imdex LIMITED

ABN 78 008 947 813

2007 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 Friday, 19 October 2007 at the Celtic Club, 48 Ord Street, West Perth, Western Australia commencing at 11.00am WST

2007
ANNUAL REPORT

"Australia's global
drilling products
and services company"

CONTENTS

IMDEX is listed on the Australian Stock Exchange
under the ASX code IMD.

IMDEX AT A GLANCE

Imdex is a Perth based, ASX listed company supplying **drilling products and services** to the mining, oil and gas, water well and civil industries globally.

Imdex has two global operational divisions:

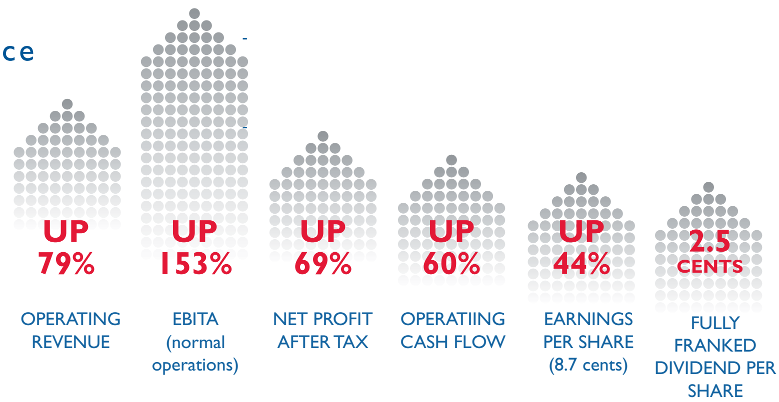
- Drilling fluids and chemicals
- Drilling products (down hole instrumentation) and services

Imdex is a market leader in many disciplines

Imdex is establishing a comprehensive global distribution and supply network

IMDEX 2007 HIGHLIGHTS...Delivering on it's strategy

Financial Performance



Divisional Highlights

FLUIDS AND CHEMICALS

Comprises: **Australian Mud Company and Samchem**

Segment revenue of $62.4m (up 50% on prior period)

Segment EBITA up 82% on prior period

PRODUCTS AND SERVICES

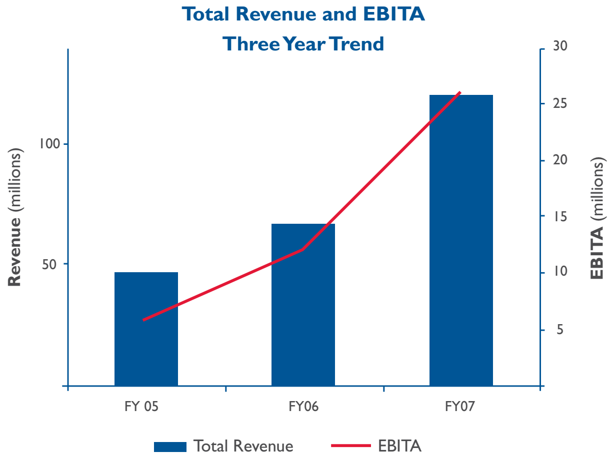
Comprises: **Surtron, Reflex, Chardec and Flexit**

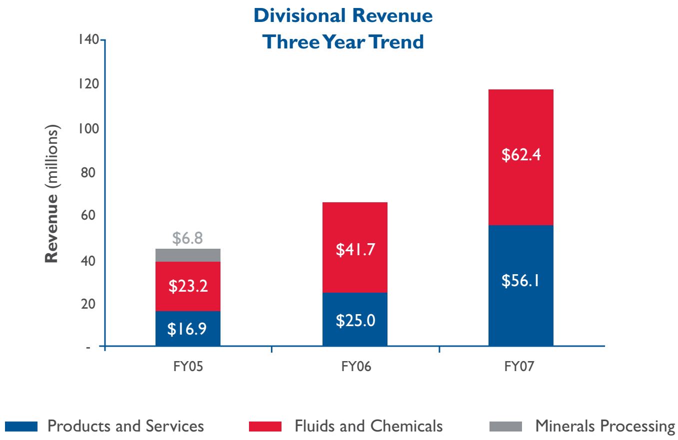
Segment revenue of $56.1m (up 124% on prior period)

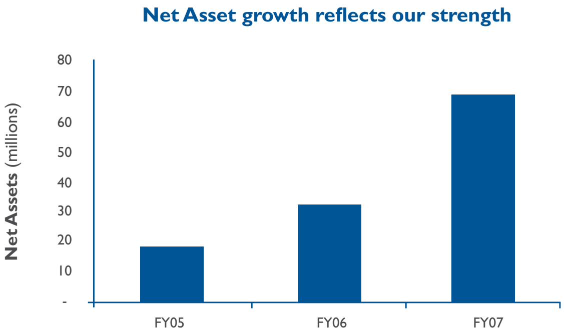
Segment EBITA up 235% on prior period

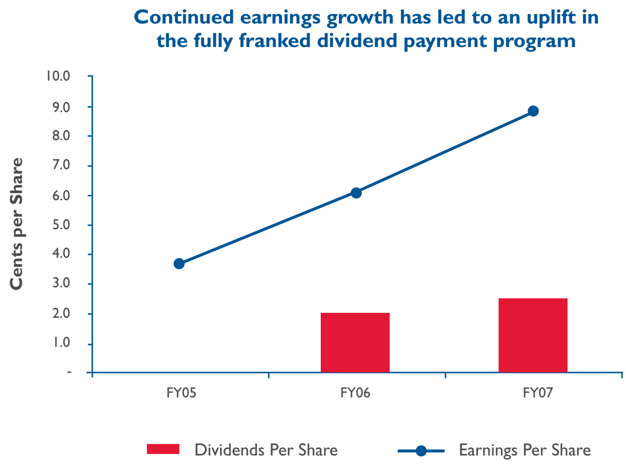
IMDEX 2007 SNAPSHOT

	FY07 $'000	FY06 $'000	FY05 $'000
Total Revenue	**119.3**	**66.8**	**46.8**
Change in percentage	79%	43%	
Operating Profit before Interest, Tax, Depreciation & Amortisation (normal operations only)	29.1	12.2	6.9
Depreciation	(4.4)	(2.4)	(1.4)
Earnings before Interest, Tax & Amortisation (EBITA) (normal operations only)	**24.7**	**9.8**	**5.5**
EBITA margin	21%	15%	12%
Change in percentage	152%	77%	
Amortisation	(3.4)	-	-
Earnings before Interest & Tax (EBIT) (normal operations only)	**21.3**	**9.8**	**5.5**
Change in percentage	117%	78%	
Net interest expense	(2.0)	(0.2)	(0.5)
Income tax expense	(6.6)	(2.6)	(1.7)
Net Profit after Tax (normal operations only)	**12.7**	**7.0**	**3.3**
Change in percentage	82%	114%	
Non-operational items			
Sino value uplift	-	4.5	-
RTE/Imdex Joint Venture Recovery / (Impairment)	1.1	(2.3)	-
Tax effect of non-operational items	(0.3)	(1.2)	-
Net Profit for the Year from Continuing Operations	**13.5**	**8.0**	**3.3**
Change in percentage	69%	143%	
Profit from discontinuing operations	-	-	0.9
Net Profit for the Year	**13.5**	**8.0**	**4.2**
Change in percentage	69%	90%	
Total Group EBIT	**22.4**	**12.0**	**5.5**
Change in percentage	87%	118%	
Basic earnings per share (cents)	**8.78**	**6.07**	**3.66**
Change in percentage	45%	66%	
Net Cash provided by Operating Activities	**16.1**	**10.1**	**3.2**
Change in percentage	60%	216%	
Net Assets	**69.4**	**32.7**	**19.0**
Change in percentage	112%	72%	


Total Revenue and EBITA
Three Year Trend
Revenue (millions)
EBITA (millions)
100
50
30
25
20
15
10
5
FY 05
FY06
FY07
Total Revenue
EBITA


Divisional Revenue
Three Year Trend
Revenue (millions)
140
120
100
80
60
40
20
-
$6.8
$23.2
$16.9
$41.7
$25.0
$62.4
$56.1
FY05
FY06
FY07
Products and Services
Fluids and Chemicals
Minerals Processing

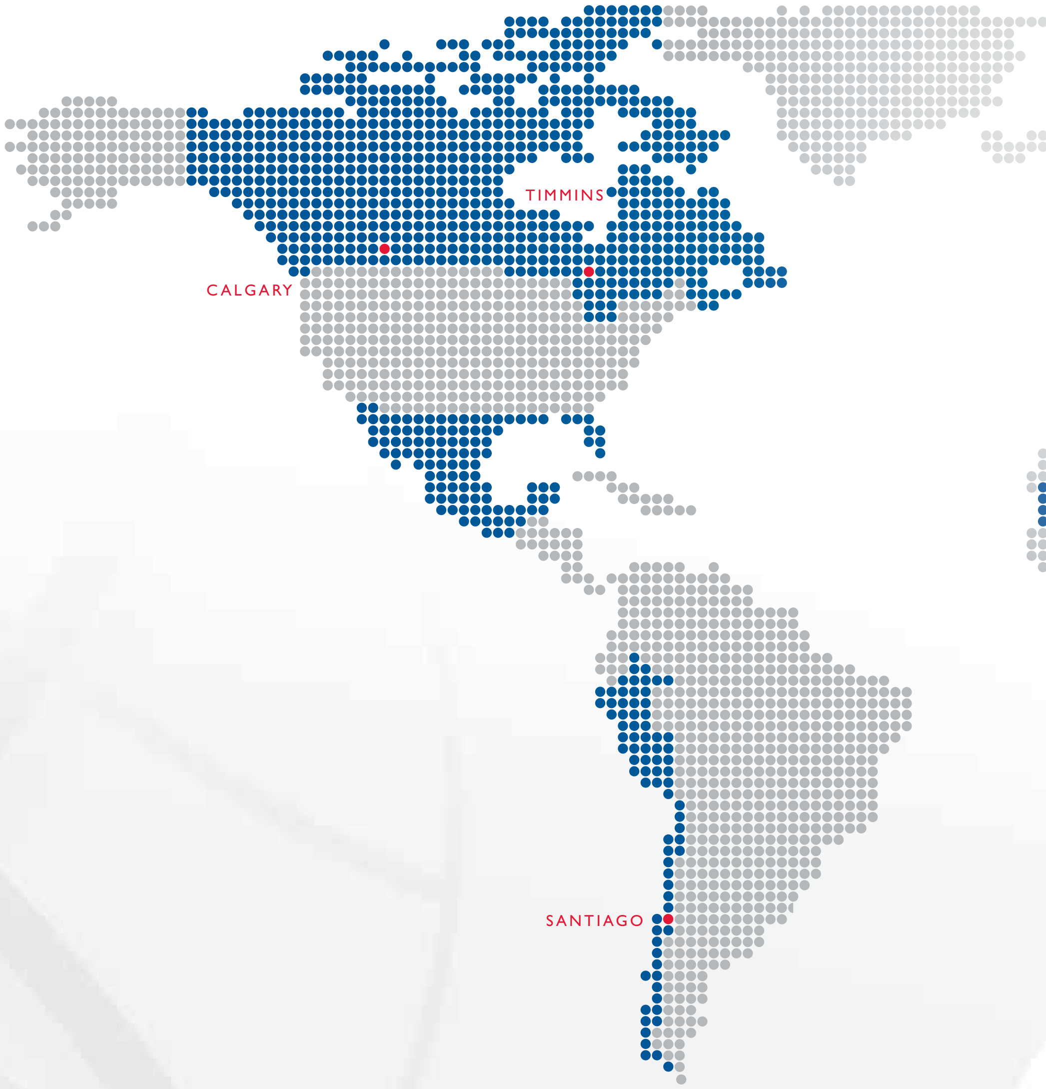

Net Asset growth reflects our strength
Net Assets (millions)
80
70
60
50
40
30
20
10
-
FY05
FY06
FY07


Continued earnings growth has led to an uplift in
the fully franked dividend payment program
Cents per Share
10.0
9.0
8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
-
FY05
FY06
FY07
Dividends Per Share
Earnings Per Share

GLOBAL REACH – REGIONAL EXPERTISE

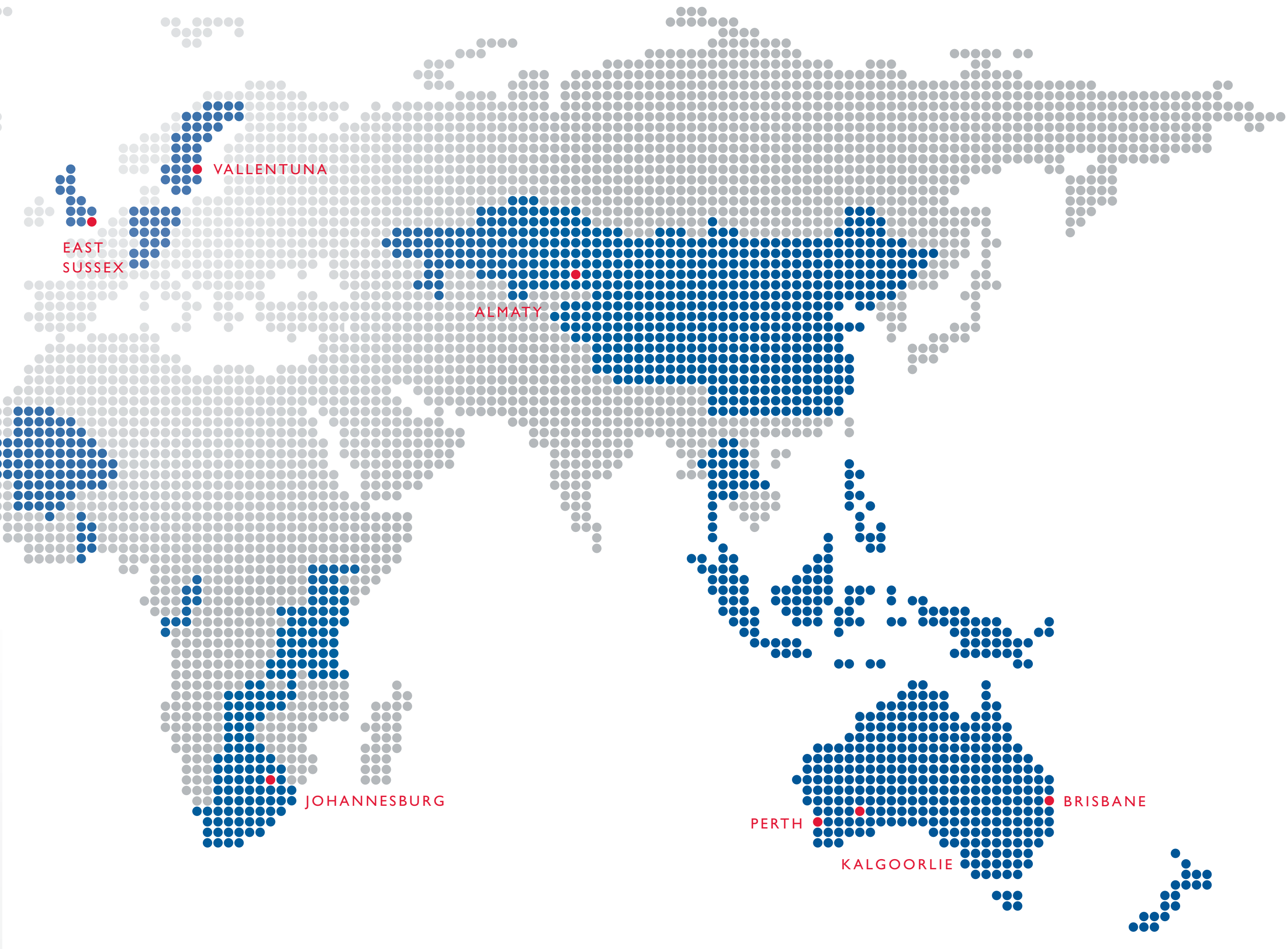
COUNTRIES WE OPERATE IN

AUSTRALIA	INDONESIA	MONGOLIA	SWITZERLAND
BOTSWANA	KAZAKHSTAN	NEW ZEALAND	TANZANIA
CANADA	KENYA	PAPUA NEW GUINEA	THAILAND
CHILE	LAOS	PERU	TURKEY
CHINA	MALAYSIA	PHILIPPINES	UNITED KINGDOM
CONGO	MALI	SINGAPORE	ZAMBIA
GERMANY	MAURITANIA	SOUTH AFRICA	
GHANA	MEXICO	SWEDEN	



MAJOR LOCATIONS WE OPERATE OUT OF

ALMATY, KAZAKHSTAN
BRISBANE
CALGARY, CANADA
EAST SUSSEX, UK
JOHANNESBURG, SOUTH AFRICA
KALGOORLIE
PERTH
SANTIAGO, CHILE
TIMMINS, CANADA
VALLENTUNA, SWEDEN



MR IAN BURSTON

CHAIRMAN'S REPORT

It gives me great pleasure to report an outstanding financial result for the Imdex Group for the year ended 30 June 2007 (FY07).

The dramatic increase in profitability reflects the many strategic and operational changes which have been made during the past few years. The company is also benefiting from the uplift in global exploration and resource development activity.

The Imdex Group is continuing to deliver on the strategy I outlined at the 2006 Annual General Meeting. This strategy aimed at building value for 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 achieved a 79% increase in revenue to $119.3 million and a 69% increase in total net profit to $13.5 million. This delivered earnings per share of 8.74 cents, up from 6.07 cents per share in FY06.

As well as focusing on growing our core businesses we have continued to extend our global reach through strategic acquisitions and business partnerships. Through this two pronged approach, both divisions of Imdex have been recording outstanding growth.

The Drilling Fluids and Chemicals division increased revenue by 50% and normalised EBITA by 82%.

Within the Drilling Products and Services division, revenue and normalised EBITA were up 124% and a massive 235%, respectively. Our global expansion continued with the acquisition of Flexit from 1 May 2007 and the purchases of Poly-Drill in Canada and a 75% interest in Suay Energy Services in Kazakhstan with effect from 1 July 2007.

Flexit is a significant global supplier of borehole survey systems to the mineral exploration, mining, tunnelling and geotechnical industries. The acquisition of Flexit complements the recent purchases of Reflex and Chardec.

Poly-Drill manufactures and sells polymer drilling fluid based systems and solids control systems from Calgary. Poly-Drill is close to commercialising a solids control system for the removal of oil from drill cuttings. There is strong demand for such systems due to increasing environmental concerns worldwide.

Suay provides drilling fluids and services to the Kazakhstan oilfields and the surrounding Caspian Sea region.

These acquisitions provide an expanded global capability. Combined with our strategic alliances with other international drilling and supply companies, these initiatives will give us access to new clients and markets in North America, Latin America, Africa, the CIS and Asia.

The acquisitions will expand the Imdex product range and consolidate Imdex's position as a leading global supplier of technologically advanced down hole instrumentation, fluids and chemicals. They will also strengthen Imdex's existing research and development and manufacturing skill base allowing Imdex to be a market leader in sophisticated down hole instrumentation.

As part of the company's growth plans, the management and board are actively reviewing the group's ongoing management requirements. Important additional skills and resources have come with the business acquisitions we have made in recent years. However, there is a need to recruit additional senior management with industry experience to ensure successful implementation of our strategies.

As part of the strategic repositioning of the company, Imdex successfully recovered all outstanding amounts owing from Rashid Trading Establishment and sold its remaining 20% interest in Imdex Arabia.

The greatly improved fortunes of the company and the attractive outlook have encouraged directors to declare an increased dividend. Imdex paid a 1 cent per share interim dividend and the Board has approved the payment of a further 1.5 cents per share final dividend.

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, my fellow Board members and the company's consultants for their special efforts during the year as it has taken a lot of hard work and dedication to deliver these outstanding results.

I would also like to recognise the importance of our customers and the role played by all shareholders in supporting the activities of the company.

I look forward to seeing many of you at the forthcoming Annual General Meeting to be held in Perth on 19 October 2007.

I F Burston
Chairman



MR BERNIE RIDGEWAY

MANAGING DIRECTOR'S REPORT

The last year has been an exciting time of strategic expansion and business growth.

- Financially, we increased revenue by 79% and net profit by 69%;
- Operationally, we successfully integrated Reflex and Chardec, the two businesses we acquired in 2006, with better than expected results; and
- Strategically, we pursued our global expansion plans through organic growth and additional off-shore acquisitions.

We have been engaged in a multi-year business plan which has been delivering successively better outcomes. We begin the new financial year in a far stronger strategic position both geographically and technically, leaving us poised for another year of significant growth and improved shareholder returns.

The management team is very pleased with the outstanding results achieved. Special mention should be made of the growing number of people contributing to the performance in many different parts of the world as a result of the global repositioning of the company we began a few years ago. The results are a strong indicator of the commitment and skill of the managers and staff in our more recently acquired businesses as well as those in the ongoing operations.

There were many highlights in the past year, including:

- profit growth in all our core businesses;
- a rise in group sales of 79% to $119.3 million;
- growth in earnings before interest, tax and amortisation of 116% to $25.8 million;
- a 1.5 cents per share final dividend to be paid in October 2007 compared with the 1 cent per share final dividend in 2006;
- purchase and successful integration of the Swedish-based Reflex Group and the United Kingdom-based Chardec Technologies;

Imdex assisted to pioneer horizontal directional drilling in the coal bed methane industry in Scotland

- acquisition of the Swedish-based Flexit in May 2007;
- completion of capital and debt raisings to support our growth strategy;
- recovery of all outstanding amounts due from Rashid Trading Establishment and the sale of the remaining 20% interest in Imdex Arabia; and
- acquisition of 100% of Canadian-based Poly-Drill and a 75% interest in Kazakhstan-based Suay Energy Services, both effective from 1 July 2007.

