



ABN 78 008 947 813

2008 Annual General Meeting

Meeting Documents

Notice of Annual General Meeting & Explanatory Memorandum

Proxy Form for Annual General Meeting

Corporate Representative Certificate for Annual General Meeting

**To be held on Thursday, 16 October 2008 at the Celtic Club,
48 Ord Street, West Perth, Western Australia commencing at
11.00am WST**



Providing Drilling Fluids and Leading Down Hole Instrumentation to the World

08
Annual Report



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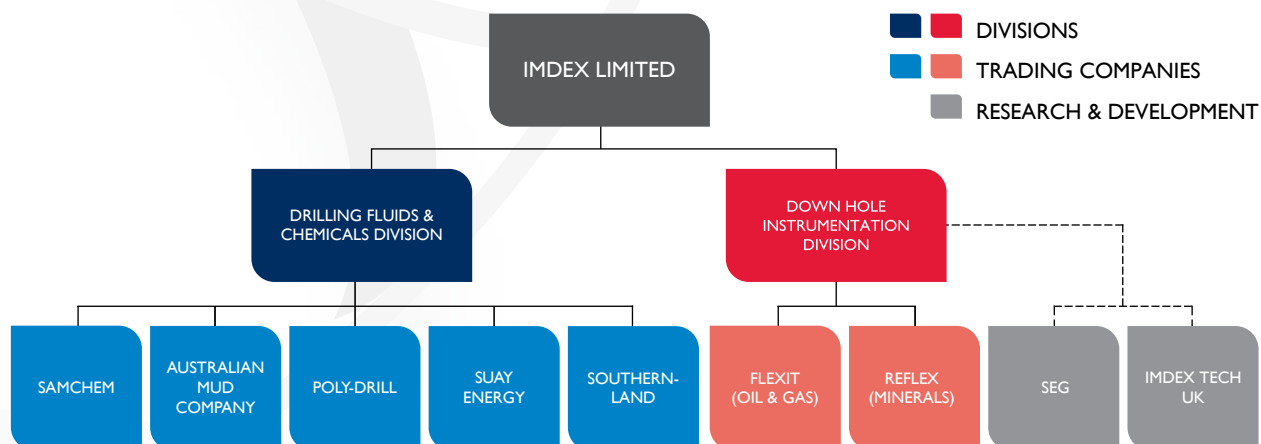


Imdex Group at a Glance

Imdex is a Western Australian based S&P/ASX 300 listed company, which provides drilling fluids and leading down hole instrumentation to the mining, oil and gas, water well, and civil engineering industries worldwide. The Group has a presence in all significant mining and exploration regions, and now has the global profile and resources to position it for extended future growth.

Key Data as at 30 June 2008			
Market Capitalisation	Shares on Issue	Shareholders	Employees
\$304.6 million	183,490,932	3,690	285

Group Structure



A large drilling rig is the central focus, extending from the bottom left towards the top center. The rig is a complex of metal structures, ladders, and cables. In the foreground, two workers are visible: one in a blue hard hat and orange safety vest, and another in a white hard hat and yellow safety vest. They are standing on a platform, looking at some equipment. The background shows a vast, flat, reddish-brown desert landscape under a sky with scattered clouds, illuminated by the warm light of a setting or rising sun. The overall scene conveys a sense of industrial activity in a remote, arid environment.

The 2008 financial year marks the fifth consecutive year of revenue and profit growth for the Index Group.

FY08 Operational Highlights

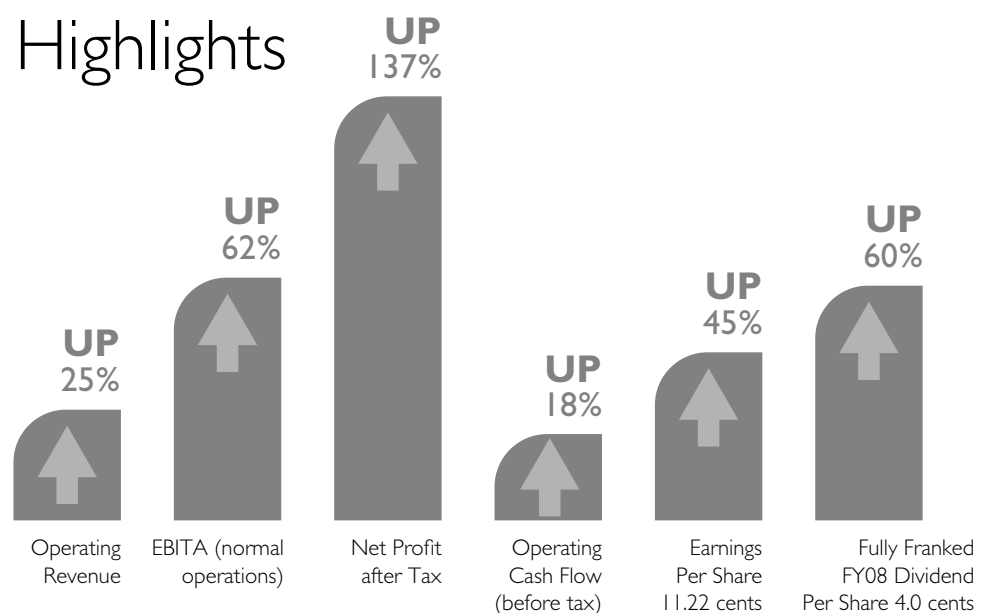
The 2008 financial year saw many positive operational achievements for the Imdex Group, including strategic acquisitions, sales and distribution alliances, and growth in new geographical regions and markets.

- July 2007, acquired Poly-Drill Drilling Systems (Poly-Drill).
- July 2007, acquired a 75% interest in Suay Energy Services LLP (Suay).
- August 2007, supply agreement – Boart Longyear.
- September 2007, distribution agreement with Sandvik Mining and Construction.
- October 2007, divestment of non-core business Surtron Technologies for \$20 million cash.
- November 2007, acquired Southerland S.A. (Southerland).
- January 2008, acquired System Entwicklungs GmbH (SEG).
- March 2008, supply agreement - Major Drilling.
- March 2008, supply agreement - Swick.
- March 2008, Imdex was included in the S&P/ASX 300 for the first time.
- April 2008, supply agreement - Layne Christensen.
- June 2008, acquired remaining 25% of Suay Energy Services LLP (Suay).
- FY08, further penetration into the global oil & gas market.
- FY08, growth across all geographical regions.
- FY08, continued strengthening of the management team.
- FY08, production capacity expansion at Samchem commenced.
- FY08, increased production capacity at Imdex Technology (UK) Limited (formerly Chardec) in the United Kingdom and Southerland in Chile.
- FY08, consolidated position as a leading provider of drilling fluids and down hole instrumentation to the resources industry globally.

Market Highlights

- Continuing demand for commodities, largely driven by China and India.
- Continued mining and exploration activity in a number of African countries.
- Continued demand for energy, the interest in this sector was reported to be at a 30 year high.
- High levels of exploration expenditure in Latin America.

Financial Highlights

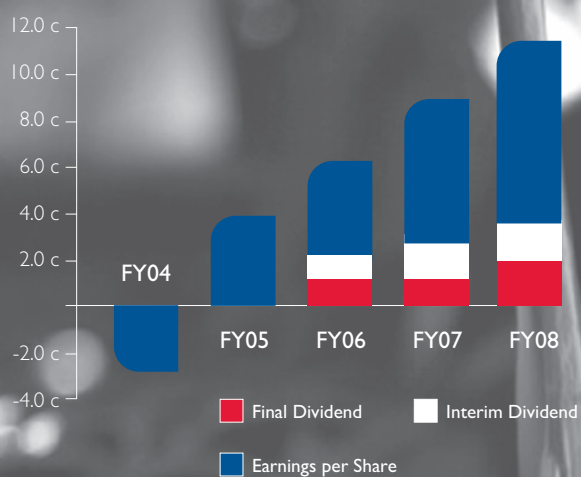


2008 Comparative Financial Performance

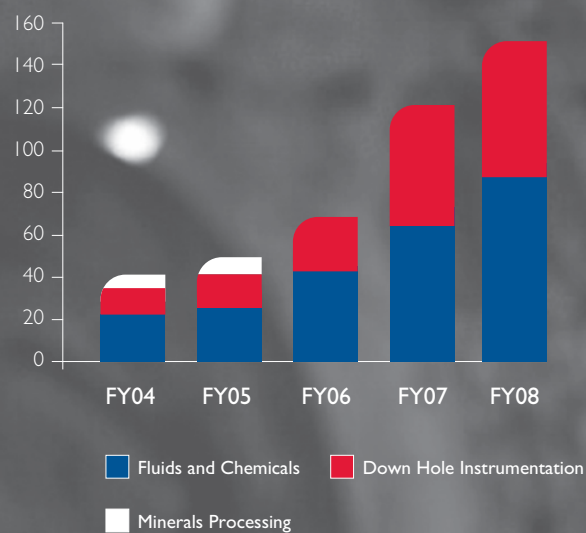
	2008	2007
	\$'000	\$'000
Operating Revenue from continuing operations	142,009	103,849
Operating Revenue from discontinuing operations	6,584	14,591
Total Operating Revenue (excluding interest income) *	148,593	118,440
<i>Change in percentage - Total Operating Revenue</i>	25%	
Operating Profit before Interest, Tax, Depreciation & Amortisation *	43,804	29,075
Depreciation *	(3,733)	(4,368)
Earnings before Interest, Tax & Amortisation (EBITA) *	40,071	24,707
EBITA margin *	27%	21%
<i>Change in percentage - EBITA</i>	62%	
Amortisation *	(6,055)	(3,430)
Earnings before Interest & Tax (EBIT) *	34,016	21,277
<i>Change in percentage</i>	60%	
Net interest expense *	(923)	(1,986)
Net profit before tax *	33,093	19,291
Income tax expense *	(11,011)	(6,558)
Net Profit after Tax *	22,082	12,733
<i>Change in percentage</i>	73%	
Non-operational items		
RTE/Imdex Joint Venture Recovery	-	1,121
Profit on sale of Surtron business	12,139	-
Tax effect of non-operational items	(2,219)	(336)
Net Profit for the Year after Tax	32,002	13,518
<i>Change in percentage</i>	137%	
EBITA of continuing operations (excluding non-operational items)	38,802	22,260
<i>Change in percentage</i>	74%	
Basic earnings per share from continuing operations (cents)	11.22 ¢	7.72 ¢
<i>Change in percentage</i>	45%	
Net Cash provided by Operating Activities before Tax	25,619	21,651
<i>Change in percentage</i>	18%	
Cash on hand	13,276	15,271
<i>Change in percentage</i>	-13%	
Net Assets	105,643	76,614
<i>Change in percentage</i>	38%	
Total Borrowings	35,552	40,437
<i>Change in percentage</i>	-12%	
Net Tangible Assets per Share	14.02 ¢	7.69 ¢
<i>Change in percentage</i>	82%	

* - denotes items that include both continuing and discontinued operations

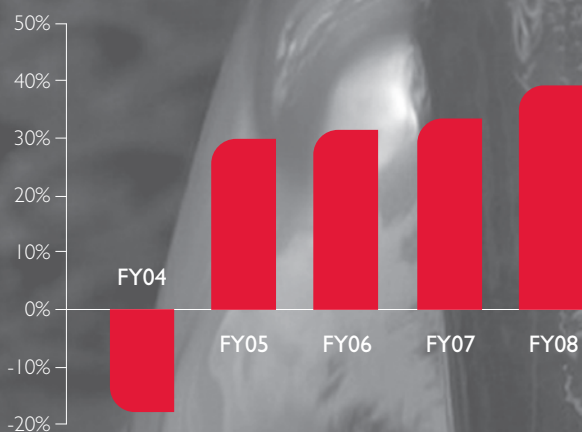
Normalised Earnings and Dividends per share



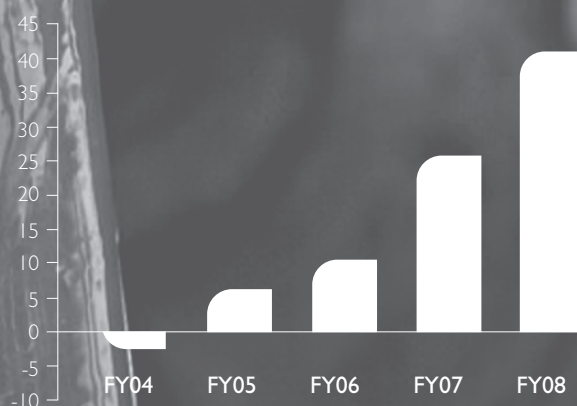
Normalised Revenue by Division (\$m)



Return on Equity (EBITA/Equity)

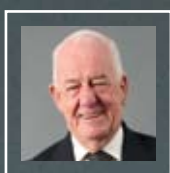


Normalised EBITA (\$m)



Normalised numbers include profit from discontinued operations and exclude non-operational items.

Imdex's Board of Directors



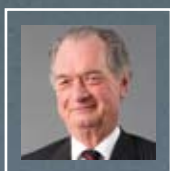
Mr. Ian Burston AM – Non Executive Chairman. Age: 73 years

- Appointed to the Board 22 November 2000.
- Previously Managing Director of Hamersley Iron, Chief Executive Officer for Kalgoorlie Consolidated Gold Mines, Managing Director and Chief Executive Officer of Aurora Gold, and Managing Director of Portman Limited.
- Diploma in Aeronautical Engineering and a Bachelor of Engineering (Mechanical).
- Fellow of the Institution of Engineers Australia, Australasian Institute of Mining and Metallurgy, and the Australian Institute of Company Directors.
- Extensive experience leading publicly listed and private companies.



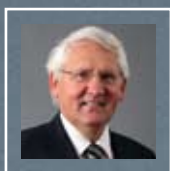
Mr. Bernard Ridgeway B.Bus (ACCTG) ACA – Managing Director. Age: 54 years

- Appointed to the Board 23 May 2000.
- 23 years experience with public and private companies as owner, director and manager.
- Qualified Chartered Accountant.
- Member of the Institute of Chartered Accountants Australia, and the Australian Institute of Company Directors.
- Mr. Ridgeway has a hands on and participative management style with extensive experience and expertise in finance, administration, marketing and business development.



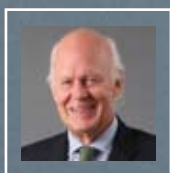
Mr. Ross Kelly BE (HONS) FAICD – Non Executive Director. Age: 70 years

- Appointed to the Board 14 January 2004.
- Previously Chairman and Non Executive Director of Clough Limited, Sumich Group Limited, Orbital Corporation Limited, Beltreco Limited, and Director of Aurora Gold Limited, PA Consulting Services Ltd and the Fremantle Football Club.
- Qualified Engineer and specialist consultant to the Western Australian Government and major Australian companies within the mining and heavy process industries.
- Comprehensive professional and international experience in the offshore gas, oil refining and steel industries.
- Previously a Councillor of the Australian Institute of Company Directors and Member of the Advisory Board for the Curtin Graduate School of Business.



Mr. Kevin Dundo B.Com, LLB – Non Executive Director. Age: 55 years

- Appointed to the Board 14 January 2004.
- Practicing Lawyer specialising in commercial and corporate law, and in particular mergers and acquisitions, with experience in the mining services, and financial services industries.
- Director of Intrepid Mines Ltd and Computercorp Limited.
- Previously Director of St Barbara Mines Limited and Defiance Mining Corporation (listed on the Toronto Stock Exchange).
- Bachelor of Commerce and Bachelor of Laws.
- Member of the Law Society of Western Australia, Law Council of Western Australia, Australian Institute of Company Directors, and a Fellow of the Australian Society of Certified Practising Accountants.



Mr. Magnus Lemmel B.A. – Non Executive Director. Age: 68 years

- Appointed to the Board 19 October 2006.
- Management Consultant based in Brussels, Belgium.
- Involved in small business development in Sweden and Chairman of the Technical Advisory Committee for Reflex and Imdex Technology (UK) Limited (formerly Chardec).
- Previously Senior Vice President of Ericsson Telecommunications, Chief Executive Officer of the Federation of Swedish Industries, Director General for Enterprise Policy of the European Commission and President of Småföretagsinvest AB (the previous owners of Reflex).



An aerial photograph of a large offshore oil and gas platform at night. The platform is illuminated by its own lights, showing a complex network of yellow-painted steel structures, walkways, and equipment. A prominent flare on the left side of the platform is emitting a thick, bright orange flame that extends into the dark blue sky. To the right, there is a helipad with a green and yellow landing area. The platform is situated in the middle of a dark, choppy sea. The overall scene conveys a sense of industrial activity in a remote, high-pressure environment.

FY08 was a year of strong growth
with positive contributions from
all business units.



Mr. Ian Burston

Chairman's Report

To our shareholders,

On behalf of the Board it is my pleasure to present the Imdex Group 2008 Annual Report. FY08 was a year of strong growth with positive contributions from existing business units, buoyant market conditions, and new acquisitions offering scope to leverage Imdex's scale and global presence.

I am pleased to report that in FY08, Imdex achieved the highest revenue and profit figures in its history. The Imdex Group achieved a 25% increase in revenue to \$148.6 million (excluding interest income), and a 137% increase in total net profit to \$32 million. This delivered earnings per share of 11.22 cents.

These strong results reflect the Imdex Group's unwavering commitment to the priorities set down by the Board at the 2007 AGM, including an ambitious growth agenda set against the backdrop of a major acceleration across the globe in exploration and resource activity.

The acquisitions undertaken in the current year have been an integral part of our strategy to ensure a broad global presence for our businesses. Acquisitions made in the current financial year were:

- Suay Energy Services (Suay) in Kazakhstan;
- Poly-Drill Drilling Systems (Poly-Drill); in Canada;
- Southerland S.A. (Southerland) in Chile; and
- System Entwicklungs (SEG) in Germany.

