from foreign entities	(6)	-	-	-
(Over) / under provision of prior year income tax	(385)	(211)	(388)	16
	3,880	875	1,329	61

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian law. There has been no change in the corporate tax rate when compared with the previous reporting period.

(b) Income tax recognised directly in equity

The following current and deferred amounts were charged directly to equity during the period:

Current tax: Share issue expenses	48	-	48	-
Deferred tax: Translation of foreign operations	212	-	-	-
	260	-	48	-

(c) Current tax assets and liabilities

Current tax payable	2,058	530	1,973	531

(d) Deferred tax balances

Deferred tax assets comprise:				
Provisions	455	460	153	71
Property, plant and equipment	-	-	-	119
Accruals	262	99	90	34
Foreign currency translation reserves	212	-	-	-
Share issue expenses	38	-	38	-
	967	559	281	224
Deferred tax liabilities comprise:				
Property, plant and equipment	(146)	(44)	(59)	-
Intellectual property	(19)	-	-	-
Held for trading financial assets	(1,260)	-	(1,260)	-
	(1,425)	(44)	(1,319)	-
Net deferred tax balances	(458)	515	(1,038)	224

There are no unrecognised deferred tax balances.

Tax Consolidation

Relevance of tax consolidation to the consolidated entity

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 in the tax consolidated group for the purposes of the tax consolidation system is Imdex Limited.

Nature of tax funding arrangements and tax sharing agreements

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.

4 Remuneration of Auditors

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Auditor of the parent entity - Deloitte Touche Tohmatsu				
Audit or review of the financial report	122,190	83,206	122,190	83,206
Taxation services	24,182	82,326	24,182	82,326
Other non-audit services: Other consulting services	9,850	27,300	9,850	27,300
Other non-audit services: A-IFRS assistance	35,439	12,500	35,439	12,500
	191,661	205,332	191,661	205,332
Other auditors - Moore Stephens				
Audit or review of the financial report	27,501	-	-	-
Other non-audit services: Accounting assistance and taxation advice	14,462	-	-	-
	233,624	205,332	191,661	205,332

5 Trade and Other Receivables

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Current					
Trade receivables	(i)	18,660	11,871	3,267	2,744
Allowance for doubtful debts		(306)	(383)	(114)	(113)
		18,354	11,488	3,153	2,631
Loans to Controlled Entities	(ii)	-	-	2,349	-
Due from Quadripart Investment Holdings (Pty) Ltd	27	444	-	-	-
Due from Rashid Trading Establishment	8	-	1,769	-	1,769
Other receivables		-	663	-	156
Imdex Minerals receivables classified as held for sale	26	-	(2)	-	(2)
		18,798	13,918	5,502	4,554

(i) The average credit period on sales of goods is 60 days. Trade receivables are interest free. An allowance has been made for estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience. The movement in the allowance was recognised in the income statement for the current year.

(ii) Loans to Controlled Entities have no specific terms or conditions.

6 Inventories

	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Current				
Raw materials - at cost	421	1,070	-	1,070
Finished goods - at cost	9,287	7,286	1,081	1,179
	9,707	8,356	1,081	2,249
Imdex Minerals classified as held for sale	-	(1,326)	-	(1,326)
	9,707	7,030	1,081	923

7 Other Current Financial Assets

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
At fair value					
Held for Trading: Shares	(i)	4,500	-	4,500	-
At amortised cost (2005: cost)					
Prepayments		12	18	4	3
		4,512	18	4,504	3

(i) The Consolidated Entity holds an investment of 15 million shares (2005: nil) in Sino Gas & Energy Limited, an energy company operating in China. The difference between the previous carrying value (consolidated: nil under the equity method; company: $301k) and fair value (consolidated and company: $4.5million) at year end has been recognised as a change in fair value on the face of the income statement. These shares are classified as held for trading as it is the intention of the Company to dispose of this investment as soon as it is practicable.

The fair value of this non-listed investment has been determined using the Directors' best estimate. The Directors have estimated the fair market value by having regard to share placements previously made by Sino Gas and Energy Limited, the results of exploration activity to date, discussions with potential investors and having regard to the fact that Sino is an unlisted entity and the shares held in Sino can not be readily traded on any share market.

8 Other Non-Current Financial Assets

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
At amortised cost (2005: cost)					
Investments in Controlled Entities		-	-	2,172	324
Investment in other entities - RTE / Imdex Joint Venture	(i)	-	1,400	-	2,585
Deferred acquisition costs		124	75	124	75
		124	1,475	2,296	2,984

(i) 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 on 23 November 2004. Refer Note 15;
- That RTE pay to Imdex Limited, $US 1.5 million net; and
- That, on the completion of the re-structure, the Company's interest in Imdex Arabia and the RTE / Imdex Joint Venture would 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. As at 30 June 2006, RTE has paid US$850,000 of the total of US$1.5million due to Imdex. Accordingly, the amount due from RTE at 30 June 2006 is US$650,000 (AUD$875,654).

The Directors have determined that due to ongoing recovery difficulties, the balance of the receivable (consolidated and company: $875k) and the investment in the Joint Venture (consolidated: $1.4million; company: $2.585million) have become impaired. The impairment adjustment is shown on the face of the income statement. Refer also note 2.

9 Property, Plant and Equipment

Consolidated	Freehold Land at cost (i)	Freehold Buildings at cost (i)	Plant and Equipment at cost	Equipment Rented to Third Parties at cost	Equipment under hire purchase at cost	Capital works in progress at cost	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross Carrying Value							
Balance at 30 June 2004	875	3,278	11,293	622	5,093	-	21,161
Additions	-	-	874	666	899	353	2,792
Disposals	-	-	(584)	(43)	(1,112)	-	(1,739)
Transfer	-	-	426	-	(443)	-	(17)
Classified as held for sale	(875)	(3,278)	(5,755)	-	-	-	(9,908)
Other	-	-	(32)	-	-	-	(32)
Balance at 30 June 2005	-	-	6,222	1,245	4,437	353	12,257
Additions	-	-	3,006	3,150	574	-	6,730
Purchase of business	-	-	416	-	-	-	416
Disposals	-	-	(54)	-	(1,052)	-	(1,106)
Impact of exchange rate changes	-	-	(71)	-	-	-	(71)
Transfer	-	-	966	1,245	(2,022)	(189)	-
Balance at 30 June 2006	-	-	10,485	5,640	1,937	164	18,226
Accumulated Depreciation							
Balance at 30 June 2004	-	744	7,532	370	1,744	-	10,390
Disposals	-	-	(190)	(5)	(674)	-	(869)
Depreciation expense	-	98	654	207	687	-	1,646
Classified as held for sale	-	(842)	(3,941)	-	-	-	(4,783)
Transfer	-	-	888	(38)	(867)	-	(17)
Balance at 30 June 2005	-	-	4,943	534	890	-	6,367
Disposals	-	-	(9)	-	(521)	-	(530)
Purchase of business	-	-	-	-	-	-	-
Depreciation expense	-	-	746	1,058	627	-	2,431
Impact of exchange rate changes	-	-	(9)	-	-	-	(9)
Transfer	-	-	(612)	533	79	-	-
Balance at 30 June 2006	-	-	5,059	2,125	1,075	-	8,259
Net Book Value							
As at 30 June 2005	-	-	1,279	711	3,547	353	5,890
As at 30 June 2006	-	-	5,426	3,515	862	164	9,967

Company

Company	Freehold Land at cost (i)	Freehold Buildings at cost (i)	Plant and Equipment at cost	Equipment Rented to Third Parties at cost	Equipment under hire purchase at cost	Capital works in progress at cost	TOTAL
Gross Carrying Value							
Balance at 30 June 2004	875	3,278	5,766	622	1,597	-	12,138
Additions	-	-	451	666	304	298	1,719
Disposals	-	-	(384)	(43)	(99)	-	(526)
Transfer	-	-	431	-	(441)	-	(10)
Classified as held for sale	(875)	(3,278)	(5,755)	-	-	-	(9,908)
Other	-	-	(32)	-	-	-	(32)
Balance at 30 June 2005	-	-	477	1,245	1,361	298	3,381
Additions	-	-	96	3,150	147	-	3,393
Disposals	-	-	-	-	(84)	-	(84)
Transfer	-	-	613	1,245	(1,376)	(300)	182
Balance at 30 June 2006	-	-	1,186	5,640	48	(2)	6,872
Accumulated Depreciation							
Balance at 30 June 2004	-	744	4,076	370	519	-	5,709
Disposals	-	-	-	(5)	(314)	-	(319)
Depreciation expense	-	98	225	207	207	-	737
Classified as held for sale	-	(842)	(3,941)	-	-	-	(4,783)
Transfer	-	-	36	(38)	(8)	-	(10)
Balance at 30 June 2005	-	-	396	534	404	-	1,334
Disposals	-	-	-	-	-	-	-
Depreciation expense	-	-	104	1,058	106	-	1,268
Transfer	-	-	138	533	(489)	-	182
Balance at 30 June 2006	-	-	638	2,125	21	-	2,784
Net Book Value							
As at 30 June 2005	-	-	81	711	957	298	2,047
As at 30 June 2006	-	-	548	3,515	27	(2)	4,088

9 Property, Plant and Equipment (continued)

(i) Land and buildings located at 7-15 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. Land and buildings were sold on 1 July 2005. Refer note 26.