RECENT ACQUISITIONS

FLEXIT

The Swedish-based Flexit Group was acquired with effect from 1 May 2007. Flexit has a global perspective and focuses on the technologically advanced down hole survey tool market. This acquisition complements the earlier acquisitions of Reflex and Chardec.

One of the benefits brought to the Group by Flexit is a new generation micro-electro-mechanical systems (MEMS) gyro. This gives Imdex market leading technology.

The transaction valued Flexit at $22 million. A cash payment of $12 million was made on 1 May 2007. The balance is payable on 1 May 2009 through the issue of 5 million fully paid ordinary Imdex shares at an issue price of $2 per share to the vendors. If the Imdex share price at that time is less than $2.00 per share, an additional amount of cash will be paid to bring the combined market value of shares issued and cash paid at that time to $10 million.

POLY-DRILL DRILLING SYSTEMS

Canadian-based Poly-Drill Drilling Systems Limited (Poly-Drill) was acquired with effect from 1 July 2007. The purchase price of $3.5 million was made up of $1.75 million cash and the balance in Imdex shares which are subject to voluntary escrow for a period of 12 months.

Poly-Drill manufactures and sells polymer drilling fluid based systems and solids control systems from Calgary in Canada. Its fluid systems enable drilling without the use of numerous conventional drilling fluid products, such as fluid loss control additives and gels. The fluid systems are in use in the mining and oil & gas markets throughout North America and have established new standards in drilling fluid technology.

Poly-Drill is also close to commercialising a solids control system for the removal of oil from drill cuttings. Many countries require oil cuttings/sludge from oilfield drilling activities to be removed and some countries are seeking to enforce a zero impact policy for environmental protection reasons. This will provide exciting new markets for the Poly-Drill solids control equipment complementing the existing range of Imdex group products.

SUAY ENERGY SERVICES (Suay)

Imdex acquired a 75% interest in Kazakhstan-based Suay Energy Services LLP (Suay) with effect from 1 July 2007 for a cash consideration of US$393,000. Imdex also holds an option to acquire the remaining 25% at fair value.

Suay had been a privately held company established in 2004 by an experienced executive with a long history in the industry within the region. The purchase complements the existing businesses of Imdex. It facilitates our global expansion by giving us an excellent platform for extending our presence into this highly prospective oil and gas region. The business will offer advantages in servicing markets in Turkmenistan, Kurdistan, Azerbaijan and Uzbekistan and the border regions of Russia.

ASSET SALES

During 2006/07, Imdex successfully recovered all outstanding amounts due from Rashid Trading Establishment (RTE) and sold its remaining 20% interest in Imdex Arabia to RTE. Total cash received amounted to $1.1 million. This amount has been treated as 'Other Income' in the statement of financial performance as these assets had previously been written down to a zero value.

DIVISONAL OPERATING RESULTS

DRILLING FLUIDS AND CHEMICALS DIVISION

The Drilling Fluids and Chemicals division (DFC) comprises the Australian Mud Company (AMC) and Samchem Drilling Fluids and Chemicals (Pty) Ltd (Samchem). Both Suay and Poly-Drill will be reported as part of DFC in FY08.

This division focuses on the provision of drilling fluids and chemicals to the mining, oil and gas, water well and horizontal directional drilling industries. Fluids and chemicals are required in the drilling process primarily to cool and lubricate the drill bit, keep the hole open and to return cuttings to the surface.

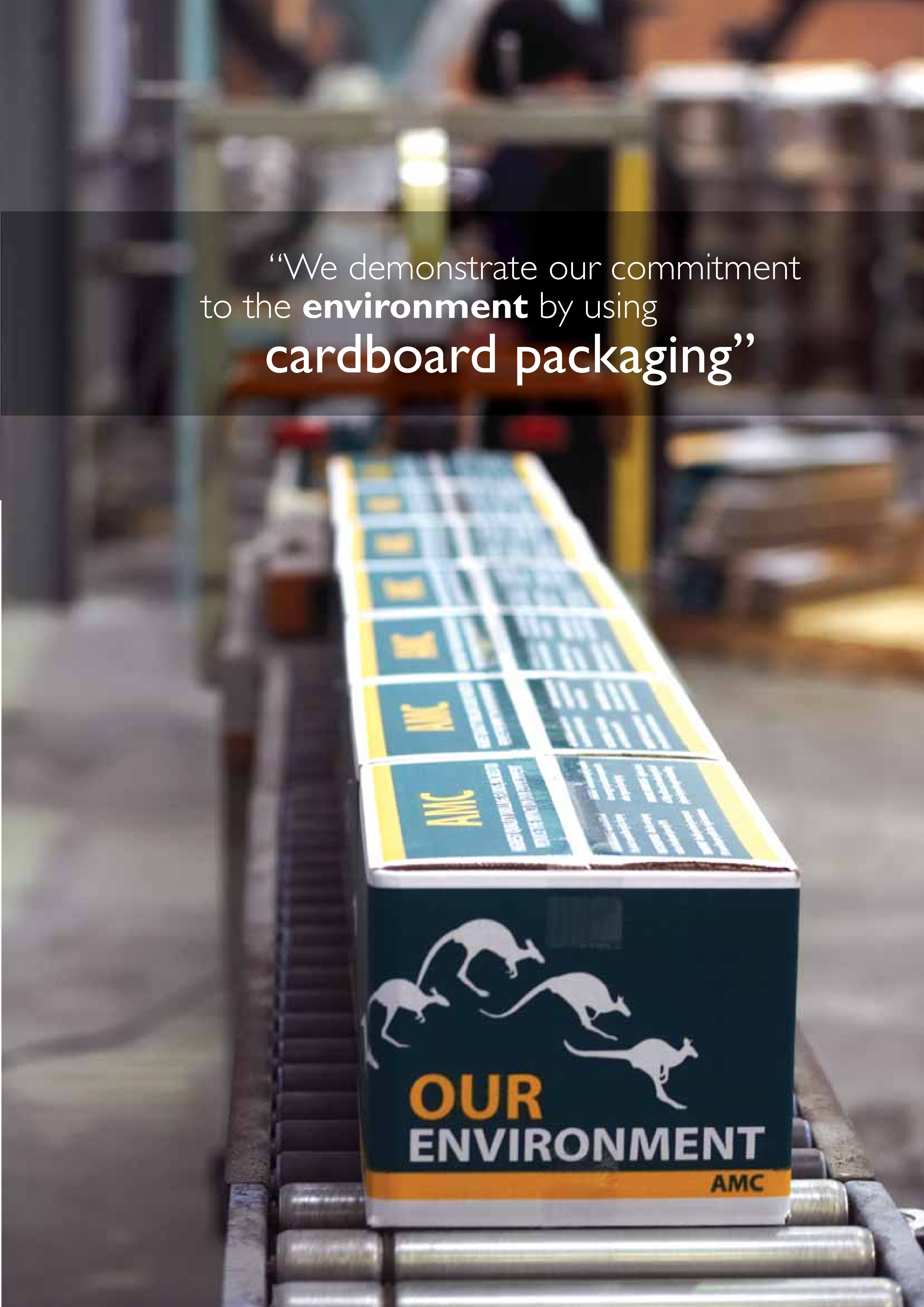
Divisional revenue increased 50% to $62.4 million (FY06 - $41.7 million) and normalised EBITA increased 82% to $10.4 million (FY06 - $5.7 million).

The DFC trading results have benefited from buoyancy in the worldwide resources and energy markets. These market conditions have led to strong growth in exploration and development expenditure, particularly in Australia, Africa and Asia.

As well as expanding sales in Australia, DFC has increased its market penetration in Africa and South East Asia and our products are now sold to over 30 countries worldwide.

In the year ahead, integration and growth of Suay and Poly-Drill will be a high priority to ensure we maximise the benefits of those acquisitions.

"We demonstrate our commitment to the **environment** by using cardboard packaging"



MANAGING DIRECTOR'S REPORT Cont.

We will also be aiming to ensure high standards of service for our existing clients whilst targeting growth in a broader range of international markets including previously under-exploited markets in Africa and Latin America. Our ability to penetrate these and other global markets will be assisted by strategic alliances with major international drilling and supply companies as well as the marketing footprint of our own businesses.

DRILLING PRODUCTS AND SERVICES DIVISION

The Drilling Products and Services division (DPS) comprises the Reflex Group of companies (Reflex), Chardec Technologies (Chardec), Flexit, Ace Drilling Supplies (Ace) and Surtron Technologies and Surtron Technologies UK (together Surtron). This division has grown significantly in the current year primarily due to the acquisitions of Reflex, Chardec and Flexit. Notwithstanding the growth due to acquisitions, we are very pleased with the organic growth achieved by our ongoing operations.

Divisional revenue increased 124% to $56.1 million ($25.0 million in FY06). Divisional normalised EBITA increased 235% to $17.6 million ($5.3 million in FY06).

The strong growth in this division during the year reflected the acquisitions of Reflex, Chardec and Flexit. However, the existing Ace and Surtron business units also delivered outstanding increases in profitability through the organic growth opportunities within their market segments.

Key drivers in the success of DPS were:

- the continued international roll out of the Ace Core Tool, with particularly strong revenue growth coming from Canada;
- cost savings from integration of the Reflex and Chardec general management and administration functions;
- lower costs from taking better advantage of the technical skills across previously separate companies to allow a renewed focus on research and development; and,
- new contracts for Surtron in Western Australia and South Australia as well as growth offshore with additional work in China, Mauritania and the United Kingdom.

The outlook during FY08 for the DPS division is continued strong growth assisted by global alliances with international drilling and supply companies.

NON-OPERATING INVESTMENT

SINO GAS & ENERGY LTD (SGE)

Imdex holds 13.6% of the ordinary share capital of Sino Gas & Energy Limited (SGE), an energy company operating in the coal bed methane industry in China. It has also extended a secured loan facility to the company on commercial terms. The investment in SGE which cost $0.3 million had a fair value for accounting purposes of $4.5 million at 30 June 2007.

The company plans to exit this investment during FY08.

COMPANY OUTLOOK

As a service provider to the oil and gas and mining industries, Imdex will benefit from continuing growth in global demand for raw materials. Continuing strong exploration and development activity within the natural resources industry will be necessary if the industry is to meet the demands for additional supplies in the coming years.

The company's growing global presence provides the springboard for further significant earnings growth in the current year. Our performance will also be assisted by a number of strategic alliances with major international drilling and supply companies.

Imdex will continue to develop technology to increase efficiency in the drilling industry.

The company's experience in integrating new acquisitions has grown considerably and, in the coming year, the integration and growth of Suay and Poly-Drill will be a priority.

Asian Pacific operations should grow organically as demand for products continues to be fuelled by the energy and resources needs of emerging economies in China and South East Asia.

Within Africa, the company expects to extend its sales footprint beyond an already strong position in South Africa. The company will benefit from higher rates of mining and exploration activity in other parts of Africa, including the emerging oilfield sector in East Africa. It is also positioning itself to take advantage of the demand for environmental management products in Africa as well as in Europe and Australia.

In the Americas, the company's expanded tool offering should help consolidate its market leadership in Canada. Expansion into the United States onshore oil and gas market is a priority.

The company is confident of achieving significant market penetration in Latin America. Key markets include Mexico and Chile and a senior Chilean based manager has been appointed. Recent acquisitions will help in the plans to extend the presence of the group in this part of the world.

The emphasis on research and development including establishment of manufacturing centres of excellence in Europe and the United Kingdom will continue. This will help maintain the company's competitive edge in the provision of technologically advanced down-hole tools, permitting further expansion into the oil and gas sector.

Overall, as the Chairman announced when we released our financial results in August, we are, based on current market conditions and Group structure, expecting further significant growth in operating revenue in FY08 at similar margins to those we were able to achieve in FY07.

As always, these outcomes depend on many factors being aligned including there being no material change in the business environment. There is nothing we can see at this point which would qualify our enthusiasm about the coming year. Based on current business plans, there should be another increase in the underlying value of the company through our focus on core skills and the competitive advantages which we have steadily built in an increasingly global company.

B Ridgeway

Bernie Ridgeway
Managing Director

BOARD OF DIRECTORS

MR IAN BURSTON *AM Non* EXECUTIVE CHAIRMAN Age: 72 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: 53 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.

FROM LEFT TO RIGHT: Mr Bernard Ridgeway, Mr Ross Kelly, Mr Ian Burston, Mr Kevin Dundo, Mr Magnus Lemmel

MR ROSS KELLY *BE(HONS) FAICD* NON EXECUTIVE DIRECTOR Age: 69 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: 56 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) and Computercorp Limited (ASX:CZP). 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 MAGNUS LEMMEL *B.A.* NON EXECUTIVE DIRECTOR Age: 67 years

Mr Lemmel is a management consultant based in Brussels, Belgium and involved in developing small business in Sweden.

Mr Lemmel is a former Senior Vice President of Ericsson Telecommunications and Chief Executive Officer of the Federation of Swedish Industries as well as Director General for Enterprise Policy of the European Commission. He has a vast experience from working as a Director of companies and institutions.

Mr Lemmel was the President of Smaforetagsinvest AB, the previous owners of Reflex, and it was a condition of the Reflex acquisition that Mr Lemmel be appointed to the Imdex Board. Due to his previous association with Reflex and the technology, he is the Chairman of the Technical Advisory Committee of Reflex/Chardec and with his network in Sweden and internationally, will bring added value to the Board.

Mr Lemmel was appointed to the Board on 19 October 2006.

"Our tools help our clients
achieve their goals"

07 FINANCIAL REPORT

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2007

The Directors of Imdex Limited ("Imdex" or "the Company") present their report together with the annual Financial Report of the Company and its Subsidiaries ("the Group") for the financial year ended 30 June 2007.

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	72	Mechanical Engineer Member of the Audit and Compliance & Remuneration Committees Director since November 2000
Mr B W Ridgeway	Managing Director	53	Chartered Accountant Director since May 2000
Mr R W Kelly	Independent, Non Executive Director	69	Engineer Member of the Audit and Compliance & Remuneration Committees Director since 14 January 2004
Mr K A Dundo	Independent, Non Executive Director	56	Lawyer Chairman of the Audit and Compliance & Remuneration Committees Director since 14 January 2004
Mr M Lemmel	Independent, Non Executive Director	68	Management Consultant Director since 19 October 2006
Mr H H Al-Merry	Non Executive Director	45	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	65	Chemical Technology and Production Engineer Director since 23 August 2005 Resigned 10 April 2007

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	Mincor Resources NL Aviva Corporation Ltd Aztec Resources Ltd Kansai Mining Corporation Cape Lambert Iron Ore Ltd	Non Executive Director Non Executive Director Chairman and Chief Executive Officer Non Executive Director Non Executive Chairman	2003 – Current 2003 – 2006 2004 – 2006 2006 – Current 2006 – Current
Mr R W Kelly	Clough Limited	Non Executive Director	1996 – Current
Mr K A Dundo	Computercorp Limited Intrepid Mines Ltd (formerly NuStar Mining Corp Ltd)	Non Executive Director Non Executive Director	2006 – Current 2002 – Current

(c) Company Secretary

Mr P A Evans

Chartered Accountant aged 44. Mr Evans joined Imdex Limited on 17 October 2006. After leaving professional practice he worked in a range of commercial and financial roles in the media, manufacturing and telecommunications industries. Mr Evans 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, six Board meetings, two 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	6	6	2	2	2	2
B W Ridgeway	6	6	-	-	-	-
H H Al-Merry	1	-	-	-	-	-
R W Kelly	6	6	2	2	2	2
K A Dundo	6	4	2	2	2	2
I R Freeman	4	3	-	-	-	-
M Lemmel	4	3	-	-	-	-

(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	-	260,000	1,000,000
B W Ridgeway	-	3,500,000	2,000,000
R W Kelly	143,200	121,800	-
K A Dundo	-	300,000	-
M Lemmel	200,000	200,000	-

At the date of this report, the options on issue by the Company are disclosed at (g) below and in Note 33.

(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 cash remuneration of 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 compensation package. Of this bonus, 75% is payable on achievement of the FY07 EBIT budget by Group companies and 25% on the purchase of Flexit AB prior to 30 June 2007. The Remuneration Committee set these performance hurdles as the achievement of Group EBIT and purchase of Flexit AB are closely linked to Imdex's increased growth and profitability and hence shareholder value. The balance of his cash compensation package for the current year is not linked to the Group's performance.

From time to time options may be issued to the Managing Director as an additional performance incentive. The portion of the Managing Director's compensation package that comprises options is linked to the Company's performance. The issue of any such options requires the approval of Shareholders in General Meeting. No such options were granted to the Managing Director in the current year.

All Executives, and all staff of the Company, are subject to formal annual reviews of their performance. The remuneration of 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 24 for further details.

All Executives are employed under permanent contracts, none of which provide for any termination payments. Mr G E Weston's contract provides a 12 month notice period, Mr D J Loughlin's a 3 month notice period, Mr S J Lyons's a 2 month notice period and Mr P A Evans, Mr D L Kinley and Mr C S Munyard's contracts provide for a 1 month notice period.

The remuneration policy for the Managing Director is linked to the Company's performance as an additional incentive to build shareholder value. The remuneration of Non Executive Directors is not linked to the Company's performance except as noted below, in order to preserve their independence. The increase in the net profits of the Company and hence the increase in shareholder value over the last five years is indicative of the success of this policy.

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, a total of 1,000,000 options were issued during the current year to Mr Ian Burston, a Non Executive Director, 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.

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. The issue of these options was approved by the shareholders at the 2006 Annual General Meeting on 19 October 2006.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2007

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 M Lemmel (Non Executive Director), appointed 19 October 2006;

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

(vii) Mr I R Freeman (Non Executive Director), resigned 10 April 2007.

The Executives of Imdex Limited during the year were:

(i) Mr G E Weston (Group General Manager);

(ii) Mr D J Loughlin (General Manager: Products and Services Division), appointed 1 September 2006;

(iii) Mr S J Lyons (Company Secretary), resigned 17 October 2006;

(iv) Mr P A Evans (Company Secretary and Chief Financial Officer), appointed 17 October 2006;

(v) Mr D L Kinley (Group Financial Controller), ceased to be an executive 17 October 2006; and

(vi) Mr C S Munyard (Manager: Surtron), ceased to be an executive 1 September 2006.

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 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 (Note 33) or any other options granted as approved by Shareholders in General Meeting; and

(iv) Other benefits.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2007

Details of Directors' remuneration are set out below. Further information is also set out in Note 32:

		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	
	Notes									Shares & Units	Options & Rights			Total
		$	$	$	$	$	$	$	$	$	$	$	$	$
Executive Director														
B W Ridgeway, Managing Director	(i)	309,615	75,000	48,725	-	27,865	-	20,020	-	-	-	-	-	481,225
Non Executive Directors														
I F Burston, Chairman	(ii)	81,720	-	-	-	-	-	-	-	-	122,623	-	-	204,343
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)	37,500	-	-	-	-	-	-	-	-	-	-	-	37,500
M Lemmel	(ii)	35,054	-	-	-	-	-	-	-	-	-	-	-	35,054
		563,889	75,000	48,725	-	36,865	-	20,020	-	-	122,623	-	-	867,122

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

		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	
	Notes									Shares & Units	Options & Rights			Total
		$	$	$	$	$	$	$	$	$	$	$	$	$
Group Executives														
G E Weston, Group General Manager	(iii)	224,846	-	38,092	-	21,046	-	14,765	-	-	-	-	-	298,749
D J Loughlin, General Manager: Products and Services Division	(iii)	140,673	-	31,321	-	12,661	-	-	-	-	56,935	-	-	241,590
P A Evans, Chief Financial Officer / Company Secretary	(iii)	153,076	20,000	-	-	13,777	-	-	-	-	29,394	-	-	216,247
S J Lyons, Company Secretary	(iii)	44,265	-	1,522	-	3,600	-	-	-	-	-	-	-	49,387
D L Kinley, Group Financial Controller	(iii)	39,375	-	8,523	-	3,544	-	-	-	-	-	-	-	51,442
C S Munyard, Manager: Surtron	(iii)	17,500	-	6,134	-	1,575	-	-	-	-	-	-	-	25,209
		619,735	20,000	85,592	-	56,203	-	14,765	-	-	86,329	-	-	882,624

Bonuses were earned during the current year by B Ridgeway and P Evans as performance targets were met. The bonuses paid represent the following percentages of the possible amounts payable: B Ridgeway 75% and P Evans 67%.

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 long term 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 2006 Annual General Meeting and is currently $500,000. In the current year remuneration to Non Executive Directors totalled $385,897, 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 lapsing date			
	$	**$**	**$**	**$**	**$**	**%**
I F Burston	352,000	-	-	352,000	122,623	60%
B W Ridgeway	-	-	-	-	-	-
G E Weston	-	214,075	-	214,075	-	-
D J Loughlin	279,500	-	-	279,500	56,935	24%
S J Lyons (iii)	-	-	-	-	-	-
P A Evans (iv)	144,300	-	-	144,300	29,394	14%

(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 124 "Related Party Disclosures".

(iii) Transactions applicable for the period 1 July 2006 to date of resignation on 17 October 2006.

(iv) Transactions applicable for the period 17 October 2006 to 30 June 2007.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2007

(g) Share options

(i) Share options granted to Directors and Executives

During or since the end of the financial year an aggregate of 1,800,000 options were granted to the following directors and executives of the Group.