Suay, Poly-Drill and Southerland are all drilling fluid companies and represent our entry into markets in the Caspian Sea region, Canada and Latin America. SEG is primarily aimed at the down hole instrumentation business in the oil and gas industry and offers world class technology.

The Imdex Group's greatest achievement in FY08 has been the successful growth of our existing businesses in parallel with the seamless integration of new acquisitions. The Imdex Group has now firmly consolidated its position as the world's leading provider of down hole

instrumentation to the resources industry with an increasing market share of the oil and gas sector.

The Board's emphasis on acquiring businesses that complement existing operations and are earnings accretive, will create long term value for shareholders. Increased size and global reach has already started to deliver scale and efficiency benefits which position the Imdex Group for strong earnings growth in 2009 and beyond.

Another important dimension of Imdex's medium term strategy has been streamlining the business into two distinct divisions which focus on the specific end markets of resources and energy. This strategy led to the divestment of the services oriented Surtron business from 31 October 2007.

The Group now has a clear focus on the resource and energy markets through its Fluids and Chemicals Division, providing fluids essential for drilling, and its Down Hole Instrumentation Division, providing drill hole survey and measurement tools.

Our presence in the oil and gas market began to grow during FY08 and will expand in FY09 with the introduction of specific products dedicated to meeting demands in this market.

In the medium term the Down Hole Instrumentation Division will continue to move away from a sales based model towards a rentals based model. This is underpinned by the Imdex Group's control of manufacture and ownership of IP allowing maximisation of our competitive advantage. Building a rental instrumentation fleet will ensure a sustainable and more profitable business in the future.

The Fluids and Chemicals Division, by its nature, is easily scalable and Imdex is investing in expanded production facilities globally to meet the demands of supporting global supply alliances and growing the Company's markets in other major exploration regions.

The main strategic objective of growing Imdex into a global company supporting drilling clients in the resources and oil and gas industries is being successfully implemented. There remains much to do in order to fully capitalise on the opportunities ahead and to continue to deliver sustainable and increasing dividend streams to our valued shareholders.

The Imdex Group became a constituent member of the S&P/ASX 300 in March 2008. This will project the company onto the investment radar of large scale institutions and fund managers who now have greater awareness of the Imdex Group's exposure to and strong position in the global resources and energy industries.

The Imdex Group subscribes to best practice in corporate governance principles with the main objective being a functional Board that brings corporate insight and commercial acumen to its deliberations. The Board continues to enhance its corporate governance policies and procedures to ensure it maintains high standards.

I express my thanks and pay tribute to Imdex's Managing Director Bernie Ridgeway and my other fellow Board members, Imdex's General Manager Gary Weston and all Imdex employees for what was a very busy and successful year.

I would also like to acknowledge and thank our valued shareholders, for your ongoing support. Despite investing substantial resources to expand our existing businesses and acquire new ones, the Board is pleased to announce the declaration of a 2.25 cent per share final dividend payable on 31 October 2008.



I F Burston
Chairman



Mr. Bernie Ridgeway

Managing Director's Report

The growth strategy that the Imdex Group put in place at the beginning of FY07 has paid off in FY08. The Group has successfully acquired four complementary businesses and consolidated its position as the world's leading provider of down hole instrumentation to the resources industry with operations in all significant mining and exploration regions in the world.

The Imdex Group has established a strong market position in supplying products to the mineral and mining industries, has access to resources on a global scale, and is securely positioned for a period of sustained and extended growth in the years ahead.

With mining and exploration drilling expenditure (non ferrous) forecast to exceed US\$13.1 billion in 2008 (up 25% on US\$10.5 billion in 2007), the Imdex Group is set to unlock significant growth potential. FY09 will see the Imdex Group capture scale and efficiency benefits from its expanded business network.

The 2008 financial year marks the Group's fifth consecutive year of revenue and profit growth.

In addition to breaking financial records the Imdex Group has also made significant operational achievements.

Key Financial Highlights

- Revenue (excluding interest revenue of \$1.9 million) up 25% to \$148.6 million (FY07 - \$118.4 million);
- EBITA up 62% to \$40.1 million (FY07 - \$24.7 million);
- Earnings per share from continuing operations up 45% to 11.22 cents per share (FY07 - 7.72 cents per share); and
- Final dividend up 50% to 2.25 cents fully franked, bringing the full year distribution for FY08 to 4 cents (up 60% on FY07).

Key Operational Highlights

- Strong performance across both divisions:
 - Drilling Fluids & Chemicals (DFC) revenue up 37% to \$85.7 million (FY07 - \$62.4 million); and
 - Down Hole Instrumentation (DHI) revenue up 12% to \$62.9 million (FY07 - \$56.1 million);
- Acquired four complementary businesses and strengthened our operating presence in major mining and exploration regions - Canada, Latin America, Africa and Asia Pacific;
- Consolidated our position as a world leading provider of Drilling Fluids & Chemicals and Down Hole Instrumentation to the resources industry;
- Divested the Surtron business for cash proceeds of \$20 million;
- Grown our pool of blue-chip customers signing strategic alliance agreements for the distribution and supply of drilling fluids and down hole instrumentation; and
- Positioned for growth in the oil and gas market.

The Imdex Group's continued success depends on its ability to attract and retain experienced and dedicated employees with a record of achievement across a diverse range of technical and business disciplines.

In FY08 the Imdex Group recruited a number of additional senior managers to assist in implementing our key strategic goals and maximise value for shareholders. The Board is grateful for the exceptional contribution of its 285 management and staff in achieving this year's result and in creating and sustaining a framework for continued future growth.

Global Expansion

Part of Imdex's strategy has been to acquire bolt-on businesses that can benefit from the Group's leading market position and be integrated into existing operations.

The DHI Division's acquisition of the German technology company System Entwicklungs (SEG) has delivered world class down hole instrumentation and a platform for the Imdex Group to launch its technology into the oil and gas market.

The three acquisitions made during the year in the DFC Division were aimed at building a global presence and ensuring that the Group has a local fluids manufacturing capability in major mining and mineral exploration regions of the world.

With the acquisitions of Suay Energy Services in Kazakhstan, Poly-Drill Drilling Systems in Canada and Southerland in Chile during FY08, the Imdex Group is now a truly global company. I am pleased to report that integration is proceeding successfully and management continues to focus on ensuring that synergy and scale benefits that have already started to generate value are maximized.

Rationalisation

In October 2007, the non core business of Surtron was divested for \$20 million, and more recently the Imdex Group's Drilling Products & Services Division was renamed the Down Hole Instrumentation Division.

In FY08 the Imdex Group streamlined the business into two distinct divisions concentrating on high growth end markets; the resources and energy industries. The two divisions focus on the Group's key strengths, Drilling Fluids and Chemicals and Down Hole Instrumentation.



The growth strategy that the Index Group put in place at the beginning of FY07 has paid off in FY08.

A tall oil drilling rig stands in a desert landscape under a blue sky with scattered clouds. In the foreground, a yellow truck is parked on the left, and two workers in blue uniforms and hard hats are standing near a pile of pipes on the right. The background features rolling, arid hills.

In 2009, Imdex will expand its market share in the onshore oil and gas business in Australia, PNG, East Africa and the Caspian Sea Region.

Managing Director's Report (continued)

Drilling Fluids and Chemicals

The DFC Division recorded a revenue increase of 37% to \$85.7 million (FY07 \$62.4 million), and an EBITA increase of 34% to \$14 million (FY07 \$10.4 million). All companies in this Division, including those recently acquired, contributed positively to the Divisional result.

During the year divisional management focused its efforts on expanding existing businesses and the integration of the newly acquired entities.

Key achievements include:

- The continued strong growth by the Australian Mud Company (AMC) and Samchem, with both companies producing record performances in FY08;
- Increased production capacity commenced at Samchem in Johannesburg with the installation of a polymer manufacturing plant. This plant is expected to be completed in 1H09 and will ensure Samchem can control both quality and quantity of polymer supply and decrease costs;
- The relocation in May 2008 of Southernland employees and operations to new premises in Santiago. An upgraded and expanded manufacturing and storage capability, to be completed in 1H09, will meet increased demand and reduce costs in Latin America. A similar relocation and upgrade process is intended for Poly-Drill in Canada in FY09; and
- The introduction of a common accounting and reporting system which will continue in FY09.

Our priorities for the Drilling Fluids and Chemicals Division over the coming financial year are as follows:

- Complete the various plant relocations, installations and upgrades;
- Focus on driving operational efficiencies;
- Continue to support global distribution and supply alliances; and
- Continue to expand the business, particularly in Africa, the Caspian Sea region and the Americas.

Down Hole Instrumentation

The DHI Division recorded a revenue increase of 12% to \$62.9 million (FY07 \$56.1 million) and an EBITA increase of 61% to \$28.3 million (FY07 \$17.6 million). All companies in this Division, including SEG, contributed positively to the Divisional result.

During the year Divisional management focused on launching new and improved technology and increasing market share in the mineral exploration and mining industries as well as positioning the business to penetrate the oil and gas market.

The Imdex Group has strengthened its DHI customer loyalty by exceeding its competition with superior technology and faster, more efficient service.

Customer feedback has also shown a preference for renting as opposed to purchasing DHI equipment. The Imdex Group continues to transition toward this rental model which delivers a more sustainable and profitable business in the longer term. The Imdex Group continues to invest significant resources into research and development to maintain its reputation as the world leader in DHI product technology for the mineral exploration and mining industries.

Key achievements:

- Divestment of non-core business Surtron;
- Continued success of the core orientation tool and down hole survey instrumentation yielding record revenue and earnings for Reflex;
- Strong earnings by Flexit and the re-positioning of the company to focus primarily on the oil and gas industry;
- Continued development of the MEMS gyro technology;
- Greater cost efficiencies by streamlining Imdex Technology and Reflex operations;
- Introduction of a common accounting and reporting system which will continue in FY09; and
- Further expansion of the down hole instrumentation range for oil and gas applications with the acquisition of SEG.

Positive Outlook

The outlook for FY09 is for strong organic growth in all of Imdex's businesses. The Imdex Group anticipates continued favourable economic conditions for resources and energy and has invested heavily in the businesses and structures that will support revenue and earnings growth in the years ahead.

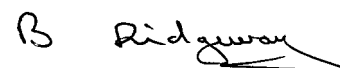
Priorities for the coming financial year are to:

- Further penetrate the oil and gas market with both drilling fluids and down hole instrumentation;
- Maintain profit margins;
- Build intellectual property and invest in R&D to maintain the Group's reputation as the world leader in DHI technology in the resources sector;
- Maintain strong customer loyalty through superior technology and faster, more efficient service;
- Continue to build scale across all Imdex Group businesses and service global supply partners;
- Continue to attract and retain experienced staff and managers by establishing an engaging work environment, competitive remuneration and career opportunities; and
- Acquire additional drilling fluids and down hole instrumentation businesses that complement the overall Imdex Group strategy.

Imdex's acquisition strategy and integration performance has been well received by the investment market and we remain committed to pursuing growth opportunities that are value accretive for shareholders.

I would like to take this opportunity to thank my Imdex colleagues and consultants for their hard work and dedication during the year. I am very excited about the future and look forward with great anticipation and enthusiasm as Imdex continues to carve out a significant global presence in the supply of drilling fluids and down hole instrumentation in the resources and oil and gas markets.

The Imdex Group model has been constructed for long term sustainable growth. Over FY09 and beyond, we will work hard to deliver that for our shareholders.



Bernie Ridgeway

Managing Director





Imdex's Operations

Imdex expanded its presence in all geographical regions throughout the 2008 financial year, and is well positioned to take advantage of the forecast increase in global exploration and drilling activity.

Imdex's Core Business

Imdex's core business is to manufacture and provide drilling fluids and leading down hole instrumentation to the resources and energy industries, both of which are significant growth markets. The Company has streamlined its business into two clearly defined and distinct operational divisions; the Drilling Fluids and Chemicals Division, and the Down Hole Instrumentation Division.

Drilling Fluids and Chemicals Division



Australian Mud Company

Head Office: Perth, Western Australia

The Australian Mud Company (AMC) was incorporated in January 1988 for the purpose of supplying drilling fluids to the mineral and water well industries throughout Australia. Since then AMC has diversified its product range to cater for the oil and gas, mineral, water well, horizontal directional drilling, and tunnelling industries worldwide.



Samchem

Head Office: Johannesburg, South Africa

Samchem manufactures and supplies a full range of drilling fluids, lubricants and environmental chemicals. The company has been the largest supplier of drilling fluids to the mining industry in Africa for over 20 years, and now supplies 18 countries within the continent. Samchem also exports drilling fluids to Australia, Chile and Europe.



Poly-Drill Drilling Systems

Head Office: Calgary, Canada

Poly-Drill manufactures and supplies polymer drilling fluid and solids control systems. These fluid systems enable drilling without the use of numerous conventional drilling products, such as fluid loss control agents and gels. Polymer drilling fluids are utilised throughout North America and have established new standards in drilling fluids technology. The acquisition of Poly-Drill strengthens Imdex's position as an advanced drilling fluids provider.



Southernland

Head Office: Santiago, Chile

Southernland manufactures and supplies a range of drilling fluids to the Latin American market including Chile, Peru, Bolivia, Argentina and Mexico. The acquisition of Southernland complements Imdex's Drilling Fluids Division and facilitates expansion as a significant drilling fluids supplier to the mining, oil and gas and water well industries in the region.



Suay Energy Services

Head Office: Aktau, Kazakhstan

Suay provides drilling fluids and serves as an excellent platform for Imdex into the highly prospective oil and gas markets in Kazakhstan, Russia, Turkmenistan, Kurdistan, Azerbaijan and Uzbekistan. The Caspian Sea region is one of the fastest growing oil and gas regions in the world.

What are Drilling Fluids?

Drilling fluids, or mud, as it is known in the industry, are a key part of the drilling process for mining, oil and gas, and civil applications. There is a broad range of drilling fluids, all with unique properties and uses; however they are principally used to clean, cool and

lubricate the drill bit, return chips of rock known as cuttings to the surface, and keep the borehole stabilised and open. During the drilling process, a continuous circulation of drilling fluid is used where fluid is pumped down the drill pipe, through the drill bit,

and up the space between the drill pipe and borehole which brings the cuttings to the surface. The fluid then circulates through a shale shaker or mud tanks to remove the cuttings from the fluid for reuse.



Down Hole Instrumentation Division



Reflex Instruments

Head Office: Perth, Western Australia

Reflex is a leading supplier of down hole digital survey and core orientation instruments for the mining and resources industries. The company has service and support facilities in Asia Pacific, Africa, Europe and the Americas.



Flexit

Head Office (Minerals): Vallentuna, Sweden

Head Office (Oil & Gas): Perth, Western Australia

Flexit is renowned as a market leader in technologically advanced down hole survey instruments, and in particular, its micro-electro mechanical systems (MEMS) gyro technology. A new division of Flexit was established in Australia in February 2008. Flexit Australia will focus on marketing Imdex's range of instrumentation for the oil and gas industry.



System Entwicklungs GmbH (SEG)

Head Office: Riegel, Germany

SEG has strong research and development capabilities, and specialises in down hole instrumentation for the oil and gas industry. Of particular note is the company's development of the Target inertial navigation system.

Imdex Technology (UK) Ltd

Imdex Technology (UK) Limited

Head Office: Lewes East Sussex, United Kingdom

Imdex Technology, formerly Chardec Consultants, is dedicated to manufacture and research and development for Imdex's Down Hole Instrumentation Division.

What are Down Hole Instruments?

Survey Instrumentation

Down hole survey instruments give geologists and drillers comprehensive data including azimuth and dip, which allows them to determine the exact trajectory of bore holes, even at thousands of metres below the surface.

Bore hole deviations, where the actual path is different to the planned path, are common. Geological variations, drilling parameters, including excessive or irregular thrust and hole design, are just some of the reasons a bore hole may deviate.

A 2 degree deviation at the surface can lead to a 35 metre lateral displacement at a hole depth of 1000 metres, resulting in significant additional drilling costs and loss of opportunity if zones of economic mineralisation are missed.

By surveying the bore hole throughout the drilling process, deviations can be corrected and the likelihood of intercepting desired targets is significantly enhanced.

Core Orientation

Core orientation instruments are used to determine the exact position of a core sample in the ground prior to extraction. Geologists are then able to accurately assess the sample to determine the structural geology, which often controls the mineralised ore body.

By understanding the structural geology, time and money are not wasted drilling in the wrong location.

Core orientation is also particularly important during mine planning to avoid potential problem areas such as faults or slip zones.

Gyroscopes & Directional Steering

Drilling is becoming increasingly complex and challenging due to diminishing accessible reserves, high exploration costs and environmental impact concerns.

As a result, energy companies are drilling deeper and for smaller targets, re-entering existing wells, and drilling multiple wells from a single platform or wellbore.