	Consolidated		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:				
Freehold Buildings	-	98	-	98
Plant and Equipment	1,804	861	1,162	432
Equipment under hire purchase	627	687	106	207
	2,431	1,646	1,268	737

10 Goodwill

		Consolidated		Company	
		2006	2005	2006	2005
	Notes	$'000	$'000	$'000	$'000
Gross Carrying Amount					
Balance at beginning of the financial year		-	-	-	-
Recognised from acquisitions during the year	(i)	2,492	-	-	-
Effect of foreign exchange movements		(586)			
Balance at end of the financial year		1,906	-	-	-
Accumulated Impairment Losses					
Balance at beginning of the financial year		-	-	-	-
Impairment losses for the year		-	-	-	-
Balance at end of the financial year		-	-	-	-
Net Book Value					
At the beginning of the financial year		-	-	-	-
At the end of the financial year		1,906	-	-	-

(i) Goodwill arose during the year on the acquisition by Samchem Drilling Fluids & Chemicals (Pty) Ltd, a wholly owned subsidiary of Imdex Limited, of the business of SA Mud Services (Pty) Ltd and a range of clay and cement chemical additive inventory items effective 1 August 2005. Refer note 24.

Samchem Drilling Fluids & Chemcials (Pty) Ltd is considered to be a separate cash generating unit since it operates independently from other Imdex operations in a separate geographical area.

The recoverable amount of this goodwill has been determined based on a value in use calculation which uses a 5 year discounted cash flow projection based on the 2007 budget. The projection assumes no additional growth in the business. A discount rate of 8.25% has been used. Management believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

11 Other Intangibles

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Patent Costs					
Balance at beginning of the financial year		12	-	12	-
Additions		-	12	-	12
Written off		(12)	-	(12)	-
Balance at end of the financial year		-	12	-	12
Intellectual Property					
Balance at beginning of the financial year		-	-	-	-
Recognised from acquisitions during the year	(i)	1,437	-	-	-
Effect of foreign exchange movements		(124)			
Balance at end of the financial year		1,313	-	-	-
Accumulated Impairment Losses					
Balance at beginning of the financial year		-	-	-	-
Impairment losses for the year		-	-	-	-
Balance at end of the financial year		-	-	-	-
Net Book Value					
At the beginning of the financial year		12	-	12	-
At the end of the financial year		1,313	12	-	12

(i) Intellectual Property arose during the year on the acquisition by Samchem Drilling Fluids & Chemicals (Pty) Ltd, a wholly owned subsidiary of Imdex Limited, of the business of SA Mud Services (Pty) Ltd and a range of clay and cement chemical additive inventory items effective 1 August 2005. Refer note 24.

Intellectual Property has an indefinite life due to the uniqueness of the manufacturing processes and products, high cost barriers to entry and the dominant market share held. Intellectual Property is therefore subjected to annual impairment testing.

The recoverable amount has been determined based on a value in use calculation which uses a 5 year discounted cash flow projection based on the 2007 budget. The projection assumes no additional growth in the business. A discount rate of 8.25% has been used. Management believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

12 Trade and Other Payables

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Trade payables	(i)	11,280	6,795	2,202	2,208
Accruals and other payables		2,349	1,177	909	318
		13,629	7,972	3,111	2,526

(i) Trade payables are interest free for periods ranging from 30 to 180 days. Thereafter interest is charged at commercial rates. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

13 Borrowings

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Current borrowings					
Secured					
At amortised cost					
Bank overdraft		-	467	-	1,809
Bank loan	(i)	-	2,500	-	2,500
Hire purchase liabilities	(ii) 22	1,391	1,080	498	389
		1,391	4,047	498	4,698
Imdex Minerals hire purchase liabilities reclassified as discontinued operations	26	-	(82)	-	(82)
		1,391	3,965	498	4,616
Non-current borrowings					
Unsecured					
At amortised cost					
Loans from Controlled Entities	(iii)	-	-	-	2,716
Secured					
At amortised cost					
Bank loan	(i)	-	1,125	-	1,125
Hire purchase liabilities	(ii) 22	1,503	1,758	220	331
		1,503	2,883	220	4,172

(i) Bank Loans comprised fixed and floating rate Commercial Bills. The Company retired all bank loans in December 2005.

(ii) The hire purchase liabilities are secured over the assets to which they relate, the current market value of which exceeds the value of the hire purchase liability. The Consolidated Entity does not hold title to the equipment under hire purchase pledged as security.

(iii) Loans from Controlled Entities have no specific terms or conditions.

14 Provisions

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Current provisions					
Employee entitlements		830	669	189	207
Imdex Minerals employee entitlements reclassified as discontinued operations	26	-	(100)	-	(100)
		830	569	189	107
Non-current provisions					
Employee entitlements		226	293	40	78

15 Issued Capital

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Issued and Paid Up Capital					
Fully paid ordinary shares	(i)	26,490	19,008	26,490	19,008

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

	Notes	Consolidated and Company 2006 Number	2006 $'000	2005 Number	2005 $'000
Ordinary shares					
Balance at beginning of the financial year		110,055,368	19,008	120,055,368	21,058
Cancellation of shares held by Mr H H Al-Merry on restructure of the RTE/Imdex Joint Venture	8	-	-	(10,000,000)	(2,050)
Issue of shares as part consideration for the acquisition of Samchem	24	16,059,002	3,592	-	-
Issue of equity securities as part of working capital raising		13,300,000	3,990	-	-
Share issue costs (net of tax)		-	(112)	-	-
Options expired		-	1	-	-
Issue of shares under staff option plan		51,667	11	-	-
Closing balance at end of the financial year		139,466,037	26,490	110,055,368	19,008

Issuances of other equity securities

Details of the Staff Option Plan can be found in note 31.

16 Reserves

	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Asset Revaluation Reserve	-	-	-	-
Foreign Currency Translation Reserve	(494)	-	-	-
Employee Equity-Settled Benefits Reserve	105	48	105	48
	(389)	48	105	48

	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Asset Revaluation Reserve				
Balance at beginning of the financial year	-	8	-	8
Revaluation adjustment	-	(8)	-	(8)
Balance at the end of the financial year	-	-	-	-

The asset revaluation reserve arose on the revaluation of land and buildings in prior periods.

16 Reserves (continued)

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Foreign Currency Translation Reserve					
Balance at beginning of the financial year		-	-	-	-
Translation of foreign operations after taxation		(494)	-	-	-
Balance at the end of the financial year		(494)	-	-	-

Exchange differences relating to the translation from South African Rand, being the functional currency of the Consolidated Entity's foreign controlled entity in South Africa, into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Employee Equity-Settled Benefits Reserve					
Balance at beginning of the financial year		48	-	48	-
Options issued during the financial year	2	59	48	59	48
Options exercised during the financial year	15	(1)	-	(1)	-
Options expired during the financial year	15	(1)	-	(1)	-
Balance at the end of the financial year		105	48	105	48

The employee equity-settled benefits reserve arises on the grant of share options to Directors and employees. Amounts are transferred out of the reserve and into issued capital when the options are exercised or expire. Further information regarding the Staff Option Plan is contained in note 31.

17 Retained Profits

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Company 2006 $'000	Company 2005 $'000
Balance at beginning of the financial year		(36)	(4,208)	(13,972)	(14,929)
Net profit attributable to members of the parent entity		7,984	4,172	1,178	957
Dividends provided for or paid	19	(1,396)	-	(1,396)	-
Balance at end of the financial year		6,552	(36)	(14,190)	(13,972)

18 Earnings Per Share

	Consolidated 2006 Cents per share	Consolidated 2005 Cents per share
Basic earnings per share		
From continuing operations	6.07	2.88
From discontinued operations	-	0.78
Total basic earnings per share	6.07	3.66
Diluted earnings per share		
From continuing operations	5.95	2.88
From discontinued operations	-	0.78
Total diluted earnings per share	5.95	3.66

(a) 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:

	$'000s	$'000s
Earnings (i)	7,984	4,172
Earnings from continuing operations (i)	7,984	3,282

18 Earnings Per Share (continued)

(a) Basic earnings per share (continued)	Consolidated 2006 Shares	2005 Shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	131,472,906	114,055,368

(i) Earnings used in the calculation of total basic earnings per share and basic earnings per share from continuing operations reconciles to net profit in the income statement as follows:

	2006 $'000s	2005 $'000s
Net profit	7,984	4,172
Earnings used in the calculation of basic EPS	7,984	4,172
Adjustments to exclude profit for the period from discontinued operations	-	(890)
Earnings used in the calculation of basic EPS from continuing operations	7,984	3,282

(b) 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:

	Consolidated 2006 $'000s	2005 $'000s
Earnings (ii)	7,984	4,172
Earnings from continuing operations (ii)	7,984	3,282
	Shares	**Shares**
Weighted average number of ordinary shares for the purposes of diluted earnings per share (iii)	134,096,984	114,086,252

(ii) Earnings used in the calculation of total diluted earnings per share and diluted earnings per share from continuing operations reconciles to net profit in the income statement as follows:

	2006 $'000s	2005 $'000s
Net profit	7,984	4,172
Earnings used in the calculation of diluted EPS	7,984	4,172
Adjustments to exclude profit for the period from discontinued operations	-	(890)
Earnings used in the calculation of diluted EPS from continuing operations	7,984	3,282

(iii) The weighted average number of ordinary shares for the purposes 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:

	2006 Shares	2005 Shares
Weighted average number of ordinary shares used in the calculation of basic EPS	131,472,906	114,055,368
Shares deemed to be issued for no consideration in respect of employee and Director options	2,624,078	30,884
Weighted average number of ordinary shares used in the calculation of diluted EPS	134,096,984	114,086,252

(iv) The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:

	2006 Shares	2005 Shares
Employees and Consultants share options	-	3,160,000
Corporate Advisors share options	-	3,100,000
	-	6,260,000

19 Dividends

	Notes	2006 Cents per share	2006 Total $'000	2005 Cents per share	2005 Total $'000
Recognised amounts					
Fully paid ordinary shares - interim dividend franked to 30%	(i)	1.00	1,396	-	-
Unrecognised amounts					
Fully paid ordinary shares - final dividend franked to 30%	(ii)	1.00	1,396	-	-

(i) The interim, fully franked dividend was paid on 30 March 2006. The record date for determining the entitlement to the interim dividend was 23 March 2006. There are no dividend reinvestment plans in operation.