Name	Number of options granted	Issuing entity	Number of ordinary shares under option
I F Burston	1,000,000	Imdex Limited	1,000,000
D J Loughlin	500,000	Imdex Limited	500,000
P A Evans	300,000	Imdex Limited	300,000

(ii) Share options on issue at the date of this report

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	180 cents	12 Jun 2007	11 Jun 2012	(aa)	675,000
Imdex Limited	Staff Share Options	Ordinary	100 cents	23 Feb 2007	22 Feb 2012	(aa)	4,350,000
Imdex Limited	Staff Share Options	Ordinary	75 cents	23 Feb 2007	22 Feb 2012	(aa)	700,000
Imdex Limited	Staff Share Options	Ordinary	35 cents	1 Feb 2006	31 Jan 2011	(aa)	2,154,905
Imdex Limited	Staff Share Options	Ordinary	20 cents	1 Aug 2004	31 Jul 2009	(aa)	2,067,167
Imdex Limited	Managing Director Options	Ordinary	30 cents	15 Sep 2005	14 Sep 2010	(bb)	2,000,000
Imdex Limited	Chairman's Options	Ordinary	75 cents	19 Oct 2006	18 Oct 2011	(bb)	1,000,000

(aa) exercisable one year after the date of issue, in one-third lots each year thereafter; and

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

(iii) Share options exercised during or since the end of the financial year

Issuing Entity	Class of option	Class of shares	Exercise price of option	Issue date of option	Expiry date of option	Number of shares issued
Imdex Limited	Staff Share Options	Ordinary	35 cents	1 Feb 2006	31 Jan 2011	463,428
Imdex Limited	Staff Share Options	Ordinary	20 cents	1 Aug 2004	31 Jul 2009	961,166
Imdex Limited	Staff Share Options	Ordinary	100 cents	23 Feb 2007	22 Feb 2012	75,000
Imdex Limited	Corporate Advisors Options	Ordinary	20 cents	23 Dec 04	31 Jul 09	100,000
Imdex Limited	Corporate Advisors Options	Ordinary	20 cents	23 Dec 04	31 Oct 07	2,000,000
Imdex Limited	Corporate Advisors Options	Ordinary	35 cents	23 Dec 04	31 Oct 07	1,000,000

(h) Principal Activities

The Group'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 26 March 2007 to shareholders registered on 13 March 2007. A fully franked final dividend of 1 cent per ordinary share was paid on 13 October 2006 to shareholders registered on 10 October 2006. In the prior year a fully franked interim dividend of 1 cent per ordinary share was paid on 30 March 2006 to shareholders registered on 23 March 2006. Since 30 June 2007 the Directors have declared a fully franked final dividend of 1.5 cents 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 the Group acquired three down hole tool survey businesses, Chardec Technology Ltd, the Reflex Group and the Flexit Group.

Other than the above, there were no significant changes in the state of affairs of the Group.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2007

(l) Subsequent Events

Effective 1 July 2007 Imdex Limited acquired 100% of the issued share capital of the Canadian based Poly-Drill Drilling Systems Ltd (Poly-Drill) for a total of $3,500,000. The purchase price was settled by way of $1,750,000 cash and 1,212,751 fully paid ordinary shares in Imdex Limited with a fair value of $1,750,000. The issue price of the Imdex shares was the weighted average share price on the 5 business days prior to 1 July 2007. The issued shares are under a voluntary escrow until 30 June 2008. Poly-Drill manufactures and sells polymer drilling fluid based systems and solids control systems. Additional disclosures with respect to this acquisition are impractical at this stage as the acquisition accounting is still being finalised.

Effective 1 July 2007, Imdex Limited acquired 75% of the issued share capital of Suay Energy Services LLP (Suay), a private company incorporated in Kazakhstan. The purchase price was US$393,000 (A$450,000) payable in cash. Of this amount US$200,000 (A$230,000) was paid in May 2007 with the balance paid on settlement. Imdex Limited has the right to acquire the remaining 25% interest at fair value. Suay supply drilling fluids and chemicals to the oil and gas industry in the Caspian Sea region. Additional disclosures with respect to this acquisition are impractical at this stage as the acquisition accounting is still being finalised.

On 31 July 2007 Imdex Limited paid the next deferred settlement instalment of GBP 2,180,000 (A$5,373,000) due to the vendors of Chardec Technology Limited.

On 3 August 2007, a Heads of Agreement was signed to acquire Southernland S.A., a drilling fluids and chemicals manufacturer and distributor based in Santiago, Chile. The purchase price is US$2,550,000 (A$3,000,000), with 50% payable in cash on settlement and 50% to be paid in fully paid ordinary shares in Imdex Limited to be escrowed for two years from the date of settlement. The shares will be issued at the weighted average closing price of the 5 days immediately prior to settlement. The proposed settlement date is 1 October 2007. The acquisition of Southernland S.A. provides the Imdex Group with manufacturing capability in Chile in order to access the growing Central and Southern American markets. Additional disclosures with respect to this acquisition are impractical at this stage as the due diligence process is still being finalised.

Subsequent to year end the Directors declared a 1.5 cent per share fully franked dividend with an entitlement date of 5 October 2007 and a payment date of 17 October 2007. 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 Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

(n) Environmental Regulations

The only entity in the Group that is subject to environmental regulations is Samchem Drilling Fluids and Chemicals (Pty) Ltd. They are required to comply with the South African National Water Act, Act No 36 of 1998 which requires the management of effluent discharge. This is controlled through an effluent pit system using an oil separator. No known environmental breaches have occurred in relation to the Group's operations.

(o) Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 6 to the Financial Report.

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.

The Directors are of the opinion that the services as disclosed in Note 6 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit and Compliance Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- None of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2007

(p) Auditor's Independence Declaration

The auditor's independence declaration is included on page 14 of the Annual 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, except to the extent permitted by law, 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, 15 August 2007.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the members of Imdex Limited

We have audited the accompanying financial report of Imdex Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 38 to 90.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the consolidated financial statements and notes, comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Member of
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation.

Deloitte.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

(a) the financial report of Imdex Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

KEITH F JONES
Partner
Chartered Accountants
Perth, 15 August 2007

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 statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company and the Group; 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 25 to the financial statements 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.295(5) for the Corporations Act 2001.

Dated at Perth, 15 August 2007.

Ian F Burston
Chairman

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
Imdex Limited
Level 1, 15 Rehola Street
WEST PERTH WA 6005

15 August 2007

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 2007, 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 faithfully

DELOITTE TOUCHE TOHMATSU

KEITH F JONES
Partner
Chartered Accountants

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CORPORATE GOVERNANCE STATEMENT

(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 2007. 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 2007, and the main corporate governance practices in place are set out below.

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

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

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

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

(i) Board Structure

The Board consists of a Non Executive Chairman, three Non Executive Directors and one Executive Director. Of the five Board members, four are considered independent.

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 Group’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 R W Kelly, Non Executive Director	Independent	Nil
Mr K A Dundo, Non Executive Director	Independent	Nil
Mr M Lemmel, Non Executive Director	Independent	Nil

(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 Chief Financial Officer

The Managing Director and the Chief Financial Officer have signed a declaration to the Board attesting to the fact that the 2007 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 Chief Financial Officer are invited to Audit Committee meetings at the discretion of the Committee. The Audit Committee met twice during the year as set out in the Directors' Report.

CORPORATE GOVERNANCE STATEMENT

(iii) External Auditors

The Board reviews the performance, skills, cost and other matters when assessing the appointment of external auditors. This review is generally undertaken at the completion of the preparation of the Annual Financial Report and involves discussions with the auditors and the Group'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 Group '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 Group during the year, changes in the state of affairs of the Group 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 Group 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 Group, 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 Group '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.

CORPORATE GOVERNANCE STATEMENT

(ii) Statement by the Managing Director and Chief Financial Officer

The Managing Director and the Chief Financial Officer 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 32. 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 R W Kelly (Chairman);
Mr I F Burston; and,
Mr K A Dundo.

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 2006 Annual General Meeting and is currently $500,000.

(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.

IMDEX LIMITED
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INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Notes	Consolidated Year Ended 30 June 2007 $'000	Consolidated Year Ended 30 June 2006 $'000	Company Year Ended 30 June 2007 $'000	Company Year Ended 30 June 2006 $'000
Revenue from sale of goods, rendering of services and operating lease rental		118,440	66,614	22,503	11,379
Other revenue from operations		900	178	2,849	82
Total revenue	4	119,340	66,792	25,352	11,461
Other income	4	1,597	76	8,084	1,402
Share of losses of associates accounted for using the equity method		-	(301)	-	-
Raw materials and consumables used	4	(53,618)	(32,776)	(7,202)	(4,415)
Employee benefit expense	4	(16,092)	(11,086)	(3,646)	(2,179)
Depreciation expense	4	(4,368)	(2,431)	(2,269)	(1,268)
Amortisation expense	4	(3,430)	-	-	-
Finance costs	4	(2,886)	(216)	(1,543)	(40)
Change in fair value of investments held for trading	9(i)	-	4,500	-	4,199
Impairment adjustment	4	-	(2,275)	-	(3,460)
Other expenses	4	(20,131)	(10,419)	(5,691)	(3,193)
Profit before income tax expense		20,412	11,864	13,085	2,507
Income tax expense	5	(6,894)	(3,880)	(3,219)	(1,329)
Profit attributable to ordinary equity holders of Imdex Limited		13,518	7,984	9,866	1,178
Earnings per share:					
Basic earnings per share (cents)	20	8.74	6.07		
Diluted earnings per share (cents)	20	8.00	5.95		

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

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BALANCE SHEET
AS AT 30 JUNE 2007

	Notes	Consolidated 30 June 2007 $'000	Consolidated 30 June 2006 $'000	Company 30 June 2007 $'000	Company 30 June 2006 $'000
Current Assets					
Cash and Cash Equivalents	30	15,271	6,421	962	2,003
Trade and Other Receivables	7	27,806	18,798	10,213	3,153
Inventories	8	13,839	9,707	2,085	1,081
Other Financial Assets	9	11,556	4,500	12,176	6,849
Other	10	224	12	49	4
		68,696	39,438	25,485	13,090
Non Current Assets classified as held for sale	11	4,500	-	4,500	-
Total Current Assets		73,196	39,438	29,985	13,090
Non Current Assets					
Other Financial Assets	9	-	-	43,339	2,172
Property, Plant and Equipment	12	13,207	9,967	4,886	4,088
Goodwill	13	35,033	1,906	-	-
Other Intangible Assets	14	27,746	1,313	429	-
Other	10	664	124	664	124
Total Non Current Assets		76,650	13,310	49,318	6,384
Total Assets		149,846	52,748	79,303	19,474
Current Liabilities					
Trade and Other Payables	15	16,741	13,629	5,570	3,111
Borrowings	16	11,881	1,391	2,685	498
Current Tax Payables	5	8,913	2,058	5,450	1,973
Provisions	17	1,212	830	265	189
Total Current Liabilities		38,747	17,908	13,970	5,771
Non Current Liabilities					
Borrowings	16	28,556	1,503	10,064	220
Deferred Tax Liabilities	5	5,481	458	796	1,038
Provisions	17	448	226	116	40
Total Non Current Liabilities		34,485	2,187	10,976	1,298
Total Liabilities		73,232	20,095	24,946	7,069
Net Assets		76,614	32,653	54,357	12,405
Equity					
Contributed Capital	18	60,982	26,490	60,982	26,490
Foreign Currency Translation Reserve	19	(2,137)	(494)	-	-
Employee Equity-Settled Benefits Reserve	19	751	105	751	105
Retained Profits/(Accumulated Losses)		17,018	6,552	(7,376)	(14,190)
Total Equity		76,614	32,653	54,357	12,405

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

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

		Contributed Capital		Foreign Currency Translation Reserve	Employee Equity-Settled Benefits Reserve	Retained Earnings / (Accumulated Losses)	Total Attributable to Equity Holders of the Entity
		Ordinary Shares	Mandatory Convertible Capital				
CONSOLIDATED	**Notes**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2005		19,008	-	-	48	(36)	19,020
Exchange differences on translation of foreign operations after taxation	19	-	-	(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	19	-	-	-	59	-	59
Issue of shares as part consideration for the acquisition of Samchem	18	3,592	-	-	-	-	3,592
Issue of equity securities for working capital	18	3,990	-	-	-	-	3,990
Share issue costs (net of tax)	18	(111)	-	-	-	-	(111)
Issue of shares under staff option plan	18	11	-	-	(2)	-	9
Balance at 30 June 2006		26,490	-	(494)	105	6,552	32,653
Exchange differences on translation of foreign operations after taxation	19	-	-	(1,643)	-	-	(1,643)
Net income recognised directly in equity		-	-	(1,643)	-	-	(1,643)
Profit for the period		-	-	-	-	13,518	13,518
Total recognised income and expense for the period		-	-	-	-	13,518	13,518
Dividend paid		-	-	-	-	(3,052)	(3,052)
Share based payments	19	-	-	-	728	-	728
Issue of equity securities for working capital	18	16,500	-	-	-	-	16,500
Issue of equity securties on conversion of debt	18	10,400	-	-	-	-	10,400
Issue of equity securities on purchase of entity	18	200	-	-	-	-	200
Share issue costs (net of tax)	18	(510)	-	-	-	-	(510)
Issue of shares under staff option plan	18	1,202	-	-	(82)	-	1,120
Deferred consideration - mandatory convertible capital	18	-	6,700	-	-	-	6,700
Balance at 30 June 2007		54,282	6,700	(2,137)	751	17,018	76,614
COMPANY							
Balance at 1 July 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	19	-	-	-	59	-	59
Issue of shares as part consideration for the acquisition of Samchem	18	3,592	-	-	-	-	3,592
Issue of equity securities for working capital	18	3,990	-	-	-	-	3,990
Share issue costs (net of tax)	18	(111)	-	-	-	-	(111)
Issue of shares under staff option plan	18	11	-	-	(2)	-	9
Balance at 30 June 2006		26,490	-	-	105	(14,190)	12,405
Profit for the period		-	-	-	-	9,866	9,866
Total recognised income and expense for the period		-	-	-	-	9,866	9,866
Dividend paid		-	-	-	-	(3,052)	(3,052)
Share based payments	19	-	-	-	728	-	728
Issue of equity securities for working capital	18	16,500	-	-	-	-	16,500
Issue of equity securities on conversion of debt	18	10,400	-	-	-	-	10,400
Issue of equity securities on purchase of entity	18	200	-	-	-	-	200
Share issue costs (net of tax)	18	(510)	-	-	-	-	(510)
Issue of shares under staff option plan	18	1,202	-	-	(82)	-	1,120
Deferred consideration - mandatory convertible capital	18	-	6,700	-	-	-	6,700
Balance at 30 June 2007		54,282	6,700	-	751	(7,376)	54,357

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

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CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Notes	Consolidated Year Ended 30 June 2007 $'000	Consolidated Year Ended 30 June 2006 $'000	Company Year Ended 30 June 2007 $'000	Company Year Ended 30 June 2006 $'000
Cash Flows From Operating Activities					
Receipts from customers		128,311	67,509	18,124	10,568
Payments to suppliers and employees		(105,288)	(55,633)	(12,701)	(10,207)
Intercompany management fees received		-	-	1,363	1,020
Intercompany dividend received		-	-	3,000	344
Interest and other costs of finance paid		(1,490)	(6)	(1,022)	-
Income tax paid		(5,392)	(1,796)	(3,241)	-
Net cash provided by Operating Activities	30(c)	16,141	10,074	5,523	1,725
Cash Flows From Investing Activities					
Interest and bill discounts received		267	97	217	82
Payment for property, plant and equipment		(5,733)	(5,295)	(3,358)	(2,847)
Proceeds from sale of property, plant and equipment		710	652	2,886	122
Proceeds from Rashid Trading Establishment		1,121	928	1,121	928
Proceeds from sale of Imdex Minerals	28	-	6,271	-	6,271
Payment for development costs capitalised	14	(429)	-	(429)	-
Payment for shares of Flexit net of cash acquired	26(a)	(10,274)	-	-	-
Payment for shares of Reflex net of cash acquired	26(b)	(15,194)	-	-	-
Payment for shares of Chardec net of cash acquired	26(c)	(6,352)	-	-	-
Payment for the acquisition of patent		(328)	-	(328)	-
Payment for the acquisition of the business of Samchem	26(d)	-	(3,011)	-	(3,011)
Amounts advanced to Sino Gas & Energy Ltd		(11,307)	-	(11,307)	-
Amounts repaid by Sino Gas & Energy Ltd		200	-	200	-
Payment of deferred acquisition costs		(540)	(350)	(540)	(350)
Net cash provided by / (used in) Investing Activities		(47,859)	(708)	(11,538)	1,195
Cash Flows From Financing Activities					
Advances from / (to) Controlled Entities		-	-	(20,444)	2,435
Proceeds from issue of equity securities	18	16,500	3,990	16,500	3,990
Payment for share issue costs	18	(729)	(112)	(729)	(112)
Cash received on exercise of options		1,120	10	1,120	10
Dividend paid	21	(3,052)	(1,396)	(3,052)	(1,396)
Hire purchase and lease payments		(1,801)	(1,507)	(721)	(506)
Proceeds from borrowings		33,890	-	18,000	-
Repayment of borrowings		(5,700)	(3,625)	(5,700)	(3,625)
Net cash provided by/(used in) Financing Activities		40,228	(2,640)	4,974	796
Net Increase / (Decrease) in Cash and Cash Equivalents Held		8,510	6,726	(1,041)	3,716
Cash and Cash Equivalents At The Beginning Of The Financial Year	30(a)	6,421	(364)	2,003	(1,713)
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		340	59	-	-
Cash and Cash Equivalents At The End Of The Financial Year	30(a)	15,271	6,421	962	2,003

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

1 Adoption of New and Revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has resulted in a change to the Group's accounting policies in the following areas:

- Investments classified as at fair value through profit or loss (AASB 2005-04 'Amendments to Australian Accounting Standards');
- Accounting for business combinations involving entities or businesses under common control (AASB 2005-6 'Amendments to Australian Accounting Standards'); and
- Accounting for financial guarantee contracts (AASB 2005-9 'Amendments to Australian Accounting Standards').

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

Standard / Interpretation	Effective Date
AASB 7 'Financial Instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue	Effective for annual reporting periods beginning on or after 1 January 2007
AASB 101 'Presentation of Financial Statements' – revised standard	Effective for annual reporting periods beginning on or after 1 January 2007
Interpretation 10 'Interim Financial Reporting and Impairment'	Effective for annual reporting periods beginning on or after 1 November 2006.
AASB 8 'Operating Segments' and consequential amendments to other accounting standards resulting from its issue	Effective for annual reporting periods beginning on or after 1 January 2009
AASB 123 'Borrowing Costs' revised	Effective for annual reporting periods beginning on or after 1 January 2009
AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments'	Effective for annual reporting periods beginning on or after 1 July 2007
AASB 2007-7 'Amendments to Australian Accounting Standards - June 2007'	Effective for annual reporting periods beginning on or after 1 July 2007
Interpretation 11 'AASB 2 – Group and Treasury Share Transactions'	Effective for annual reporting periods beginning on or after 1 March 2007
Interpretation 12 'Service Concession Arrangements'	Effective for annual reporting periods beginning on or after 1 January 2008
Interpretation 13 'Customer Loyalty Programmes'	Effective for annual reporting periods beginning on or after 1 July 2008
Interpretation 14 'Limit on a defined benefit asset, Minimum Funding Requirements and their Interaction'	Effective for annual reporting periods beginning on or after 1 January 2008

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company or the Group.

The circumstances addressed by Interpretation 10, which prohibits the reversal of certain impairment losses, does not affect either the Company's or the Group's previously reported results and accordingly, there will be no impact to these financial statements on adoption of the Interpretation.

The application of AASB 101 (revised), AASB 7, AASB 8, AASB 123, AASB 2007-4, AASB 2007-7 and Interpretation 11 are not expected to have a material effect on any of the amounts recognised in the financial statements, but may change the disclosures presently made in relation to the Company's and the Group's assets, liabilities, segments, financial instruments and the objectives, policies and processes for managing capital.

The circumstances addressed by Interpretations 12, 13 and 14 do not have application to the business of the Company or Group.

These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning after the effective date of each pronouncement.

1 Adoption of New and Revised Accounting Standards (continued)

Limitation of ability to designate financial assets and financial liabilities through profit or loss

The Australian Accounting Standards Board released AASB 2005-4 "Amendments to Australian Accounting Standards" in June 2005. AASB 2005-4 amends AASB 139 "Financial Instruments: Recognition and Measurement" by limiting the ability of entities to designate any financial asset or financial liability as 'at fair value through profit or loss'.

Financial assets that can no longer be designated as 'at fair value through profit or loss' shall be classified into either loans and receivables, held-to-maturity investments or available-for-sale investments, as appropriate, and measured at amortised cost or at fair value with changes in fair value recognised in equity, depending on classification. Financial liabilities that can no longer be designated as 'at fair value through profit or loss' shall be classified as 'other' financial liabilities and measured at amortised cost. Although ordinarily the designation of a financial asset as available-for-sale is made on initial recognition, the transitional provisions of the standard allow such designation to be made on the date of de-designation (1 July 2005).

The changes introduced by AASB 2005-4 are applied by the Group with effect from the beginning of the comparative reporting period presented in this financial report (i.e. with effect from 1 July 2005). Financial assets and financial liabilities designated by the Group as 'at fair value through profit or loss' continue to meet the revised designation rules and accordingly, the application of these amendments has no impact on the financial statements.

Accounting for business combinations involving entities or businesses under common control

The AASB released AASB 2005-6 'Amendments to Australian Accounting Standards' in June 2006. AASB 2005-6 amends AASB 3 'Business Combinations' by removing business combinations involving entities or businesses under common control from its scope. The effect of the scope amendment is that there is no longer any explicit guidance under Accounting Standards as to how to account for these types of business combinations.