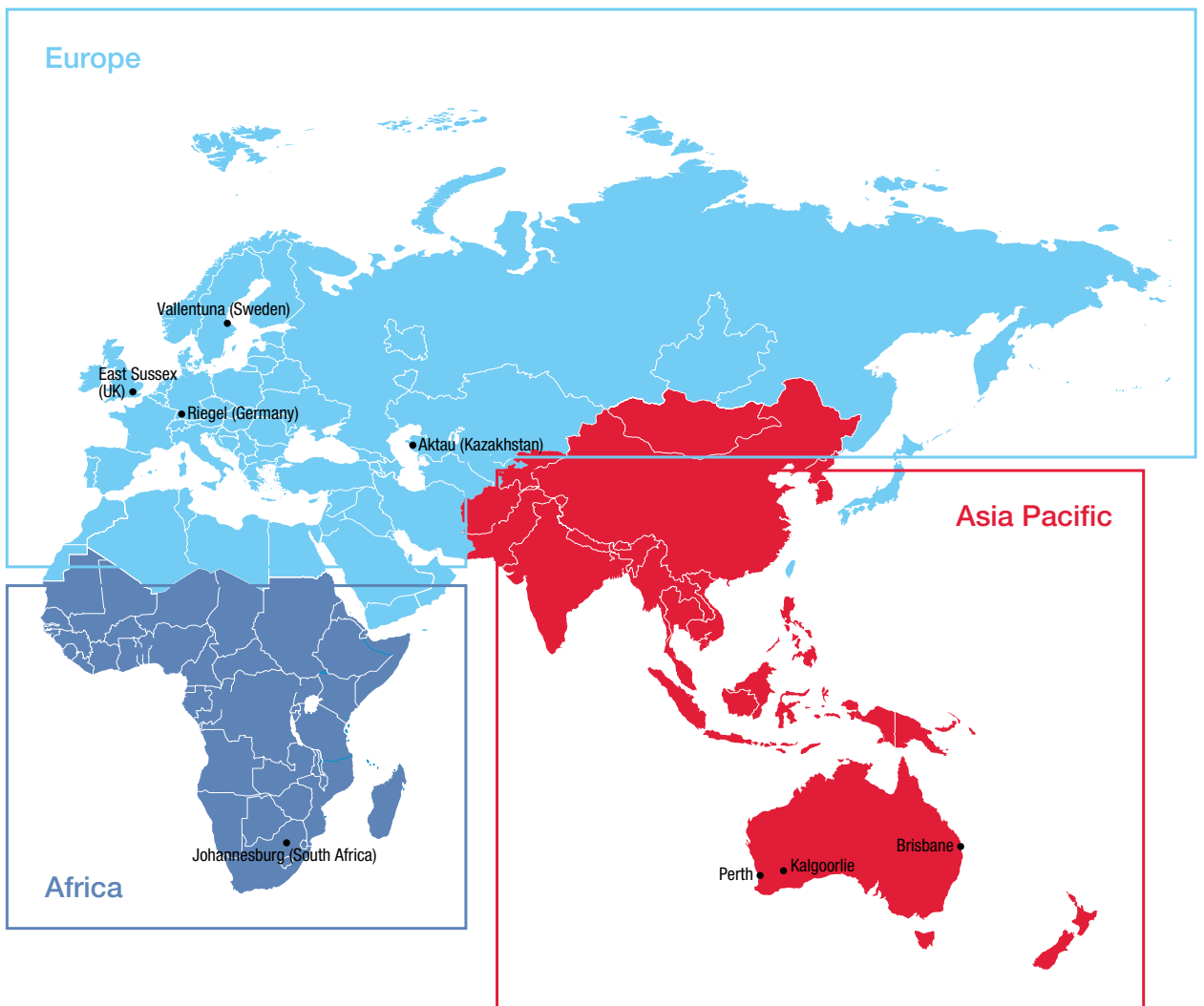
In such an environment, technology and accurate data is crucial to locate reserves efficiently, and to avoid collision with existing wells which can be catastrophic and cost millions of dollars to remediate.

Imdex has developed a range of advanced instruments specifically designed for challenging multiple well environments in areas of high magnetic interference, and allow directional drillers to accurately control the path of the wells.

Imdex's Global Reach

Imdex has established operations in all key mining and exploration regions of the world, including the four major mineral exploration and mining regions, Canada, Latin America, Africa and Asia Pacific.





The successful integration of Imdex's acquisitions can be largely attributed to Imdex's experienced management team.



Quality People

Imdex has a strong management team with extensive technical and product knowledge, hands on experience, and respect within the drilling industry.



Mr. Gary E Weston

Imdex Limited – Group General Manager

- 37 years in the drilling industry, in both the oil and gas and minerals sectors.
- 1987, co-founder of Imdex Limited.
- 1988, co-founder of Australian Mud Company.
- 35 years management experience.
- Strong international marketing experience.
- Drilling Fluid Engineering and Marketing Certificate from leading drilling company, Baroid International.



Mr. Derek Loughlin

Imdex Limited – Divisional General Manager, Down Hole Instrumentation Division

- 21 years experience within the drilling industry.
- 17 years with leading drilling company Boart Longyear in engineering, operations, sales and global exports.
- International experience, working in Ireland, Australia and Germany.
- Honours Degree in Mining Engineering from the Camborne School Of Mines, UK.
- Diploma of Executive Development at the International Institute for Management and Development in Lausanne.



Mr. Paul Mander

Imdex Limited – Divisional General Manager Drilling Fluids & Chemicals Division (Minerals)

- 20 years experience within the mining and drilling industries.
- 11 years experience with leading drilling company Boart Longyear as a Senior Driller, Supervisor, Operations Manager, Area Manager and Business Development Manager.
- Extensive experience in operating and managing rotary core, surface and under ground diamond coring and horizontal directional drilling.
- Bachelor of Engineering (Mining Engineering), currently completing a Master of Business Administration.



Mr. Peter Wright

Imdex Latin America – General Manager

- 34 years experience within the drilling industry.
- Extensive hands on experience in both surface and underground drilling environments undertaking exploration and drill and blast operations.
- President of Mineral Drilling Association of Australia for three years prior to joining Imdex in 2007.
- Qualified Automotive Mechanical Engineer, qualifications in Small Business Management, Safety and Training Management and Front Line Management.



Mr. Keith Steel

Australian Mud Company – Manager Asia

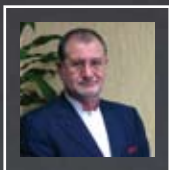
- Commenced his career within the drilling industry in 1971 as a University Graduate.
- 20 years experience with Baroid Drilling Fluids.
- 7 years experience with Imdex.
- Extensive international management experience.



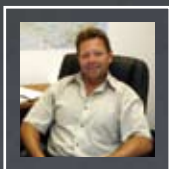
Mr. Nick Santarelli

Australian Mud Company – Oilfield Manager

- 27 years experience within the mining and oil and gas industries.
- Experience with leading companies including Chevron Texaco, IDF / Dowell Schlumberger, Geofluids, Milchem, and Milpark.
- 10 years experience with Imdex.
- Extensive international industry experience including: South America; Papua New Guinea; Kazakhstan; Saudi Arabia; Indonesia; Vietnam; Malaysia; Thailand; and the Philippines.
- BA Flinders University – Masters Program.

**Mr. Joe Barker****Samchem – General Manager**

- 40 years experience with wireline equipment and drilling fluids.
- Experience with leading drilling companies including Baroid, Baker Hughes, Schlumberger and MI.
- International oilfield experience managing Mid-Continent Oilfield Supply in Dubai.
- Degree in Geology.

**Mr. Mike O'Connell****Poly-Drill Drilling Systems – General Manager**

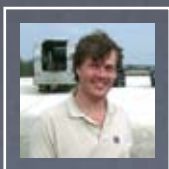
- 19 years experience within the drilling fluids industry.
- 10 years experience with leading drilling fluids company Baker-Hughes.
- 9 years experience with the Australian Mud Company.
- Extensive experience working throughout Asia Pacific.

**Mr. Dave Carswell****Suay – General Manager**

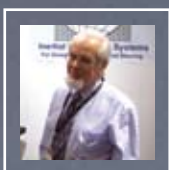
- Extensive management, drilling fluids and solids control experience in the oil and gas industry.
- International experience working in Indonesia, Dubai, Singapore, Thailand, Papua New Guinea, Saudi Arabia, Australia and New Zealand.
- Bachelor of Science in Biochemistry, Microbiology and Combined Biology and a strong research background.

**Mr. Peter Jacobs****Reflex Instruments – General Manager**

- 21 years experience within the drilling industry.
- 18 years experience with leading drilling company Boart Longyear.
- Extensive international experience working in Papua New Guinea, Indonesia, Canada, the United States, Chile, Peru, Brazil and Ghana.
- Diploma of Executive Development at the International Institute for Management and Development in Lausanne.

**Mr. Dag Billger****Flexit – General Manager****Down Hole Instrumentation Research and Development – General Manager**

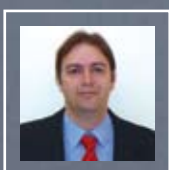
- 5 years experience with design and development of inertial navigation systems for the drilling industry.
- 10 years applied research and development experience in inertial micro-system sensor systems.
- Project Manager and leading role in the research and development team for the micro gyro system which the Flexit GyroSmart is based on.
- Ph.D. in Mechanical Engineering from Chalmers University of Technology and a M.Sc. in Mathematical Physics from the University of Gothenburg.

**Mr. Dieter Goetze****System Entwicklungs GmbH (SEG) – Chief Engineer**

- 42 years experience with inertial navigation and gyro technology.
- 15 years as a project engineer designing gyroscopes for Litton Industries (now Northrop Grumman) in Germany.
- Joined SEG in 1981 as partner and Engineering Manager, playing a major role in building SEG's gyro and downhole steering survey systems, including the Target inertial navigation system.
- Diploma in Physics from the Philipps-University in Marburg.

**Mr. Richard Parfitt****Imdex Technology (UK) Limited - Chief Electronics Engineer**

- Founder and owner of Chardec Consultants Ltd (Chardec), which was acquired by Imdex in August 2006.
- 20 years experience in the design, development and manufacturing of electronic down hole surveying instruments for Reflex and Flexit.
- Extensive hands on experience working with Schlumberger as a field engineer running wireline geophysical surveys on offshore oil and gas rigs off the coast of Indonesia.
- Bachelor and Masters Degrees in Physics at Oxford University with first class Honours.

**Mr. Duncan Crowder****Imdex Technology (UK) – General Manager**

- 16 years experience in manufacturing logistics and warehousing management.
- Experience working in the United Kingdom and Australia.
- Honours degree graduate (UK).



Imdex ensures that experienced managers are locally based at its operations throughout the world.



Index has established global supply agreements for drilling fluids and down hole instrumentation with three of the world's largest drilling contractors.



Marketing & Sales

The development of quality products, technologically advanced down hole survey instrumentation, and customer service is central to Imdex's marketing and sales strategy. The Company exceeds its competition by offering superior technology, and faster, more efficient service. As an innovator in the market, Imdex also gains market leverage through its intellectual property ownership.

Advanced and Leading Technology

Imdex's gyroscopic inertial navigation systems are the most modern available, and offer features not previously available to the market. Imdex is also proud to have designed and patented the leading digital core orientation instrument on the market, the Reflex ACT. The instrument's advanced technology replaces existing mechanical devices. It is more accurate and reliable, and does not interrupt the drilling process allowing more metres to be drilled while obtaining higher quality planning data.

Expansion into Prospective Markets

Imdex's research and development capabilities and leading product range facilitates further expansion into new markets such as the oil and gas market.

Strong Brands

Imdex has strong brands within its portfolio, particularly the Australian Mud Company, and Samchem and Reflex. The Australian Mud Company is the largest drilling fluid supplier to the Australian onshore market, and Samchem has been the largest supplier of drilling fluid to the African mining industry for 20 years. Reflex is the leading supplier of down hole instrumentation for the mining industry globally, and the brand has become a generic trademark for such instrumentation throughout Canada.

To continue to strengthen Imdex's brands, the Company engaged a Group Marketing and Communications Manager in August 2007, whose principal role is to oversee continual improvement of the Company's marketing

and communication to support Imdex's internal and external branding, and sales activities globally.

Global Supply Agreements

Imdex has established global supply agreements for drilling fluids and down hole instrumentation with three of the world's largest drilling contractors servicing mining and exploration, Boart Longyear, Major Drilling and Layne Christensen. These companies represent 35% to 40% of global exploration drilling rigs. Imdex aims to strengthen its relationship with its customers by providing drilling fluids, down hole instrumentation, and a high level of service in all areas of operation globally. Imdex also supplies to a broad range of medium to smaller sized customers throughout the world.

Customer Service, Distribution & Logistics

Imdex strives to build customer loyalty by offering superior products and a high level of customer service. Although Imdex has a low labour component, the Company is able to support its customers by having strategically placed businesses in all of the major mining and exploration regions of the world, highly mobile and capable teams, and a network of strong global distribution channels.

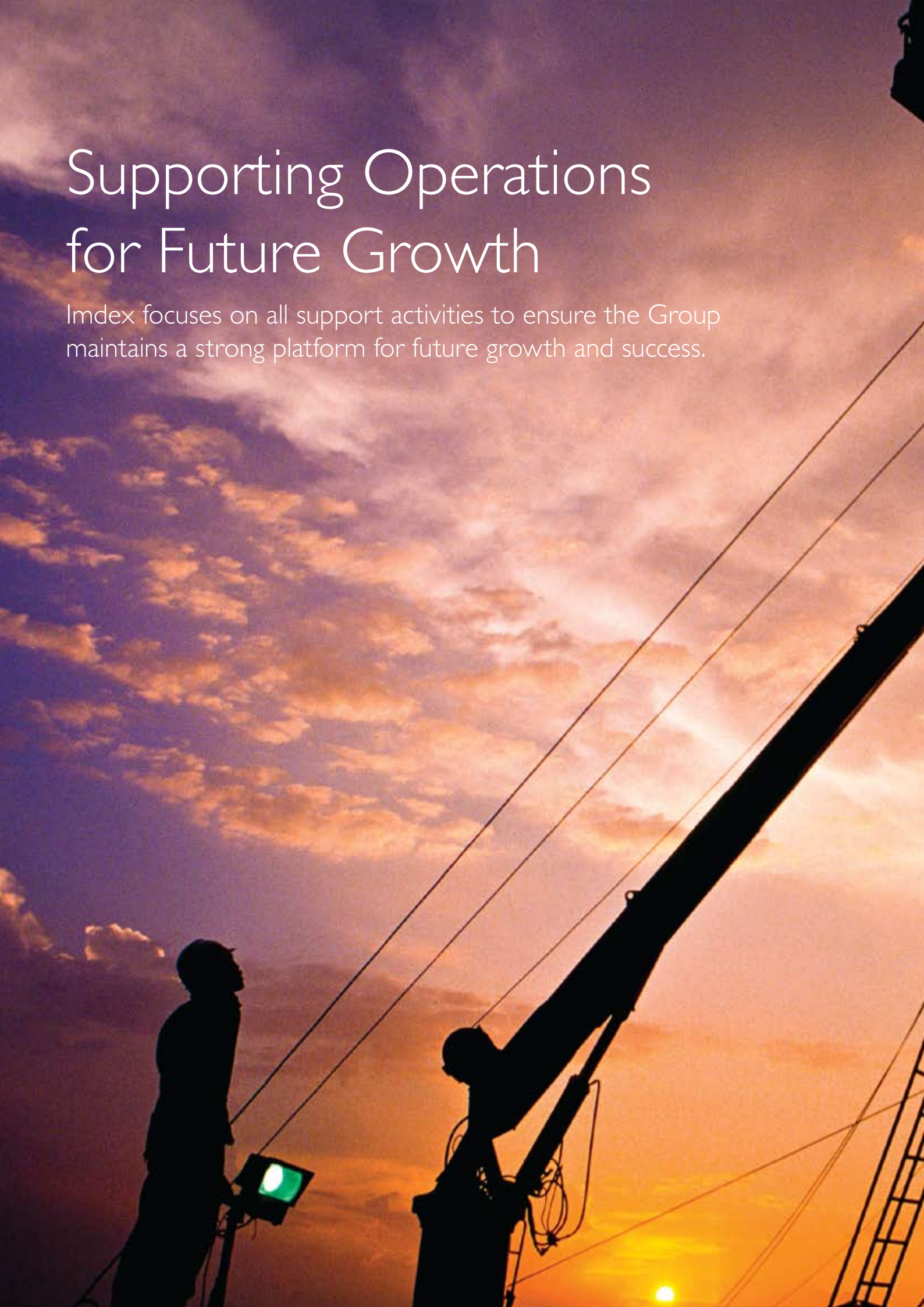
Imdex also engages dedicated logistics and distribution managers to ensure that customers receive orders efficiently and within an agreed time frame.

In September 2007, Imdex executed a significant distribution agreement with Sandvik Mining and Construction, a division of the Sandvik Group (Sandvik). Sandvik is a world-leader in the provision of equipment and

solutions for mineral exploration, underground and surface mining, and specific areas of the construction industry such as tunnelling and quarrying. The alliance agreement with Sandvik complements Imdex's network of global distribution outlets for both Divisions.

Supporting Operations for Future Growth

Index focuses on all support activities to ensure the Group maintains a strong platform for future growth and success.





Quality, Health, Safety & the Environment

During the 2008 financial year, Imdex's Quality and HS&E department continued to work towards achieving International Standard for Quality Management (ISO9001) across the Imdex Group in accordance with the Company's Quality and Continual Improvement Policy.

Key Achievements for FY08

- Imdex Technology (UK) and Flexit Australia received Quality System certification to ISO9001.
- Imdex Limited, the Australian Mud Company, Reflex Asia Pacific and Samchem successfully maintained certification to ISO9001.
- Implementation commenced for ISO9001 certification for Flexit Sweden.
- Samchem commenced accreditation to ISO17025 for its Drilling Fluids Laboratory.
- Regional Quality Alert representatives were appointed in Africa, Australia, Sweden and the United Kingdom to enable greater efficiency within Imdex's Quality Assurance Department.

Key Statistics

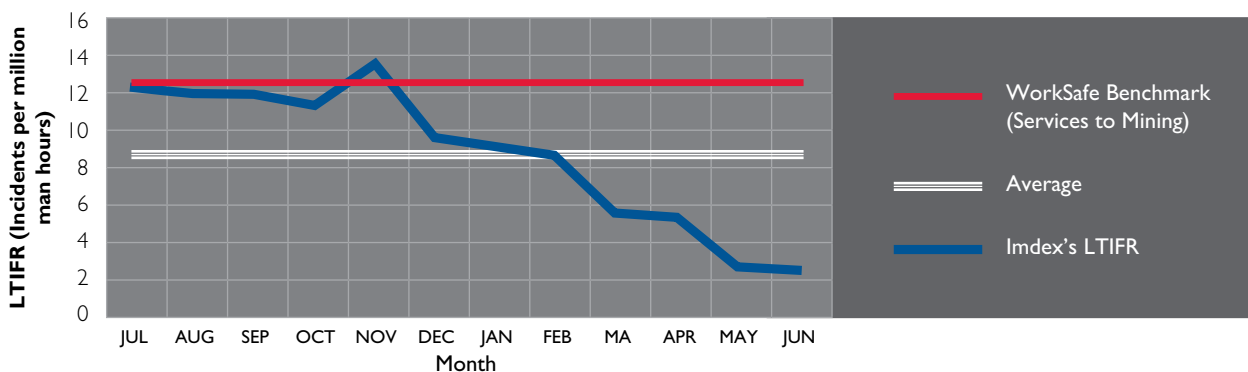
Work-Safe Loss Time Incident Frequency Rate Benchmark (number of lost time injuries/diseases for each one million hours worked).