(ii) The final, fully franked dividend was declared on 18 August 2006 with an entitlement date of 10 October 2006. The financial effect of the dividend has not been recognised in the financial statements at 30 June 2006.

	Consolidated	
	2006 $'000s	2005 $'000s
Adjusted franking account balance	5,060	4,529
Impact on franking account of dividends not recognised	(598)	-

20 Commitments for Expenditure

(a) Capital expenditure commitments

At 30 June 2006 capital expenditure commitments were nil (2005: nil).

(b) Lease commitments

Hire purchase liabilities and non-cancellable operating lease commitments are disclosed in note 22.

(c) 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.

21 Contingent Liabilities and Contingent Assets

		Consolidated		Company	
	Notes	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Contingent Liabilities					
Indemnity to power transmission utility	(i) (ii)	-	16	-	16
Rental bond	(i)	100	100	100	100
Department of Mines	(i) (ii)	-	27	-	27
Minister of State Development	(ii)	-	12	-	12
		100	155	100	155
Contingent Assets		-	-	-	-

(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. Consequently no provisions have been made in the Financial Report in respect of these matters. No material losses are expected to arise in respect of these guarantees.

(ii) These Contingent Liabilities related to the business of Imdex Minerals which was disposed of during the current year.

22 Leases

(a) Hire Purchases

Hire purchase arrangements

Hire purchase arrangements relate to plant and equipment with terms of up to 5 years. The Consolidated Entity has options to purchase the equipment for a nominal amount at the conclusion of the arrangements.

	Minimum future lease payments				Present value of minimum future lease payments			
	Consolidated		Company		Consolidated		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Hire purchase commitments								
Hire purchase commitments are payable as follows.								
Due:								
Within one year	1,569	1,261	534	425	1,391	1,216	498	396
Between one and five years	1,591	1,907	226	347	1,503	1,622	220	324
Later than five years	-	-	-	-	-	-	-	-
Minimum lease payments	3,160	3,168	760	772	2,894	2,838	718	720
Less: future finance charges	(266)	(330)	(42)	(52)	-	-	-	-
Imdex Minerals hire purchase liabilities reclassified as discontinued operations	-	(82)	-	(82)	-	(82)	-	(82)
	2,894	2,756	718	638	2,894	2,756	718	638

	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Hire purchase liabilities provided for in the Financial Report				
Current – Note 13	1,391	998	498	307
Non current - Note 13	1,503	1,758	220	331
	2,894	2,756	718	638

(b) Operating Leases

Operating leasing arrangements

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.

	Consolidated		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Non-cancellable operating lease payments				
Within one year	791	537	86	251
Between one and five years	1,478	675	11	102
Later than five years	851	300	-	-
	3,120	1,512	97	353

23 Subsidiaries

	Notes	Country of Incorporation	Ownership Interest 2006 %	2005 %
Parent Entity				
Imdex Limited	(i)	Australia		
Controlled Entities				
Australian Mud Company Pty Ltd	(iii), (iv)	Australia	100	100
Surtron Technologies Pty Ltd	(iii), (iv)	Australia	100	100
Australian Mud Company Chile SA	(ii)	Chile	100	100
Samchem Drilling Fluids & Chemicals (Pty) Ltd	24	South Africa	100	-

(i) Imdex Limited is the ultimate parent company and is the head entity within the tax consolidated group.
(ii) Under Chilean law an audit of this company is not required.
(iii) These companies are part of the tax consolidated group.
(iv) These wholly-owned subsidiaries have entered into a deed of cross guarantee with Imdex Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report. These companies became a party to the deed of cross guarantee on 30 June 2006.

23 Subsidiaries (continued)

The consolidated income statement and balance sheet of entities which are party to the deed of cross guarantee are:

Income Statement	**2006 $'000**
Revenue from sale of goods, rendering of services and operating lease rental	44,861
Other revenue from operations	87
Total revenue	44,948
Other income	30
Raw materials and consumables used	(22,162)
Other expenses	(7,190)
Employee expenses	(6,967)
Depreciation and amortisation expense	(1,054)
Finance costs	(171)
Profit before income tax expense	7,434
Income tax expense relating to ordinary activities	(2,239)
Profit for the year	5,195
Balance Sheet	
Current Assets	
Cash and Cash Equivalents	3,814
Trade and Other Receivables	16,428
Inventories	7,457
Other	7
Total Current Assets	27,706
Non Current Assets	
Property, Plant and Equipment	5,294
Deferred Tax Assets	480
Total Non Current Assets	5,774
Total Assets	33,480
Current Liabilities	
Trade and Other Payables	10,261
Borrowings	893
Provisions	848
Total Current Liabilities	12,002
Non Current Liabilities	
Borrowings	1,282
Total Non Current Liabilities	1,282
Total Liabilities	13,284
Net Assets	20,196
Equity	
Issued Capital	260
Retained Profits *	19,936
Total Equity	20,196
* Retained Profit at the beginning of the financial year	15,085
Net Profit	5,195
Dividend provided for or paid	(344)
Retained Profit at the end of the financial year	19,936

24 Acquisition of Businesses

With effect from 1 August 2005, Samchem Drilling Fluids & Chemicals (Pty) Ltd ("Samchem"), Imdex's 100% owned South African subsidiary, acquired the business of SA Mud Services (Pty) Ltd and a range of clay and cement chemical additive inventory items. SA Mud Services (Pty) Ltd was the largest supplier of drilling fluids and chemicals to the mining industry in Africa. Samchem operates a manufacturing facility in Johannesburg, South Africa from which it manufactures and markets a wide range of chemicals primarily for the drilling industry. At the General Meeting held on 5 August 2005, the shareholders of Imdex Limited approved this acquisition and the associated share issue.

Details of the assets and liabilities and goodwill are as follows:

	Notes	Book value $'000	Fair value adjustments $'000	Fair value on acquisition $'000
Trade and other receivables		1,735	-	1,735
Inventory		1,507	-	1,507
Property, plant and equipment		373	43	416
Intellectual property associated with clay chemical and mud brick manufacture	(i)	-	1,437	1,437
Trade and other payables		(523)	-	(523)
Provision for employee entitlements		(44)	-	(44)
Deferred tax liabilities		-	(417)	(417)
Fair value of net identifiable assets acquired		3,048	1,063	4,111
Goodwill on acquisition	(i)			2,492
Total purchase consideration				6,603

	Notes	
Total purchase consideration		
Consideration in cash and cash equivalents	(iv)	2,901
Less cash and cash equivalents acquired		-
Direct costs relating to the acquisition	(iv)	110
Shares issued: 16,059,002 ordinary shares of Imdex Limited	(ii) 15	3,592
		6,603

		Results since acquisition $'000
Operating results of the business of Samchem included in the Consolidated Income Statement of Imdex Limited from acquisition on 1 August 2005:		
Revenue from the sale of goods		10,391
Total expenses		(9,969)
Profit for the period	(iii)	422

(i) Imdex acquired the business of Samchem, and paid the premium (goodwill) over identifiable assets, due to the fact that Samchem is expected to complement the business of the Australian Mud Company (AMC) (Imdex's wholly owned drilling fluids subsidiary). There were no acquisition provisions created, nor were there any contingent liabilities assumed in the acquisition. The balances of goodwill and intellectual property, noted above, do not tie to the Balance Sheet at 30 June 2006. As set out in Note 1(m)(ii), this is due to the fact that these balances are translated at the exchange rates prevailing at the reporting date, rather than the acquisition date as above.

In determining the value attributed to identifiable intangibles and goodwill, the following additional possible intangible assets were identified: customer relationships, brands and unpatented technology. In all cases these intangibles did not meet the "identifiability" criteria and therefore were not recognised.

The intellectual property associated with the clay chemical and mud brick manufacture has been assessed as having an indefinite useful life and therefore has not been amortised. This estimated useful life of these assets will be reviewed annually.

(ii) The fair value of the ordinary shares issued were 22.37 cents each which was based on the weighted average share price of Imdex's ordinary shares in the 10 trading days prior to the completion of the acquisition.

(iii) Had the acquisition of Samchem been effected on 1 July 2005, the beginning of the current year, the Groups revenue would be approximately $67,737k and the profit would be approximately $8,022k. The results of Samchem are included in the Drilling Fluids & Chemicals segment in Note 25.

(iv) The Consolidated Cash Flow Statement for the year ended 30 June 2006 records the payment for the acquisition of the business of Samchem as $3,011k.

25 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.

Business Segments
The Consolidated Entity comprises the following main business segments, based on the Consolidated Entity's management reporting system:
(i) Drilling products and services: Down hole surveying, geophysical logging and directional drilling; down hole motors, cameras and drilling products;
(ii) Minerals Processing: Milling and processing of industrial minerals; and
(iii) Drilling fluids and chemicals: Manufacture and supply of drilling fluids and chemicals to the mining, mineral exploration, oil and gas and water well drilling industries.