Due to the requirements of AASB 1 'First-Time Adoption of the Australian Equivalents to International Financial Reporting Standards' permitting the non-restatement of pre-transition business combinations, the amendments has no effect on the financial statements of the Company or Group for the current or prior reporting periods,. However, future transactions involving entities under common control will be affected. Details of the entity's accounting policies in relation to common control transactions are outlined in note 2(h).

Accounting for financial guarantee contracts

The AASB released AASB 2005-9 'Amendments to Australian Accounting Standards' in September 2005. AASB 2005-9 amends AASB 139 'Financial Instruments: Recognition and Measurement' to require certain financial guarantee contracts to be recognised in accordance with AASB 139 and measured initially at their fair values, and subsequently measured at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with the revenue recognition policies described in note 2(q).

The changes introduced by AASB 2005-9 are applied by the Group with effect from the beginning of the comparative reporting period presented in this financial report (i.e. with effect from 1 July 2005). The Company is party to a deed of cross guarantee with other entities in the Group. 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.

The application of these amendments results in such financial guarantees now being recognised and measured at the higher of the best estimate of the expenditure required to settle the obligation and the amount initially recognised less, where appropriate, accumulated amortisation.

No material adjustment is required in the separate financial statements of the Company to recognise the financial guarantee liability associated with its exposure under the deed of cross guarantee.

2 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 and Accounting Standards and 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 Group comply with International Financial Reporting Standards ('IFRS'). The parent entity financial statements and notes also comply with IFRS except for the disclosures 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 group.

The financial report includes the separate financial statements of the Company and the consolidated financial statements of the Group.

The financial statements were authorised for issue by the directors on 15 August 2007.

(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. All amounts are presented in Australian dollars, unless otherwise noted.

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 financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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 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 acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at its cost less any impairment losses.

For the purpose of impairment testing goodwill is allocated to each of the Group's cash-generating units (CGU's), or groups of CGU's, expected to benefit from the synergies of the business combination. CGU's (or groups of CGU's) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the CGU (or group of CGU's) is less than the carrying amount of the CGU (or groups of CGU's), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or groups of CGU's) and then to the other assets of the CGU (or groups of CGU's) pro-rata on the basis of the carrying amount of each asset in the CGU (or groups of CGU's). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

NOTES TO THE FINANCIAL REPORT

2 Summary of Significant Accounting Policies (continued)

(e) 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 necessary to make the sale.

(f) Property, plant and equipment

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 calculated on a straight line basis so as to write off the net cost 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, with the effect of any changes recognised on a prospective basis.

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

Plant and equipment:	10% to 40%
Equipment rented to third parties:	10% to 40%
Equipment under finance lease:	13% to 22.5%

(g) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by the 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. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 33.

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 Group's estimate of shares that will eventually vest.

(h) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

2 Summary of Significant Accounting Policies (continued)

(i) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

(j) Borrowing costs

Borrowing costs are expensed as incurred.

(k) Foreign currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for 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, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of the Group's foreign operations (including comparatives) are translated into Australian dollars at exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchanges rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed.

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. Goodwill arising on acquisitions before the date of transition to A-IFRS is treated as an Australian dollar denominated asset.

(l) 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.

2 Summary of Significant Accounting Policies (continued)

(i) Effective interest method

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.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

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

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

- Has been acquired principally for the purpose of selling in the near future;
- Is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- Is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

(iii) Available-for-sale financial assets

Available-for-sale assets are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest rate method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

The fair value of available-for-sale monetary assets held in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that results from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

(vi) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method less impairment.

Interest is recognised by applying the effective interest rate.

(v) Impairment of financial assets

Financial assets other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying value of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying value is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

2 Summary of Significant Accounting Policies (continued)

(m) 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) Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

(iii) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised through profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 31.

(iv) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(n) Intangible assets

(i) Intangible assets acquired in a business combination

All 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 value can be measured reliably. Identifiable intangible assets comprise intellectual property, technology, contracts, customers and trade marks. These are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Estimated useful lives are as follows:

Intellectual property	indefinite
Technology	5-7 years
Contracts	5 years
Customers	6 years
Trade Marks	5-6 years

Intellectual property recognised by the Company has an indefinite useful life and is not amortised. Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in note 2(s).

(ii) Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalised development costs are stated at cost less accumulated amortisation and impairment, and are amortised on a straight-line basis over their useful life of 5 years, commencing on commercialisation of the underlying projects.

2 Summary of Significant Accounting Policies (continued)

(o) Taxation

(iii) 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).

(iv) Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

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 Group 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 Group 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/Group intends to settle its current tax assets and liabilities on a net basis.

(v) 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.

(vi) 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 in 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 by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 5 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credit in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

2 Summary of Significant Accounting Policies (continued)

(p) 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) Group 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) Group 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 Group'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.

(iii) Lease incentives

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.

(q) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

(i) Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownerships of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and

the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(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 from investments is recognised when the shareholders right to receive payment has been established. Interest revenue is accrued on a time basis, by reference to the principle outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2 Summary of Significant Accounting Policies (continued)

(r) 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 Group 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.

(s) Impairment of other tangible and intangible assets

At each reporting date, the Group 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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.

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.

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.

(t) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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.

(u) Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured, with certain exceptions, 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 principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual or customary for such a sale and the sale is highly probable. The sale of the asset (or disposal group) must be expected to be completed within one year from the date of classification, except in the circumstances where sale is delayed by events or circumstances outside the Group’s control and the Group remains committed to a sale.

3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 2, management is required to make judgements, 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 judgements. 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.

Critical judgements in applying the entity's accounting policies

Management have not made any significant critical judgements in the process of applying the Group's accounting policies.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Value of Shares

Notes 9 and 11 describe the investment held in Sino Gas & Energy Ltd (SGE). Australian Accounting Standards require this investment to be held at the lower of carrying value and fair value less costs to sell. In making the assessment of which value is the lower, the Directors have had to make estimates of the fair value of this investment and the expected costs to sell. The Directors have estimated this investment to have a fair value in excess of its carrying value of $4,500,000 at 30 June 2007. (2006: $4,500,000)

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 SGE, the results of exploration activity to date, discussions with potential investors and having regard to the fact that SGE is an unlisted entity and the shares held in SGE can not be readily traded on any share market.

Value of Intangibles

Notes 14 and 26 describe intangibles that have arisen on business combinations during the current year. The Directors have engaged independent valuation professionals to identify and value such intangibles. The valuers have used industry accepted valuation techniques such as the relief-from-royalty, multi-period excess earnings and replacement cost methodologies as appropriate to value these assets. Data inputs into these models are derived largely from internal management budgets. Should actual financial results differ from managements budgeted expectations, this would have a consequent effect on the value of intangibles.

Value of Goodwill

Notes 13 and 26 describe the goodwill that has arisen on business combinations in the current year. Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at its cost less any impairment losses.

Any change in the value of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised would have had a consequent impact on the carrying value of goodwill at the time of initial recognition. Goodwill is impairment tested annually.

4 Profit from Operations

	Consolidated		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
(a) Revenue from operations				
Revenue from the sale of goods	82,244	47,251	10,002	5,859
Revenue from the rendering of services	16,650	13,843	-	-
Operating rental income	19,546	5,520	12,501	5,520
Interest income	900	97	2,849	82
Other operating revenue	-	81	-	-
	119,340	66,792	25,352	11,461

(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:

	Consolidated 2007	Consolidated 2006	Company 2007	Company 2006
Gain on disposal of property, plant and equipment (i)	76	76	2,200	38
Foreign exchange gain/(loss) (ii)	(372)	(15)	(953)	533
	(296)	61	1,247	571

(i) In the current year the Company sold some items of plant and equipment to a subsidiary company. This profit is eliminated on consolidation.

(ii) Foreign exchange loss in the parent arises primarily on intercompany loans. These amounts are eliminated on consolidation.

Profit before income tax has been arrived at after charging the following items of income and expense:

	Consolidated 2007	Consolidated 2006	Company 2007	Company 2006
Other income				
Gain on disposal of property, plant and equipment	76	76	2,200	38
Management fees from Subsidiaries	-	-	1,363	1,020
Dividends from Subsidiaries	-	-	3,000	344
Amounts received from Rashid Trading Establishment (i)	1,121	-	1,121	-
Other revenue	400	-	400	-
	1,597	76	8,084	1,402

(i) Comprises $812,000 in full recovery of a loan considered to have been impaired at 30 June 2006 and $309,000 for the sale of the Company's remaining 20% interest in Imdex Arabia previously carried in the Company's books at nil. No further amounts remain outstanding from Rashid Trading Establishment. Refer note 29(b)(v)(e)

	Consolidated 2007	Consolidated 2006	Company 2007	Company 2006
Depreciation and amortisation of Non Current Assets				
Depreciation of property, plant and equipment	4,368	2,431	2,269	1,268
Amortisation of intangible assets	3,430	-	-	-
	7,798	2,431	2,269	1,268
Finance costs				
Interest on hire purchase liabilities	225	210	57	40
Interest on convertible note	464	-	464	-
Interest on deferred acquisition consideration	707	-	-	-
Interest on commercial bills	923	-	923	-
Interest on bank loan	350	-	-	-
Interest on overdraft	18	-	11	-
Other interest	199	6	88	-
	2,886	216	1,543	40

NOTES TO THE FINANCIAL REPORT

4 Profit from Operations (continued)

	Consolidated		Company	
	2007	2006	2007	2006
	$'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:				
Other expenses				
Commissions	1,650	1,243	49	24
Consultancy fees	1,834	626	338	141
Legal and professional expenses	618	316	447	246
Foreign exchange loss / (gain)	372	15	953	(533)
Rent and premises costs	1,489	1,275	473	306
Repairs and maintenance	1,511	1,097	982	553
Research and development costs immediately expensed	1,007	-	-	-
Travel and accommodation	2,186	1,215	437	216
Motor vehicle costs	1,167	1,057	198	165
Other expenses	8,297	3,575	1,814	2,075
	20,131	10,419	5,691	3,193
Employee benefits expense				
Post-employment benefits:				
Defined contribution superannuation costs	426	2,488	74	59
Share based payments:				
Equity-settled share based payments	728	59	728	59
Other employee benefits	14,938	8,539	2,844	2,061
	16,092	11,086	3,646	2,179
Cost of sales	53,618	32,776	7,202	4,415
Impairment of trade receivables	173	2	(43)	2
Operating lease rental expense (minimum lease payments)	1,682	1,443	478	312
Impairment adjustment				
Receivable due from Rashid Trading Enterprise	-	875	-	875
Investment in RTE/Imdex Joint Venture	-	1,400	-	2,585
	-	2,275	-	3,460

5 Income Taxes

	Consolidated		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
(a) Income tax recognised in the income statement				
Tax expense comprises:				
Current tax expense	9,924	2,835	3,297	153
Deferred tax expense relating to the origination and reversal of temporary differences	(2,727)	1,430	57	1,564
(Over)/under provision per prior year	(303)	(385)	(135)	(388)
Total tax expense	6,894	3,880	3,219	1,329

5 Income Taxes (continued)

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'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 operations	20,412	11,864	13,085	2,507
Income tax expense calculated at 30%	6,124	3,559	3,926	752
Tax benefit of losses not previously brought to account	(23)	-	-	-
Impairment of investment in RTE/Imdex Joint Venture	-	420	-	776
Intercompany dividends received	-	-	(900)	(103)
Bad debts	-	263	-	263
Non-deductible share based payments	218	18	218	18
Additional provincial tax arising in a foreign jurisdiction	142	-	-	-
Non-deductible interest on deferred payments	212	-	-	-
Other non-deductible expenses	232	11	10	11
Tax rate differential arising from foreign entities	38	(6)	-	-
Adjustments in respect of prior year deferred tax balances	254	-	100	-
(Over) / under provision of prior year income tax	(303)	(385)	(135)	(388)
	6,894	3,880	3,219	1,329

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:

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Current tax: Share issue expenses	(53)	48	(53)	48
Deferred tax: Share issue expenses deductible over five years	(165)	-	(165)	-
Deferred tax: Translation of foreign operations	(71)	212	-	-
	(289)	260	(218)	48

(c) Current tax assets and liabilities

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Current tax payable	8,913	2,058	5,450	1,973

(d) Deferred tax balances

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Deferred tax assets comprise:				
Provisions	304	455	86	153
Inventory	125	-	-	-
Property, plant and equipment	1,871	-	-	-
Accruals	518	262	175	90
Foreign currency translation reserves	282	212	-	-
Share issue expenses	204	38	203	38
	3,304	967	464	281
Deferred tax liabilities comprise:				
Property, plant and equipment	(4)	(146)	-	(59)
Intangible assets	(7,521)	(19)	-	-
Non-current assets classified as held for sale (current year) / Fair value through profit and loss financial assets (prior year)	(1,260)	(1,260)	(1,260)	(1,260)
	(8,785)	(1,425)	(1,260)	(1,319)
Net deferred tax balances	(5,481)	(458)	(796)	(1,038)

Unrecognised deferred tax assets:
The following have not been brought to account as assets:

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Temporary differences relating to the translation of investments in subsidary undertakings	427	-	-	-

NOTES TO THE FINANCIAL REPORT

5 Income Taxes (continued)

Tax Consolidation

Relevance of tax consolidation to the Group
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 funding and 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.

The tax sharing agreement entered into between members of the tax consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax consolidated group is limited to the amount payable by the head entity under the tax funding arrangement.

6 Remuneration of Auditors

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
Auditor of the parent entity - Deloitte Touche Tohmatsu				
Audit or review of the financial report	175,715	122,190	175,715	122,190
Taxation services - mainly compliance work and transfer pricing and global restructuring advice	251,549	24,182	251,549	24,182
Other non-audit services: Other consulting services	-	9,850	-	9,850
Other non-audit services: A-IFRS assistance	-	35,439	-	35,439
	427,264	191,661	427,264	191,661
Other auditors				
Audit or review of the financial report	356,471	27,501	-	-
Other non-audit services: Accounting assistance and taxation advice	78,814	14,462	-	-
	435,285	41,963	-	-
	862,549	233,624	427,264	191,661

NOTES TO THE FINANCIAL REPORT

7 Trade and Other Receivables

		Consolidated		Company	
		2007	2006	2007	2006
	Notes	$'000	$'000	$'000	$'000
Current					
Trade receivables	(i)	27,966	18,660	10,173	3,267
Allowance for doubtful debts		(479)	(306)	(71)	(114)
		27,487	18,354	10,102	3,153
Due from Quadripart Investment Holdings (Pty) Ltd	29(b)(v)(b)	-	444	-	-
Other receivables		319	-	111	-
		27,806	18,798	10,213	3,153

(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.

8 Inventories

	Consolidated		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Current				
Raw materials - at cost	1,251	420	-	-
Work in progress - at cost	51	-	-	-
Finished goods - at cost	12,537	9,287	2,085	1,081
	13,839	9,707	2,085	1,081

9 Other Financial Assets

		Consolidated		Company	
		2007	2006	2007	2006
	Notes	$'000	$'000	$'000	$'000
Current					
Financial assets carried at fair value through profit or loss					
Shares	(i)	-	4,500	-	4,500
Loans carried at amortised cost					
Loan to Sino Gas & Energy Limited	(ii)	11,556	-	11,556	-
Loans to Subsidiaries	(iii)	-	-	620	2,349
		11,556	4,500	12,176	6,849
Non-current					
Loans carried at amortised cost					
Loans to Subsidiaries	(iii)	-	-	40,638	-
Investments carried at cost					
Investments in Subsidiaries		-	-	2,701	2,172
		-	-	43,339	2,172

9 Other Financial Assets (continued)

(i) In the prior year the Group held 19.1% of the ordinary share capital of Sino Gas & Energy Limited (SGE), an energy company operating in China. These shares were classified as 'at fair value through profit or loss' as it is the intention of the Company to dispose of these shares as soon as it is practicable. In the prior year these shares were revalued from their carrying value of $300,000 to their fair value of $4,500,000 with the revaluation being recognised on the face of the income statement.

(ii) During the current period the Group advanced $11,307,000 million to SGE as a short term facility pending the finalisation of their capital raising initiatives. This loan comprised of two advances, one of A$5,000,000 and one of US$5,000,000. A total of $200,000 of this loan was repaid during the year and a foreign currency revaluation loss of $184,000 was recorded. Interest of $633,000 was charged on the balance. The funds advanced are secured by a fixed and floating charge over all the assets held by SGE. The loan bears interest at 13.5% per annum and is repayable on the IPO of SGE. The loan carries the option for Imdex Limited to convert the loan balance into equity in SGE at market price.

As a result of the above and Imdex's holding of 13.6% (percentage reduced from 19.1% to 13.6% in the current period), the Company has determined that it has significant influence. However, as the Company's intention is to realise the value of the investment through sale and it meets the requirements of AASB 5: 'Non-Current Assets Held for Sale and Discontinued Operations' the investment is not within the scope of AASB 128: 'Investments in Associates'. Accordingly, the investment has been classified as a non-current asset held for sale. Refer to Note 11.

(iii) Loans to Subsidiaries have no specific terms or conditions other than the loans to Samchem Drilling Fluids and Chemicals (Pty) Ltd and Imdex Sweden AB which were put in place in the current year. These loans are repayable in quarterly instalments commencing on 1 July 2007 with the last payment due on 30 June 2017. The loan to Samchem carries interest at the South African prime overdraft rate (currently 14.5%) plus a 2% margin. The loan to Imdex Sweden carries interest at the Stockholm Interbank Offered Rate (currently 3.65%) plus a weighted average margin of 0.75%.

10 Other Current Assets

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Current					
Prepayments		224	12	49	4
		224	12	49	4
Non-current					
Deferred acquisition costs	(i)	664	124	664	124
		664	124	664	124

(i) Comprises legal, consulting and other direct costs associated with the acquisitions of Suay and Poly-Drill in the current year (refer note 34) and Reflex and Chardec in the prior year. These costs will be included in the cost of investment on settlement.

11 Non-Current Assets Classified as Held for Sale

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Shares held for sale	(i)	4,500	-	4,500	-
		4,500	-	4,500	-

(i) The investment in SGE has been classified as a non-current asset held for sale as its carrying amount will be recovered principally through a sale transaction.

12 Property, Plant and Equipment

Consolidated	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
Gross Carrying Value					
Balance at 30 June 2005	6,222	1,245	4,437	353	12,257
Additions	3,006	3,150	574	-	6,730
Acquisitions through business combinations	416	-	-	-	416
Disposals	(54)	-	(1,052)	-	(1,106)
Net foreign currency exchange differences	(71)	-	-	-	(71)
Transfer	966	1,245	(2,022)	(189)	-
Balance at 30 June 2006	10,485	5,640	1,937	164	18,226
Additions	3,341	3,057	37	387	6,822
Acquisitions through business combinations	654	2,726	77	-	3,457
Disposals	(368)	(1,634)	(107)	-	(2,109)
Net foreign currency exchange differences	(109)	(394)	(4)	(3)	(510)
Balance at 30 June 2007	14,003	9,395	1,940	548	25,886
Accumulated Depreciation					
Balance at 30 June 2005	4,943	534	890	-	6,367
Disposals	(9)	-	(521)	-	(530)
Acquisitions through business combinations	-	-	-	-	-
Depreciation expense	746	1,058	627	-	2,431
Net foreign currency exchange differences	(9)	-	-	-	(9)
Transfer	(612)	533	79	-	-
Balance at 30 June 2006	5,059	2,125	1,075	-	8,259
Disposals	(298)	(1,130)	(47)	-	(1,475)
Acquisitions through business combinations	278	1,399	8	-	1,685
Depreciation expense	1,484	2,691	193	-	4,368
Net foreign currency exchange differences	(28)	(129)	(1)	-	(158)
Balance at 30 June 2007	6,495	4,956	1,228	-	12,679
Net Book Value					
As at 30 June 2006	5,426	3,515	862	164	9,967
As at 30 June 2007	7,508	4,439	712	548	13,207
Company					
Gross Carrying Value					
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
Additions	499	3,228	5	21	3,753
Disposals	(55)	(1,595)	-	-	(1,650)
Balance at 30 June 2007	1,630	7,273	53	19	8,975
Accumulated Depreciation					
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
Disposals	(44)	(926)	5	-	(965)
Depreciation expense	200	2,064	6	-	2,270
Balance at 30 June 2007	794	3,263	32	-	4,089
Net Book Value					
As at 30 June 2006	548	3,515	27	(2)	4,088
As at 30 June 2007	836	4,010	21	19	4,886

12 Property, Plant and Equipment (continued)

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:				
Plant and equipment	4,175	1,804	2,264	1,162
Equipment under hire purchase	193	627	6	106
	4,368	2,431	2,270	1,268

13 Goodwill

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Gross Carrying Amount					
Balance at beginning of the financial year		1,906	-	-	-
Recognised on acquisition of Samchem Drilling Fluids & Chemicals (Pty) Ltd	(i)	-	2,492	-	-
Recognised on acquisition of Reflex Holding AB	(ii)	14,623	-	-	-
Recognised on acquisition of Chardec Technology Ltd	(ii)	8,319	-	-	-
Recognised on acquisition of Flexit AB	(ii)	11,107	-	-	-
Effect of foreign exchange movements		(922)	(586)	-	-
Balance at end of the financial year		35,033	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		1,906	-	-	-
At the end of the financial year		35,033	1,906	-	-

13 Goodwill (continued)

(i) Goodwill arose during the prior 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 26(d).