- Worksafe Benchmark = **12.4 / LTIFR**
- Imdex Group Result = **2.34**

Work-Safe Loss Time Incident Rate Benchmark (number of lost time injuries/diseases for each one hundred workers)

- Worksafe Benchmark = **2.8 / LTIR**
- Imdex Group Result = **0.46**

Lost Time Injury Frequency Rates (LTIFR) FY08



Imdex **measure world-wide** performance against the stringent Western Australian **WORKSAFE** LTIFR Industry Benchmark (Services to Mining). This Benchmark is reported on a monthly basis, using a 12 month rolling snapshot.

Managing Risk

In February 2008 Imdex engaged a Group Manager for Risk and Compliance. This manager works closely with the Audit Committee and management to identify threats to the achievement of the Imdex's objectives and assesses the appropriateness of management's response to these risks.

Key areas of focus include:

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- Examining and evaluating the adequacy and effectiveness of internal control mechanisms, appraising information technology systems and related risk areas and assessing the quality of performance in carrying out assigned responsibilities;
- Assisting the Audit Committee to fulfil its roles and objectives;
- Reviewing effectiveness of functions against stated objectives and strategies;
- Reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports;
- Reviewing processes in place to identify, assess and manage risk within the organisation;
- Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned; and
- Coordination of activities with external auditors.



Utilising Technology

Throughout the 2008 financial year, Imdex implemented a number of systems to enhance efficiency, accuracy and communication to support the needs of Imdex's expanding Group. The Company also engaged a Group ICT Manager to oversee Imdex's current and future requirements.

Prophix

In February 2008, Imdex implemented a consolidation, budgeting and forecasting application known as Prophix. Prophix complements Imdex's existing reporting system by taking financial data from business units in their local currencies, and generating standard financial reports in Australian dollars. Prophix can also store budget and forecast information, and generate a range of additional financial reports. The principal benefits of the Prophix system include:

- Greater reporting efficiency;
- Enhanced global customer sales and margin reporting;
- Additional forecasting and sub-group reports.

Critical IT Systems and Remote Access

In April 2008, all of Imdex's critical IT systems were moved to a new data centre which significantly enhances the security and reliability of Imdex's IT communication systems. A new remote access system was also implemented, which enables access to centralised data, email and reporting systems from anywhere in the world.

Imdex Group Intranet

In March 2008, Imdex commenced development of a new global intranet. The principal objectives of the new system are to:

- Enhance efficiency, accuracy and quality by having a central repository of information

which is accessible by all, monitored and kept up to date by departmental or business unit custodians;

- Improve internal communication regarding company news and procedures, product developments and events throughout Imdex;
- Encourage knowledge sharing between the companies within Imdex;
- Provide a valuable induction tool for new employees joining Imdex; and
- Provide greater access to market and industry information for all employees.

Attracting and Retaining Experienced Employees and Managers

The principal focus for the Human Resources team in the 2009 financial year will be attracting and retaining experienced employees and managers by offering competitive remuneration, career opportunities and establishing an engaging work environment.

In August 2007, Imdex employed a dedicated Group Human Resources Manager. This Manager oversees Imdex's human resources policies and procedures to ensure that they are adequate for the Group's future needs and are consistent across the expanding global operations.

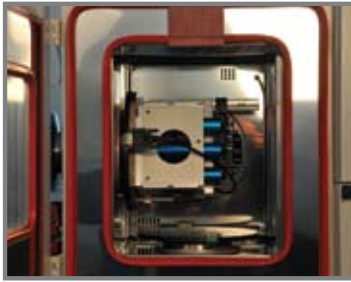
Key achievements for FY08 include:

- Establishment of benchmarks for salary reviews within Australia;
- Revision of the remuneration policy and short term incentive program for the Imdex Group; and

- The successful engagement of a number of key managers who have brought significant technical knowledge, industry and management experience to the Group.



Continual research and development of innovative products remains a priority, enabling Imdex to maintain industry leadership.



Continual Research & Development

The Imdex Group continues to invest significant resources in research and development to maintain and enhance its position as the world leader in down hole instrumentation technology for the resources industry.

Oil and Gas Innovations

In FY08, Imdex's research and development team built two new down hole survey instruments for oil and gas applications: a multi-purpose magnetic survey instrument capable of single or multi-shot surveys and a MEMS based Gyro survey instrument. These new instruments have been developed to withstand the higher pressures and temperatures encountered in oil and gas applications and offer advanced features not currently available to the market. Prototypes are being evaluated in the United States and the Middle East and extensive field testing is being carried out. Together Flexit and SEG enable Imdex to offer a suite of advanced down hole instrumentation, including the Target INS, to the oil and gas industry worldwide. The Down Hole Instrumentation Division, is increasing its presence in the lucrative global oil and gas industry by providing world class technology to independent service providers in this sector.

Continual Improvement

The research and development team is also finalising designs for two new generation instruments for Reflex. These instruments have been designed to keep the brand at the forefront of down hole instrumentation for the mining and mineral exploration industries and to satisfy the demands of customers for robust and highly accurate survey instruments.

Developing Our Environmental Products

During the 2008 financial year, Imdex continued to develop its range of environmental drilling fluid products and packaging. Regular consultation with customers highlighted the need to reduce the use of plastic packaging which can accumulate at drilling sites and cause environmental and logistical waste removal concerns. To address these concerns, Imdex has introduced biodegradable and recyclable cardboard

packaging alternatives for both liquid and powder based drilling fluids and will continue to expand the range in the future.

Dust Suppressants

Imdex's Drilling Fluid Division has also developed a range of dust suppressant products for the mining industry. Benefits include:

- The quantity of water normally used in suppressing dust, is substantially reduced.
- A cleaner working environment;
- Improves vehicle and tyre life; and
- Health risks associated with excessive dust inhalation are reduced.

Strategically Placed Manufacturing Capabilities

During the 2008 financial year, Imdex continued to enhance its manufacturing capabilities for both the Drilling Fluids and Chemicals Division and the Down Hole Instrumentation Division, allowing the Company to have greater control over its production, quality and supply.

The acquisition of Poly-Drill in Canada, and Southerland in Chile significantly enhanced

Imdex's capabilities to manufacture drilling fluids in two of the world's most significant mining and mineral exploration regions. Plans to expand and complement these manufacturing facilities at both Poly-Drill and Southerland are scheduled for FY09.

Construction of a polymer (PHPA) plant also commenced at Samchem in Johannesburg during the year. PHPA is an important

drilling fluid which will enable Samchem to manufacture a higher quality product in house, rather than rely on third parties for supply.

The acquisition of SEG in Riegel Germany complements Flexit and Imdex Technology, and contributes to Imdex's range of products for the Down Hole Instrumentation Division.

A photograph of two workers in safety gear (hard hats and high-visibility shirts) standing next to a large, open metal case containing drilling equipment. The worker on the left wears an orange and white shirt and a blue hard hat. The worker on the right wears a yellow and white shirt and a white hard hat. They are both looking at a small yellow device held by the worker on the right. In the background, a large drilling rig is visible against a dramatic, cloudy sky at dusk or dawn. The scene is set in an industrial or mining environment.

The Index model has been constructed
for long term sustainable growth.



Financial Report 2008

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IMDEX LIMITED

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2008

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 2008.

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	73	Mechanical Engineer Member of the Audit and Compliance & Remuneration Committees Director since November 2000
Mr B W Ridgeway	Managing Director	54	Chartered Accountant Director since May 2000
Mr R W Kelly	Independent, Non Executive Director	70	Engineer Member of the Audit and Compliance Committee Chairman of the Remuneration Committee Director since 14 January 2004
Mr K A Dundo	Independent, Non Executive Director	55	Lawyer Chairman of the Audit and Compliance Committee Member of the Remuneration Committee Director since 14 January 2004
Mr M Lemmel	Independent, Non Executive Director	69	Management Consultant Director since 19 October 2006

Additional information on the Director's experience and qualifications is contained in the preface to the financial statements.

(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	NRW Holdings Ltd Kansai Mining Corporation Mincor Resources NL Cape Lambert Iron Ore Ltd Aztec Resources Ltd Aviva Corporation Ltd	Non Executive Chairman Non Executive Director Non Executive Director Non Executive Chairman Chairman and Chief Executive Officer Non Executive Director	2007 – Current 2006 – Current 2003 – Current 2006 – 2008 2004 – 2006 2003 – 2006
Mr R W Kelly	Clough Limited	Non Executive Director	1996 – 2008
Mr K A Dundo	Computercorp Limited Intrepid Mines Ltd	Non Executive Director Non Executive Director	2006 – Current 2002 – Current

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2008

(c) Company Secretary

Mr P A Evans

Mr Evans, a Chartered Accountant, 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, three Audit and Compliance Committee and three 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	3	3	3	3
B W Ridgeway	6	6	-	-	-	-
R W Kelly	6	6	3	3	3	3
K A Dundo	6	6	3	3	3	3
M Lemmel	6	3	-	-	-	-

(e) Directors' Shareholdings

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

Directors	Shares Held Directly	Shares Held Indirectly	Options Held Directly
I F Burston	-	343,786	1,000,000
B W Ridgeway	-	3,500,000	2,000,000
R W Kelly	33,711	256,289	-
K A Dundo	-	300,000	-
M Lemmel	200,000	247,347	-

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

IMDEX LIMITED

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2008

(f) Remuneration Report

Remuneration policy for Directors and Executives

Non Executive Directors

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 in order to preserve independence. Other than statutory superannuation, no Non Executive Director is entitled to any additional benefits on retirement from the Company.

Managing Director

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 22% of his cash compensation package. Each year the Remuneration Committee sets the key performance indicators (KPIs) for the Managing Director. These KPIs include financial, strategy and risk measures. The Remuneration Committee set these performance hurdles as they are significant profit and cash flow drivers which are linked to Imdex's increased growth and profitability and hence shareholder value. Performance is measured relative to budget and forecast results as these are the most accurate measures available against which to assess the achievement of set hurdles. 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 performance conditions for granting options are determined with regard to current market trends. 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.

The Managing Director is employed under a permanent contract that provides for a 12 month termination period.

Executives and Staff

All Executives and staff of the Company are subject to a formal annual performance review. The remuneration of Executives comprises a fixed monetary total, which is 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 base component of Executive salaries is benchmarked against current market trends and is not linked to Company performance as it serves as a base salary only which is required to attract and retain suitably qualified and experienced staff. Performance incentives that are linked to Company performance are used to reward Executives for exceptional performance that benefits the Company and Shareholders. Refer table on page 5 for further details. Each year the Remuneration Committee sets the KPIs for each key management person. These KPIs include people, customer, system, financial, strategy and risk measures. The Remuneration Committee set these performance hurdles as they are significant profit and cash flow drivers which are linked to Imdex's increased growth and profitability and hence shareholder value. Performance is measured relative to budget and forecast results as these are the most accurate measures available against which to assess the achievement of set hurdles. No bonus is awarded where hurdles are not met.

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 and Mr D J Loughlin's and Mr P A Evans' contracts provide a 6 month notice period.

Incentives

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 in order to preserve their independence. The increase in net profits of the Company and dividends paid which drives an 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.

No Director or Senior Manager received a payment during the current or prior years as consideration for agreeing to hold the relevant position.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2008

Director and Senior Management details

The Directors of Imdex Limited during the year were:

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

The term 'Senior Management' is used in this remuneration report to refer to the following persons:

- (i) Mr G E Weston (Group General Manager);
- (ii) Mr D J Loughlin (General Manager: Down Hole Instrumentation Division); and
- (iii) Mr P A Evans (Company Secretary and Chief Financial Officer).

Elements of Director and Senior Management 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.

Earnings and Movements in Shareholder Wealth

The table below sets out summary information about the Consolidated Entity's earnings and movements in shareholder wealth for the five years to June 2008:

	30 June 2008	30 June 2007	30 June 2006	30 June 2005	30 June 2004 [^]
Revenue – continuing and discontinued operations (\$000s)	150,493	119,340	66,792	40,051	39,831
Net profit before tax from continuing operations (\$000s)	31,885	18,115	11,864	5,005	(3,776)
Net profit after tax from continuing operations (\$000s)	21,081	11,950	7,984	3,282	(3,689)
Share price at start of year (cents)	150	61	22	11.5	9.5
Share price at end of year (cents)	165	150	61	22	11.5
Interim dividend (cents) – fully franked	1.75	1.00	1.00	-	-
Final dividend (cents) – fully franked	2.25	1.50	1.00	-	-
Basic earnings per share (cents) – continuing operations	11.22	7.72	6.07	3.66	(3.07)
Diluted earnings per share (cents) – continuing operations	10.79	7.09	5.95	3.66	(3.07)

[^] - Imdex Limited adopted the Australian equivalents to International Financial Reporting Standards with effect from 1 July 2004, which resulted in various changes to its accounting policies from that date. The results for the year ended 30 June 2004 are reported in accordance with Imdex Limited's previous accounting policies as permitted under Australian accounting standards as applicable at that time.

Elements of remuneration related to performance

- (i) **Managing Director:** Of the cash remuneration package of the Managing Director, 22% 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 \$416,750, including statutory superannuation. The Board determines the apportionment of directors' fees between each Director.
- (iii) **Senior Management:** The remuneration of specified Senior Managers generally comprises a fixed monetary total that is not linked to the performance of the Company. Bonuses dependant on individual performance criteria are set annually by the Remuneration Committee for Senior Managers. In addition, subject to a qualifying period, Executives may be issued options in the Staff Option Plan at the discretion of the Board. These options are linked to the performance of the Company. The percentage of the value of remuneration that consisted of options for each Senior Manager is set out below.

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2008

Year ended 30 June 2008

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				Total
	Salary & fees	Bonus	Non-monetary	Other	Super-annuation	Other			Equity-settled		Cash settled	Other	
									Shares & Units	Options & Rights			
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Executive Director													
B W Ridgeway, Managing Director	419,786	60,000	-	-	37,781	-	39,790	-	-	5,152	-	-	562,509
Non Executive Directors													
I F Burston, Chairman	81,750	-	-	-	-	-	-	-	-	176,000	-	-	257,750
R W Kelly	50,000	-	-	-	4,500	-	-	-	-	-	-	-	54,500
K A Dundo	50,000	-	-	-	4,500	-	-	-	-	-	-	-	54,500
M Lemmel	50,000	-	-	-	-	-	-	-	-	-	-	-	50,000
	651,536	60,000	-	-	46,781	-	39,790	-	-	181,152	-	-	979,259

Details of remuneration of Senior Management are set out below:

	Short-term employee benefits				Post Employment		Other long-term employee benefits	Termination Benefits	Share-based payment				Total
	Salary & fees	Bonus	Non-monetary	Other	Super-annuation	Other			Equity-settled		Cash settled	Other	
									Shares & Units	Options & Rights			
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Group Executives													
G E Weston, Group General Manager	258,076	60,000	37,092	-	24,611	-	76,501	-	-	20,206	-	-	476,486
D J Loughlin, General Manager: Down Hole Instrumentation Division	210,000	47,250	31,321	-	18,815	-	-	-	-	139,750	-	-	447,136
P A Evans, Chief Financial Officer / Company Secretary	251,438	50,000	-	-	22,629	-	-	-	-	78,217	-	-	402,284
	719,514	157,250	68,413	-	66,055	-	76,501	-	-	238,173	-	-	1,325,906

IMDEX LIMITED

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2008

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				Total	
	Salary & fees	Bonus	Non-monetary	Other	Super-annuation	Other			Equity-settled			Cash settled		Other
									Shares & Units	Options & Rights				
Executive Director														
B W Ridgeway, Managing Director	309,615	75,000	48,725	-	27,865	-	20,020	-	-	12,880	-	-	-	494,105
Non Executive Directors														
I F Burston, Chairman	81,720	-	-	-	-	-	-	-	-	122,623	-	-	-	204,343
H H Al-Merry	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R W Kelly	50,000	-	-	-	4,500	-	-	-	-	-	-	-	-	54,500
K A Dundo	50,000	-	-	-	4,500	-	-	-	-	-	-	-	-	54,500
I R Freeman	37,500	-	-	-	-	-	-	-	-	-	-	-	-	37,500
M Lemmel	35,054	-	-	-	-	-	-	-	-	-	-	-	-	35,054
	563,889	75,000	48,725	-	36,865	-	20,020	-	-	135,503	-	-	-	880,002

Details of remuneration of Senior Management are set out below:

	Short-term employee benefits				Post Employment		Other long-term employee benefits	Termination Benefits	Share-based payment			Total	
	Salary & fees	Bonus	Non-monetary	Other	Super-annuation	Other			Equity-settled		Cash settled		Other
									Shares & Units	Options & Rights			
Group Executives													
G E Weston, Group General Manager	224,846	25,000	38,092	-	21,046	-	14,765	-	-	16,216	-	-	339,965
D J Loughlin, General Manager: Down Hole Instrumentation Division *	140,673	17,500	31,321	-	12,661	-	-	-	-	56,935	-	-	259,090
P A Evans, Chief Financial Officer / Company Secretary ^	153,076	20,000	-	-	13,777	-	-	-	-	29,394	-	-	216,247
S J Lyons, Company Secretary ^	44,265	-	1,522	-	3,600	-	-	-	-	2,099	-	-	51,486
D L Kinley, Group Financial Controller ^	39,375	-	8,523	-	3,544	-	-	-	-	1,488	-	-	52,930
C S Munyard, Manager: Surtron *	17,500	-	6,134	-	1,575	-	-	-	-	1,116	-	-	26,325
	619,735	62,500	85,592	-	56,203	-	14,765	-	-	107,248	-	-	946,043

* - D J Loughlin was appointed on 1 September 2006 and on this date C S Munyard ceased to be a senior management person. Disclosures above relate only to the period when in office.