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

(a) Segment Revenues	**External revenue**		**Inter-segment**		**Other**		**Total**	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**	**2006 $'000**	**2005 $'000**	**2006 $'000**	**2005 $'000**
Drilling fluids and chemicals	41,593	23,171	-	-	96	-	41,689	23,171
Drilling products and services	25,021	16,880	-	-	2	-	25,023	16,880
Minerals processing	-	6,784	-	-	-	-	-	6,784
Total of all segments	66,614	46,835	-	-	98	-	66,712	46,835
Minerals processing revenue reclassified as discontinued operations							-	(6,784)
Unallocated							80	-
Total revenue - continuing operations							66,792	40,051

(b) Segment Results

	2006	2005
Continuing operations		
Drilling fluids and chemicals *	3,462	3,006
Drilling products and services	5,253	2,872
Total of all segments	8,715	5,878
Eliminations	-	-
Unallocated	3,149	(1,365)
Profit before income tax expense	11,864	4,513
Income tax expense	(3,880)	(1,231)
Profit for the year - continuing operations	7,984	3,282
Discontinued operations		
Minerals processing	-	42
Total of all segments	-	42
Eliminations	-	-
Unallocated	-	-
Profit before income tax expense	-	42
Income tax expense	-	848
Profit for the year - discontinued operations	-	890
Profit for the year	7,984	4,172

* - Includes the impairment adjustment of $2.275k for the RTE/Imdex Joint Venture

25 Segment Information (continued)

(c) Segment Assets and Liabilities

	Assets		Liabilities	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Drilling fluids and chemicals	37,808	13,383	9,492	4,600
Drilling products and services	16,255	12,474	8,588	6,051
Minerals processing	-	7,344	-	900
Total of all segments	54,063	33,201	18,080	11,551
Receivable and investment in the RTE/Imdex Joint Venture	-	3,169	-	-
Eliminations	(2,393)	(2,077)	(443)	(2,077)
Unallocated	1,078	1,121	2,458	6,920
Consolidated	52,748	35,414	20,095	16,394

(d) Other segment information

	Depreciation		Acquisition of segment assets		Non cash expenses other than depreciation	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Drilling fluids and chemicals	237	147	467	250	2,305	41
Drilling products and services	2,108	1,166	6,159	2,198	30	87
Minerals processing	-	256	-	65	-	1,101
Total of all segments	2,345	1,569	6,626	2,513	2,335	1,229
Minerals processing reclassified as discountinued operations	-	(256)	-	(65)	-	(1,101)
Unallocated	86	77	104	279	301	-
Consolidated	2,431	1,390	6,730	2,727	2,636	128

	Carrying amounts of associates / joint ventures		Impairment losses		Share of profits/(losses) of associates / joint ventures	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Drilling fluids and chemicals	-	3,169	(2,275)	-	-	-
Drilling products and services	-	-	-	-	-	-
Minerals processing	-	-	-	-	-	-
Total of all segments	-	3,169	(2,275)	-	-	-
Minerals processing reclassified as discountinued operations	-	-	-	-	-	-
Unallocated	-	-	-	-	(301)	-
Consolidated	-	3,169	(2,275)	-	(301)	-

Secondary Reporting: Geographical Segments

	Revenue from external customers		Segment assets		Acquisition of segment assets	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Australia	43,312	37,389	43,453	29,736	6,351	2,792
Saudi Arabia	-	-	-	3,169	-	-
Africa	13,014	1,217	5,411	335	379	-
South East Asia	8,411	4,808	1,470	1,264	-	-
China	112	543	658	316	-	-
Other	1,943	2,878	1,756	594	-	-
	66,792	46,835	52,748	35,414	6,730	2,792
Minerals processing revenue reclassified as discontinued operations	-	(6,784)	-	-	-	(65)
Total	66,792	40,051	52,748	35,414	6,730	2,727

26 Discontinued Operations

On 1 February 2005, Imdex Limited initiated an active program to dispose of the Imdex Minerals Division, its industrial minerals processing business. 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".

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 with the sale being completed on 1 July 2005.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

		Consolidated	
	Notes	2006 $'000	2005 $'000
Profit from discontinued operations			
Revenue		-	6,784
Expenses		-	(6,742)
Profit before income tax		-	42
Income tax expense		-	848
Profit after income tax of discontinued operations		-	890
Gain/(loss) on remeasurement to fair value less costs to sell		-	-
Gain/(loss) on sale of the division before income tax		-	-
Income tax expense		-	-
Gain/(loss) on sale of the division after income tax		-	-
Profit from discontinued operations		-	890
Cash flows from discontinued operations			
Net cash inflow from ordinary activities		-	(1,077)
Net cash inflow from investing activities (including the proceeds from the sale of the business)		6,271	(65)
Net cash inflow from financing		-	(285)
		6,271	(1,427)
Carrying amounts of assets and liabilities			
Property, plant and equipment		-	5,125
Inventories		-	1,326
Prepayments		-	2
Total assets classified as held for sale		-	6,453
Hire purchase liabilities		-	(82)
Employee entitlements		-	(100)
Total liabilities associated with assets classified as held for sale		-	(182)
Net assets		-	6,271
Details of the sale of the division			
Consideration received:			
Cash		6,271	-
Additional deferred consideration	(i)	-	-
Total disposal consideration		6,271	-
Carrying amount of net assets sold		(6,271)	-
Gain/(loss) on sale before income tax		-	-
Income tax expense		-	-
Gain/(loss) on sale after income tax		-	-

(i) As part of the sale agreement, Imdex Limited is entitled to a further cash payment of $1.5million, subject to the future profitability of certain agricultural products which, at the time of sale, were still in the early stages of development and commercialisation. This has not been recognised in the consideration received and the gain on sale of Imdex Minerals as the probability of receiving the deferred consideration cannot be accurately predicted at this stage. If this consideration is recognised in a future period it will increase the gain on the sale of Imdex Minerals.

27 Related Party Disclosures

(a) Equity interests in related parties

Details of the percentage ownership of controlled entities and the wholly owned Group is set out in Note 23. 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 8.

(b) Key management personnel compensation

Details of remuneration of key management personnel is set out in Note 30.

(c) Key management personnel equity holdings

(i) Fully paid ordinary shares issued by Imdex Limited

2006	Balance at 1 July 2005	Granted as compensation	Received on exercise of options	Net other change	Balance at 30 June 2006	Balance held nominally
	No.	No.	No.	No.	No.	No.
Mr I F Burston	100,000	-	-	100,000	200,000	-
Mr B W Ridgeway	6,025,000	-	-	(1,025,000)	5,000,000	-
Mr H H Al-Merry	755,000	-	-	-	755,000	-
Mr R W Kelly	65,000	-	-	200,000	265,000	-
Mr K A Dundo	100,000	-	-	200,000	300,000	-
Mr I R Freeman	-	-	-	16,059,002	16,059,002	-
Mr J P O'Neil	-	-	-	12,847,202	12,847,202	-
Mr S J Lyons	50,000	-	-	-	50,000	-
Mr D L Kinley	120,000	-	-	-	120,000	-
Mr G E Weston	-	-	-	-	-	-
Mr C S Munyard	-	-	25,000	-	25,000	-
	7,215,000	-	25,000	28,381,204	35,621,204	-

2005	Balance at 1 July 2004	Granted as compensation	Received on exercise of options	Net other change	Balance at 30 June 2005	Balance held nominally
	No.	No.	No.	No.	No.	No.
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	-
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	-	-	-	-	-	-
	17,233,993	-	-	(10,018,993)	7,215,000	-

(ii) Share options issued by Imdex Limited

2006	Balance at 1 July 2005	Granted as compensation	Exercised	Balance at 30 June 2006	Bal. vested at 30 June 2006	Vested but not exercisable	Vested and exercisable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.
Mr I F Burston	-	-	-	-	-	-	-	-
Mr B W Ridgeway	-	2,000,000	-	2,000,000	2,000,000	-	2,000,000	2,000,000
MR H H Al-Merry	-	-	-	-	-	-	-	-
Mr R W Kelly	-	-	-	-	-	-	-	-
Mr K A Dundo	-	-	-	-	-	-	-	-
Mr I R Freeman	-	-	-	-	-	-	-	-
Mr J P O'Neil	-	-	-	-	-	-	-	-
Mr S J Lyons	50,000	150,000	-	200,000	200,000	150,000	50,000	50,000
Mr D L Kinley	100,000	100,000	-	200,000	200,000	100,000	100,000	100,000
Mr G E Weston	2,000,000	1,000,000	-	3,000,000	3,000,000	1,000,000	2,000,000	2,000,000
Mr C S Munyard	75,000	75,000	(25,000)	125,000	125,000	75,000	50,000	50,000
	2,225,000	3,325,000	(25,000)	5,525,000	5,525,000	1,325,000	4,200,000	4,200,000

27 Related Party Disclosures (continued)

2005	Balance at 1 July 2004	Granted as compensation	Expired	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.
Mr I F Burston	2,000,000	-	(2,000,000)	-	-	-	-	-
Mr B W Ridgeway	1,000,000		(1,000,000)	-	-	-	-	-
MR H H Al-Merry	-	-	-	-	-	-	-	-
Mr R W Kelly	-	-	-	-	-	-	-	-
Mr K A Dundo	-	-	-	-	-	-	-	-
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 E Weston	-	2,000,000	-	2,000,000	2,000,000	2,000,000	-	-
Mr C S Munyard	-	75,000	-	75,000	75,000	75,000	-	-
Mr I Tan	-	-	-	-	-	-	-	-
	3,000,000	2,225,000	(3,000,000)	2,225,000	2,225,000	2,225,000	-	-

The options granted to key management personnel during the financial year were made in accordance with the Staff Option Plan, as further described in Note 31. 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.

(d) Other transactions with key management personnel (and their related parties) of Imdex Limited

(i) Lot 1598 Willis Street, Newman was rented by Surtron Technologies Pty Ltd from Mr G E Weston on normal commercial terms and conditions for the period 1 July 2005 to 16 January 2006.

(ii) An amount of R2,364,160 (A$443,516) is owed to Samchem Drilling Fluids & Chemicals (Pty) Ltd, a wholly owned Imdex Limited subsidiary, by Quadripart Investment Holdings (Pty) Ltd, a company in which Mr I R Freeman has an interest. This loan does not carry interest and has no specific terms and conditions. Refer Note 5.

(iii) The premises on which the administration and factory buildings of Samchem Drilling Fluids & Chemicals (Pty) Ltd are located in Alrode, Alberton, South Africa are leased on normal commercial terms and conditions from PTS Investments (Pty) Ltd and Basalt Properties (Pty) Ltd, companies in which Mr I R Freeman has an interest.