Samchem Drilling Fluids & Chemicals (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 6 year discounted cash flow projection based on the 2008 budget. The projection assumes no additional growth in the business. A discount rate of 10%, being the Imdex Group weighted average cost of capital 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.

(ii) Goodwill arose during the year on the acquisition of 100% of the issued share capital of Reflex Holding AB (refer note 26(b)), Chardec Technology Ltd (refer note 26(c)) and Flexit AB (refer note 26(a)).

These three operations are considered to be a single cash generating unit as they were purchased in close succession to create a single vertically integrated operation in the Drilling Products and Services division. They operate in the same business segment and geographical area and have the same operational management and a high level of operational and financial interdependency.

The recoverable amount of this goodwill has been determined based on a value in use calculation which uses a 6 year discounted cash flow projection based on the 2008 budget. The projection assumes no additional growth in the business. A discount rate of 10%, being the Imdex Group weighted average cost of capital 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.

The key assumptions used in the value in use calculations for the various significant cash generating units are as follows:

Key Assumption	Samchem CGU	Reflex/Chardec/Flexit CGU
Budgeted sales growth	Sales growth has been budgeted in line with the expected increase in activity in the local industries serviced by Samchem.	Sales growth has been budgeted based on the expected activity levels in the global down hole tool market plus an increment for the market share expected to be gained from the release of new tools.
Budgeted net margins	Net margins have been budgeted using the prior year actuals as a base on which operational improvements are expected to be made.	Net margins have been budgeted using the prior year actuals as a base on which operational and integration improvements are expected to be made.
Exchange rate fluctuations	Exchange rate fluctuation expectations have been built into the budget numbers based on standard forecast advice received from major lending institutions.	

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14 Other Intangibles

Consolidated	Patents	Intellectual Property	Technology Based	Contract Based	Customer Based	Development Costs	Trade Name	**TOTAL**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross Carrying Value								
Balance at 30 June 2005	12	-	-	-	-	-	-	12
Additions through business combinations	-	1,437	-	-	-	-	-	1,437
Written off	(12)	-	-	-	-	-	-	(12)
Impact of exchange rate changes	-	(124)	-	-	-	-	-	(124)
Balance at 30 June 2006	-	1,313	-	-	-	-	-	1,313
Additions through business combinations	755	-	14,937	425	9,781	-	4,470	30,368
Capitalised during the year	-	-	-	-	-	429	-	429
Impact of exchange rate changes	-	(143)	(234)	-	(483)	-	(202)	(1,062)
Balance at 30 June 2007	755	1,170	14,703	425	9,298	429	4,268	31,048
Accumulated Amortisation and Impairment								
Balance at 30 June 2005	-	-	-	-	-	-	-	-
Amortisation expense	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Balance at 30 June 2006	-	-	-	-	-	-	-	-
Amortisation expense	25	-	1,501	78	1,491	-	335	3,430
Impact of exchange rate changes	-	-	(41)	-	(71)	-	(16)	(128)
Impairment losses	-	-	-	-	-	-	-	-
Balance at 30 June 2007	25	-	1,460	78	1,420	-	319	3,302
Net Book Value								
As at 30 June 2006	-	1,313	-	-	-	-	-	1,313
As at 30 June 2007	730	1,170	13,243	347	7,878	429	3,949	27,746

Company	Patents	Intellectual Property	Technology Based	Contract Based	Customer Based	Development Costs	Trade Name	**TOTAL**
Gross Carrying Value								
Balance at 30 June 2005	12	-	-	-	-	-	-	12
Additions through business combinations	-	-	-	-	-	-	-	-
Written off	(12)	-	-	-	-	-	-	(12)
Impact of exchange rate changes	-	-	-	-	-	-	-	-
Balance at 30 June 2006	-	-	-	-	-	-	-	-
Additions through business combinations	-	-	-	-	-	-	-	-
Capitalised during the year	-	-	-	-	-	429	-	429
Impact of exchange rate changes	-	-	-	-	-	-	-	-
Balance at 30 June 2007	-	-	-	-	-	429	-	429
Accumulated Amortisation and Impairment								
Balance at 30 June 2005	-	-	-	-	-	-	-	-
Amortisation expense	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Balance at 30 June 2006	-	-	-	-	-	-	-	-
Amortisation expense	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Balance at 30 June 2007	-	-	-	-	-	-	-	-
Net Book Value								
As at 30 June 2006	-	-	-	-	-	-	-	-
As at 30 June 2007	-	-	-	-	-	429	-	429

14 Other Intangibles (continued)

Intellectual Property

Intellectual Property arose during the prior 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 26(d).

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 6 year discounted cash flow projection based on the 2008 budget. The projection assumes no additional growth in the business. A discount rate of 10% 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.

15 Trade and Other Payables

		Consolidated		**Company**	
		2007	**2006**	**2007**	**2006**
	Notes	**$'000**	**$'000**	**$'000**	**$'000**
Trade payables	(i)	12,290	11,280	3,562	2,202
Accruals and other payables		4,451	2,349	2,008	909
		16,741	13,629	5,570	3,111

(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.

16 Borrowings

		Consolidated		**Company**	
		2007	**2006**	**2007**	**2006**
	Notes	**$'000**	**$'000**	**$'000**	**$'000**
Current borrowings					
Secured					
At amortised cost					
Commercial bill	(i)	2,300	-	2,300	-
Bank loan	(ii)	2,430	-	-	-
Hire purchase liabilities	(iii) 24	1,443	1,391	385	498
Other	(iv)	335	-	-	-
Unsecured					
At amortised cost					
Deferred acquisition payments	(v) 34	5,373	-	-	-
		11,881	1,391	2,685	498
Non-current borrowings					
Secured					
At amortised cost					
Commerical bills	(i)	10,000	-	10,000	-
Bank loan	(ii)	12,710	-	-	-
Hire purchase liabilities	(iii) 24	964	1,503	64	220
Other	(iv)	167	-	-	-
Unsecured					
At amortised cost					
Deferred acquisition payments	(v) 34	4,715	-	-	-
		28,556	1,503	10,064	220

16 Borrowings (continued)

(i) Commercial bills bear interest at 8.54% per annum. On 1 September 2007 a bill of $800,000 is repayable. Thereafter bills are repayable in quarterly instalments of $500,000 each with the final payment due on 1 June 2013. The bills are secured by a Mortgage Debenture over all the assets and liabilities of Imdex Limited, Australian Mud Company Pty Ltd, Surtron Technologies Pty Ltd, Imdex International Pty Ltd, Chardec Technology Limited and Samchem Drilling Fluids and Chemicals (Pty) Ltd.

(ii) Comprises a loan of SEK 88,000,000 against an available facility of SEK 90,000,000. This loan, which was raised in the current year, bears interest at the 7 day Stockholm Interbank Offered Rate ('STIBOR') plus a weighted average margin of 0.75% per annum and is repayable in quarterly instalments of SEK 4,125,000 each starting on 1 December 2007 increasing to SEK 5,875,000 each from 1 June 2008 onwards with the final instalment due on 1 March 2013. The interest rate applicable at 30 June 2007 was 4.4% per annum. This loan is secured over the assets of the Reflex and Flexit Groups of companies.

(iii) Hire purchase liabilities are secured over the assets to which they relate, the carrying value of which exceeds the value of the hire purchase liability. The Group does not hold title to the equipment under hire purchase pledged as security.

(iv) Other current and non-current loans comprise sundry advances from third party lenders.

(v) Deferred acquisition payments are those portions of the purchase price of recent acquisitions that are due in future periods. The cash component of these deferred amounts have been discounted to their present values using an interest rate of 8% per annum. For further details refer to notes 26(b) and (c).

(vi) A convertible note with a face value of $10,400,000 was issued on 1 August 2006 and carried interest at the rate of 8% per annum payable in arrears. The note carried the right to convert into 20.8 million fully paid ordinary Imdex shares at any time up to 1 August 2008. Conversion would be automatically triggered upon the Imdex share price reaching $1 per share. This condition was satisfied on 15 February 2007. Refer note 18 for details of shares issued. These shares will be held in voluntary escrow until 1 August 2008.

17 Provisions

		Consolidated		Company	
		2007	**2006**	**2007**	**2006**
	Notes	**$'000**	**$'000**	**$'000**	**$'000**
Current provisions					
Employee entitlements	(i)	1,212	830	265	189
Non-current provisions					
Employee entitlements		448	226	116	40

(i) The majority of these entitlement are expected to be taken during the coming year. (2006: same)

NOTES TO THE FINANCIAL REPORT

18 Contributed Capital

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Issued and Paid Up Capital - Fully paid ordinary shares	(i)	54,282	26,490	54,282	26,490
Mandatory convertible capital	(ii)	6,700	-	6,700	-
		60,982	26,490	60,982	26,490

(i) Fully paid ordinary shares carry one vote per share and the right to dividends.
(ii) Mandatory Convertible Capital relates to the future issue of 5 million fully paid ordinary shares as consideration for the acquisition of Flexit AB. Refer to Note 26(a)(iv)

	Notes	Consolidated and Company 2007 Number	2007 $'000	2006 Number	2006 $'000
Ordinary shares					
Balance at beginning of the financial year		139,466,037	26,490	110,055,368	19,008
Issue of shares as part consideration for the acquisition of Samchem	24(d)	-	-	16,059,002	3,592
Issued on conversion of debt instrument	16(vi)	20,800,000	10,400		
Issue of equity securities as part of working capital raising		15,000,000	16,500	13,300,000	3,990
Issue of shares as part consideration for the acquisition of patent		155,039	200	-	-
Share issue costs (net of tax)		-	(510)	-	(111)
Issue of shares under staff option plan		4,527,927	1,202	51,667	11
Closing balance at end of the financial year		179,949,003	54,282	139,466,037	26,490

Changes to the the Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Share options granted under the staff option scheme

In accordance with the provisions of the staff option scheme, as at 30 June 2007, executives, directors and staff have options over 13,080,406 ordinary shares (all of which were vested), in aggregate. These options expire over a range of dates up to February 2012. As at 30 June 2006, executives, directors and staff have options over 10,808,333 ordinary shares (all of which were vested), in aggregate. These options expire over a range of dates up to January 2011.

Details of the Staff Option Plan can be found in note 33.

19 Reserves

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Foreign Currency Translation Reserve					
Balance at beginning of the financial year		(494)	-	-	-
Translation of foreign operations after taxation		(1,643)	(494)	-	-
Balance at the end of the financial year		(2,137)	(494)	-	-

Exchange differences relating to the translation from the functional currencies of the Group's foreign controlled entities into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve. This reserve is shown net of deferred tax.

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Employee Equity-Settled Benefits Reserve					
Balance at beginning of the financial year		105	48	105	48
Options issued during the financial year	4	728	59	728	59
Options exercised during the financial year		(82)	(2)	(82)	(2)
Balance at the end of the financial year		751	105	751	105

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. Further information regarding the Staff Option Plan is contained in note 33.

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20 Earnings Per Share

	Consolidated 2007 Cents per share	Consolidated 2006 Cents per share
Basic earnings per share	8.74	6.07
Diluted earnings per share	8.00	5.95

(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:

	Consolidated 2007 $'000	Consolidated 2006 $'000
Earnings	13,518	7,984
	Shares	**Shares**
Weighted average number of ordinary shares per the purposes of basic earnings per share	154,717,072	131,472,906

(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 2007 $'000	Consolidated 2006 $'000
Net profit	13,518	7,984
Adjustment to exclude the impact of interest expense on convertible note	318	-
Earnings used in the calculation of diluted EPS	13,836	7,984
	Shares	**Shares**
Weighted average number of ordinary shares for the purposes of diluted earnings per share	172,920,311	134,096,984

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:

	Shares	Shares
Weighted average number of ordinary shares used in the calculation of basic EPS	154,717,072	131,472,906
Potential ordinary shares arising on conversion of convertible note	11,340,274	-
Shares deemed to be issued for no consideration for employee and Director options	6,862,965	2,624,078
Weighted average number of ordinary shares used in the calculation of diluted EPS	172,920,311	134,096,984

(ii) 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:

	Shares	Shares
Employees share options tranche 4	4,425,000	-
Employees share options tranche 5	675,000	-
	5,100,000	-

(iii) Weighted average number of converted potential ordinary shares included in the calculation of diluted earnings per share:

	$'000	$'000
Convertible note	7,693,151	-

(iv) Shares issued after balance date

A total of 1,212,751 fully paid ordinary shares were issued after the balance date as part settlement of the acquisition of Poly-Drill Drilling Systems Ltd. Refer note 34.

21 Dividends

	Notes	2007 Cents per share	2007 Total $'000	2006 Cents per share	2006 Total $'000
Recognised amounts					
Fully paid ordinary shares - interim dividend franked to 30%	(i)	1.00	1,641	1.00	1,396
Fully paid ordinary shares - final dividend franked to 30%	(ii)	1.00	1,411	-	-
		2.00	3,052	1.00	1,396
Unrecognised amounts					
Fully paid ordinary shares - final dividend franked to 30%	(iii)	1.50	2,699	1.00	1,396

(i) The interim, fully franked dividend was paid on 26 March 2007 (2006: 30 March 2006). The record date for determining the entitlement to the interim dividend was 13 March 2007 (2006: 23 March 2006). There are no dividend reinvestment plans in operation.

(ii) The final, fully franked dividend was paid on 13 October 2006 (2006: nil). The record date for determining the entitlement to the interim dividend was 10 October 2006 (2006: nil). There are no dividend reinvestment plans in operation.

(iii) The final, fully franked dividend was declared on 15 August 2007 with an entitlement date of 5 October 2007 and a payment date of 17 October 2007. The financial effect of this dividend has not been recognised in the financial statements at 30 June 2007.

	Consolidated 2007 $'000	Consolidated 2006 $'000
Adjusted franking account balance	7,062	5,060
Impact on franking account of dividends not recognised	(1,157)	(598)
Income tax consequences of unrecognised dividends	-	-

22 Commitments for Expenditure

(a) Capital expenditure commitments

At 30 June 2007 capital expenditure commitments were nil (2006: nil).

(b) Lease commitments

Hire purchase liabilities and non-cancellable operating lease commitments are disclosed in note 24.

23 Contingent Liabilities and Contingent Assets

		Consolidated		Company	
	Notes	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Contingent Liabilities					
Rental bond	(i)	119	100	100	100
		119	100	100	100
Contingent Assets		-	-	-	-

(i) Comprise bank guarantees supporting the extension of credit or the performance of the Group 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.

24 Leases

(a) Hire Purchases

Hire purchase arrangements

Hire purchase arrangements relate to plant and equipment with terms of up to 5 years. The Group 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	
	2007	2006	2007	2006	2007	2006	2007	2006
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Hire purchase commitments								
Hire purchase commitments are payable as follows.								
Due:								
Within one year	1,580	1,569	467	534	1,443	1,391	449	498
Between one and five years	760	1,591	-	226	728	1,503	-	220
Later than five years	248	-	-	-	236	-	-	-
Minimum lease payments	2,588	3,160	467	760	2,407	2,894	449	718
Less: future finance charges	(181)	(266)	(18)	(42)	-	-	-	-
	2,407	2,894	449	718	2,407	2,894	449	718
Hire purchase liabilities provided for in the Financial Report								
Current – Note 16					1,443	1,391	385	498
Non current - Note 16					964	1,503	64	220
					2,407	2,894	449	718

(b) Operating Leases

Operating leasing arrangements

Operating leases relate to premises and the lease of motor vehicles used by the Group 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	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Non-cancellable operating lease payments				
Within one year	1,062	791	162	86
Between one and five years	1,911	1,478	352	11
Later than five years	686	851	-	-
	3,659	3,120	514	97

NOTES TO THE FINANCIAL REPORT

25 Subsidiaries

	Notes	Country of Incorporation	Ownership Interest 2007 %	2006 %
Parent Entity				
Imdex Limited	(i), (iii)	Australia		
Controlled Entities				
Australian Mud Company Pty Ltd	(iii), (iv)	Australia	100	100
Australian Mud Company Chile SA	(ii)	Chile	100	100
Samchem Drilling Fluids & Chemicals (Pty) Ltd	26(d)	South Africa	100	100
Surtron Technologies Pty Ltd	(iii), (iv)	Australia	100	100
Surtron Technologies UK Ltd		United Kingdom	100	100
Surtron Technologies US Inc	(v)	United States of America	100	-
Imdex International Pty Ltd	(iii), (iv), (vi)	Australia	100	-
Imdex Sweden AB	(vii)	Sweden	100	-
Reflex Instruments Asia Pacific Pty Ltd	(viii)	Australia	100	-
Chardec Technology Ltd	26(c)	United Kingdom	100	-
Reflex Holding AB	26(b)	Sweden	100	-
Reflex Instrument AB	26(b)	Sweden	100	-
Reflex Instrument North America	26(b)	Canada	100	-
Reflex Instrument South America Ltda	26(b)	Chile	100	-
Drill Hole Surveys (Pty) Ltd	26(b)	South Africa	100	-
Flexit AB	26(a)	Sweden	100	-
Flexit Navigation AB	26(a)	Sweden	100	-
Flexit Australia Pty Ltd	(ix)	Australia	100	-
Nudge Geotechnical Instrumentation Inc	(x)	Canada	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. Australian Mud Company Pty Ltd and Surtron Technologies Pty Ltd became a party to the deed on 29 June 2006 and Imdex International Pty Ltd on 20 October 2006.

(v) This entity was incorporated on 16 November 2006

(vi) This entity was incorporated on 4 July 2006

(vii) This entity was incorporated on 5 July 2006

(viii) This entity was incorporated on 1 March 2007

(ix) This entity was incorporated on 11 May 2007

(x) 100% of the issued share capital of this entity was acquired on 1 May 2007. As this entity is non-trading and holds one asset being a patent, this purchase transaction was accounted for as an acquisition of an asset, not as a business combination.

NOTES TO THE FINANCIAL REPORT

25 Subsidiaries (continued)

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

Income Statement	**2007 $'000**	**2006 $'000**
Revenue from sale of goods, rendering of services and operating lease rental	81,500	56,240
Other revenue from operations	2,866	88
Total revenue	84,366	56,328
Other income	4,814	149
Share of losses of associates accounted for using the equity method	-	(301)
Change in fair value of investments held for trading	-	4,500
Impairment adjustment	-	(2,275)
Raw materials and consumables used	(36,495)	(26,578)
Employee benefit expenses	(11,593)	(9,145)
Depreciation and amortisation expense	(3,533)	(2,322)
Finance costs	(2,402)	(211)
Commissions	(1,170)	(939)
Consultancy fees	(1,399)	(614)
Legal and professional expenses	(449)	(95)
Rent and premises costs	(1,008)	(1,186)
Repairs and maintenance	(1,008)	(998)
Travel and accommodation	(1,654)	(1,110)
Motor vehicle costs	(911)	(854)
Foreign exchange gain/(loss)	(958)	(572)
Other expenses	(5,770)	(3,579)
Profit before income tax expense	20,830	10,198
Income tax expense relating to ordinary activities	(6,657)	(3,568)
Profit for the year	14,173	6,630

25 Subsidiaries (continued)

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

Balance Sheet	**2007 $'000**	**2006 $'000**
Current Assets		
Cash and Cash Equivalents	7,171	5,816
Trade and Other Receivables	24,861	15,164
Inventories	11,085	8,538
Other Financial Assets	60,871	4,500
Other	56	12
Total Current Assets	104,044	34,030
Non Current Assets		
Other Financial Assets	8,492	6,658
Property, Plant and Equipment	11,768	9,382
Other Intangible Assets	429	-
Other	664	28
Total Non Current Assets	21,353	16,068
Total Assets	125,397	50,098
Current Liabilities		
Trade and Other Payables	14,871	11,364
Borrowings	9,060	1,391
Current Tax Payables	5,358	1,823
Provisions	1,475	1,037
Total Current Liabilities	30,764	15,615
Non Current Liabilities		
Borrowings	15,678	1,503
Deferred Tax Liabilities	303	663
Provisions	116	40
Total Non Current Liabilities	16,097	2,206
Total Liabilities	46,861	17,821
Net Assets	78,536	32,277
Equity		
Issued Capital	60,982	26,490
Employee Equity-Settled Benefits Reserve	751	105
Retained Profits *	16,803	5,682
Total Equity	78,536	32,277
* Retained Profit at the beginning of the financial year	5,682	448
Net Profit	14,173	6,630
Dividend provided for or paid	(3,052)	(1,396)
Retained Profit at the end of the financial year	16,803	5,682

26 Acquisition of Businesses

(a) Acquisition of entity - Flexit AB

With effect from 1 May 2007, Imdex Sweden AB, wholly owned subsidiary of Imdex Limited, acquired 100% of the issued share capital of Flexit AB (Flexit), a company incorporated in Sweden. Flexit AB has one Swedish wholly owned subsidiary, Flexit Navigation AB. Flexit are leading developers and suppliers of borehole survey equipment to the exploration and mining industries globally. At the General Meeting of Shareholders held on 30 April 2007, the shareholders of Imdex Limited approved this acquisition and the associated issue of shares. The numbers presented below have been accounted for using the acquisition method of accounting.