^ - P A Evans was appointed on 17 October 2006 and on this date S J Lyons resigned and D L Kinley ceased to be a senior management person. Disclosures above relate only to the period when in office.

IMDEX LIMITED

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2008

(i) Mr B W Ridgeway is a party to a service contract with Imdex Limited, which sets out a fixed compensation package reviewable annually. The service contract specifies a twelve 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 Ridgeway and Imdex Limited from time to time. The Managing Director's compensation is reviewed and determined annually by the Remuneration Committee.

During the current year Mr B W Ridgeway earned a cash bonus of \$60,000, representing 60% of the possible bonus payable for the year. This bonus was paid on the satisfaction of performance criteria linked to Group operational progress and profitability. During the prior year a cash bonus of \$75,000 was earned, representing 75% of the possible bonus payable for that year. This bonus was paid on the satisfaction of criteria linked to prior year audited EBITA.

No options were granted to Mr Ridgeway in the current year or in the prior year. The options expense shown in the tables above are the value of options granted in past years that has been spread over the two year vesting period. Refer Note 33 for further details.

(ii) Mr G E Weston is party to a service contract with Imdex Limited, which sets out a fixed compensation package, reviewable annually. The service contract stipulates a twelve 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 Imdex 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 of Imdex Limited. This 'right' lapses automatically should Mr Weston no longer be employed by Imdex.

During the current year Mr Weston earned a cash bonus of \$60,000. This represents 100% of the possible bonus available for the current year and was earned on the satisfaction of operational and EBITA related hurdles. During the prior year Mr Weston was entitled to a cash bonus of \$70,000 which was linked to the satisfaction of EBITA hurdles. A bonus of \$25,000 was approved by the Remuneration Committee based on performance.

In the current year Mr Weston was granted 500,000 options under Staff Option Scheme Tranche 7 along with other staff of the Group. The percentage of the value of current year compensation that consisted of options was 4%. Mr Weston was not granted any options in the prior year. The options expense shown in the tables above includes a portion of the value of options granted in past years that has been spread over the three vesting period. Refer Note 33 for further details.

(iii) 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 six 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.

Mr Loughlin earned a bonus of \$47,250 in the current year. This represents 100% of the possible bonus available for the current year and was earned on the satisfaction of operational and EBITA related hurdles. During the prior year a cash bonus of \$17,500 was earned, representing 100% of the possible bonus payable for that year. This bonus was paid on the satisfaction of criteria linked to prior year audited EBITA.

No options were granted to Mr Loughlin in the current year. In the prior year, Mr Loughlin was granted 500,000 options, under Staff Option Scheme Tranche 3, along with other staff of the Group (Refer Note 33). The percentage of the value of prior year compensation that consisted of options was 22%. The options expense shown in the tables above includes a portion of the value of options granted in past years that has been spread over the three vesting period. Refer Note 33 for further details.

(iv) 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 six 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 Evans earned a bonus of cash \$50,000, representing 100% of the possible bonus payable for the year. This bonus was paid on the satisfaction of specific EBITA, people and systems based criteria. During the prior year Mr Evans earned a cash bonus of \$20,000, representing 67% of the possible bonus payable for that year. This bonus was paid on the satisfaction of criteria linked to current year audited EBITA.

In the current year, Mr Evans was granted 200,000 options, under Staff Option Scheme Tranche 7, along with other staff of the Group. The percentage of the value of compensation that consisted of options was 19%. In the prior year, Mr Evans was granted 300,000 options, under Staff Option Scheme Tranche 4, along with other staff of the Group. The percentage of the value of prior year compensation that consisted of options was 14%. The options expense shown in the table above includes a portion of the value of options granted in past years that has been spread over the three vesting period. Refer Note 33 for further details.

(v) In the prior year Mr S J Lyons was party to a service contract with Imdex Limited, which set out a fixed compensation package, reviewable annually. The service contract specified a two month notice period in the event that the contract was terminated. There were no termination benefits specified in this contract. Additional performance incentives were agreed between Mr Lyons and the Company from time to time. Mr Lyons resigned on 17 October 2006. No options were granted to Mr Lyons in the prior year. The options expense shown is the value attributable to options granted in past years that have been spread over the vesting period. Refer Note 33 for further details.



DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2008

(vi) In the prior year Mr D L Kinley was a party to a service contract with Imdex Limited, which set out a fixed compensation package, reviewable annually. The service contract specified a one month notice period in the event that the contract was terminated. There were no termination benefits specified in this contract. Additional performance incentives were 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. No options were granted to Mr Kinley in the prior year. The options expense shown is the value attributable to options granted in past years that have been spread over the vesting period. Refer Note 33 for further details.

(vii) In the prior year Mr C S Munyard was a party to a service contract with Surtron Technologies Pty Ltd, which set out a fixed compensation package reviewable annually. The service contract specifies a one month notice period in the event that the contract was terminated. There were no termination benefits specified in this contract. Additional performance incentives were 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: Down Hole Instrumentation on that date. No options were granted to Mr Munyard in the prior year. The options expense shown is the value attributable to options granted in past years that have been spread over the vesting period. Refer Note 33 for further details.

Bonuses granted to Directors and Senior Managers

The table below sets out the bonuses earned by Directors and Senior Managers in the current year. Bonuses are paid on the achievement of performance criteria specific to the individual. Where performance hurdles are not met, no bonus is paid. The performance criteria used are chosen by the Remuneration Committee annually and are linked to the financial performance of the company and hence shareholder value. Performance criteria typically revolve around areas of risk management, people development, systems improvement and EBITA performance. Performance criteria are reviewed by the Remuneration Committee against budgeted outcomes before granting bonuses.

	Bonus	% of possible bonus earned	% of possible bonus forfeited	% of compensation for the year consisting of performance based bonuses
	\$	%	%	%
B W Ridgeway	60,000	60%	40%	11%
G E Weston	60,000	100%	0%	13%
D J Loughlin	47,250	100%	0%	11%
P A Evans	50,000	100%	0%	12%

Value of options issued to Directors and Senior Managers

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

	Options Granted	Options Exercised (i)	Options Lapsed	Total value of options granted, exercised and lapsed	Number of options vested in the current year	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				
	\$	\$	\$	\$	Number	\$	%
I F Burston	-	-	-	-	-	176,000	68%
B W Ridgeway	-	-	-	-	2,000,000	5,152	1%
G E Weston	209,667	810,000	-	1,019,667	1,000,000	20,206	4%
D J Loughlin	-	-	-	-	166,667	139,750	31%
P A Evans	83,667	-	-	83,667	100,000	78,217	19%

- (i) On 26 October 2008 Mr G Weston exercised 500,000 options. The options exercised were issued as part of Staff Options Tranche 1 and are exercisable at \$0.20 each. These options had a fair value of \$1.62 each at the date of exercise. No amounts were paid by Mr G Weston when these options were granted. These options carry no performance criteria and are subject to a service period only. For more details on options held by Senior Managers refer to Note 29.
- (ii) The total value of options included in remuneration for the year is calculated in accordance with Accounting Standard AASB 2 "Share Based Payments". These non-cash numbers include a portion of the value of options issued in prior periods that are being expensed in the current period to recognise the progressive vesting of these options.

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2008

Share options granted to Directors and Senior Managers

During or since the end of the financial year an aggregate of 700,000 options were granted to the following executives of the Group. None of these options had vested at 30 June 2008. No options were issued to Directors in the current year. Options are issued for no consideration and none were forfeited. There is no policy in place limiting the risk of exposure to the securities in respect of the recipient of options.

Name	Number of options granted	Applicable tranche	Fair value at date of issue	Grant Date	Expiry Date	Terms	Issuing entity	Number of ordinary shares under option
G E Weston	500,000	Staff Share Options \$3.00	\$0.42	28 Mar 08	27 Mar 13	Exercisable in 1/3 lots on the anniversary date of issue	Imdex Limited	500,000
P A Evans	200,000	Staff Share Options \$3.00	\$0.42	28 Mar 08	27 Mar 13	Exercisable in 1/3 lots on the anniversary date of issue	Imdex Limited	200,000

(g) Share options

(i) 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	300 cents	28 Mar 2008	27 Mar 2013	(aa)	4,815,000
Imdex Limited	Staff Share Options	Ordinary	180 cents	18 Oct 2007	17 Oct 2012	(aa)	500,000
Imdex Limited	Staff Share Options	Ordinary	180 cents	12 Jun 2007	11 Jun 2012	(aa)	625,000
Imdex Limited	Staff Share Options	Ordinary	100 cents	23 Feb 2007	22 Feb 2012	(aa)	3,513,667
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)	1,792,872
Imdex Limited	Staff Share Options	Ordinary	20 cents	1 Aug 2004	31 Jul 2009	(aa)	1,168,333
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.

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

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2008

(ii) 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	20 cents	1 Aug 2004	31 Jul 2009	922,168
Imdex Limited	Staff Share Options	Ordinary	35 cents	1 Feb 2006	31 Jan 2011	326,998
Imdex Limited	Staff Share Options	Ordinary	100 cents	23 Feb 2007	22 Feb 2012	436,333

No options were exercised by Directors in the current year.

(h) Principal Activities

The Group's principal continuing activities during the course of the financial year were manufacturing and sale of a range of drilling products.

(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 1.75 cents per ordinary share was paid on 25 March 2008 to shareholders registered on 7 March 2008. A fully franked final dividend of 1.5 cents per ordinary share was paid on 2 November 2007 to shareholders registered on 15 October 2007. In the prior year a fully franked interim dividend of 1 cent per ordinary share was paid on 26 March 2007 to shareholders registered on 13 March 2007. Since 30 June 2008 the Directors have declared a fully franked final dividend of 2.25 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 drilling fluids businesses and one down hole instrumentation business. The drilling fluids businesses acquired were Suay Energy Services LLP, Poly-Drill Drilling Systems Ltd and Southernland SA. The down hole instrumentation business acquired was System Entwicklungs GmbH. In addition the Surtron Technologies business was disposed of. More details of these acquisitions and disposal are contained in notes 26 and 28 respectively.

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

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2008

(l) Subsequent Events

On 1 July 2008, \$500,000 cash was paid and 168,530 fully paid Index Limited ordinary shares were issued to acquire the remaining 25% of the issued share capital of Suay Energy Services LLP. Refer note 26(d).

On 31 July 2008 Index Limited paid the next deferred settlement instalment of GBP 1,090,000 (A\$2,271,000) due to the vendors of Index Technology UK Limited (formerly Chardec Technology Limited).

Subsequent to year end the Directors declared a 2.25 cent per share fully franked dividend with an entitlement date of 17 October 2008 and a payment date of 31 October 2008. 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.



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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2008

(p) Auditor's Independence Declaration

The auditor's independence declaration is included on page 13 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

A handwritten signature in black ink, appearing to read "Ian Burston".

Mr Ian Burston

Chairman

PERTH, Western Australia, 15 August 2008.

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

15 August 2008

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 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Peter Rupp
Partner
Chartered Accountants

Independent Auditor's Report to the Members of Imdex Limited

Report on the Financial Report

We have audited the accompanying financial report of Imdex Limited, which comprises the balance sheet as at 30 June 2008, 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 49 and 55 to 118.

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 financial report, comprising the financial statements and notes, complies 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.



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 2008 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 financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in paragraph (f) of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Imdex Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter Rupp

Partner

Chartered Accountants

Perth, 15 August 2008



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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 2008.

A handwritten signature in black ink, appearing to read "Ian F Burston".

Ian F Burston
Chairman

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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 2008. In addition, the Company has a Corporate Governance section on its website: www.imdexlimited.com (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 2008, 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 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



CORPORATE GOVERNANCE STATEMENT

(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 2008 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.

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CORPORATE GOVERNANCE STATEMENT

(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, appropriate ethical standards for the management of the Company and to approve the annual internal audit plan. 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 Group Risk Manager, 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 three times during the year as set out in the Directors' Report.

(iii) External Auditors

The Board reviews the performance, skills, cost and other matters when assessing the appointment of external auditors. This review is generally undertaken at the completion of the preparation of the Annual Financial Report and involves discussions with the auditors and the 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 be available to answer questions from Shareholders.

(iv) Internal Audit

The Group has an independent internal audit function that reports directly to the Audit and Compliance Committee. The conduct and independence of the internal audit function are governed by the Internal Audit Charter which is approved by the Audit and Compliance Committee. The annual work plan of the internal audit function is approved annually by the Audit and Compliance Committee.

(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



CORPORATE GOVERNANCE STATEMENT

(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.imdexlimited.com. Further information can also be obtained by emailing the Company at: imdex@imdexlimited.com 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 has an independent internal audit function that operates under a Charter approved by the Audit and Compliance Committee. One of the tasks of the internal audit function is to review and evaluate the Company's and Group's risk management and internal control processes on a continuous basis.

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

(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.

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CORPORATE GOVERNANCE STATEMENT

(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.

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INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

		Consolidated		Company	
		Year Ended	Year Ended	Year Ended	Year Ended
		30 June 2008	30 June 2007	30 June 2008	30 June 2007
	Notes	\$'000	\$'000	\$'000	\$'000
Continuing operations					
Revenue from sale of goods, rendering of services and operating lease rental		142,009	103,849	-	22,503
Other revenue from operations		1,900	900	3,338	2,849
Total revenue	4	143,909	104,749	3,338	25,352
Other income	4	369	1,597	27,474	8,084
Raw materials and consumables used	4	(59,589)	(51,403)	-	(7,202)
Employee benefit expense	4	(22,996)	(10,950)	(5,720)	(3,646)
Depreciation expense	4	(3,266)	(3,207)	(198)	(2,269)
Amortisation expense	4	(6,055)	(3,430)	-	-
Finance costs	4	(2,762)	(2,736)	(1,575)	(1,543)
Other expenses	4	(17,725)	(16,505)	(4,474)	(5,691)
Profit before tax		31,885	18,115	18,845	13,085
Income tax expense	5	(10,804)	(6,165)	(2,520)	(3,219)
Profit from continuing operations		21,081	11,950	16,325	9,866
Profit from discontinued operations	28	10,921	1,568	-	-
Profit for the year		32,002	13,518	16,325	9,866
Attributable to:					
Equity holders of the parent		31,966	13,518	16,325	9,866
Minority interest		36	-	-	-
Earnings per share					
Continuing operations:					
Basic earnings per share (cents)	20	11.22	7.72		
Diluted earnings per share (cents)	20	10.79	7.09		
Continuing and discontinued operations:					
Basic earnings per share (cents)	20	17.04	8.74		
Diluted earnings per share (cents)	20	16.38	8.00		

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

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BALANCE SHEET AS AT 30 JUNE 2008

		Consolidated		Company	
	Notes	30 June 2008 \$'000	30 June 2007 \$'000	30 June 2008 \$'000	30 June 2007 \$'000
Current Assets					
Cash and Cash Equivalents	30	13,276	15,271	869	962
Trade and Other Receivables	7	32,079	27,806	2,401	10,213
Inventories	8	21,716	13,839	-	2,085
Other Financial Assets	9	13,237	11,556	13,237	11,556
Other	10	1,200	224	20	49
		81,508	68,696	16,527	24,865
Non Current Assets Classified as Held for Sale	11	4,500	4,500	4,500	4,500
Total Current Assets		86,008	73,196	21,027	29,365
Non Current Assets					
Other Financial Assets	9	-	-	71,022	43,959
Property, Plant and Equipment	12	7,140	13,207	522	4,886
Goodwill	13	52,626	35,033	-	-
Other Intangible Assets	14	27,289	27,746	-	429
Other	10	-	664	-	664
		87,055	76,650	71,544	49,938
Total Non Current Assets		87,055	76,650	71,544	49,938
Total Assets		173,063	149,846	92,571	79,303
Current Liabilities					
Trade and Other Payables	15	16,522	16,741	1,811	5,570
Borrowings	16	15,703	11,881	9,000	2,685
Current Tax Payables	5	8,792	8,913	2,643	5,450
Provisions	17	972	1,212	245	265
Total Current Liabilities		41,989	38,747	13,699	13,970
Non Current Liabilities					
Borrowings	16	19,849	28,556	8,000	10,064
Deferred Tax Liabilities	5	5,024	5,481	273	796
Provisions	17	558	448	128	116
		25,431	34,485	8,401	10,976
Total Non Current Liabilities		25,431	34,485	8,401	10,976
Total Liabilities		67,420	73,232	22,100	24,946
Net Assets		105,643	76,614	70,471	54,357
Equity					
Contributed Capital	18	64,883	60,982	64,883	60,982
Foreign Currency Translation Reserve	19	(4,863)	(2,137)	-	-
Employee Equity-Settled Benefits Reserve	19	2,573	751	2,573	751
Retained Profits/(Accumulated Losses)		43,050	17,018	3,015	(7,376)
Total Equity		105,643	76,614	70,471	54,357

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

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STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