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

(v) As described in these financial statements, Imdex Limited was 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. During the current year the investment balance in the Joint Venture of $1.4 million and the receivable balance due from RTE of $875k were considered to be fully impaired. The impairment adjustment is shown on the face of the income statement. During the prior 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.

(vi) Transactions with Directors

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Profit from ordinary activities before income tax includes the following items of expenses relating to transactions, other than compensation, with Directors or their personally-related entities:					
Operating lease rental	d(iii)	117,375	-	-	-
Legal services	d(iv)	25,604	82,126	25,604	82,126
Total assets arising from transactions, other than compensation, with Directors or their personally-related entities:					
Goodwill and deferred acquisiton costs	d(iv)	85,727	-	85,727	-
Total assets and liabilities arising from transactions, other than compensation, with Directors or their personally-related entities:					
Current Assets	d(ii)	443,516	-	-	-
Current Liabilities	d(iii), d(iv)	54,554	37,572	34,196	37,572

27 Related Party Disclosures (continued)

(e) Transactions with other related parties

(i) 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 5 and Note 13. During the financial year Imdex Limited provided management services to entities in the wholly-owned Group as disclosed in Note 2.

During the prior 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.

(f) Parent entity

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

28 Notes to the Cash Flow Statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and in banks and investment in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the year as shown in the Cash Flow Statement is reconciled to the related items in the balance sheet as follows:

	Consolidated		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Cash and cash equivalents	6,421	103	2,003	96
Bank overdraft	-	(467)	-	(1,809)
	6,421	(364)	2,003	(1,713)

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is $6,420,802 (2005: $364,000 negative)

(b) Non cash financing and investing activities

During the year the Consolidated Entity converted $300k of funds advanced to an investee into an investment in that entity. This is not reflected in the cash flow statement.

28 Notes to the Cash Flow Statement (continued)

(c) Reconciliation from the Profit for the Year to Net Cash Provided by Operating Activities

	Consolidated		Company	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**
Profit for the year	7,984	4,172	1,178	957
Adjustments for				
Depreciation of non-current assets	2,431	1,646	1,268	737
Share of associates losses	301	-	-	-
Interest received disclosed as investing activities	(97)	(16)	(82)	(18)
Share options expensed	59	48	59	48
Profit on sale of non-current assets	(76)	(384)	(38)	(44)
Non-cash items disclosed as profit on discontinued operations	-	32	-	32
Interest on hire purchase liabilities	210	194	40	26
Fair value adjustment: Held for Trading investments	(4,500)	-	(4,199)	-
Impairment adjustment	2,275	-	3,460	-
Increase / (decrease) in current tax liability	1,528	535	67	(14)
Increase in deferred tax balances	556	55	1,262	73
Changes in assets and liabilities during the financial year				
(Increase) / decrease in assets:				
Current receivables	(4,851)	(2,039)	(1,772)	(97)
Current inventories	(1,284)	(2,016)	(158)	(1,300)
Other current assets	18	(13)	11	(2)
Increase / (decrease) in liabilities:				
Current payables	5,370	748	585	35
Provision for employee entitlements	150	193	44	32
Net Cash Provided by Operating Activities	10,074	3,155	1,725	465

(d) Financing facilities

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
Total facilities available				
Bank loan	1,870	3,700	1,870	3,700
Equipment finance facility	-	500	-	500
Multi option facility (including bank overdraft)	1,130	1,550	1,110	1,550
	3,000	5,750	2,980	5,750
Facilities utilised at balance sheet date				
Bank loan	-	3,700	-	3,700
Equipment finance facility	-	257	-	257
Multi option facility (including bank overdraft)	-	1,509	-	1,509
	-	5,466	-	5,466
Facilities not utilised at balance sheet date				
Bank loan	1,870	-	1,870	-
Equipment finance facility	-	243	-	243
Multi option facility (including bank overdraft)	1,130	41	1,110	41
	3,000	284	2,980	284

29 Financial Instruments

(a) Financial risk management objectives

The Consolidated Entity's head office encompasses a treasury function that provides services to the business, coordinates access to domestic and international financial markets, and manages the financial risks relating to the operations of the Consolidated Entity. The Consolidated Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Consolidated Entity's activities expose it primarily to the financial risks of changes in interest rates.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

29 Financial Instruments (continued)

(c) Foreign currency risk management

The group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters and are not material to the financial statements. Refer note 2 for quantum of exchange differences arising.

(d) Interest rate risk management

The Consolidated Entity is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings. The following table details the Consolidated Entity's exposure to interest rate risk.

	Notes	Weighted average interest rate	Floating interest rate	Fixed Interest Maturing in: Less than 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total
		%	$'000	$'000	$'000	$'000	$'000	$'000
2006								
Financial Assets								
Cash and cash equivalents	28	4.10%	6,421	-	-	-	-	6,421
Receivables	5	-	-	-	-	-	18,798	18,798
Other	7 8	-	-	-	-	-	4,624	4,624
			6,421	-	-	-	23,422	29,843
Financial Liabilities								
Payables	12	-	-	-	-	-	13,629	13,629
Hire purchase liabilities	13	7.58%	-	1,391	1,503	-	-	2,894
Employee entitlements	(i) 14	5.97%	-	-	-	-	1,056	1,056
			-	1,391	1,503	-	14,685	17,579
2005								
Financial Assets								
Cash	28	0.50%	95	-	-	-	8	103
Receivables	5	-	-	-	-	-	13,920	13,920
Other	8	-	-	-	-	-	1,475	1,475
			95	-	-	-	15,403	15,498
Financial Liabilities								
Payables	12	-	-	-	-	-	7,972	7,972
Bank overdraft	13	8.95%	467	-	-	-	-	467
Bank loans	13	7.12%	2,625	1,000	-	-	-	3,625
Hire purchase liabilities	13	7.56%	-	1,080	1,758	-	-	2,838
Employee entitlements	(i) 14	5.97%	-	-	-	-	962	962
			3,092	2,080	1,758	-	8,934	15,864

(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.

(e) Credit risk management

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 a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral 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.

Trade accounts receivable consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased. The Consolidated Entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Consolidated Entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

29 Financial Instruments (continued)

(f) Fair value of financial instruments

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values (2005: net fair value). The determination of fair value is outlined in note 7.

(g) Liquidity risk management

The Consolidated Entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

30 Key Management Personnel Compensation

(a) Details of key management personnel

The key management personnel of Imdex Limited during the year were:

Mr I F Burston (Independent, Non Executive Chairman)
Mr B W Ridgeway (Managing Director)
Mr H H Al-Merry (Non Executive Director), office vacated 18 August 2006
Mr R W Kelly (Independent, Non Executive Director)
Mr K A Dundo (Independent, Non Executive Director)
Mr I R Freeman (Non Executive Director), appointed 23 August 2005
Mr J P O'Neil (Non Executive Director - Alternate to Mr I R Freeman), appointed 23 August 2005
Mr S J Lyons (Company Secretary, Imdex Limited)
Mr D L Kinley (Group Financial Controller, Imdex Limited)
Mr G E Weston (General Manager: Australian Mud Company Pty Ltd, Surtron Technologies Pty Ltd and Ace Drilling Supplies)
Mr C S Munyard (Manager: Surtron Technologies Pty Ltd)

(b) Key management personnel compensation policy

All key management personnel, and all staff of the Company, are subject to formal annual reviews of their performance. The compensation of key management personnel generally comprises a fixed monetary total, although bonuses related to the performance of the Company may be agreed between the individual 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 compensation and any options that may be granted to Directors.

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

The Managing Director's compensation is determined by the Remuneration Committee with due regard to current market rates. The Managing Director has a short term incentive bonus amounting to 20% of his cash compensation package that is linked to the EBIT performance of the Company. The balance of his compensation package is not linked to the Company's performance.

Key management personnel compensation

The aggregate compensation of the key management personnel of the Consolidated Entity and the Company is set out below:

	Consolidated		Company	
	2006	**2005**	**2006**	**2005**
Short-term employee benefits	1,348,800	1,102,654	903,391	621,044
Post-employment benefits	99,192	84,235	61,682	42,951
Other long-term benefits	28,075	24,621	4,789	13,372
Termination benefits	-	-	-	-
Share-based payments	57,560	26,700	31,760	1,800
	1,533,627	1,238,210	1,001,622	679,167

The compensation of each member of the key management personnel of the Consolidated Entity is set out on the following page:

30 Key Management Personnel Compensation (continued)

(c) Key management personnel compensation

		Short-term employee benefits				Post Employment		Other long-term employee benefits	Termination Benefits	Share-based payment				
		Salary & fees	Bonus	Non-monetary	Other	Super-annuation	Other			Equity-settled		Cash settled	Other	
										Shares & Units	Options & Rights			Total
	Notes	$	$	$	$	$	$	$	$	$	$	$	$	$
2006														
I F Burston, Chairman		82,875	-	-	-	-	-	-	-	-	-	-	-	82,875
B W Ridgeway, Managing Director	(i)	261,827	-	28,601	-	23,564	-	4,789	-	-	25,760	-	-	344,541
H H Al-Merry, Non Executive Director	(ii)	-	-	-	-	-	-	-	-	-	-	-	-	-
R W Kelly, Non Executive Director		50,000	-	-	-	4,500	-	-	-	-	-	-	-	54,500
K A Dundo, Non Executive Director		50,000	-	-	-	4,500	-	-	-	-	-	-	-	54,500
I R Freeman, Non Executive Director		43,288	-	-	-	-	-	-	-	-	-	-	-	43,288
J P O'Neil, Non Executive Director - Alternate to Mr I R Freeman		82,472	9,023	28,764	-	13,151	-	-	-	-	-	-	-	133,410
S J Lyons, Company Secretary	(iii)	134,900	-	2,282	-	5,310	-	-	-	-	3,600	-	-	146,092
D L Kinley, Group Financial Controller	(iv)	118,413	-	10,946	-	10,657	-	-	-	-	2,400	-	-	142,416
G E Weston, General Manager: AMC, Ace & Surtron	(v)	237,539	-	14,068	-	25,852	-	13,024	-	-	24,000	-	-	314,483
C S Munyard, Manager: Surtron *	(vi)	129,538	54,950	9,314	-	11,658	-	10,262	-	-	1,800	-	-	217,522
		1,190,852	63,973	93,975	-	99,192	-	28,075	-	-	57,560	-	-	1,533,627
2005														
I F Burston, Chairman		50,000	-	-	-	4,500	-	-	-	-	-	-	-	54,500
B W Ridgeway, Managing Director	(i)	250,000	-	22,123	-	22,500	-	13,372	-	-	-	-	-	307,995
H H Al-Merry, Non Executive Director	(ii)	-	-	-	-	-	-	-	-	-	-	-	-	-
R W Kelly, Non Executive Director		35,000	-	-	-	3,150	-	-	-	-	-	-	-	38,150
K A Dundo, Non Executive Director		35,000	-	-	-	3,150	-	-	-	-	-	-	-	38,150
S J Lyons, Company Secretary	(iii)	112,078	-	-	-	-	-	-	-	-	600	-	-	112,678
D L Kinley, Group Financial Controller	(iv)	107,231	-	9,612	-	9,651	-	-	-	-	1,200	-	-	127,694
G E Weston, General Manager: AMC, Ace & Surtron	(v)	200,000	-	6,795	-	17,965	-	5,661	-	-	24,000	-	-	254,421
C S Munyard, Manager: Surtron	(vi)	106,838	-	9,351	-	9,615	-	5,588	-	-	900	-	-	132,292
I Tan, General Manager: Imdex Minerals	(vii)	152,269	-	6,357	-	13,704	-	-	-	-	-	-	-	172,330
		1,048,416	-	54,238	-	84,235	-	24,621	-	-	26,700	-	-	1,238,210

* - C S Munyard was paid a bonus of $54,950 during the current year for work done in relation to the development of the Ace Core Tool, not in his capacity as Manager of Surtron.

30 Key Management Personnel Remuneration (continued)

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

The Managing Director has a short term incentive bonus amounting to 20% of his cash compensation package that is linked to the EBIT performance of the Company. The balance of his compensation package is not linked to the Company's performance.

In the current year, following approval by members in General Meeting, Mr Ridgeway was granted 2,000,000 options. The options carry no rights to dividends and no voting rights. They expire on their expiry date or three calendar months after ceasing to be a Director, and may be exercised after 2 years and at any time to their expiry date. The percentage of the value of compensation that consisted of options was 7.5%.

(ii) Mr H H Al-Merry is the President and owner of Rashid Trading Establishment (RTE), which was involved in a Joint Venture with Imdex Limited in the Middle East. Mr Al-Merry is remunerated directly by the RTE/Imdex Joint Venture.

(iii) Mr S J Lyons was party to a consulting agreement with Imdex Limited until 31 December 2005. This agreement was set out on a fixed fee basis and prescribed other general terms and conditions. The consulting agreement was terminated and from 1 January 2006 onwards Mr Lyons is party to a service contract with Imdex Limited, which sets out a fixed compensation package, reviewable annually. The service contract specifies a two month notice period in the event that the contract is terminated. There are no termination benefits specified in this contract. Additional performance incentives may be agreed between Mr Lyons and the Company from time to time.

In the current year, Mr Lyons was granted 150,000 options, along with other staff of the Group, under the Staff Option Scheme as set out in Note 31. The percentage of the value of compensation that consisted of options was 2.5%.

(iv) Mr D L Kinley is a party to a service contract with Imdex Limited, which sets out a fixed compensation package, reviewable annually. The service contract specifies a one month notice period in the event that the contract is terminated. There are no termination benefits specified in this contract. 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 Staff Option Scheme as set out in Note 31. The percentage of the value of compensation that consisted of options was 1.7%.

(v) Mr G E Weston is party to a service contract with the Australian Mud Company Pty Ltd, which sets out a fixed compensation package, reviewable annually. The service contract stipulates a 12 month notice period in the event that the contract is terminated. There are no termination benefits specified in this contract. Performance incentives may be agreed between Mr Weston and the Australian Mud Company Pty Ltd 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 Pty Ltd. This 'right' lapses automatically should Mr Weston no longer be employed by the Australian Mud Company Pty Ltd.

In the current year, Mr Weston was granted 1,000,000 options, along with other staff of the Group, under the Staff Option Scheme as set out in Note 31. The percentage of the value of compensation that consisted of options was 7.6%.

(vi) Mr C S Munyard is a party to a service contract with Surtron Technologies Pty Ltd, which sets out a fixed compensation package reviewable annually. The service contract specifies a one month notice period in the event that the contract is terminated. There are no termination benefits specified in this contract. Additional performance incentives may be agreed between Mr Munyard and 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 Staff Option Scheme as set out in Note 31. The percentage of the value of compensation that consisted of options was 0.8%.

(vii) Mr I Tan is party to a service contract with Imdex Limited, which sets out a fixed compensation package, reviewable annually. The service contract specifies a one month notice period in the event that the contract is terminated. There are no termination benefits specified in this contract.

Mr Tan was not granted any options during the prior year due to his limited tenure at the time the Staff options were issued.

31 Staff Option Plan

(a) Share Based Payment Arrangements

Staff Option Plan

The Consolidated Entity has in place a Staff Option Scheme (Scheme) to reward employees (including Key Management Personnel) 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 2006 all of the options had vested.

Non-Executive Directors' Options

In accordance with ASX Principles of Good Corporate Governance, Non-Executive Directors do not receive options.

Managing Directors' Options

The options issued to the Managing Director 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 after 2 years at any time to their expiry date. As at 30 June 2006 all of the options had vested.

Corporate Advisors Options

During the prior 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 2006 all of the options had vested.

(b) The following share based payment arrangements were in existence during the period:

2006	Issue Date	Vesting Date	Expiry Date	Exercise Price $	Fair Value at Grant Date $	Number of Options Opening balance	Issued current year	Exercised current year	Lapsed current year	Closing balance
Staff Options										
Tranche 1	1-Aug-04	1-Aug-04	31-Jul-09	0.20	0.01	3,160,000	-	(51,667)	(60,000)	3,048,333
Tranche 2	1-Feb-06	1-Feb-06	31-Jan-11	0.35	0.02	-	2,680,000	-	(20,000)	2,660,000
Managing Directors' Options										
Tranche 1	15-Sep-05	15-Sep-05	14-Sep-10	0.30	0.01	-	2,000,000	-	-	2,000,000
Corporate Advisors Options										
Tranche 1 (i)	23-Dec-04	23-Dec-04	31-Jul-09	0.20	0.03	100,000	-	-	-	100,000
Tranche 2 (ii)	23-Dec-04	23-Dec-04	31-Oct-07	0.20	0.02	2,000,000	-	-	-	2,000,000
Tranche 3 (i)	23-Dec-04	23-Dec-04	31-Oct-07	0.35	0.01	1,000,000	-	-	-	1,000,000
						6,260,000	4,680,000	(51,667)	(80,000)	10,808,333
2005										
Staff Options										
Tranche 1	1-Aug-04	1-Aug-04	31-Jul-09	0.20	0.01	-	3,210,000	-	(50,000)	3,160,000
Directors' Options										
Tranche 1	25-Oct-01	25-Oct-01	24-Oct-04	0.20	0.03	1,000,000	-	-	(1,000,000)	-
Tranche 2	25-Oct-01	25-Oct-01	24-Oct-04	0.35	0.01	1,000,000	-	-	(1,000,000)	-
Tranche 3	25-Oct-01	25-Oct-01	24-Oct-04	0.45	0.01	1,000,000	-	-	(1,000,000)	-
Corporate Advisors Options										
Tranche 1 (i)	23-Dec-04	23-Dec-04	31-Jul-09	0.20	0.03	-	100,000	-	-	100,000
Tranche 2 (ii)	23-Dec-04	23-Dec-04	31-Oct-07	0.20	0.02	-	2,000,000	-	-	2,000,000
Tranche 3 (i)	23-Dec-04	23-Dec-04	31-Oct-07	0.35	0.01	-	1,000,000	-	-	1,000,000
						3,000,000	6,310,000	-	(3,050,000)	6,260,000

(i) Exercisable at any time up to expiry.
(ii) Exercisable at any time after Imdex shares trade at 30 cents for 5 consecutive trading days. This condition has been satisfied.

31 Staff Option Plan (continued)

(c) Fair value of options granted during the financial year

The weighted average fair value of the share options granted during the financial year is $0.02 (2005: $0.02). Options were priced using a Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility for the preceding 12 months.

2006	**Managing Directors Options Tranche 1**	**Staff Options Tranche 2**
Inputs into the model		
Grant date share price ($)	0.29	0.20
Exercise price ($)	0.35	0.30
Expected volatility	20%	9%
Option life (years)	5.00	5.00
Lack of marketability discount	40%	40%
Risk-free interest rate	5.75%	5.75%
Dividend yield	0.00%	0.00%

2005	**Staff Options Tranche 1**	**Corporate Advisors Options Tranche 1**	**Corporate Advisors Options Tranche 2**	**Corporate Advisors Options Tranche 3**
Inputs into the model				
Grant date share price ($)	0.13	0.19	0.19	0.19
Exercise price ($)	0.20	0.20	0.20	0.35
Expected volatility	36%	36%	36%	36%
Option life (years)	5.00	4.50	3.85	3.80
Lack of marketability discount	40%	40%	40%	40%
Risk-free interest rate	5.50%	5.50%	5.50%	5.50%
Dividend yield	0.00%	0.00%	0.00%	0.00%

(d) Exercised during the financial year

The following options under the Staff Option Plan were exercised during the financial year:

Option Series	**Number Exercised**	**Exercise Date**	**Share Price at Exercise Date**
Staff Options Tranche 1	16,667	15-Nov-05	0.30
Staff Options Tranche 1	25,000	1-Feb-06	0.41
Staff Options Tranche 1	10,000	29-Jun-06	0.58
	51,667		

32 Subsequent Events

Effective 1 August 2006 the Company acquired 100% of the shares of the Swedish-based Reflex Group (Reflex) and the United Kingdom-based Chardec Consultants Limited (Chardec).