Details of the assets, liabilities and goodwill are as follows:	**Notes**	**Book value $'000**	**Fair value adjustments $'000**	**Fair value on acquisition $'000**
Trade and other receivables		896	-	896
Inventory		557	-	557
Deferred tax assets / (liabilities)	(i)	-	(2,124)	(2,124)
Property, plant and equipment		207	-	207
Technology based intangibles	(i)	-	4,672	4,672
Trade name based intangibles	(i)	-	2,916	2,916
Trade and other payables		(1,203)	-	(1,203)
Long term liabilities		(54)	-	(54)
Fair value of net identifiable assets acquired (other than cash and cash equivalents)		403	5,464	5,867
Goodwill on acquisition	(ii)			11,107
Total purchase consideration				16,974
Total purchase consideration comprises				
Consideration in cash and cash equivalents				12,000
Less cash and cash equivalents acquired				(1,842)
Deferred consideration - Mandatory Convertible Capital	(iv), 18			6,700
Direct costs relating to the acquisition				116
				16,974

		Results since acquisition $'000
Operating results of the Flexit consolidated group included in the Consolidated Income Statement of Imdex Limited from acquisition on 1 May 2007 to 30 June 2007:		
Operating revenue		1,275
Total expenses		(1,315)
Loss for the period after tax	(v)	(40)

(i) Technology based intangible assets of $4.7 million comprise technical knowledge and other know-how in existence at the time of acquisition. Trade name based intangibles of $2.9 million represents the value of the Flexit and GyroSmart trade names at acquisition. Deferred tax of $2.1 million was raised on these balances. These intangibles have been valued by independent valuation professionals using the replacement cost and relief-from-royalty methods respectively. Data inputs into the model were derived from internal management budgets. Intangible assets are being amortised over their estimated useful lives of 5 years.

(ii) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire Flexit. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Flexit. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured. There were no acquisition provisions created, nor were there any contingent liabilities assumed in the acquisition.

(iii) The Consolidated Cash Flow Statement for the year ended 30 June 2007 records the payment for the acquisition of Flexit as $10.3 million being the total consideration of $20.3 million above less $10.0 million of deferred consideration.

(iv) The balance of the purchase price is due on 1 May 2009. This will be settled by way of the issue of 5 million fully paid ordinary shares in Imdex Limited. Should the Imdex share price be below $2 per share at that time, an additional cash payment will be made to bring the total of cash paid and shares issued at that time to $10 million. At the General Meeting of Shareholders held on 30 April 2007 the shareholders approved the future issue of these shares to the vendors of Flexit. The deferred consideration has been recorded at $6,700,000 based on the Company's analysis of the fair value of the consideration at acquisition date.

(v) Had the acquisition of Flexit been effected on 1 July 2006, the beginning of the financial year, the Flexit financial results included in the Imdex consolidated results would have been revenue of approximately $9.2 million and profit of approximately $1.0 million. The results of Flexit are included in the Drilling Products & Services segment. The Board considers these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

26 Acquisition of Businesses (continued)

(b) Acquisition of entity - Reflex Holding AB

With effect from 1 August 2006, Imdex Sweden AB, a wholly owned subsidiary of Imdex Limited, acquired 100% of the issued share capital of Reflex Holding AB (Reflex), a company incorporated in Sweden. Reflex Holding AB is the parent of a group of companies operating in South Africa, Europe, North and South America under the "Reflex Instrument" trading name. Reflex are leading developers and suppliers of borehole survey equipment globally. At the General Meeting of Shareholders held on 8 August 2006, the shareholders of Imdex Limited approved this acquisition and the associated issue of the convertible note. The numbers presented below have been accounted for using the acquisition method of accounting.

Details of the assets, liabilities and goodwill are as follows:	**Notes**	**Book value $'000**	**Fair value adjustments $'000**	**Fair value on acquisition $'000**
Trade and other receivables		3,818	(14)	3,804
Inventory		1,511	-	1,511
Deferred tax assets / (liabilities)	(i)	405	(3,174)	(2,769)
Property, plant and equipment		1,566	-	1,566
Goodwill		670	(670)	-
Intangibles	(i)	-	11,335	11,335
Other non-current assets		22	(19)	3
Trade and other payables		(4,966)	487	(4,479)
Fair value of net identifiable assets acquired (other than cash and cash equivalents)		3,026	7,945	10,971
Goodwill on acquisition	(ii)			14,623
Total purchase consideration				25,594

Total purchase consideration comprises		
Consideration in cash and cash equivalents		2,884
Less cash and cash equivalents acquired		(111)
Convertible note raised	(iv)	10,400
Bank loan raised	16	9,955
Deferred vendor finance - due and paid on 31 January 2007		2,000
Direct costs relating to the acquisition		466
		25,594

		Results since acquisition $'000
Operating results of the Reflex consolidated group included in the Consolidated Income Statement of Imdex Limited from acquisition on 1 August 2006 to 30 June 2007:		
Operating revenue		18,492
Total expenses		(14,626)
Profit for the period after tax	(v)	3,866

(i) Customer based intangible assets of $9.8 million comprise customer lists and relationships at the time of acquisition. Trade name based intangible assets of $1.5 million represent the value to the Group of the Reflex trading name in the markets in which they operate. Deferred tax of $3.2 million was raised on these balances. These intangibles have been valued by independent valuation professionals using the multi period excess earnings model. Data inputs into the model were derived from internal management budgets. These intangible assets are being amortised over their estimated useful lives of 6 years each.

(ii) Goodwill arose because the cost of the combination included a control premium paid to acquire Reflex. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Reflex. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured. There were no acquisition provisions created, nor were there any contingent liabilities assumed in the acquisition.

(iii) The Consolidated Cash Flow Statement for the year ended 30 June 2007 records the payment for the acquisition of Reflex as $15.2 million being the total consideration of $25.6 million above less the $10.4 million convertible note.

(iv) At the General Meeting of Shareholders held on 8 August 2006 the shareholders approved the issue of a convertible note with a face value of $10.4 million. This convertible note converted into equity on 15 February 2007. Refer to notes 16 and 18.

(v) Had the acquisition of Reflex been effected on 1 July 2006, the beginning of the financial year, the Reflex financial results included in the Imdex consolidated results would have been revenue of approximately $20.3 million and profit of approximately $4.6 million. The results of Reflex are included in the Drilling Products & Services segment. The Board considers these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

26 Acquisition of Businesses (continued)

(c) Acquisition of entity - Chardec Technology Ltd (previously Chardec Consultants Ltd)

With effect from 1 August 2006, Imdex International Pty Ltd, a newly incorporated, wholly owned subsidiary of Imdex Limited acquired 100% of the issued share capital of Chardec Technology Ltd (Chardec), a company incorporated in the United Kingdom. Chardec is a leading developer and supplier of borehole survey equipment globally. At the General Meeting of Shareholders held on 8 August 2006, the shareholders of Imdex Limited approved this acquisition. The numbers presented below have been accounted for using the acquisition method of accounting.

Details of the assets, liabilities and goodwill are as follows:	**Notes**	**Book value $'000**	**Fair value adjustments $'000**	**Fair value on acquisition $'000**
Trade and other receivables		2,111	-	2,111
Inventory		273	-	273
Deferred tax assets / (liabilities)	(i)(ii)	3	(3,207)	(3,204)
Technology based intangibles	(i)	-	10,265	10,265
Contract based intangibles	(ii)	-	425	425
Trade and other payables		(2,456)	-	(2,456)
Fair value of net identifiable assets acquired (other than cash and cash equivalents)		(69)	7,483	7,414
Goodwill on acquisition	(iii)			8,319
Total purchase consideration				15,733
Total purchase consideration comprises				
Consideration in cash and cash equivalents				6,203
Less cash and cash equivalents acquired				(175)
Direct costs relating to the acquisition				324
Deferred vendor finance	(v)			9,381
				15,733

		Results since acquisition $'000
Operating results of Chardec included in the Consolidated Income Statement from 1 August 2006 to 30 June 2007:		
Operating revenue		6,685
Total expenses		(4,281)
Profit for the period after tax	(vi)	2,404

(i) Technology based intangible assets of $10.3 million comprise intellectual property and technical expertise contained within the business of Chardec at the time of acquisition. Deferred tax of $3.1 million was raised on this balance. These intangibles have been valued by independent valuation professionals using the multi period excess earnings model. Data inputs into the model were derived from internal management budgets. Technology based intangible assets are being amortised over their estimated useful life of 7 years.

(ii) Contract based intangible assets of $0.4 million represent the value to the Group of the 5 year employment contract signed with the vendor and now employee of Chardec. Deferred tax of $0.1 million was raised on this balance. This contract has been valued by independent valuation professionals using the multi period excess earnings model. Data inputs into the model were derived from internal management budgets. Contract based intangible assets are being amortised over the term of the contract which is 5 years.

(iii) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire Chardec. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Chardec. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured. There were no acquisition provisions created, nor were there any contingent liabilities assumed in the acquisition.

(iv) The Consolidated Cash Flow Statement for the year ended 30 June 2007 records the payment for the acquisition of Chardec as $6.4 million being the total consideration of $15.7 million above less deferred consideration of $9.4 million.

(v) Further purchase price instalments are due as follows: GBP 2.18 million on 31 July 2007; GBP 1.09 million on 31 July 2008 and GBP 1.045 million on 31 July 2009. In addition a revenue based earn-out may also become payable. The additional revenue based earn-out payments have been estimated by management as totalling nil over the three years. All expected future payments have been discounted to their present values using a discount rate of 8% per annum.

(vi) Had the acquisition of Chardec been effected on 1 July 2006, the beginning of the financial year, the Chardec financial results included in the Imdex consolidated results would have been revenue of approximately $7.3 million and profit of approximately $2.8 million. The results of Chardec are included in the Drilling Products & Services segment. The Board considers these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

NOTES TO THE FINANCIAL REPORT

26 Acquisition of Businesses (continued)

(d) Acquisition of business - Samchem Drilling Fluids and Chemicals (Pty) Ltd

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. This transaction has been accounted for using the acquisition method of accounting.

Details of the assets, 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 (other than cash and cash equivalents)		3,048	1,063	4,111
Goodwill on acquisition	(i)			2,492
Total purchase consideration				6,603
Total purchase consideration comprises				
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)			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 to 30 June 2006:		
Operating revenue		10,391
Total expenses		(9,969)
Profit for the period after tax	(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. 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 prior financial year, the revenue of Samchem included in the consolidated Imdex results for the prior year would have been approximately $11.3 million and the profit would have been approximately $0.5 million. The results of Samchem are included in the Drilling Fluids & Chemicals segment. The Board considers these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

(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 $3.0 million comprising cash paid at acquisition of $2.9 million and direct costs of $0.1 million.

27 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 interest 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 Group comprises the following business segments which are based on the Group's internal management reporting system:
(i) Drilling products and services: This segment comprises the provision of down hole surveying, geophysical logging and directional drilling services as well as the sale and rental of down hole motors, cameras and drilling products; and
(ii) Drilling fluids and chemicals: This segment comprises the manufacture and supply of drilling fluids and chemicals to the mining, mineral exploration, oil and gas and water well drilling industries.

Geographical Segments
The Group operates in the following geographical segments which are based on the Group's internal management reporting system:
(i) Asia Pacific: Manufacture and sale of drilling fluids and chemicals; provision of drilling services; sale and rental of drilling products
(ii) European Union: Provision of drilling services; manufacture, sale and rental of drilling products
(iii) Africa: Manufacture and sale of drilling fluids and chemicals; provision of drilling services; sale and rental of drilling products
(iv) Americas: Sale of drilling fluids and chemicals; provision of drilling services; sale and rental of drilling products

Primary reporting: Business Segments

(a) Segment Revenues	**External revenue**		**Inter-segment**		**Other**		**Total**	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Drilling fluids and chemicals	62,337	41,593	-	-	16	96	62,353	41,689
Drilling products and services	56,103	25,021	-	-	36	2	56,139	25,023
Total of all segments	118,440	66,614	-	-	52	98	118,492	66,712
Unallocated							848	80
Total revenue							119,340	66,792

(b) Segment Results

Drilling fluids and chemicals *	11,570	3,462
Drilling products and services	14,155	5,253
Total of all segments	25,725	8,715
Eliminations	-	-
Unallocated	(5,313)	3,149
Profit before income tax expense	20,412	11,864
Income tax expense	(6,894)	(3,880)
Profit for the year	13,518	7,984

* - Included in the current period is a $1.1 million recovery from the RTE/Imdex Joint Venture. The prior period includes an impairment adjustment of $2.3 million relating to the same joint venture.

(c) Segment Assets and Liabilities	**Assets**		**Liabilities**	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Drilling fluids and chemicals	33,997	37,808	10,580	9,492
Drilling products and services	101,837	16,255	34,795	8,588
Total of all segments	135,834	54,063	45,375	18,080
Eliminations	-	(2,393)	-	(443)
Unallocated	14,012	1,078	27,857	2,458
Consolidated	149,846	52,748	73,232	20,095

27 Segment Information (continued)

	Depreciation		Acquisition of segment assets		Significant non cash expenses other than depreciation and amortisation	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Drilling fluids and chemicals	258	237	373	467	364	2,305
Drilling products and services	3,947	2,108	7,788	4,724	364	30
Total of all segments	4,205	2,345	8,161	5,191	728	2,335
Unallocated	163	86	433	104	707	301
Consolidated	4,368	2,431	8,594	5,295	1,435	2,636

	Carrying amounts of associates / joint ventures		Impairment losses		Share of profits/(losses) of associates / joint ventures	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Drilling fluids and chemicals	-	-	-	(2,275)	-	-
Drilling products and services	-	-	-	-	-	-
Total of all segments	-	-	-	(2,275)	-	-
Unallocated	-	-	-	-	-	(301)
Consolidated	-	-	-	(2,275)	-	(301)

Secondary Reporting: Geographical Segments

	Revenue from external customers		Segment assets		Acquisition of segment assets	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Asia Pacific	77,858	51,835	99,199	45,581	6,302	4,916
European Union	5,057	648	37,501	585	1,334	-
Africa	22,858	13,014	4,783	5,411	293	379
Americas	13,567	1,295	8,363	1,171	665	-
Total	119,340	66,792	149,846	52,748	8,594	5,295

NOTES TO THE FINANCIAL REPORT

28 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	2007 $'000	2006 $'000
Profit from discontinued operations			
Revenue		-	-
Expenses		-	-
Profit before income tax		-	-
Income tax expense		-	-
Profit after income tax of discontinued operations		-	-
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		-	-
Cash flows from discontinued operations			
Net cash inflow from ordinary activities		-	-
Net cash inflow from investing activities (including the proceeds from the sale of the business)		-	6,271
Net cash inflow from financing		-	-
		-	6,271
Carrying amounts of assets and liabilities			
Property, plant and equipment		-	-
Inventories		-	-
Prepayments		-	-
Total assets classified as held for sale		-	-
Hire purchase liabilities		-	-
Employee entitlements		-	-
Total liabilities associated with assets classified as held for sale		-	-
Net assets		-	-
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 $1.5 million, 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. This entitlement lapses on 30 June 2008. As recovery of this amount is considered to be remote, it has not been shown as a contingent asset.

29 Related Party Disclosures

(a) Equity interests in related parties

Details of the percentage ownership of subsidiaries and the wholly owned Group is set out in Note 25. The wholly owned Group consists of Imdex Limited and its wholly owned subsidiaries.

(b) Transactions with key management personnel

(i) Key management personnel compensation

Details key management personnel compensation is set out in Note 32.

(ii) Loans to key management personnel

No loans were made during the current or prior years to key management personnel or their related parties.

(iii) Fully paid ordinary shares issued by Imdex Limited

2007	Balance at 1 July 2006	Granted as compensation	Received on exercise of options	Cession as key management person	Net other change	Balance at 30 June 2007	Balance held nominally
	No.	No.	No.	No.	No.	No.	No.
Mr I F Burston	200,000	-	-	-	60,000	260,000	-
Mr B W Ridgeway	5,000,000	-	-	-	(1,500,000)	3,500,000	-
Mr H H Al-Merry	755,000	-	-	-	(755,000)	-	-
Mr R W Kelly	265,000	-	-	-	-	265,000	-
Mr K A Dundo	300,000	-	-	-	-	300,000	-
Mr I R Freeman	16,059,002	-	-	-	(16,059,002)	-	-
Mr M Lemmel *	-	-	-	-	400,000	400,000	-
Mr G E Weston	-	-	500,000	-	(500,000)	-	-
Mr D J Loughlin	-	-	-	-	10,000	10,000	-
Mr S J Lyons	50,000	-	-	(50,000)	-	-	-
Mr P A Evans	-	-	-	-	5,000	5,000	-
Mr D L Kinley	120,000	-	-	(120,000)	-	-	-
Mr C S Munyard	25,000	-	-	(25,000)	-	-	-
	22,774,002	-	500,000	(195,000)	(18,339,002)	4,740,000	-

* - Represent on market transactions after appointment as a director. Mr M Lemmel's shareholding at the date of becoming a director was nil.

It should be noted that Mr S J Lyons resigned on 17 October 2006, Mr D L Kinley ceased to be a key management person on 17 October 2006 and Mr C S Munyard ceased to be a key management person on 1 September 2006. Accordingly, the movement in equity holdings disclosed reflects only those movements which took place during the period that these persons were key management persons. The balance of securities held as at 30 June 2007 is nil as they are no longer key management persons and therefore the net change shown in the table above is not as a result of the sale of any securities whilst being a key management person.

2006	Balance at 1 July 2005	Granted as compensation	Received on exercise of options	Cession as key management person	Net other change	Balance at 30 June 2006	Balance held nominally
	No.	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	-

29 Related Party Disclosures (continued)

(iv) Share options issued by Imdex Limited

2007	Balance at 1 July 2006	Granted as compensation	Exercised	Cession as key management person	Balance at 30 June 2007	Vested but not exercisable	Vested and exercisable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.
Mr I F Burston	-	1,000,000	-	-	1,000,000	-	-	-
Mr B W Ridgeway	2,000,000	-	-	-	2,000,000	-	-	-
Mr H H Al-Merry	-	-	-	-	-	-	-	-
Mr R W Kelly	-	-	-	-	-	-	-	-
Mr K A Dundo	-	-	-	-	-	-	-	-
Mr I R Freeman	-	-	-	-	-	-	-	-
Mr M Lemmel	-	-	-	-	-	-	-	-
Mr G E Weston	3,000,000	-	(500,000)	-	2,500,000	-	1,166,667	1,000,000
Mr D J Loughlin	-	500,000	-	-	500,000	-	-	-
Mr S J Lyons	200,000	-	-	(200,000)	-	-	-	16,667
Mr P A Evans	-	300,000	-	-	300,000	-	-	-
Mr D L Kinley	200,000	-	-	(200,000)	-	-	-	33,333
Mr C S Munyard	125,000	-	-	(125,000)	-	-	-	25,000
	5,525,000	1,800,000	(500,000)	(525,000)	6,300,000	-	1,166,667	1,075,000

It should be noted that Mr S J Lyons resigned on 17 October 2006, Mr D L Kinley ceased to be a key management person on 17 October 2006 and Mr C S Munyard ceased to be a key management person on 1 September 2006. Accordingly, the movement in share options disclosed reflects only those movements which took place during the period that these persons were key management persons. The balance of options held as at 30 June 2007 is nil as they are no longer key management persons and therefore the net change shown in the table above is not as a result of the any transaction whilst being a key management person.

2006	Balance at 1 July 2005	Granted as compensation	Exercised	Cession as key management person	Balance 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	-	-	-
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	-	16,667	16,667
Mr D L Kinley	100,000	100,000	-	-	200,000	-	33,333	33,333
Mr G E Weston	2,000,000	1,000,000	-	-	3,000,000	-	666,667	666,667
Mr C S Munyard	75,000	75,000	(25,000)	-	125,000	-	-	25,000
	2,225,000	3,325,000	(25,000)	-	5,525,000	-	716,667	741,667

Options granted to D J Loughlin and P A Evans during the financial year were made in accordance with the Staff Option Plan, as further described in Note 33. Options granted to I F Burston were approved by the shareholders at the 2006 Annual General Meeting on 19 October 2006. 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 issued to D J Loughlin and P A Evans are exercisable in one third lots at the end of each of the first three years during their life. The options issued to I F Burston are exerciseable at any time after 2 years from the date of issue until their expiry.

A total of 500,000 options were exercised by key management persons during the year. The exercise price was 20c per share. No amounts remain unpaid on the options exercised during the financial year at year end.

NOTES TO THE FINANCIAL REPORT

29 Related Party Disclosures (continued)

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

(a) 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. Total rental cost arising from this arrangement in the current year was nil (2006: $12,600)

(b) An amount of $ nil (2006: R2,364,160 or A$443,516) was 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 7. Mr I R Freeman was a non-executive director of Imdex Limited from the beginning of the financial year until his resignation on 10 April 2007.

(c) 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. Mr I R Freeman was a non-executive director of Imdex Limited from the beginning of the financial year until his resignation on 10 April 2007. Total lease cost arising from this arrangement was $129,460 (2006: $117,375)

(d) 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. Total legal costs arising from Qlegal were $208,785 (2006: $111,331)

(e) 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. No amounts were recognised during the year relating to transactions between the Company and RTE as agent. During the prior year the investment balance in the Joint Venture of $1,400,000 (parent: $2,585,000) and the receivable balance due from RTE of $875,000 (parent: $875,000) were considered to be fully impaired. The impairment adjustment is shown on the face of the income statement in the prior period. During the current year $1,121,246 was received from RTE, $308,888 in payment for Imdex's 20% share in the Imdex Arabia and $812,358 in full recovery of the receivable previously considered impaired after a $62,642 foreign exchange movement. Refer note 4.