CONSOLIDATED	Notes	Fully Paid Ordinary Shares \$'000	Mandatory Convertible Capital \$'000	Foreign Currency Translation Reserve \$'000	Employee Equity- Settled Benefits Reserve \$'000	Retained Earnings \$'000	Total Attributable to Equity Holders of the Entity \$'000
Balance at 1 July 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 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	(2,137)	751	17,018	76,614
Exchange differences on translation of foreign operations after taxation	19	-	-	(2,726)	-	-	(2,726)
Net income recognised directly in equity		-	-	(2,726)	-	-	(2,726)
Profit for the period		-	-	-	-	31,966	31,966
Total recognised income and expense for the period		-	-	-	-	31,966	31,966
Dividend paid		-	-	-	-	(5,934)	(5,934)
Share based payments	19	-	-	-	2,025	-	2,025
Issue of shares as part consideration for the acquisition of Poly-Drill	18	1,750	-	-	-	-	1,750
Issue of shares as part consideration for the acquisition of Southernland	18	1,387	-	-	-	-	1,387
Tax effect of prior period share issue costs	18	(113)	-	-	-	-	(113)
Issue of shares under staff option plan	18	877	-	-	(203)	-	674
Balance at 30 June 2008		58,183	6,700	(4,863)	2,573	43,050	105,643

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

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STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

COMPANY	Notes	Fully Paid Ordinary Shares \$'000	Mandatory Convertible Capital \$'000	Foreign Currency Translation Reserve \$'000	Employee Equity- Settled Benefits Reserve \$'000	Retained Earnings / (Accumulated Losses) \$'000	Total Attributable to Equity Holders of the Entity \$'000
Balance at 1 July 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)	-	-	(82)	-	(592)
Issue of shares under staff option plan	18	1,202	-	-	-	-	1,202
Deferred consideration - mandatory convertible capital	18	-	6,700	-	-	-	6,700
Balance at 30 June 2007		54,282	6,700	-	751	(7,376)	54,357
Profit for the period		-	-	-	-	16,325	16,325
Total recognised income and expense for the period		-	-	-	-	16,325	16,325
Dividend paid		-	-	-	-	(5,934)	(5,934)
Share based payments	19	-	-	-	2,025	-	2,025
Issue of shares as part consideration for the acquisition of Poly-Drill	18	1,750	-	-	-	-	1,750
Issue of shares as part consideration for the acquisition of Southernland	18	1,387	-	-	-	-	1,387
Tax effect of prior period share issue costs	18	(113)	-	-	-	-	(113)
Issue of shares under staff option plan	18	877	-	-	(203)	-	674
Balance at 30 June 2008		58,183	6,700	-	2,573	3,015	70,471

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 2008

		Consolidated		Company	
		Year Ended	Year Ended	Year Ended	Year Ended
		30 June 2008	30 June 2007	30 June 2008	30 June 2007
Notes		\$'000	\$'000	\$'000	\$'000
Cash Flows From Operating Activities					
Receipts from customers		154,253	128,311	-	18,124
Payments to suppliers and employees		(126,292)	(105,170)	(7,565)	(12,583)
Intercompany management fees received		-	-	4,665	1,363
Intercompany dividend received		-	-	3,378	3,000
Interest and other costs of finance paid		(2,342)	(1,490)	(1,562)	(1,022)
Income tax paid		(15,362)	(5,392)	(8,907)	(3,241)
Net cash provided by / (used in) Operating Activities	30(c)	10,257	16,259	(9,991)	5,641
Cash Flows From Investing Activities					
Interest and bill discounts received		451	267	212	217
Payment for property, plant and equipment		(4,803)	(5,733)	(42)	(3,358)
Proceeds from sale of property, plant and equipment		1,138	710	-	2,886
Proceeds from Rashid Trading Establishment		-	1,121	-	1,121
Payment for development costs capitalised	14	-	(429)	-	(429)
Payment for shares of Flexit net of cash acquired	26(f)	-	(10,274)	-	-
Payment for shares of Reflex net of cash acquired	26(g)	-	(15,194)	-	-
Payment for shares of Imdex Technology net of cash acquired	26(h)	(5,088)	(6,352)	-	-
Payment for shares of Poly-Drill net of cash acquired	26(b)	(899)	(352)	(1,571)	(352)
Payment for shares of Suay net of cash acquired	26(c), (d)	(246)	(306)	(246)	(306)
Payment for shares of Southernland net of cash acquired	26(e)	(1,446)	-	(1,533)	-
Payment for shares of SEG net of cash acquired	26(a)	(13,853)	-	-	-
Proceeds on the sale of Surtron net of cash disposed	28	18,000	-	19,873	-
Payment for the acquisition of patent		-	(328)	-	(328)
Amounts advanced to Sino Gas & Energy Ltd		-	(11,307)	-	(11,307)
Amounts repaid by Sino Gas & Energy Ltd		-	200	-	200
Net cash provided by / (used in) Investing Activities		(6,746)	(47,977)	16,693	(11,656)
Cash Flows From Financing Activities					
Advances from / (to) Controlled Entities		-	-	(5,443)	(20,444)
Proceeds from issue of equity securities	18	-	16,500	-	16,500
Payment for share issue costs	18	-	(729)	-	(729)
Cash received on exercise of options		674	1,120	674	1,120
Dividend paid to equity holders of the parent	21	(5,934)	(3,052)	(5,934)	(3,052)
Hire purchase and lease payments		(888)	(1,801)	(89)	(721)
Payment for interest rate cap		(239)	-	(239)	-
Payment of convertible note interest		(464)	-	(464)	-
Proceeds from borrowings		12,000	33,890	12,000	18,000
Repayment of borrowings		(9,983)	(5,700)	(7,300)	(5,700)
Net cash provided by / (used in) Financing Activities		(4,834)	40,228	(6,795)	4,974
Net Increase / (Decrease) in Cash and Cash Equivalents Held					
		(1,323)	8,510	(93)	(1,041)
Cash and Cash Equivalents At The Beginning Of The Financial Year					
	30(a)	15,271	6,421	962	2,003
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		(672)	340	-	-
Cash and Cash Equivalents At The End Of The Financial Year					
	30(a)	13,276	15,271	869	962

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

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NOTES TO THE FINANCIAL REPORT

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 Company's and the Group's disclosures in the following areas:

- AASB 7 'Financial Instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue;
- AASB 2005-10 'Amendments to Australian Accounting Standards'; and
- Interpretation 10 'Interim Financial Reporting and Impairment'

Changes in disclosures around financial instruments and the objectives, policies and processes for managing capital

The Australian Accounting Standards Board first released AASB 7 'Amendments to Australian Accounting Standards' in August 2005. AASB 7 was represented in October 2007 to take into account amendments made to this standard by other standards since its original issue in August 2005. Changes made to this standard expand the disclosures required in relation to the Company's and the Group's financial instruments and the objectives, policies and processes for managing capital.

The Australian Accounting Standards Board released AASB 2005-10 'Amendments to Australian Accounting Standards' in September 2005. These amendments arise from the release in August 2005 of AASB 7 'Financial Instruments: Disclosures'.

The changes introduced by AASB 7 and AASB 2005-10 are applied by the Company and the Group with effect from the beginning of the comparative reporting period presented in this financial report (i.e. with effect from 1 July 2006). The application of this represented standard only affects disclosures made and has no impact on the financial results presented in these financial statements.

Interim Financial Reporting and Impairment

The Australian Accounting Standards Board released Interpretation 10 'Interim Financial Reporting and Impairment' in September 2006. This interpretation clarifies the period end accounting treatment of impairment losses that were recognised in interim periods.

Interpretation 10 is applicable to annual reporting periods beginning on or after 1 November 2006. The adoption of this Interpretation has had no impact on these financial statements.

NOTES TO THE FINANCIAL REPORT

1 Adoption of New and Revised Accounting Standards

Standards and Interpretations in issue but not yet effective

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 101 'Presentation of Financial Statements' (revised September 2007)	Effective for annual reporting periods beginning on or after 1 January 2009
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
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
AASB 2008-1 'Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations'	Effective for annual reporting periods beginning on or after 1 January 2009
AASB 2008-2 'Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation'	Effective for annual reporting periods beginning on or after 1 January 2009
AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	Effective for annual reporting periods beginning on or after 1 July 2009
IFRS 3 'Business Combinations'	Effective for annual reporting periods beginning on or after 1 July 2009
IAS 27 'Separate and Consolidated Financial Statements'	Effective for annual reporting periods beginning on or after 1 July 2009

The application of AASB 8, AASB 123, IFRS 3, IAS 27, AASB 101, AASB 2008-1 and AASB 2008-3 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 and segments. The circumstances addressed by Interpretations 12, 13, 14 and AASB 2008-2 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.

The initial application of the expected issue of an Australian equivalent accounting standard to the following standard is not expected to have a material impact on the financial report of the Group and the Company:

Expected Standard / Interpretation	Effective Date
Improvements to IFRS's (2008)	Effective for annual reporting periods beginning on or after 1 January 2009
Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' and IAS 27 'Consolidated and Separate Financial Statements – Cost of Investment in a subsidiary, Jointly Controlled Entity or Associate'	Effective for annual reporting periods beginning on or after 1 January 2009
IFRIC 15 'Agreements for the Construction of Real Estate'	Effective for annual reporting periods beginning on or after 1 January 2009
IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'	Effective for annual reporting periods beginning on or after 1 October 2008

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NOTES TO THE FINANCIAL REPORT

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 Company and the Group comply with International Financial Reporting Standards ('IFRS').

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 2008.

(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.

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 in order to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements and assets held under finance lease 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 gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the employee equity-settled benefits reserve.

(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.

NOTES TO THE FINANCIAL REPORT**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.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(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 exchange 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) Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate risk. This risk is primarily managed through the use of an interest rate cap. Further details of derivative financial instruments are disclosed in note 31 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the profit or loss immediately. The Group has not designated any financial instruments as being hedge accounted.

(i) Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.



NOTES TO THE FINANCIAL REPORT

2 Summary of Significant Accounting Policies (continued)

(m) 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 except for those financial assets classified as 'at fair value through the profit or loss' which are initially measured at fair value. Subsequent to initial recognition, investments in subsidiaries are measured at cost.

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

(i) 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) Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates where the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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.

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NOTES TO THE FINANCIAL REPORT

2 Summary of Significant Accounting Policies (continued)

(m) Financial assets (continued)

(vi) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risk and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(n) Financial instruments issued by the Company

(i) Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(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.

A financial liability is held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it 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
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading is designated as 'at fair value through profit or loss' upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally or on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as 'at fair value through profit or loss'.

(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.

NOTES TO THE FINANCIAL REPORT

2 Summary of Significant Accounting Policies (continued)

(o) 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, development costs 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	5-10 years
Contracts	5 years
Customers	5-6 years
Trade Marks and Brand Names	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(t).

(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.

(p) Taxation

(i) Current tax

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

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NOTES TO THE FINANCIAL REPORT

2 Summary of Significant Accounting Policies (continued)

(p) Taxation (continued)

(ii) 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.

(iii) Current and deferred tax for the period

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

(iv) Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Imdex Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences 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.



NOTES TO THE FINANCIAL REPORT

2 Summary of Significant Accounting Policies (continued)

(q) 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

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.

(r) 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.

(v) Operating lease income

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

NOTES TO THE FINANCIAL REPORT**2 Summary of Significant Accounting Policies (continued)****(s) 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.

(t) 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.

(u) 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.

(v) 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.



NOTES TO THE FINANCIAL REPORT

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

Note 11 describes 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 2008. (2007: \$4,500,000)

The fair value of this 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.

Impairment of Goodwill and Intangibles

Determining whether goodwill and intangibles are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and intangibles are attributable. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. No impairment losses have been booked in the current or prior years. Refer notes 13 and 14.

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4 Profit from Operations

	Consolidated		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
(a) Revenue from operations				
Revenue from continuing and discontinued operations consisted of the following items:				
Revenue from continuing operations				
Revenue from the sale of goods	118,109	82,244	-	10,002
Revenue from the rendering of services	-	2,059	-	-
Operating rental income	23,900	19,546	-	12,501
Interest income - bank deposits	451	267	211	217
Interest income - other loans and receivables	1,449	633	3,127	2,632
	<u>143,909</u>	<u>104,749</u>	<u>3,338</u>	<u>25,352</u>
Revenue from discontinuing operations				
Revenue from the rendering of services	<u>6,584</u>	<u>14,591</u>	<u>-</u>	<u>-</u>
	<u>150,493</u>	<u>119,340</u>	<u>3,338</u>	<u>25,352</u>
(b) Profit before income tax				
Other than as disclosed on the face of the income statement, profit before income tax has been arrived at after crediting / (charging) the following gains and losses from continuing and discontinued operations:				
(Loss) / gain on disposal of property, plant and equipment (i)	91	76	-	2,200
Foreign exchange (loss)	(407)	(372)	(266)	(953)
	<u>(316)</u>	<u>(296)</u>	<u>(266)</u>	<u>1,247</u>
(i) In the prior year the Company sold some items of plant and equipment to a subsidiary company. This profit is eliminated on consolidation.				
Gains attributable to:				
Continuing operations	91	76	-	2,200
Discontinued operations	-	-	-	-
	<u>91</u>	<u>76</u>	<u>-</u>	<u>2,200</u>
Losses attributable to:				
Continuing operations	(407)	(364)	(266)	(953)
Discontinued operations	-	(8)	-	-
	<u>(407)</u>	<u>(372)</u>	<u>(266)</u>	<u>(953)</u>
	<u>(316)</u>	<u>(296)</u>	<u>(266)</u>	<u>1,247</u>
Loans and receivables (including cash and cash equivalents)				
Interest revenue	1,900	900	3,338	2,849
Exchange gain/(loss)	(305)	(185)	(266)	(185)
	<u>1,595</u>	<u>715</u>	<u>3,072</u>	<u>2,664</u>
Financial liabilities at amortised cost				
Interest expense	2,822	2,868	1,575	1,532
Exchange gain/(loss)	(102)	(187)	-	(768)
	<u>2,720</u>	<u>2,681</u>	<u>1,575</u>	<u>764</u>
	<u>4,315</u>	<u>3,396</u>	<u>4,647</u>	<u>3,428</u>

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4 Profit from Operations (continued)

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

Other income

	Consolidated		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Gain on disposal of property, plant and equipment	91	76	-	2,200
Gain on disposal of subsidiary	-	-	17,245	-
Management fees from Subsidiaries	-	-	6,671	1,363
Dividends from Subsidiaries	-	-	3,379	3,000
Amounts received from Rashid Trading Establishment (i)	-	1,121	-	1,121
Other revenue	278	400	179	400
	369	1,597	27,474	8,084

(i) Prior year income of \$1,121,000 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.

Depreciation and amortisation of Non Current Assets

Depreciation of property, plant and equipment (note 12)	3,733	4,368	198	2,269
Amortisation of intangible assets (note 14)	6,055	3,430	-	-
	9,788	7,798	198	2,269

Depreciation and amortisation attributable to

Continuing operations	9,321	6,637	198	2,269
Discontinued operations	467	1,161	-	-
	9,788	7,798	198	2,269

Finance costs

Interest on hire purchase liabilities	66	225	3	57
Interest on convertible note	-	464	-	464
Interest on deferred acquisition consideration	404	707	-	-
Interest on commercial bills	1,487	923	1,487	923
Interest on bank loan	744	350	-	-
Interest on overdraft	-	18	-	11
Other interest	121	199	85	88
	2,822	2,886	1,575	1,543

Finance costs - attributable to

Continuing operations	2,762	2,736	1,575	1,543
Discontinued operations	60	150	-	-
	2,822	2,886	1,575	1,543

Other expenses

Commissions	1,425	1,650	-	49
Consultancy fees	2,026	1,834	305	338
Legal and professional expenses (i)	1,742	618	990	447
Foreign exchange loss	407	372	266	953
Rent and premises costs	2,244	1,489	172	473
Repairs and maintenance	214	1,511	5	982
Travel and accommodation	3,450	2,186	514	437
Motor vehicle costs	1,374	1,167	100	198
Other expenses	5,557	9,304	2,122	1,814
	18,439	20,131	4,474	5,691

(i) Includes legal, audit, accounting, share registry and corporate secretarial fees.

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4 Profit from Operations (continued)

	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Employee benefits expense				
Post-employment benefits:				
Defined contribution superannuation costs	807	426	204	74
Share based payments:				
Equity-settled share based payments	2,025	728	2,025	728
Other employee benefits	20,768	14,938	3,491	2,844
	<u>23,600</u>	<u>16,092</u>	<u>5,720</u>	<u>3,646</u>
Employee benefits expense attributable to				
Continuing operations	22,996	10,950	5,720	3,646
Discontinued operations	604	5,142	-	-
	<u>23,600</u>	<u>16,092</u>	<u>5,720</u>	<u>3,646</u>
Cost of sales	<u>63,119</u>	<u>53,618</u>	<u>-</u>	<u>7,202</u>
Cost of sales attributable to				
Continuing operations	59,589	51,403	-	7,202
Discontinued operations	3,530	2,215	-	-
	<u>63,119</u>	<u>53,618</u>	<u>-</u>	<u>7,202</u>
Movement in provision for doubtful debts	<u>198</u>	<u>173</u>	<u>(71)</u>	<u>(43)</u>
Movement attributable to				
Continuing operations	198	173	(71)	(43)
Discontinued operations	-	-	-	-
	<u>198</u>	<u>173</u>	<u>(71)</u>	<u>(43)</u>
Operating lease rental expense (minimum lease payments)	<u>2,386</u>	<u>1,682</u>	<u>178</u>	<u>478</u>
Operating lease rental expense attributable to				
Continuing operations	2,203	1,571	178	478
Discontinued operations	183	111	-	-
	<u>2,386</u>	<u>1,682</u>	<u>178</u>	<u>478</u>

5 Income Taxes

	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(a) Income tax recognised in the income statement				
Tax expense comprises:				
Current tax expense	15,483	9,924	2,736	3,297
Deferred tax expense relating to the origination and reversal of temporary differences	(1,690)	(2,727)	150	57
(Over)/under provision per prior year	(563)	(303)	(366)	(135)
Total tax expense	<u>13,230</u>	<u>6,894</u>	<u>2,520</u>	<u>3,219</u>
Attributable to:				
Continuing operations	10,804	6,165	2,520	3,219
Discontinued operations	2,426	729	-	-
	<u>13,230</u>	<u>6,894</u>	<u>2,520</u>	<u>3,219</u>

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5 Income Taxes (continued)

	Consolidated		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:				
Profit from continuing operations	31,885	18,115	18,845	13,085
Profit from discontinued operations	13,347	2,297	-	-
Profit from operations	45,232	20,412	18,845	13,085
Income tax expense calculated at 30%	13,570	6,124	5,654	3,926
Tax benefit of losses not previously brought to account	-	(23)	-	-
Intercompany dividends received	-	-	(1,014)	(900)
Non-deductible share based payments	986	218	986	218
Additional provincial tax arising in a foreign jurisdiction	230	142	-	-
Non-deductible interest on deferred payments	121	212	-	-
Other non-deductible expenses	480	232	214	10
Tax rate differential arising from foreign entities	(171)	38	-	-
Capital losses utilised	(844)	-	(844)	-
Non-assessable income from sale of foreign subsidiary	(579)	-	(2,110)	-
Adjustments in respect of prior year deferred tax balances	-	254	-	100
(Over) / under provision of prior year income tax	(563)	(303)	(366)	(135)
	13,230	6,894	2,520	3,219

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		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Current tax: Share issue expenses	-	(53)	-	(53)
Deferred tax: Share issue expenses deductible over five years	(54)	(165)	(54)	(165)
Deferred tax: Translation of foreign operations	473	(71)	473	-
	419	(289)	419	(218)

(c) Current tax assets and liabilities

Current tax payable	8,792	8,913	2,643	5,450
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(d) Deferred tax balances

Deferred tax assets comprise:

Provisions	108	304	-	86
Inventory	-	125	-	-
Property, plant and equipment	2,571	1,871	-	-
Accruals	400	518	110	175
Foreign currency translation reserves	755	282	727	-
Share issue expenses	150	204	150	203
	3,984	3,304	987	464

Deferred tax liabilities comprise:

Property, plant and equipment	(4)	(4)	-	-
Intangible assets	(7,744)	(7,521)	-	-
Non-current assets classified as held for sale	(1,260)	(1,260)	(1,260)	(1,260)
	(9,008)	(8,785)	(1,260)	(1,260)
Net deferred tax balances	(5,024)	(5,481)	(273)	(796)

Unrecognised deferred tax assets:

The following have not been brought to account as assets:

Temporary differences relating to the translation of investments in subsidiary undertakings	950	427	-	-
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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.