The purchase price for Reflex is $25.4 million to be settled $15 million in cash at settlement and the issue of a convertible note with a face value of $10.4 million. The convertible note carries the right to convert into 20.8 million Imdex shares at a price of 50 cents per share at any time until 30 June 2008. The coupon rate will be 8% per annum. Under the terms of the agreement, conversion will be triggered automatically by the Imdex share price reaching $1 per share. Any Imdex shares issued under this note prior to 30 June 2008 will be held in voluntary escrow until 30 June 2008.

The purchase price for Chardec is GBP6.8 million (approximately $17 million) to be satisfied through the payment of GBP2.5 million in cash at settlement and a further GBP4.3 million over three years from date of settlement.

Additional disclosures with respect to these acquisitions are impracticable at this stage as the acquisition accounting is still being finalised.

Subsequent to year end the Directors declared a 1 cent per share fully franked dividend with an entitlement date of 10 October 2006 and a payment date of 13 October 2006. The effect of this dividend has not been reflected in this financial report.

33 Impacts of the Adoption of Australian Equivalents to International Financial Reporting Standards

The Consolidated Entity changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards ('A-IFRS'). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition, except for financial instruments, including derivatives, where the date of transition is 1 July 2005 (refer note 1(a)). An explanation of how the transition from superseded policies to A-IFRS has affected the company and Consolidated Entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

(a) Effect of A-IFRS on the balance sheet as at 1 July 2004

		Consolidated			Company		
		Superseded policies *	Effect of transition to A-IFRS	A-IFRS	Superseded policies *	Effect of transition to A-IFRS	A-IFRS
	Notes	$'000	$'000	$'000	$'000	$'000	$'000
Current Assets							
Cash Assets		56	-	56	35	-	35
Receivables		9,355	-	9,355	2,548	-	2,548
Inventories		6,340	-	6,340	947	-	947
Current Tax Assets		-	-	-	22	-	22
Other		8	-	8	-	-	-
Non Current Assets classified as held for sale	(i)	-	-	-	-	-	-
Total Current Assets		15,759	-	15,759	3,552	-	3,552
Non Current Assets							
Receivables		-	-	-	-	-	-
Other Financial Assets		5,412	-	5,412	6,917	-	6,917
Property, Plant and Equipment	(i)	11,771	(1,000)	10,771	7,429	(1,000)	6,429
Exploration, Evaluation and Development Expenditure	(i)	641	(641)	-	641	(641)	-
Intangibles		-	-	-	-	-	-
Deferred Tax Assets	(iv)	594	387	981	260	387	647
Total Non Current Assets		18,418	(1,254)	17,164	15,247	(1,254)	13,993
Total Assets		34,177	(1,254)	32,923	18,799	(1,254)	17,545
Current Liabilities							
Payables		7,220	-	7,220	2,482	-	2,482
Interest Bearing Liabilities		4,429	-	4,429	3,898	-	3,898
Current Tax Liabilities		38	-	38	-	-	-
Provisions	(ii)	640	(161)	479	203	(50)	153
Liabilities directly associated with Non Current Assets classified as held for sale	(i)	-	-	-	-	-	-
Total Current Liabilities		12,327	(161)	12,166	6,583	(50)	6,533
Non Current Liabilities							
Interest Bearing Liabilities		3,238	-	3,238	4,405	-	4,405
Deferred Tax Liabilities		370	-	370	370	-	370
Provisions	(ii)	130	161	291	50	50	100
Total Non Current Liabilities		3,738	161	3,899	4,825	50	4,875
Total Liabilities		16,065	-	16,065	11,408	-	11,408
Net Assets		18,112	(1,254)	16,858	7,391	(1,254)	6,137
Equity							
Contributed Equity		21,058	-	21,058	21,058	-	21,058
Asset Revaluation Reserve		8	-	8	8	-	8
Foreign Currency Translation Reserve		-	-	-	-	-	-
Employee Equity Settled Benefits Reserve	(iii)	-	-	-	-	-	-
Retained Profits/(Accumulated Losses)	(vi)	(2,954)	(1,254)	(4,208)	(13,675)	(1,254)	(14,929)
Total Equity		18,112	(1,254)	16,858	7,391	(1,254)	6,137

* Reported financial position for the financial year ended 30 June 2004

33 Impacts of the Adoption of Australian Equivalents to International Financial Reporting Standards (continued)

(b) Effect of A-IFRS on the income statement for the financial year ended 30 June 2005

		Consolidated			Company		
	Notes	Superseded policies * $'000	Effect of transition to A-IFRS $'000	A-IFRS $'000	Superseded policies * $'000	Effect of transition to A-IFRS $'000	A-IFRS $'000
Revenue from sale of goods and rendering of services	(v) (i)	46,835	(6,784)	40,051	13,986	(6,784)	7,202
Other revenue from ordinary activities	(v)	1,335	(1,335)	-	1,959	(1,959)	-
Total revenue		48,170	(8,119)	40,051	15,945	(8,743)	7,202
Other income	(v)	-	466	466	-	1,752	1,752
Write down of property, plant and equipment of Imdex Minerals to recoverable amount	(i)	(1,370)	1,370	-	(1,370)	1,370	-
Raw Materials and Consumables Used	(i)	(21,637)	2,035	(19,602)	(6,103)	2,035	(4,068)
Other expenses from ordinary activities	(i) (iii)	(10,661)	3,494	(7,167)	(4,569)	2,832	(1,737)
Employee benefit expenses	(i) (iii)	(8,569)	1,710	(6,859)	(3,078)	1,710	(1,368)
Depreciation and amortisation expense	(i)	(1,949)	559	(1,390)	(1,040)	559	(481)
Borrowing costs	(i)	(529)	35	(494)	(359)	35	(324)
Profit before income tax expense		3,455	1,550	5,005	(574)	1,550	976
Income tax expense relating to ordinary activities	(i)	(383)	(1,340)	(1,723)	431	(1,340)	(909)
Profit from continuing operations		3,072	210	3,282	(143)	210	67
Profit/(loss) from discontinued operations	(i)	-	890	890	-	890	890
Profit for the period		3,072	1,100	4,172	(143)	1,100	957
Profit attributable to minority interest		-	-	-	-	-	-
Profit attributable to ordinary equity holders of Imdex Limited		3,072	1,100	4,172	(143)	1,100	957

* Reported financial results for the financial year ended 30 June 2005

33 Impacts of the Adoption of Australian Equivalents to International Financial Reporting Standards (continued)

(c) Effect of A-IFRS on the balance sheet as at 30 June 2005

		Consolidated			Company		
		Superseded policies *	Effect of transition to A-IFRS	A-IFRS	Superseded policies *	Effect of transition to A-IFRS	A-IFRS
	Notes	$'000	$'000	$'000	$'000	$'000	$'000
Current Assets							
Cash Assets		103	-	103	96	-	96
Receivables		13,920	-	13,920	4,556	-	4,556
Inventories		8,356	-	8,356	2,249	-	2,249
Current Tax Assets		-	-	-	-	-	-
Other		18	-	18	3	-	3
Non Current Assets classified as held for sale	(i)	-	5,125	5,125	-	5,125	5,125
Total Current Assets		22,397	5,125	27,522	6,904	5,125	12,029
Non Current Assets							
Receivables		-	-	-	-	-	-
Other Financial Assets		1,475	-	1,475	2,984	-	2,984
Property, Plant and Equipment	(i)	10,414	(4,524)	5,890	6,571	(4,524)	2,047
Exploration, Evaluation and Development Expenditure	(i)	601	(601)	-	601	(601)	-
Intangibles		12	-	12	12	-	12
Deferred Tax Assets	(iv)	664	(105)	559	329	(105)	224
Total Non Current Assets		13,166	(5,230)	7,936	10,497	(5,230)	5,267
Total Assets		35,563	(105)	35,458	17,401	(105)	17,296
Current Liabilities							
Payables		7,972	-	7,972	2,526	-	2,526
Interest Bearing Liabilities	(i)	4,047	(82)	3,965	4,698	(82)	4,616
Current Tax Liabilities		574	-	574	531	-	531
Provisions	(ii)	859	(290)	569	247	(140)	107
Liabilities directly associated with Non Current Assets classified as held for sale	(i)	-	182	182	-	182	182
Total Current Liabilities		13,452	(190)	13,262	8,002	(40)	7,962
Non Current Liabilities							
Interest Bearing Liabilities		2,883	-	2,883	4,172	-	4,172
Deferred Tax Liabilities		-	-	-	-	-	-
Provisions	(ii)	103	190	293	38	40	78
Total Non Current Liabilities		2,986	190	3,176	4,210	40	4,250
Total Liabilities		16,438	-	16,438	12,212	-	12,212
Net Assets		19,125	(105)	19,020	5,189	(105)	5,084
Equity							
Contributed Equity		19,008	-	19,008	19,008	-	19,008
Asset Revaluation Reserve		-	-	-	-	-	-
Foreign Currency Translation Reserve		-	-	-	-	-	-
Employee Equity Settled Benefits Reserve	(iii)	-	48	48	-	48	48
Retained Profits/(Accumulated Losses)	(vi)	117	(153)	(36)	(13,819)	(153)	(13,972)
Total Equity		19,125	(105)	19,020	5,189	(105)	5,084

* Reported financial position for the financial year ended 30 June 2005

33 Impacts of the Adoption of Australian Equivalents to International Financial Reporting Standards (continued)

(d) Effect of A-IFRS on the cash flow statement for the financial year ended 30 June 2005

There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under the superseded policies.