(f) Transactions with Directors

	Note	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
Profit from ordinary activities before income tax includes the following items of income and expenses relating to transactions, other than compensation, with Directors or their related entities:					
Other income	v(e)	1,121,246	-	1,121,246	-
Operating lease rental expense	v(a) v(c)	129,460	117,375	-	-
Legal services expense	v(d)	31,281	25,604	31,281	25,604
Impairment adjustment	v(e)	-	2,275,000	-	3,460,000
Total assets arising from transactions, other than compensation, with Directors or their related entities:					
Goodwill and intercompany loans (parent: acquisiton costs)	v(d)	177,504	85,727	177,504	85,727
Total assets and liabilities arising from transactions, other than compensation, with Directors or their related entities:					
Current Assets	v(b)	-	443,516	-	-
Current Liabilities	v(c) v(d)	-	54,554	-	34,196

(c) 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 4. Amounts receivable from entities in the wholly-owned Group are disclosed in Note 9. During the financial year Imdex Limited provided management services amounting to $1,363,000 (2006: $1,020,000) to entities in the wholly-owned Group as disclosed in Note 4.

(d) Parent entity

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

30 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	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Cash and cash equivalents	15,271	6,421	962	2,003
Bank overdraft	-	-	-	-
	15,271	6,421	962	2,003

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 $15,271,482 (2006: $6,420,802)

(b) Non cash financing and investing activities

During the year the Group acquired $1.1 million (2006: $1.4 million) of equipment under a finance lease. This acquisition will be reflected in the cash flow statement over the term of the finance lease via lease repayments.

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

	Consolidated		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Profit for the year	13,518	7,984	9,866	1,178
Adjustments for non-cash items				
Depreciation of non-current assets	4,368	2,431	2,269	1,268
Amortisation of intangible assets	3,430	-	-	-
Share of associates losses	-	301	-	-
Non-cash interest on deferred payments	707	-	-	-
Interest earned on intercompany accounts	-	-	(1,999)	-
Interest received disclosed as investing activities	(267)	(97)	(217)	(82)
Share options expensed	728	59	728	59
Profit on sale of non-current assets	(76)	(76)	(2,200)	(38)
Interest on hire purchase liabilities	225	210	57	40
Fair value adjustment: Held for Trading investments	-	(4,500)	-	(4,199)
Impairment adjustment	-	2,275	-	3,460
Proceeds from Rashid Trading Establishment shown as investing activities	(1,121)	-	(1,121)	-
Increase / (decrease) in current tax liability	4,584	1,528	3,477	67
Increase in deferred tax balances	(3,082)	556	(23)	1,262
Changes in assets and liabilities during the financial year				
(Increase) / decrease in assets:				
Current receivables	(3,169)	(4,851)	(6,876)	(1,772)
Current inventories	(1,791)	(1,284)	(1,004)	(158)
Other current assets	(212)	18	(45)	11
Increase / (decrease) in liabilities:				
Current payables	(2,305)	5,370	2,459	585
Provision for employee entitlements	604	150	152	44
Net Cash Provided by Operating Activities	16,141	10,074	5,523	1,725

30 Notes to the Cash Flow Statement (continued)

(d) Financing facilities

Total facilities available				
Bank loan	15,484	1,870	-	1,870
Commercial bills	12,300	-	12,300	-
Equipment finance facility	2,591	-	633	-
Multi option facility (including bank overdraft)	2,522	1,130	2,020	1,110
	32,897	3,000	14,953	2,980
Facilities utilised at balance sheet date				
Bank loan	15,140	-	-	-
Commercial bills	12,300	-	12,300	-
Equipment finance facility	2,407	-	449	-
Multi option facility (including bank overdraft)	-	-	-	-
	29,847	-	12,749	-
Facilities not utilised at balance sheet date				
Bank loan	344	1,870	-	1,870
Commercial bills	-	-	-	-
Equipment finance facility	184	-	184	-
Multi option facility (including bank overdraft)	2,522	1,130	2,020	1,110
	3,050	3,000	2,204	2,980

31 Financial Instruments

(a) Financial risk management objectives

The Group's corporate treasury function provides services to the business, co-ordinates access to domestic and international markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The corporate treasury function reports quarterly to the Board who monitor risks and policies implemented to mitigate risk exposures.

(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 2 to the financial statements.

(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. Approved exchange rate policy allows the use of currency management instruments where benefit exceeds cost. In all other cases exchange rates are managed within approved ranges, outside of which the Group seeks to pass gains/losses on to customers and suppliers.

(d) Interest rate risk management

The Group 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 Group's exposure to interest rate risk.

31 Financial Instruments (continued)

	Notes	Weighted average effective interest rate	Floating interest rate	Fixed Interest Maturing in: Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5+ years	Non-interest bearing	Total
		%	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2007											
Financial Assets											
Cash and cash equivalents	30	2.50%	15,271	-	-	-	-	-	-	-	15,271
Receivables	7	-	-	-	-	-	-	-	-	27,806	27,806
Other	9,10,11	13.50%	-	11,556	-	-	-	-	-	5,164	16,720
			15,271	11,556	-	-	-	-	-	32,970	59,797
Financial Liabilities											
Payables	15	-	-	-	-	-	-	-	-	16,741	16,741
Commercial bills	16	8.54%	12,300	-	-	-	-	-	-	-	12,300
Bank loans	16	4.40%	15,140	-	-	-	-	-	-	-	15,140
Hire purchase liabilities	16	7.60%	-	1,443	727	237	-	-	-	-	2,407
Deferred acquisition payments	16	8.00%	-	5,373	2,494	2,221	-	-	-	-	10,088
Other borrowings	16	5.15%	-	335	146	17	4	-	-	-	502
Employee entitlements	(i) 17	5.97%	-	-	-	-	-	-	-	1,660	1,660
			27,440	7,151	3,367	2,475	4	-	-	18,401	58,838
2006											
Financial Assets											
Cash and cash equivalents	30	4.10%	6,421	-	-	-	-	-	-	-	6,421
Receivables	7	-	-	-	-	-	-	-	-	18,798	18,798
Other	9, 10	-	-	-	-	-	-	-	-	4,624	4,624
			6,421	-	-	-	-	-	-	23,422	29,843
Financial Liabilities											
Payables	15	-	-	-	-	-	-	-	-	13,629	13,629
Hire purchase liabilities	16	7.56%	-	1,391	986	258	172	87	-	-	2,894
Employee entitlements	(i) 17	5.97%	-	-	-	-	-	-	-	1,056	1,056
			-	1,391	986	258	172	87	-	14,685	17,579

(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 Group. The Group 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 Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

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 Group 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 Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(f) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analyses. The financial statements include holdings in unlisted shares which were measured at fair value in the prior year. Details of the determination of this fair value is contained in note 9. The Directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair values.

(g) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group 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.

32 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, resigned 10 April 2007
Mr M Lemmel (Non Executive Director), appointed 19 October 2006
Mr G E Weston (Group General Manager)
Mr D J Loughlin (General Manager: Products and Services Division), appointed 1 September 2006
Mr S J Lyons (Company Secretary), resigned 17 October 2006
Mr P A Evans (Company Secretary and Chief Financial Officer), appointed 17 October 2006
Mr D L Kinley (Group Financial Controller), ceased to be a key management person on 17 October 2006
Mr C S Munyard (Manager: Surtron), ceased to be a key management person on 1 September 2006.

(b) Key management personnel compensation policy

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 compensation package. Of this bonus, 75% is payable on achievement of the FY07 EBIT budget by Group companies and 25% on the purchase of Flexit AB prior to 30 June 2007. The Remuneration Committee set these performance hurdles as the achievement of Group EBIT and purchase of Flexit AB are closely linked to Imdex's increased growth and profitability and hence shareholder value. The balance of his compensation package for the current year is not linked to the Group's performance. From time to time options may be issued to the Managing Director as an additional performance incentive. The portion of the Managing Director's compensation package that comprises options is linked to the Company's performance. The issue of any such options requires the approval of Shareholders in General Meeting. No such options were granted to the Managing Director in the current year.

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

The remuneration policy for the Managing Director is linked to the Company's performance as an additional incentive to build shareholder value. The remuneration of Non Executive Directors is not linked to the Company's performance except as noted below, in order to preserve their independence. The increase in the net profits of the Company and hence the increase in shareholder value over the last five years is indicative of the success of this policy.

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, a total of 1,000,000 options were issued during the current year to Mr Ian Burston, a Non Executive Director, 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. 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. The issue of these options was approved by the shareholders at the 2006 Annual General Meeting on 19 October 2006.

Key management personnel compensation

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

	Consolidated		Company	
	2007	2006	2007	2006
	$	$	$	$
Short-term employee benefits	1,412,941	1,399,249	1,150,003	882,514
Post-employment benefits	93,068	86,041	72,022	48,531
Other long-term benefits	34,785	28,075	20,020	4,789
Termination benefits	-	-	-	-
Share-based payments	208,952	23,306	208,952	9,768
	1,749,746	1,536,671	1,450,997	945,602

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

32 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	Total
										Shares & Units	Options & Rights			
	Notes	$	$	$	$	$	$	$	$	$	$	$	$	$
2007														
I F Burston, Chairman		81,720	-	-	-	-	-	-	-	-	122,623	-	-	204,343
B W Ridgeway, Managing Director ^	(i)	309,615	75,000	48,725	-	27,865	-	20,020	-	-	-	-	-	481,225
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		37,500	-	-	-	-	-	-	-	-	-	-	-	37,500
M Lemmel, Non Executive Director		35,054	-	-	-	-	-	-	-	-	-	-	-	35,054
G E Weston, Group General Manager	(iii)	224,846	-	38,092	-	21,046	-	14,765	-	-	-	-	-	298,749
D J Loughlin, General Manager: Products and Services Division	(iv)	140,673	-	31,321	-	12,661	-	-	-	-	56,935	-	-	241,590
P A Evans, Chief Financial Officer / Company Secretary ^	(v)	153,076	20,000	-	-	13,777	-	-	-	-	29,394	-	-	216,247
S J Lyons, Company Secretary	(vi)	44,265	-	1,522	-	3,600	-	-	-	-	-	-	-	49,387
D L Kinley, Group Financial Controller	(vii)	39,375	-	8,523	-	3,544	-	-	-	-	-	-	-	51,442
C S Munyard, Manager: Surtron	(viii)	17,500	-	6,134	-	1,575	-	-	-	-	-	-	-	25,209
		1,183,624	95,000	134,317	-	93,068	-	34,785	-	-	208,952	-	-	1,749,746

^ - Bonuses were earned on the acheivement of performance targets and represent the following percentages of possible amounts payable: B Ridgeway 75% and P Evans 67%.

		Salary & fees	Bonus	Non-monetary	Other	Super-annuation	Other	Other long-term employee benefits	Termination Benefits	Shares & Units	Options & Rights	Cash settled	Other	Total
2006														
I F Burston, Chairman		82,875	-	-	-	-	-	-	-	-	-	-	-	82,875
B W Ridgeway, Managing Director *	(i)	261,827	50,000	55,806	-	23,564	-	4,789	-	-	7,728	-	-	403,714
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
S J Lyons, Company Secretary *	(vi)	134,900	3,900	2,282	-	5,310	-	-	-	-	1,091	-	-	147,483
D L Kinley, Group Financial Controller	(vii)	118,413	-	29,223	-	10,657	-	-	-	-	949	-	-	159,242
G E Weston, General Manager: AMC, Ace & Surtron *	(iii)	237,539	20,000	37,872	-	25,852	-	13,024	-	-	12,826	-	-	347,113
C S Munyard, Manager: Surtron *	(viii)	129,538	54,950	36,836	-	11,658	-	10,262	-	-	712	-	-	243,956
		1,108,380	128,850	162,019	-	86,041	-	28,075	-	-	23,306	-	-	1,536,671

* - Bonuses were earned on the acheivement of performance targets and represent the following percentages of possible amounts payable: B Ridgeway 67%, S Lyons 50%, G Weston 29% and C Munyard 100%.

32 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.

During the current year Mr B W Ridgeway earned a bonus of $75,000, representing 75% of the possible bonus payable for the year. This bonus was paid on the satisfaction of two out of three criteria linked to current year audited EBIT and one out of one acquisition related criteria. During the prior year a bonus of $50,000 was earned, representing 67% of the possible bonus payable for that year. This bonus was paid on the satisfaction of two out of three criteria linked to prior year audited EBIT.

No options were granted to Mr Ridgeway in the current year. In the prior 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 prior year compensation that consisted of options was 2.2%.

(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. None of the remuneration received from the Joint Venture is in relation to work done for Imdex. Mr Al-Merry's office was vacated on 18 August 2006.

(iii) 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.

During the current year Mr G E Weston was entitled to a bonus of $70,000 that was linked to the satisfaction of current year audited EBIT figures. None of the required performance hurdles were achieved in the current year. During the prior year Mr G E Weston earned a bonus of $20,000, representing 29% of the possible bonus payable for that year. This bonus was paid on the satisfaction of one out of two criteria linked to current year audited EBIT. No options were granted to Mr Weston in the current year. In the prior year, Mr Weston was granted 1,000,000 options under Staff Option Tranche 2, along with other staff of the Group, under the Staff Option Scheme as set out in Note 33. The percentage of the value of prior year compensation that consisted of options was 3.9%.

(iv) Mr D J Loughlin is a party to a service contract with Imdex Limited, which sets out a fixed compensation package reviewable annually. The service contract specifies a three 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 Loughlin and Imdex Limited from time to time.

In the current year, Mr Loughlin was granted 500,000 options, under Staff Option Tranche 3, along with other staff of the Group, under the Staff Option Scheme as set out in Note 33. The percentage of the value of compensation that consisted of options was 24%.

(v) Mr P A Evans 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 Evans and Imdex Limited from time to time.

During the current year Mr P A Evans earned a bonus of $20,000, representing 67% of the possible bonus payable for the year. This bonus was paid on the satisfaction of one out of one criteria linked to current year audited EBIT and nil out of one systems based criteria. In the current year, Mr Evans was granted 300,000 options, under Staff Option Tranche 4, along with other staff of the Group, under the Staff Option Scheme as set out in Note 33. The percentage of the value of compensation that consisted of options was 14%.

(vi) Mr S J Lyons was 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. Mr Lyons resigned on 17 October 2006.

During the prior year Mr S J Lyons earned a bonus of $3,900, representing 50% of the possible bonus payable for that year. This bonus was paid on the satisfaction of one out of two criteria linked to current year audited EBIT. No options were granted to Mr Lyons in the current year. In the prior year, Mr Lyons was granted 150,000 options, under Staff Option Tranche 2, along with other staff of the Group, under the Staff Option Scheme as set out in Note 33. The percentage of the value of prior year compensation that consisted of options was 0.8%.

(vii) 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. Mr D L Kinley ceased to be a key management member on 17 October 2006 following the appointment of Mr P A Evans as Company Secretary and Chief Financial Officer on that date.

In the prior year, Mr Kinley was granted 100,000 options, under Staff Option Tranche 2, along with other staff of the Group, under the Staff Option Scheme as set out in Note 33. The percentage of the value of prior year compensation that consisted of options was 0.6%.

32 Key Management Personnel Remuneration (continued)

(viii) 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. Mr C S Munyard ceased to be a key management member on 1 September 2006 following the appointment of Mr D J Loughlin as General Manager: Products and Services Division on that date.

In the prior year, Mr Munyard was granted 75,000 options, under Staff Option Tranche 2, along with other staff of the Group, under the Staff Option Scheme as set out in Note 33. The percentage of the value of prior year compensation that consisted of options was 0.3%.

33 Staff Option Scheme

(a) Share Based Payment Arrangements

Staff Option Plan
The Group has in place a Staff Option Scheme (Scheme) to reward employees (including Key Management Personnel) for their past services as well as to 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. Options expire when the option holder ceases to be employed by the Group. As at 30 June 2007 a total of 3,006,111 of these options had vested.

Chairman's Options
During the current year options were issued to the Chairman as a reward for past performance and as an incentive for the future. These options 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 when ceasing to be a Director, and may be exercised after 2 years at any time to their expiry date. As at 30 June 2007 none of these options had vested.

Managing Director's Options
During the prior year options were issued to the Managing Director as a reward for past performance and as an incentive for the future. The options carry no rights to dividends and no voting rights. As at 30 June 2007 none of these options had vested.

Corporate Advisors Options
During the prior year options were issued to Corporate Advisors of the Company as a reward for past performance and as an incentive for the future. The options carry no rights to dividends and no voting rights. As at 30 June 2007 all of the options had vested.

(b) The following share based payment arrangements were in existence during the current and comparative periods:

2007	Issue 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 (i)	1-Aug-04	31-Jul-09	0.20	0.01	3,048,333	-	(937,832)	(20,000)	2,090,501
Tranche 2 (i)	1-Feb-06	31-Jan-11	0.35	0.02	2,660,000	-	(428,428)	(41,667)	2,189,905
Tranche 3 (i)	23-Feb-07	22-Feb-12	0.75	0.56	-	700,000	-	-	700,000
Tranche 4 (i)	23-Feb-07	22-Feb-12	1.00	0.48	-	4,575,000	-	(150,000)	4,425,000
Tranche 5 (i)	12-Jun-07	11-Jun-12	1.80	0.51	-	675,000	-	-	675,000
Chairmans Options									
Tranche 1 (ii)	19-Oct-06	18-Oct-11	0.75	0.35	-	1,000,000	-	-	1,000,000
Managing Directors' Options									
Tranche 1 (iii)	15-Sep-05	14-Sep-10	0.30	0.01	2,000,000	-	-	-	2,000,000
Corporate Advisors Options									
Tranche 1 (iv)	23-Dec-04	31-Jul-09	0.20	0.03	100,000	-	(100,000)	-	-
Tranche 2 (v)	23-Dec-04	31-Oct-07	0.20	0.02	2,000,000	-	(2,000,000)	-	-
Tranche 3 (iv)	23-Dec-04	31-Oct-07	0.35	0.01	1,000,000	-	(1,000,000)	-	-
					10,808,333	6,950,000	(4,466,260)	(211,667)	13,080,406

33 Staff Option Scheme (continued)

2006	Issue 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 (i)	1-Aug-04	31-Jul-09	0.20	0.01	3,160,000	-	(51,667)	(60,000)	3,048,333
Tranche 2 (i)	1-Feb-06	31-Jan-11	0.35	0.02	-	2,680,000	-	(20,000)	2,660,000
Managing Directors' Options									
Tranche 1 (iii)	15-Sep-05	14-Sep-10	0.30	0.01	-	2,000,000	-	-	2,000,000
Corporate Advisors Options									
Tranche 1 (iv)	23-Dec-04	31-Jul-09	0.20	0.03	100,000	-	-	-	100,000
Tranche 2 (v)	23-Dec-04	31-Oct-07	0.20	0.02	2,000,000	-	-	-	2,000,000
Tranche 3 (iv)	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

(i) Excercisable in one third lots in each year commencing one year after issue.
(ii) Expire on their expiry date or when ceasing to be a Director, and may be exercised after 2 years at any time to their expiry date.
(iii) Expire on their expiry date or 3 months after ceasing to be a Director, and may be exercised after 2 years at any time to their expiry
(iv) Exercisable at any time up to expiry.
(v) Exercisable at any time after Imdex shares trade at 30 cents for 5 consecutive trading days. This condition has been satisfied.

(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 $0.47 (2006: $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 trends.

2007	Chairmans Options Tranche 1	Staff Options Tranche 3	Staff Options Tranche 4	Staff Options Tranche 5
Inputs into the model				
Grant date share price ($)	0.80	1.08	1.08	1.40
Exercise price ($)	0.75	0.75	1.00	1.80
Expected volatility	50%	50%	50%	50%
Option life (years)	5.00	5.00	5.00	5.00
Marketability discount	0%	0%	0%	0%
Risk-free interest rate	5.89%	6.00%	6.00%	6.38%
Dividend yield	2.30%	2.30%	2.30%	2.30%

2006	Managing Directors Options Tranche 1	Staff Options Tranche 2
Inputs into the model		
Grant date share price ($)	0.25	0.20
Exercise price ($)	0.30	0.35
Expected volatility	9%	9%
Option life (years)	5.00	5.00
Marketability discount	40%	40%
Risk-free interest rate	5.50%	5.75%
Dividend yield	0.00%	0.00%

33 Staff Option Scheme (continued)

(d) Exercised during the financial year

2007

Option Series	Number Exercised	Exercise Date	Weighted Average Share Price at Exercise Date
Staff Options Tranche 1	937,832	Various	0.97
Staff Options Tranche 2	428,428	Various	0.97
Corp Advisor Tranche 1	100,000	24-Nov-06	0.78
Corp Advisor Tranche 2	2,000,000	Various	0.74
Corp Advisor Tranche 3	1,000,000	Various	0.77
	4,466,260		

2006

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		

(e) Balance at end of the financial year

The share options outstanding at the end of the financial year had a weighted average exercise price of $0.67 (2006: $0.28), and a weighted average remaining contractual life of 1398 days (2006: 796 days)

34 Subsequent Events

Effective 1 July 2007 Imdex Limited acquired 100% of the issued share capital of the Canadian based Poly-Drill Drilling Systems Ltd (Poly-Drill) for a total of $3.5 million. The purchase price was settled by way of $1.75 million cash and 1,212,751 fully paid ordinary shares in Imdex Limited with a fair value of $1.75 million. The issue price of the Imdex shares was the weighted average share price on the 5 business days prior to 1 July 2007. The issued shares are under a voluntary escrow until 30 June 2008. Poly-Drill manufactures and sells polymer drilling fluid based systems and solids control systems. Additional disclosures with respect to this acquisition are impractical at this stage as the acquisition accounting is still being finalised.

Effective 1 July 2007, Imdex Limited acquired 75% of the issued share capital of Suay Energy Services LLP (Suay), a private company incorporated in Kazakhstan. The purchase price was US$0.4 million (A$0.5 million) payable in cash. Of this amount US$0.2 million (A$0.2 million) was paid in May 2007 with the balance paid on settlement. Imdex Limited has the right to acquire the remaining 25% interest at fair value. Suay supply drilling fluids and chemicals to the oil and gas industry in the Caspian Sea region. Additional disclosures with respect to this acquisition are impractical at this stage as the acquisition accounting is still being finalised.