The amount of contribution or distribution relating to tax consolidation in the current and prior year amounted to nil.

6 Remuneration of Auditors

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Deloitte Touche Tohmatsu (Australia)				
Audit or review of the financial report	164,443	175,715	164,443	175,715
Taxation services - mainly compliance work, transfer pricing and global restructuring advice	287,356	251,549	287,356	251,549
Other non-audit services: Other consulting services	34,650	-	34,650	-
Other non-audit services: A-IFRS assistance	-	-	-	-
	486,449	427,264	486,449	427,264
Deloitte Touche Tohmatsu (overseas affiliates)				
Audit or review of the financial report	88,674	-	-	-
Taxation services - mainly compliance work, transfer pricing and global restructuring advice	3,391	-	-	-
Other non-audit services: Other consulting services	79,461	-	-	-
Other non-audit services: A-IFRS assistance	-	-	-	-
	171,526	-	-	-
Other auditors				
Audit or review of the financial report	178,438	356,471	-	-
Other non-audit services: Accounting assistance and taxation advice	112,315	78,814	-	-
	290,753	435,285	-	-
	948,728	862,549	486,449	427,264

NOTES TO THE FINANCIAL REPORT

7 Trade and Other Receivables

	Notes	Consolidated		Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current					
Trade receivables	(i)	31,669	27,966	2,006	10,173
Allowance for doubtful debts	(ii)	(677)	(479)	-	(71)
		30,992	27,487	2,006	10,102
Other receivables		1,087	319	395	111
		<u>32,079</u>	<u>27,806</u>	<u>2,401</u>	<u>10,213</u>

(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 and services, determined by reference to past default experience and specific knowledge of individual debtors circumstances.

Ageing of past due but not impaired debtors

0 - 30 days past due	3,006	2,798	128	27
31 - 60 days past due	2,636	1,561	-	-
61 + days past due	879	1,082	1,138	37
	<u>6,521</u>	<u>5,441</u>	<u>1,266</u>	<u>64</u>

The above analysis shows debtors that are past due at the end of the reporting date where no provision has been raised as the Group believes that the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

(ii) Movement in the allowance for doubtful debts

Balance at the beginning of the year	479	306	71	114
Amounts written off during the year	-	-	-	-
Increase/(decrease) in allowance recognised in profit or loss	198	173	(71)	(43)
Balance at the end of the year	<u>677</u>	<u>479</u>	<u>-</u>	<u>71</u>

All impaired debtors are in excess of 90 days overdue.

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

8 Inventories

	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current				
Raw materials - at cost	3,383	1,251	-	-
Work in progress - at cost	797	51	-	-
Finished goods - at cost	17,536	12,537	-	2,085
	<u>21,716</u>	<u>13,839</u>	<u>-</u>	<u>2,085</u>

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9 Other Financial Assets

		Consolidated		Company	
	Notes	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current					
Derivatives at fair value					
Interest rate cap	(i)	229	-	229	-
Loans carried at amortised cost					
Loan to Sino Gas & Energy Limited	(ii)	13,008	11,556	13,008	11,556
		<u>13,237</u>	<u>11,556</u>	<u>13,237</u>	<u>11,556</u>
Non-current					
Loans carried at amortised cost					
Loans to Subsidiaries	(iii)	-	-	60,382	41,258
Investments carried at cost					
Investments in Subsidiaries		-	-	10,640	2,701
		<u>-</u>	<u>-</u>	<u>71,022</u>	<u>43,959</u>

(i) Effective 1 January 2008 Imdex Limited entered into an interest rate cap. This instrument allows the interest paid on \$10,000,000 of debt to be capped at 7% per annum for a period of 3 years. Refer note 31 for further disclosures around this and other financial instruments.

(ii) During the prior year the Group advanced A\$5 million and US\$5 million to SGE as a short term facility pending the finalisation of their capital raising initiatives. Interest of \$1.4 million was recognised in the profit and loss in the current year and \$0.6 million in the prior year. 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% (2007: 13.6%), 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 are repayable on demand. These loans carry no interest other than the loan to Samchem Drilling Fluids and Chemicals (Pty) Ltd and Imdex Sweden AB. The loan to Samchem carries interest at the South African prime overdraft rate (currently 15.5%) plus a 2% margin. The loan to Imdex Sweden carries interest at the Stockholm Interbank Offered Rate (currently 4.44%) plus a weighted average margin of 0.75%.

10 Other Assets

		Consolidated		Company	
	Notes	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current					
Prepayments		1,200	224	20	49
		<u>1,200</u>	<u>224</u>	<u>20</u>	<u>49</u>
Non-current					
Deferred acquisition costs	(i)	-	664	-	664
		<u>-</u>	<u>664</u>	<u>-</u>	<u>664</u>

(i) Comprises legal, consulting and other direct costs associated with acquisitions in progress at the period end. These costs were included in the relevant cost of investment on settlement.

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11 Non-Current Assets Classified as Held for Sale

Notes	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Shares held for sale	(i)	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 \$'000	Equipment Rented to Third Parties at cost \$'000	Equipment under Hire Purchase at cost \$'000	Capital Works in Progress at cost \$'000	TOTAL \$'000
Gross Carrying Value					
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
Additions	3,420	1,281	-	517	5,218
Acquisitions through business combinations	561	-	-	-	561
Disposals	(242)	(2,143)	(43)	(4)	(2,432)
Disposal through sale of subsidiary	(10,739)	-	(1,584)	(436)	(12,759)
Net foreign currency exchange differences	(420)	(201)	(11)	(36)	(668)
Transfer	425	(78)	(282)	(65)	-
Balance at 30 June 2008	7,008	8,254	20	524	15,806
Accumulated Depreciation					
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
Disposals	(96)	(1,283)	(6)	-	(1,385)
Disposal through sale of subsidiary	(5,149)	-	(1,085)	-	(6,234)
Acquisitions through business combinations	250	-	-	-	250
Depreciation expense	1,397	2,241	95	-	3,733
Net foreign currency exchange differences	(134)	(239)	(4)	-	(377)
Transfer	218	(4)	(214)	-	-
Balance at 30 June 2008	2,981	5,671	14	-	8,666
Net Book Value					
As at 30 June 2007	7,508	4,439	712	548	13,207
As at 30 June 2008	4,027	2,583	6	524	7,140

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12 Property, Plant and Equipment (continued)

Company	Plant and Equipment at cost \$'000	Equipment Rented to Third Parties at cost \$'000	Equipment under Hire Purchase at cost \$'000	Capital Works in Progress at cost \$'000	TOTAL \$'000
Gross Carrying Value					
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
Additions	42	-	-	-	42
Transfer to subsidiary	(381)	(7,273)	(53)	(19)	(7,726)
Balance at 30 June 2008	1,291	-	-	-	1,291
Accumulated Depreciation					
Balance at 30 June 2006	638	2,125	21	-	2,784
Disposals	(44)	(925)	5	-	(964)
Depreciation expense	200	2,063	6	-	2,269
Balance at 30 June 2007	794	3,263	32	-	4,089
Transfer to subsidiary	(223)	(3,263)	(32)	-	(3,518)
Depreciation expense	198	-	-	-	198
Balance at 30 June 2008	769	-	-	-	769
Net Book Value					
As at 30 June 2007	836	4,010	21	19	4,886
As at 30 June 2008	522	-	-	-	522

	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'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	1,397	1,484	198	2,063
Plant and equipment rented to third parties	2,241	2,691	-	200
Equipment under hire purchase	95	193	-	6
	3,733	4,368	198	2,269

NOTES TO THE FINANCIAL REPORT

13 Goodwill

		Consolidated		Company	
	Notes	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Gross Carrying Amount					
Balance at beginning of the financial year		35,033	1,906	-	-
Recognised on acquisition of Suay Energy Services LLP	(i)	1,266	-	-	-
Recognised on acquisition of Poly-Drill Drilling Systems Ltd	(ii)	3,369	-	-	-
Recognised on acquisition of Southernland S.A.	(iii)	2,413	-	-	-
Recognised on acquisition of System Entwicklungs GmbH	(v)	10,499	-	-	-
Recognised on acquisition of Reflex Holding AB	(iv)	-	14,623	-	-
Recognised on acquisition of Imdex Technology UK Ltd	(iv)	-	8,319	-	-
Recognised on acquisition of Flexit AB	(v)	-	11,107	-	-
Effect of foreign exchange movements		46	(922)	-	-
Balance at end of the financial year		52,626	35,033	-	-
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		35,033	1,906	-	-
At the end of the financial year		52,626	35,033	-	-
Goodwill is allocated to cash-generating units as follows:					
Australian Mud Company		-	-		
Samchem		1,324	1,699		
Suay Energy Services		1,266	-		
Poly-Drill Drilling Systems		3,369	-		
Southernland		2,413	-		
Reflex / Imdex Technology		22,613	22,406		
Flexit / SEG		21,641	10,928		
		52,626	35,033		

(i) Goodwill arose during the year on the acquisition of 75% of the issued share capital of Suay Energy Services LLP (Suay) by Imdex Limited effective 1 July 2007 and the remaining 25% of the issued share capital effective 30 June 2008. Refer notes 26(c) and 26(d). Suay is considered to be a separate cash generating unit since it operates independently from other Imdex operations in a separate geographical area being Kazakhstan and the surrounding Caspian Sea region. 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 2009 budget. The projection assumes no additional growth in the business beyond 2009. A discount rate of 12%, 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 Poly-Drill Drilling Systems Ltd (Poly-Drill) by Imdex Limited effective 1 July 2007. Refer note 26(b). Poly-Drill is considered to be a separate cash generating unit since it manufactures and sells products independently from other Imdex operations in a separate geographical area being Canada. 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 2009 budget. The projection assumes modest growth in revenue and cost of 10% and 5% per annum respectively for the first 3 years of the projection. A discount rate of 12%, 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.

(iii) Goodwill arose during the year on the acquisition of Southernland S.A. (Southernland) by Imdex South America S.A., a newly incorporated wholly owned subsidiary of Imdex Limited effective 1 July 2007. Refer note 26(d). Southernland is considered to be a separate cash generating unit since it manufactures and sells products independently from other Imdex operations in a separate geographical area being Latin America. 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 2009 budget. The projection assumes modest growth in revenue and costs of 10% and 5% per annum respectively for the first 2 years of the projection. A discount rate of 12%, 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.

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13 Goodwill

(iv) Goodwill arose during the prior year on the acquisition of 100% of the issued share capital of Reflex Holding AB (Reflex) (refer note 26(g)), and Imdex Technology UK Limited (ITU) (formerly Chardec Technology Ltd) (refer note 26(h)). These two 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 Down Hole Instrumentation 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 2009 budget. The projection assumes no additional growth in the business beyond 2009. A discount rate of 12%, 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.

(v) Goodwill arose during the current year on the acquisition of 100% of the issued share capital of System Entwicklungs GmbH (SEG) (refer note 26(a)) and Flexit AB (Flexit) (refer note 26(f)) in the prior year. These two 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 Down Hole Instrumentation 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 2009 budget. The projection assumes no additional growth in the business beyond 2009. A discount rate of 12%, 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:

	Budgeted sales growth	Budgeted net margins	Exchange rate fluctuations
Samchem CGU	Sales growth has been budgeted in line with the expected increase in activity in the local industries serviced by Samchem.	Net margins have been budgeted using the prior year actuals as a base on which operational improvements and economies of scale are expected to be gained.	Exchange rate fluctuation expectations have been built into the budget numbers based on standard forecast advice received from major lending institutions.
Suay CGU	Sales growth has been budgeted in line with the expected increase in activity in the local industries serviced by Suay.	Net margins have been budgeted using the prior year actuals as a base on which operational improvements and economies of scale are expected to be gained.	
Poly-Drill CGU	Sales growth has been budgeted in line with the expected increase in activity in the local industries serviced by Poly-Drill as well as growth expected to arise from the global alliances.	Net margins have been budgeted using the prior year actuals as a base on which operational improvements and economies of scale are expected to be gained.	
Southernland CGU	Sales growth has been budgeted in line with the expected increase in activity in the local industries serviced by Southernland as well as growth expected to arise from the global alliances.	Net margins have been budgeted using the prior year actuals as a base on which operational improvements and economies of scale are expected to be gained.	
Reflex / ITU CGU	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.	Net margins have been budgeted using the prior year actuals as a base. In addition an increase is expected to arise from the release of new tools and the business model trend away from sales towards rentals.	
Flexit / SEG CGU	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 and the targeting of the oil & gas market.	Net margins have been budgeted using the prior year actuals as a base. In addition an increase is expected to arise from the release of new tools, the accessing of new markets and the business model trend away from sales towards rentals.	

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14 Other Intangible Assets

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 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
Additions through business combinations	6	1,505	-	890	2,996	-	251	5,648
Capitalised during the year	-	-	-	-	-	-	-	-
Impact of exchange rate changes	-	(258)	46	-	99	-	42	(71)
Balance at 30 June 2008	761	2,417	14,749	1,315	12,393	429	4,561	36,625
Accumulated Amortisation and Impairment								
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
Amortisation expense	152	75	2,382	530	1,883	86	947	6,055
Impact of exchange rate changes	-	-	(10)	-	(2)	-	(9)	(21)
Impairment losses	-	-	-	-	-	-	-	-
Balance at 30 June 2008	177	75	3,832	608	3,301	86	1,257	9,336
Net Book Value								
As at 30 June 2007	730	1,170	13,243	347	7,878	429	3,949	27,746
As at 30 June 2008	584	2,342	10,917	707	9,092	343	3,304	27,289
Company								
Gross Carrying Value								
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
Transferred to subsidiary entity	-	-	-	-	-	(429)	-	(429)
Balance at 30 June 2008	-	-	-	-	-	-	-	-
Accumulated Amortisation and Impairment								
Balance at 30 June 2006	-	-	-	-	-	-	-	-
Amortisation expense	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Balance at 30 June 2007	-	-	-	-	-	-	-	-
Amortisation expense	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Balance at 30 June 2008	-	-	-	-	-	-	-	-
Net Book Value								
As at 30 June 2007	-	-	-	-	-	429	-	429
As at 30 June 2008	-	-	-	-	-	-	-	-

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14 Other Intangible Assets (continued)

Intellectual Property

Intellectual Property arose 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.

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 2009 budget. The projection assumes no additional growth in the business beyond 2009. A discount rate of 12% 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	
	Notes	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade payables	(i)	9,836	12,290	207	3,562
Accruals and other payables		5,252	4,451	826	2,008
Due to the vendors of System Entwicklungs GmbH	26(a)	656	-	-	-
Due to the vendors of Suay Energy Services LLC	26(d)	778	-	778	-
		16,522	16,741	1,811	5,570

(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	
	Notes	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current borrowings					
Secured					
At amortised cost					
Commercial bill	(i)	9,000	2,300	9,000	2,300
Bank loan	(ii)	4,016	2,430	-	-
Hire purchase liabilities	(iii) 24	-	1,443	-	385
Other	(iv)	-	335	-	-
Unsecured					
At amortised cost					
Deferred acquisition payments	(v) 34	2,687	5,373	-	-
		15,703	11,881	9,000	2,685
Non-current borrowings					
Secured					
At amortised cost					
Commercial bills	(i)	8,000	10,000	8,000	10,000
Bank loan	(ii)	9,132	12,710	-	-
Hire purchase liabilities	(iii) 24	-	964	-	64
Other	(iv)	-	167	-	-
Unsecured					
At amortised cost					
Deferred acquisition payments	(v) 34	2,717	4,715	-	-
		19,849	28,556	8,000	10,064



NOTES TO THE FINANCIAL REPORT

16 Borrowings (continued)

(i) Commercial bills bear interest at 9.7% per annum. The Group has an interest rate cap in operation that caps the maximum interest payable on \$10,000,000 of this debt at 7% per annum, thereby reducing the effective interest rate on this debt to 8.1%. Refer note 31(g) for further details. On 31 December 2008 a bill of \$7,000,000 is repayable. The remaining bills are repayable in quarterly instalments of \$500,000 each with the final payment due in June 2013. The bills are secured by a Mortgage Debenture over all the assets and liabilities of Imdex Limited, Australian Mud Company Pty Ltd, Reflex Asia Pacific Pty Ltd, Imdex International Pty Ltd, Imdex Technology UK Limited and Samchem Drilling Fluids and Chemicals (Pty) Ltd.