(e) Notes to the reconciliations of income and equity

(i) Adjustments arising from the Business of Imdex Minerals

	Notes	30 June 2004 $'000	30 June 2005 $'000
Income Statement Adjustments			
Revenue		-	(6,784)
Raw materials		-	2,035
Other expenses from ordinary activities		-	2,650
Employee benefit expenses		-	1,734
Depreciation and amortisation		-	256
Borrowing costs		-	35
Other		-	32
Income tax expense		-	(848)
(Profit) from discontinued operation shown as a separate line item on the Income Statement	(aa)	-	(890)
Reversal of depreciation and amortisation on impaired assets	(bb)	-	120
Reversal of depreciation on Imdex Minerals from 1 Feb 2005 when the business was classified as held for sale	(aa), (bb)	-	183
Reversal of AGAAP write down at 30 June 2005		-	1,370
Other		-	(31)
Income tax expense applicable to depreciation and amortisation reversal		-	(492)
Net adjustments to current period profits		-	1,150
Balance Sheet Adjustments			
Reclassification of Non Current Assets held for sale	(aa)	-	5,125
Reclassification of liabilities associated with Non Current Assets held for sale	(aa)	-	182
Specific adjustments relating to the impairment of the Micaceous Iron Oxide			
Impairment of Property, Plant & Equipment	(bb)	(1,000)	(1,000)
Reversal of depreciation on impaired Property, Plant & Equipment	(bb)	-	79
Reversal of depreciation on Imdex Minerals from 1 Feb 2005 when the business was classified as held for sale	(aa)	-	183
Other		-	(31)
Reversal of AGAAP write down at 30 June 2005		-	1,370
Reclassification of Non Current Assets held for sale		-	(5,125)
		(1,000)	(4,524)
Impairment of Exploration, Evaluation and Development Expenditure		(641)	(641)
Reversal of associated amortisation on Exploration, Evaluation and Development Expenditure	(bb)	-	40
		(641)	(601)
Deferred tax asset adjustment relating to the impairment		387	(105)

33 Impacts of the Adoption of Australian Equivalents to International Financial Reporting Standards (continued)

The table above sets out the adjustments that arise from the impairment write down and the classification of the Imdex Minerals business as held for sale. With reference to the table:

(aa) Non Current Assets Held for Sale

Under A-IFRS, when the carrying amount of a group of assets is expected to be recovered principally through a sales transaction, rather than continuing use, such assets must be classified as held for sale. Assets held for sale are shown separately on the balance sheet and their results (after tax) as a single amount on the Income Statement. In addition, depreciation for such assets ceases from this point.

The business of Imdex Minerals met the definition of held for sale from 1 February 2005 and accordingly depreciation has ceased from this date. This has resulted in a reduction in depreciation expense of $183k in the year ended 30 June 2005.

The profit from discontinued operations for the years ended 30 June 2005, reflect the transfer of Minerals' revenue, expenses and income tax into a single amount on the Income Statement.

(bb) Impairment of Assets

Under AGAAP assets are written down to recoverable amount when the asset's carrying value exceeds its recoverable amount. Under A-IFRS, both current and non current assets are tested annually for impairment. In addition, A-IFRS has a more prescriptive impairment test, and requires, for instance, discounted cash flows to be used where value in use is used to assess recoverable amount.

Under A-IFRS, based on a review of discounted cash flows of the Micaceous Iron Oxide business, which is a separate 'cash generating unit' of the business of Imdex Minerals, a write down of $1,000k for plant and equipment and $641k for exploration, evaluation and development expenditure carried forward is required at 30 June 2004. Under AGAAP at 30 June 2004, the business of Imdex Minerals was assessed for recoverability, however as the business was assessed as a whole and not at the 'cash generating unit' level as required under A-IFRS no write down was indicated at that time.

As set out in the 2005 Annual Report, the carrying value of Imdex Minerals was written down under AGAAP by $1.37millon at 30 June 2005. Due to the A-IFRS impairment required at 30 June 2004, this write down has been reversed through the income statement for the year ended 30 June 2005.

The decrease in the carrying value of property, plant and equipment and the carry forward exploration, evaluation and development expenditure has resulted in a reduction in depreciation and amortisation expense of $303k in the year ended 30 June 2005.

(ii) Non Current Employee Benefits

Under AGAAP, provision for Annual Leave (short-term employee benefit) was measured at nominal amounts and classified as a current liability.

Under AASB119 "Employee Benefits" liabilities for short-term employee benefits continue to be measured at their nominal amounts, however employee benefits not expected to be settled within 12 months are measured at their present value.

(iii) Share Based Payments

For the year ended 30 June 2005, share based payments of $48k to employees and consultants were not recognised under AGAAP.

Corresponding entries have been made to shareholders equity at 30 June 2005. There is no tax effect of these payments.

(iv) Income Tax

Under AGAAP, the Consolidated Entity adopted tax effect accounting principles whereby the income tax expense was calculated on pre-tax accounting profits after adjusting for permanent differences. The tax effect of timing differences, which occur when items were included or allowed for income tax purposes in a period different to that for accounting were recognised at current taxation rates as deferred tax assets and deferred tax liabilities, as applicable.

Under A-IFRS, deferred tax is determined using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the Financial Report and their corresponding tax bases.

33 Impacts of the Adoption of Australian Equivalents to International Financial Reporting Standards (continued)

	Consolidated and Company 30 June 2004 $'000	Consolidated and Company 30 June 2005 $'000
Effect of A-IFRS adjustments on deferred tax balances		
Deferred tax adjustments resulting from the adjustments required under A-IFRS	387	(105)
Net increase/(decrease) to deferred tax balances	387	(105)

	Consolidated and Company Year ending 30 June 2005 $'000
Effect of A-IFRS adjustments on income tax expense	
Adjustment required to income tax expense	(575)
Net increase/(decrease) in income tax expense	(575)

(v) Revenue

Under AGAAP, the proceeds on sale of non current assets were included in revenue with the cost of sale recorded in expenses. Under A-IFRS, the net gain or loss from the sale of non current assets is recognised as Other Income in the Income Statement.

Similarly, income from Grants and other non operating income has been recognised in Other Income, rather than included as part of Other Revenue.

There is no net impact on the profit for the period as a result of these adjustments.

(vi) Retained profits

The effect on retained profits of the adjustments described above is set out below.

	Notes	Consolidated and Company 30 June 2004 $'000	Consolidated and Company 30 June 2005 $'000
Retained earnings			
Impairment of the business of Imdex Minerals	(i)	(1,641)	(1,641)
Adjustment to depreciation and amortisation expense for the business of Imdex Minerals due to its impairment and classification as held for sale	(i)	-	303
Reversal of the write down of Imdex Minerals to its recoverable amount	(i)	-	1,370
Expensing share based payments	(iii)	-	(48)
Other		-	(32)
Adjustments to tax balances	(iv)	387	(105)
Total adjustment to retained earnings		(1,254)	(153)

Additional Stock Exchange Information as at 21 August 2006

(a) Distribution of Shareholders

	Fully Paid Ordinary Shares	Options
1 – 1,000	50	-
1,001 – 5,000	344	4
5,001 – 10,000	380	18
10,001 – 100,000	880	66
100,001 – and over	144	6
	1,798	94
Holding less than a marketable parcel	26	-

(b) Substantial Shareholders

Ordinary Shareholders	Fully Paid	
	Number	Percentage
Souls Private Equity Limited	12,889,885	9.24%
Quadripart Investment Holdings (Pty) Ltd	12,847,202	9.21%
J P Morgan Nominees Australia Limited	5,603,783	4.02%

(c) Twenty Largest Holders of Quoted Equity Securities

Ordinary Shareholders	Fully Paid	
	Number	Percentage
Souls Private Equity Limited	12,889,885	9.24%
Quadripart Investment Holdings (Pty) Ltd	12,847,202	9.21%
J P Morgan Nominees Australia Limited	5,603,783	4.02%
Mr William Wavish	5,542,000	3.97%
Wear Services Pty Ltd	5,000,000	3.58%
Chelverton Dividend Income Fund Limited	3,775,262	2.71%
Iscosa (Pty) Ltd	3,211,800	2.30%
Citicorp Nominees Pty Limited	3,169,010	2.27%
Telic Alcatel (Australia) Pty Ltd	2,840,000	2.04%
National Nominees Limited	2,290,700	1.64%
Cogent Nominees Pty Limited	1,861,762	1.33%
Mr Petrus Cornelius Nicolaas Middendorp	1,753,500	1.26%
ANZ Nominees Limited	1,715,000	1.23%
Primbee Investments Pty Ltd	1,615,921	1.16%
Longo Pty Ltd	1,572,826	1.13%
Chippell Pty Ltd	1,210,273	0.87%
	71,050,424	50.94%

(d) Director and Company Secretary Shareholdings

Name	Number of Shares	Number of Options
Mr B W Ridgeway (indirectly)	5,000,000	2,000,000
Mr I F Burston (indirectly)	200,000	-
Mr H H Al-Merry (directly)	755,000	-
Mr R W Kelly (indirectly)	265,000	-
Mr K A Dundo (directly)	300,000	-
Mr I R Freeman (indirectly)	16,059,002	-
Mr J P O'Neil (indirectly)	12,847,202	-
Mr S J Lyons (directly)	50,000	200,000
	35,476,204	2,200,000

(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

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