On 31 July 2007 Imdex Limited paid the next deferred settlement instalment of GBP 2.2 million ($5.4 million) due to the vendors of Chardec Technology Limited.

On 3 August 2007, a Heads of Agreement was signed to acquire Southernland S.A., a drilling fluids and chemicals manufacturer and distributor based in Santiago, Chile. The purchase price is US$2.6 million, with 50% payable in cash on settlement and 50% to be paid in fully paid ordinary shares in Imdex Limited to be escrowed for two years from the date of settlement. The shares will be issued at the weighted average closing price of the 5 days immediately prior to settlement. The proposed settlement date is 1 October 2007. The acquisition of Southernland S.A. provides the Imdex Group with manufacturing capability in Chile in order to access the growing Central and Southern American markets. Additional disclosures with respect to this acquisition are impractical at this stage as the due diligence process and acquisition accounting are still being finalised.

Subsequent to year end the Directors declared a 1.5 cent per share fully franked dividend with an entitlement date of 5 October 2007 and a payment date of 17 October 2007. The effect of this dividend has not been reflected in this financial report.

ADDITIONAL STOCK EXCHANGE INFORMATION AS AT 13 AUGUST 2007

(a) Distribution of Shareholders

	Fully Paid Ordinary Shares	Options
1 – 1,000	238	-
1,001 – 5,000	1,044	-
5,001 – 10,000	730	9
10,001 – 100,000	1,239	95
100,001 – and over	138	22
	3,389	126
Holding less than a marketable parcel	36	-

(b) Substantial Shareholders

Ordinary Shareholders	Fully Paid	
	Number	Percentage
Fiberform Vinidic Holding AB	20,800,000	11.47%
ANZ Nominees Limited	12,051,399	6.65%
J P Morgan Nominees Australia Limited	9,952,463	5.49%

(c) Twenty Largest Holders of Quoted Equity Securities

Ordinary Shareholders	Fully Paid	
	Number	Percentage
Fiberform Vinidic Holding AB	20,800,000	11.47%
ANZ Nominees Limited	12,051,399	6.65%
J P Morgan Nominees Australia Limited	9,952,463	5.49%
National Nominees Limited	7,314,593	4.03%
Citicorp Nominees Pty Limited	6,698,865	3.69%
RBC Dexia Investor Services Australia Nominees Pty Limited (PIIC Account)	6,610,314	3.65%
Queensland Investment Corporation Limited	5,569,120	3.07%
RBC Dexia Investor Services Australia Nominees Pty Limited (PIPooled Account)	4,591,351	2.53%
RBC Dexia Investor Services Australia Nominees Pty Limited (BKCust Account)	4,312,763	2.38%
Telic Alcatel (Australia) Pty Ltd	3,603,152	1.99%
Wear Services Pty Ltd	3,500,000	1.93%
HSBC Custody Nominees (Australia) Limited	3,266,893	1.80%
Bond Street Custodians Limited	2,200,000	1.21%
WB Nominees Limited	1,800,000	0.99%
Mr Petrus Cornelius Nicolaas Middendorp	1,753,500	0.97%
Primbee Investments Pty Ltd	1,615,921	0.89%
Longo Pty Ltd	1,572,826	0.87%
Citicorp Nominees Pty Limited	1,343,725	0.74%
Mr Robert Whipple	1,212,751	0.67%
Chippell Pty Ltd	1,210,273	0.67%
	100,979,909	55.69%

ADDITIONAL STOCK EXCHANGE INFORMATION AS AT 13 AUGUST 2007

(d) Director and Company Secretary Shareholdings

Name	Number of Shares	Number of Options
Mr B W Ridgeway	3,500,000	2,000,000
Mr I F Burston	260,000	1,000,000
Mr R W Kelly	265,000	-
Mr K A Dundo	300,000	-
Mr M Lemmel	400,000	-
Mr P A Evans	5,000	300,000
	4,730,000	3,300,000

(e) Company Secretary

Mr Paul Anthony Evans

(f) Registered Office

Level 1, Canute House
15 Rheola Street
West Perth
Western Australia
Phone: (08) 9481 5777

(g) Share Registry

Computershare Investory Services
Level 2
45 St Georges Terrace
Perth WA 6000
Phone: (08) 9323 2000

www.imdex.com.au

ABN 78 008 947 813

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the 2007 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 2007 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 ended 30 June 2007.

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

That, for all purposes, Mr Kevin Dundo, 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 Ordinary Resolution:

That, for all purposes, Mr Magnus Lemmel, who was appointed to the Board of Directors on 19 October 2006 as an additional Director, and being eligible, offers himself for re-election, is re-elected as a Director.

4 To consider and, if thought fit, pass, with or without amendment, the following resolution as an Ordinary Resolution:

That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Company ratifies the allotment and issue of 1,367,790 fully paid ordinary shares in the capital of the Company on the terms set out in the accompanying Explanatory Memorandum.

Voting Exclusion: The Company will disregard any votes cast on Resolution 4 by Robert Whipple or David Scott or any person who participated in the issue and any associate of such person. 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, with or without amendment, the following resolution as an Ordinary Resolution:

That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Company ratifies the allotment and issue of 1,919,627 fully paid ordinary shares in the capital of the Company issued upon the exercise of Staff Options on the terms and conditions set out in the accompanying Explanatory Memorandum.

Voting Exclusion: The Company will disregard any votes cast on Resolution 5 by any person who participated in the issue and any associate of such person. 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 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 2007 be approved.

7 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 2007 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 2007.

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 2007

By Order of the Board of Directors
Imdex Limited

Paul Evans
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 and 3 – Re-election of Directors

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 Kevin Dundo, a Director of the Company since 14 January 2004, seeks re-election by reason of his retirement by rotation pursuant to Resolution 2 of the Notice of Meeting. A record of Mr Kevin Dundo's attendances at Board meetings over the 12 month period to 30 June 2007 is set out in the 2007 Annual Report as are further details concerning his qualifications and experience.

Article 17.3 of the Constitution, requires that any Director appointed by the Board to fill a casual vacancy or as an additional Director, must retire at the next Meeting of the Company following his or her appointment, but is eligible for re-election at that Meeting.

Mr Magnus Lemmel, who was appointed to the Board on 19 October 2006 following the completion of the Reflex acquisition, seeks re-election as a Director pursuant to Resolution 3 of the Notice of Meeting. Further details concerning Mr Lemmel's qualifications and experience are set out in the 2007 Annual Report.

The Directors recommend that Shareholders vote in favour of Resolution 2 and 3 to appoint Mr Kevin Dundo and Mr Magnus Lemmel.

3 Resolution 4 – Ratification of the issue of 1,367,790 Shares

Resolution 4 seeks Shareholder ratification for the issue and allotment of 1,367,790 Shares which relate to recent acquisitions by the Company of two Canadian companies. 1,212,751 Shares were issued to Robert Whipple as part consideration for the purchase of all of the shares of Poly Drill Drilling Systems Limited (**Poly Drill**), and the remaining 155,039 Shares were issued to David Scott as part consideration for the purchase of all of the Shares in Nudge Geotechnical Instrumentation Inc (**Nudge**).

3.1 Poly Drill Drilling Systems Limited

1,212,751 Shares were issued as part consideration for the purchase of Poly Drill, a Canadian based company which specialises in the provision of polymer drilling fluid base systems. The business of Poly Drill is complementary to the existing drilling products and services business of Imdex. The total consideration for the purchase of all of the shares of Poly Drill was $3,500,000, consisting of a payment of $1,750,000 and the issue of 1,212,751 Shares at a deemed issue price of $1.443 per share.

3.2 Nudge Geotechnical Instrumentation Inc

155,039 Shares were issued as part consideration for the acquisition of all the shares in Canadian company Nudge. Nudge's significant asset is the ownership of a Canadian patent which is similar in operation to the Ace Orientation Core Tool owned by the Company. The total consideration for the purchase of all of the shares in Nudge was $500,000, consisting of a payment of $300,000 and the issue of 155,039 Shares at a deemed issue price of $1.29 per Share.

3.3 ASX Listing Rule 7.4

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

Ratification by the shareholders of the Company is now sought pursuant to ASX Listing Rule 7.4 in order to reinstate the Company's capacity to issue up to 15% of its issued capital, if required, in the next 12 months without shareholder approval.

ASX Listing Rule 7.5 requires that the following information be provided to shareholders in relation to the Shares the subject of Resolution 4:

(a) the total number of Shares issued by the Company was 1,367,790 Shares;

(b) 1,212,751 Shares were issued on 2 August 2007

(c) 1,212,751 of these Shares are subject to voluntary escrow for 12 months from 1 July 2007, being the shares issued by the Company in relation to the purchase of Poly Drill;

(d) 1,212,751 of the Shares were issued at a deemed price of $1.443 per Share, being the closing weighted average share price of the Company's Shares on ASX on the five business days prior to 1 July 2007;

(e) 1,212,751 Shares were allotted to Robert Whipple as part consideration for the purchase by the Company of Poly Drill Drilling Systems Limited;

(f) 155,039 Shares were issued on 9 May 2007;

(g) 155,039 Shares were issued at a deemed price of $1.29 per Share, being the average traded price of the Company's shares on the ASX on April 16 2007.

(h) 155,039 Shares were allotted to David Scott as part consideration for the purchase by the Company of Nudge Geotechnical Instrumentation Inc;

(i) all of the Shares allotted and issued rank equally in all respects with the Company's existing Shares on issue;

(j) no Shares were issued to any related party of the Company; and

(k) no monies were raised by either issue as the issues were in part consideration for the purchase by the Company of all of the shares in Poly Drill Drilling Systems Limited and Nudge Geotechnical Instrumentation Inc respectively.

The Directors recommend that Shareholders vote in favour of Resolution 4.

4 Resolution 5 – Ratification of the issue of Staff Shares

Resolution 5 seeks Shareholder ratification for the issue and allotment of 1,919,627 Shares which were issued to employees and consultants of the Company (**Staff Shares**).

4.1 Staff Shares

1,919,627 Staff Shares were issued to various employees and consultants of the Company on the exercise of employee options previously granted by the Board in accordance with the Company's Staff Option Plan as incentives and rewards for staff loyalty and performance. The Company notes that the Staff Option Plan has since been superseded by an Employee Option Plan approved by Shareholders at a general meeting held on 30 April 2007.

The full details of all the Staff Shares issued are provided at Annexure A, however by way of summary:

(a) 999,532 Shares were issued at a price of $0.20; and
(b) 920,095 Shares were issued at a price of $0.35;

4.2 ASX Listing Rule 7.4

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

Ratification by the shareholders of the Company is now sought pursuant to ASX Listing Rule 7.4 in order to reinstate the Company’s capacity to issue up to 15% of its issued capital, if required in the next 12 months without shareholder approval.

ASX Listing Rule 7.5 requires that the following information be provided to shareholders in relation to the Shares the subject of Resolution 5:

(a) The total number of Shares issued by the Company was 1,919,627 Shares;

(b) 999,532 Shares were issued at a price of $0.20 per Share, and 920,095 Shares were issued at a price of $0.35 per Share. The Shares were issued on the dates detailed in the table in Annexure A, which dates are between 2 January 2007 and 25 June 2007;

(c) The Shares were allotted to employees and consultants of the Company by the exercise of Staff Options held by the employees and consultants, which Staff Options had been issued by way of incentive and reward for performance and loyalty pursuant to the Company's Staff Option Plan;

(d) The Shares allotted and issued rank equally in all respects with the Company’s existing Shares on issue;

(e) No Shares were issued to any related party of the Company; and

(f) $521,940 in total was raised by the issue, which was used as general working capital.

The Directors recommend that Shareholders vote in favour of Resolution 5.

5 Resolution 6 – Remuneration Report

Included in the Directors' Report contained within the 2007 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 6.

6 Glossary

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

AGM	means the 2007 Annual General Meeting of the Company to be held at 11.00am on 19 October 2007.
ASIC	means the Australian Securities & Investments Commission.
ASX	means the Australian Securities Exchange operated by ASX 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 the Corporations Act 2001 (Cth).
Director	means a Director of the Company.
Nudge	means Nudge Geotechnical Instrumentation Inc
Poly Drill	means Poly Drill Drilling Systems Ltd
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a holder of a Share.
Staff Options	means the options issued to employees and/or consultants of the Company pursuant to the Staff Option Plan
Staff Option Plan	means the previous option plan for employees and consultants of the Company.
Staff Shares	means the Shares issued on the exercise of the Staff Options.
WST	means Australian Western Standard Time.

Date of exercise of options	Number of Staff Shares issued	Issue Price ($)
2/01/2007	500,000	$0.35
8/02/2007	10,000	$0.20
8/02/2007	10,000	$0.35
16/02/2007	8,333	$0.35
20/02/2007	15,000	$0.20
22/02/2007	16,666	$0.20
2/03/2007	500,000	$0.20
5/03/2007	66,500	$0.20
5/03/2007	33,300	$0.35
7/03/2007	33,333	$0.20
7/03/2007	50,000	$0.20
7/03/2007	16,666	$0.35
7/03/2007	150,000	$0.35
22/03/2007	10,000	$0.20
28/03/2007	33,334	$0.20
28/03/2007	16,666	$0.35
13/04/2007	3,333	$0.20
13/04/2007	30,000	$0.20
13/04/2007	6,666	$0.35
13/04/2007	3,333	$0.35
13/04/2007	10,000	$0.35
23/04/2007	28,000	$0.20
27/04/2007	33,333	$0.20
27/04/2007	16,667	$0.35
10/05/2007	16,500	$0.35
15/05/2007	16,700	$0.20
15/05/2007	3,333	$0.35
15/05/2007	50,000	$0.35
16/05/2007	100,000	$0.20
21/05/2007	50,000	$0.20
21/05/2007	16,666	$0.35
22/05/2007	16,666	$0.35
22/05/2007	16,666	$0.35
23/05/2007	3,333	$0.35

Date of exercise of options	Number of Staff Shares issued	Issue Price ($)
5/06/2007	8,333	$0.35
5/06/2007	5,000	$0.35
19/06/2007	3,333	$0.20
19/06/2007	3,300	$0.35
19/06/2007	6,667	$0.35
25/06/2007	2,000	$0.35
Total	**1,919,627**	

CORPORATE REPRESENTATIVE CERTIFICATE

Shareholder Details

This is to certify that by a resolution of the Directors of:

(**Company)**

(Insert name of shareholder company)

The Company has appointed:

(**Authorised corporate representative)**

(Insert name of corporate representative)

in accordance with the provisions of section 250D of the Corporations Act 2001, to act as the body corporate representative of that Company at the Annual General Meeting of Imdex Limited to be held on 19 October 2007 and at any adjournments of that meeting.

DATED
………..2007

Please sign here

Executed by the Company

in accordance with its constituent documents

Signed by authorised representative	Signed by authorised representative
Name of authorised representative (print)	Name of authorised representative (print)
Position of authorised representative (print)	Position of authorised representative (print)

Instructions for Completion

1. Insert name of appointor Company and the name or position of the appointee (eg "John Smith" or "each Director of the Company").
2. Execute the Certificate following the procedure required by your Constitution or other constituent documents.
3. Print the name and position (eg Director) of each Company officer who signs this Certificate on behalf of the Company.
4. Insert the date of execution where indicated.
5. The certificate must be produced prior to admission to the Meeting. You may send or deliver the Certificate to Imdex Limited, Level 1, 15 Rheola Street, West Perth WA 6005 or fax to (08) 9481 6527.

Imdex Limited

ABN 78 008 947 813

Proxy Form

All correspondence to:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia
Enquiries (within Australia) 1300 850 505
(outside Australia) 61 3 9415 4000
Facsimile 61 8 9323 2033
www.computershare.com

Mark this box with an 'X' if you have made any changes to your address details (see reverse) ☐

000001
000
IMD
MR SAM SAMPLE
121 SAMPLE STREET
MELBOURNE VIC 3000

Holder Identification Number (HIN)

X 1234567890 IND

Appointment of Proxy

I/We being a member/s of Imdex Limited and entitled to attend and vote hereby appoint

☐ the Chairman of the Meeting (mark with an 'X') **OR** ☐ If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Imdex Limited to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on Friday, 19 October 2007 at 11.00am (WST) and at any adjournment of that meeting.

Voting directions to your proxy - please mark X to indicate your directions

		For	Against	Abstain*
Item 2	Re-election of Mr Kevin Dundo as a Director	☐	☐	☐
Item 3	Re-election of Mr Magnus Lemmel as a Director	☐	☐	☐
Item 4	Ratification of issue of 1,367,790 Shares	☐	☐	☐
Item 5	Ratification of issue of Shares - Staff Options	☐	☐	☐
Item 6	Approval of Remuneration Report	☐	☐	☐

In addition to the intention advised above, the Chairman of the Meeting intends to vote undirected proxies in favour of each of the other items of business.
* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Appointing a second Proxy

I/We wish to appoint a second proxy

☐ Mark with an 'X' if you wish to appoint a second proxy. **AND** ☐ **%** **OR** ☐ State the percentage of your voting rights or the number of securities for this Proxy Form.

PLEASE SIGN HERE

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Individual/Sole Director and Sole Company Secretary	Director	Director/Company Secretary

In addition to signing the Proxy Form in the above box(es) please provide the information below in case we need to contact you.

Contact Name ____________ Contact Daytime Telephone ____________ Date / /

IMD 1PR

How to complete the Proxy Form

1 Your Address

This is your address as it appears on the company's Share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker (in which case your reference number overleaf will commence with an 'x') should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

3 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's Share registry or you may copy this form.

To appoint a second proxy you must:

(a) indicate that you wish to appoint a second proxy by marking the box.

(b) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.

(c) return both forms together in the same envelope.

5 Signing Instructions

You must sign this form as follows in the spaces provided:

Individual:	where the holding is in one name, the holder must sign.
Joint Holding:	where the holding is in more than one name, all of the securityholders should sign.
Power of Attorney:	to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies:	where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's Share registry or at **www.computershare.com**.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below no later than 48 hours before the commencement of the meeting at 11.00am (WST) on Friday, 19 October 2007. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged:

IN PERSON	Registered Office - PO Box 1325 West perth WA 6872
	Share Registry - Computershare Investor Services Pty Limited, Level 2, 45 St Georges Terrace, Perth WA 6000 Australia
BY MAIL	Registered Office - PO Box 1325 West perth WA 6872
	Share Registry - Computershare Investor Services Pty Limited, GPO Box 242, Melbourne VIC 3001 Australia
BY FAX	61 8 9323 2033

Imdex Limited

ABN 78 008 947 813

INVESTOR CENTRE
www.investorcentre.com/au

FOR ALL ENQUIRIES CALL:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

ALL CORRESPONDENCE TO:
Computershare Investor Services Pty Limited
GPO Box 2975 Melbourne
Victoria 3001 Australia
Facsimile +61 3 9473 2500

000001 000 IMD
MR SAM SAMPLE
121 SAMPLE STREET
MELBOURNE VIC 3000

14 September 2007

IMPORTANT NOTICE

The default option for receiving your annual report has changed from a printed copy to be via our website. You have the choice of receiving notification about accessing your annual report and other shareholder communications online or continuing to receive a printed annual report.

MAKE YOUR SELECTION ON THE BACK OF THIS FORM

YOUR ANNUAL REPORT

YOUR CHOICE

Dear Shareholder

LEGISLATION CHANGE - WHAT THIS MEANS FOR YOU

The Australian Government recently introduced legislation changing the default option for receiving annual reports to be via a company's website. You will now receive timely, cost effective and greener online annual reports unless you request a printed version.

To assist us with our commitment to the environment and our focus on cost control, we further encourage you to provide your email address and receive all your shareholder communications online. Please refer to the back of this letter to make your communication selection.

WHAT ARE YOUR OPTIONS?

OPTION 1 @ Provide your email address and receive email notification when your shareholder communications become available online.

OPTION 2 Continue receiving a printed version of the annual report.

If you take no action, information on accessing your online annual report will be provided in your AGM notice and proxy form mail pack.

If you have any questions about this letter please contact an investor services representative on 1300 850 505.

Yours sincerely

Paul Evans
Company Secretary

YOUR SHAREHOLDER COMMUNICATION OPTIONS

OPTION 1 **Elect to receive your annual report and other shareholder communications online**

By providing your email address you will no longer receive paper copies of annual reports or any other shareholder document available electronically. Instead you will receive emails advising you when and how to access these documents online.

Please enter your email address below and send this form back in the enclosed reply paid envelope.

@

Please provide your mobile phone number in the event we need to contact you about your securityholding

OR

visit www.investorcentre.com/au and provide your email address. If you are new to the Investor Centre website, simply click 'Register Now' and enter the security information provided below.

SRN/HIN: X1234567890

POST CODE: 0800

! FOR SECURITY REASONS IT IS IMPORTANT THAT YOU KEEP YOUR SRN/HIN CONFIDENTIAL.

Investor Centre provides you with a complete range of shareholder services

- ☑ Check the value of your shareholding and review your transaction history.
- ☑ Update your shareholder information online.
- ☑ Manage all your shareholdings with a free Investor Centre Portfolio registration.

OPTION 2 **Elect to continue receiving a printed copy of the annual report**

To receive a printed copy of the annual report please mark the annual report box below and send this letter back to us in the enclosed reply paid envelope.

☐ **ANNUAL REPORT**
Our annual report with detailed financial, remuneration and governance information.

If you take no action, information on accessing your annual report online will be provided in your AGM mail pack.

000001 000 IMD
MR SAM SAMPLE
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MELBOURNE VIC 3000

Computershare

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