(ii) This comprises of a loan of SEK 75,625,000 raised in the prior year. This loan bears interest at the 7 day Stockholm Interbank Offered Rate ('STIBOR'), currently 4.4% plus a weighted average margin of 1.96% per annum. The loan is repayable in quarterly instalments of SEK 5,775,000 until December 2009 when the instalments drop to SEK 4,400,000 per quarter. From December 2011 they drop further to SEK 1,650,000 per quarter until the loan is fully repaid in June 2013. The interest rate applicable at 30 June 2008 was 6.36% per annum. This loan is secured over the assets of the Reflex and Flexit companies that are domiciled in Sweden.

(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. The weighted average interest rate applicable to these liabilities in the prior year was 7.6%.

(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 components 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(g) and (h).

(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 were held in voluntary escrow until 1 August 2008.

17 Provisions

Notes	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current provisions				
Employee entitlements (i)	972	1,212	245	265
Non-current provisions				
Employee entitlements	558	448	128	116

(i) The majority of these entitlements are expected to be taken during the coming year. (2007: same)

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18 Contributed Capital

	Notes	Consolidated		Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Issued and Paid Up Capital - Fully paid ordinary shares	(i)	58,183	54,282	58,183	54,282
Mandatory convertible capital	(ii)	6,700	6,700	6,700	6,700
		<u>64,883</u>	<u>60,982</u>	<u>64,883</u>	<u>60,982</u>

(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(f)

	Notes	Consolidated and Company			
		2008 Number	2008 \$'000	2007 Number	2007 \$'000
Ordinary shares					
Balance at beginning of the financial year		179,949,003	54,282	139,466,037	26,490
Issue of shares as part consideration for the acquisition of Poly-Drill	26(b)	1,212,751	1,750	-	-
Issue of shares as part consideration for the acquisition of Southernland	26(e)	723,679	1,387	-	-
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
Issue of shares as part consideration for the acquisition of patent		-	-	155,039	200
Tax effect of share issue costs / Share issue costs (net of tax)		-	(113)	-	(510)
Issue of shares under staff option plan		1,605,499	877	4,527,927	1,202
Closing balance at end of the financial year		<u>183,490,932</u>	<u>58,183</u>	<u>179,949,003</u>	<u>54,282</u>

Changes to 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 2008, executives, directors and staff have options over 16,194,872 ordinary shares (5,019,872 of which had vested), in aggregate. These options expire over a range of dates up to March 2013. As at 30 June 2007, executives, directors and staff have options over 13,080,406 ordinary shares (1,423,739 of which had vested), in aggregate. These options expire over a range of dates up to June 2012. Share options granted under the employee share option plan carry no rights to dividends and no voting rights.

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

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19 Reserves

Notes	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Foreign Currency Translation Reserve				
Balance at beginning of the financial year	(2,137)	(494)	-	-
Translation of foreign operations after taxation	(2,726)	(1,643)	-	-
Balance at the end of the financial year	(4,863)	(2,137)	-	-

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.

Employee Equity-Settled Benefits Reserve

Balance at beginning of the financial year		751	105	751	105
Options issued	4	2,025	728	2,025	728
Options exercised during the financial year		(203)	(82)	(203)	(82)
Balance at the end of the financial year		2,573	751	2,573	751

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.

20 Earnings Per Share

	Consolidated 2008 Cents per share	2007 Cents per share
Basic earnings per share		
From continuing operations	11.22	7.72
From discontinued operations	5.82	1.02
Total basic earnings per share	17.04	8.74
Diluted earnings per share		
From continuing operations	10.79	7.09
From discontinued operations	5.59	0.91
Total diluted earnings per share	16.38	8.00

(a) Basic earnings per share

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

	\$'000s	\$'000s
Earnings (i)	31,966	13,518
Earnings from continuing operations (i)	21,045	11,950
Shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	187,578,226	154,717,072

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

	\$'000s	\$'000s
Net profit	31,966	13,518
Earnings used in the calculation of basic EPS	31,966	13,518
Adjustments to exclude profit for the period from discontinued operations	(10,921)	(1,568)
Earnings used in the calculation of basic EPS from continuing operations	21,045	11,950

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20 Earnings Per Share (continued)

(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:

Earnings (ii)
Earnings from continuing operations (ii)

Weighted average number of ordinary shares for the purposes of diluted earnings per share (iii)

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

Net profit
Adjustment to exclude the impact of interest expense on convertible note
Earnings used in the calculation of diluted EPS
Adjustments to exclude profit for the period from discontinued operations
Earnings used in the calculation of diluted EPS from continuing operations

(iii) The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

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

Potential ordinary shares arising on the conversion of convertible note
Shares deemed to be issued for no consideration in respect of employee and Director options

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

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

Employees share options tranche 4
Employees share options tranche 5
Employees share options tranche 6
Employees share options tranche 7

Consolidated
2008
Cents per share

2007
Cents per share

\$'000s

\$'000s

31,966

13,836

21,045

12,268

Shares

Shares

195,112,068

172,920,311

\$'000s

\$'000s

31,966

13,518

-

318

31,966

13,836

(10,921)

(1,568)

21,045

12,268

Shares

Shares

187,578,226

154,717,072

-

11,340,274

7,533,842

6,862,965

195,112,068

172,920,311

Shares

Shares

-

4,425,000

625,000

675,000

500,000

-

4,815,000

-

5,940,000

5,100,000



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21 Dividends

	Notes	2008 Cents per share	2008 Total \$'000	2007 Cents per share	2007 Total \$'000
Recognised amounts					
Fully paid ordinary shares - interim dividend franked to 30%	(i)	1.75	3,212	1.00	1,641
Fully paid ordinary shares - final dividend franked to 30%	(ii)	1.50	2,722	1.00	1,411
		3.25	5,934	2.00	3,052
Unrecognised amounts					
Fully paid ordinary shares - final dividend franked to 30%	(iii)	2.25	4,129	1.50	2,722

(i) The interim, fully franked dividend was paid on 25 March 2008 (2007: 26 March 2007). The record date for determining the entitlement to the interim dividend was 7 March 2008 (2007: 13 March 2007). There are no dividend reinvestment plans in operation.

(ii) The final, fully franked dividend was paid on 2 November 2007 (2007: 13 October 2006). The record date for determining the entitlement to the final dividend was 15 October 2007 (2007: 10 October 2006). There are no dividend reinvestment plans in operation.

(iii) The final, fully franked dividend was declared on 15 August 2008 with an entitlement date of 17 October 2008 and a payment date of 31 October 2008. The financial effect of this dividend has not been recognised in the financial statements at 30 June 2008.

	Consolidated	
	2008	2007
	\$'000	\$'000
Adjusted franking account balance	13,521	7,062
Impact on franking account of dividends not recognised	(1,770)	(1,157)
Income tax consequences of unrecognised dividends	-	-

22 Commitments for Expenditure

(a) Capital expenditure commitments

At 30 June 2008 the Group had a capital expenditure commitments amounting to \$927,000. This commitment comprised \$475,000 relating to the construction of a PHPA plant at Samchem and \$452,000 representing gyro purchase commitments in SEG. The Company had no capital expenditure commitments.

At 30 June 2007 the Company and Group had no capital expenditure commitments.

(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	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Contingent Liabilities				
Rental bond	-	119	-	100
	-	119	-	100
Contingent Assets				
	-	-	-	-

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NOTES TO THE FINANCIAL REPORT

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	
	2008	2007	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Hire purchase commitments								
Hire purchase commitments are payable as follows. Due:								
Within one year	-	1,580	-	467	-	1,443	-	449
Between one and five years	-	760	-	-	-	728	-	-
Later than five years	-	248	-	-	-	236	-	-
Minimum lease payments	-	2,588	-	467	-	2,407	-	449
Less: future finance charges	-	(181)	-	(18)	-	-	-	-
	-	2,407	-	449	-	2,407	-	449

Hire purchase liabilities provided for in the Financial Report

Current – Note 16

Non current – Note 16

-	1,443	-	385
-	964	-	64
-	2,407	-	449

(b) Operating Leases

Operating leasing arrangements

Operating leases relate to premises and equipment (including 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	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Non-cancellable operating lease payments				
Within one year	1,838	1,062	162	162
Between one and five years	3,785	1,911	365	352
Later than five years	1,139	686	-	-
	6,762	3,659	527	514



NOTES TO THE FINANCIAL REPORT

25 Subsidiaries

		Country of Incorporation	Ownership Interest 2008 %	2007 %
Notes				
Parent Entity				
Imdex Limited	(i), (ii)	Australia		
Controlled Entities				
Australian Mud Company Pty Ltd	(ii), (iii)	Australia	100	100
Samchem Drilling Fluids & Chemicals (Pty) Ltd		South Africa	100	100
Imdex International Pty Ltd	(ii), (iii), (iv)	Australia	100	100
Imdex Sweden AB	(v)	Sweden	100	100
Reflex Instruments Asia Pacific Pty Ltd	(ii), (iii), (vi)	Australia	100	100
Imdex Technology UK Ltd (formerly Chardec Technology Ltd)	26(h)	United Kingdom	100	100
Reflex Holding AB	26(g)	Sweden	100	100
Reflex Instrument AB	(vii), 26(g)	Sweden	-	100
Reflex Instrument North America	26(g)	Canada	100	100
Reflex Instrument South America Ltda	26(g)	Chile	100	100
Reflex Instruments Europe Ltd	(xii)	United Kingdom	100	-
Drill Hole Surveys (Pty) Ltd	26(g)	South Africa	100	100
Flexit AB	26(f)	Sweden	100	100
Flexit Navigation AB	(viii), 26(f)	Sweden	-	100
Flexit Australia Pty Ltd	(ii), (ix)	Australia	100	100
Nudge Geotechnical Instrumentation Inc	(x)	Canada	-	100
Suay Energy Services LLP	26(c) (d)	Kazakhstan	100	-
Poly-Drill Drilling Systems Ltd	26(b)	Canada	100	-
Imdex South America S.A.	26(e)	Chile	100	-
Southernland S.A.	26(e)	Chile	100	-
System Entwicklungs GmbH	26(a)	Germany	100	-
Surtron Technologies Pty Ltd	(ii), (iii), 28	Australia	-	100
Surtron Technologies UK Ltd	28	United Kingdom	-	100
Surtron Technologies US Inc	(xi), 28	United States of America	-	100

(i) Imdex Limited is the ultimate parent company and is the head entity within the tax consolidated group.

(ii) These companies are part of the tax consolidated group. Surtron Technologies Pty Ltd was part of the tax consolidated group until sold on 31 October 2007.

(iii) 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 became a party to the deed on 29 June 2006, Imdex International Pty Ltd on 20 October 2006 and Reflex Instruments Asia Pacific Pty Ltd on 14 September 2007. Surtron Technologies Pty Ltd became a party to this deed on 29 June 2006 and ceased to be a party on 31 October 2007 when Imdex Limited sold 100% of its shares in this entity.

(iv) This entity was incorporated on 4 July 2006

(v) This entity was incorporated on 5 July 2006

(vi) This entity was incorporated on 26 March 2007

(vii) This entity was merged with Reflex Holding AB on 1 October 2007.

(viii) This entity was merged with Flexit AB on 29 April 2008.

(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 a business combination. This entity was amalgamated with Reflex Instrument North America on 1 January 2008.

(xi) This entity was incorporated on 16 November 2006

(xii) This entity was incorporated on 28 April 2008

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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

	2008 \$'000	2007 \$'000
Revenue from sale of goods, rendering of services and operating lease rental	91,161	66,909
Other revenue from operations	3,356	2,866
Total revenue	94,517	69,775
Other income	9,615	4,814
Raw materials and consumables used	(42,784)	(34,280)
Employee benefit expenses	(11,888)	(6,451)
Depreciation and amortisation expense	(3,243)	(2,372)
Finance costs	(1,998)	(2,252)
Commissions	(1,259)	(1,170)
Consultancy fees	(1,834)	(1,384)
Legal and professional expenses	(1,330)	(449)
Rent and premises costs	(1,242)	(1,017)
Repairs and maintenance	(37)	(554)
Travel and accommodation	(2,012)	(1,244)
Motor vehicle costs	(655)	(493)
Foreign exchange gain/(loss)	(1,018)	(950)
Other expenses	(10,283)	(3,440)
Profit before income tax expense	24,549	18,533
Income tax expense	(9,127)	(5,928)
Profit for the year from continuing operations	15,422	12,605
Profit for the year from discontinued operations	15,855	1,568
Profit for the year	31,277	14,173

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NOTES TO THE FINANCIAL REPORT

25 Subsidiaries (continued)

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

Balance Sheet

Current Assets

Cash and Cash Equivalents
Trade and Other Receivables
Inventories
Other Financial Assets
Other

Total Current Assets

Non Current Assets

Other Financial Assets
Property, Plant and Equipment
Other Intangible Assets
Other

Total Non Current Assets

Total Assets

Current Liabilities

Trade and Other Payables
Borrowings
Current Tax Payables
Provisions

Total Current Liabilities

Non Current Liabilities

Borrowings
Deferred Tax Liabilities
Provisions

Total Non Current Liabilities

Total Liabilities

Net Assets

Equity

Contributed Capital
Employee Equity-Settled Benefits Reserve
Retained Profits *

Total Equity

* Retained Profit at the beginning of the financial year

Net Profit

Dividend provided for or paid

Retained Profit at the end of the financial year

	2008 \$'000	2007 \$'000
Cash and Cash Equivalents	7,341	7,171
Trade and Other Receivables	31,946	24,861
Inventories	14,214	11,085
Other Financial Assets	51,243	60,871
Other	30	56
Total Current Assets	104,774	104,044
Other Financial Assets	40,752	8,492
Property, Plant and Equipment	7,216	11,768
Other Intangible Assets	1,543	429
Other	-	664
Total Non Current Assets	49,511	21,353
Total Assets	154,285	125,397
Trade and Other Payables	12,980	14,871
Borrowings	11,687	9,060
Current Tax Payables	8,071	5,358
Provisions	800	1,475
Total Current Liabilities	33,538	30,764
Borrowings	10,717	15,678
Deferred Tax Liabilities	(130)	303
Provisions	558	116
Total Non Current Liabilities	11,145	16,097
Total Liabilities	44,683	46,861
Net Assets	109,602	78,536
Contributed Capital	64,883	60,982
Employee Equity-Settled Benefits Reserve	2,573	751
Retained Profits *	42,146	16,803
Total Equity	109,602	78,536
* Retained Profit at the beginning of the financial year	16,803	5,682
Net Profit	31,277	14,173
Dividend provided for or paid	(5,934)	(3,052)
Retained Profit at the end of the financial year	42,146	16,803

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NOTES TO THE FINANCIAL REPORT

26 Acquisition of Businesses

(a) Acquisition of entity - System Entwicklungs GmbH

With effect from 1 January 2008, Imdex Limited, acquired 100% of the issued share capital of System Entwicklungs GmbH (SEG), a company incorporated in Germany. SEG manufacture and sell technologically advanced down hole instrumentation for use in the drilling industry from their facility located in Riegel, Germany. The numbers presented below have been accounted for using the acquisition method of accounting.

Details of the assets, liabilities and goodwill:

	Notes	Book value \$'000	Fair value adjustments \$'000	Fair value on acquisition \$'000
Receivables		446	-	446
Inventory		838	-	838
Property, plant and equipment		35	-	35
Technology and customer based intangibles	(i)	-	5,642	5,642
Trade and other payables		(1,914)	-	(1,914)
Deferred tax	(i)	-	(1,693)	(1,693)
Fair value of net identifiable assets acquired (other than cash and cash equivalents)		(595)	3,949	3,354
Goodwill on acquisition	(ii)			10,499
Total purchase consideration				13,853

Total purchase consideration comprises

Consideration in cash and cash equivalents		14,100
Less: Cash and cash equivalents acquired		(637)
Direct costs relating to the acquisition		390
	(iii)	13,853

Results since acquisition \$'000

Operating results of SEG included in the Consolidated Income Statement of Imdex Limited from acquisition on 1 January 2008 to 30 June 2008:

Revenue		2,418
Total expenses		(2,130)
Profit after tax for the period	(iv)	288

(i) Intangible assets of \$5.6 million comprise technical knowledge and other know-how as well as customer relationships in existence at the time of acquisition. Deferred tax of \$1.7 million was raised on these balances. These intangibles have been valued by independent valuation professionals using the replacement cost and relief-from-royalty methods. Data inputs into the model were derived from internal management budgets. Intangible assets are being amortised over their estimated useful lives of between 1 and 10 years.

(ii) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire SEG. 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 SEG. 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 2008 records the payment for the acquisition of SEG as \$13.9 million being the total consideration of \$14.1 million above plus direct costs of \$0.4 million and less \$0.6 million of cash and cash equivalents acquired. A dividend of \$0.7 million representing profits up to the acquisition date is due to the vendors of SEG and was taken up at acquisition.

(iv) Had the acquisition of SEG been effected on 1 July 2007, the beginning of the financial year and assuming all units were sold and none rented, the SEG financial results included in the Imdex consolidated results would have been revenue of approximately \$4.8 million and profit of approximately \$0.6 million. The results of SEG are included in the Down Hole Instrumentation 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)

(b) Acquisition of entity - Poly-Drill Drilling Systems Limited

With effect from 1 July 2007, Imdex Limited, acquired 100% of the issued share capital of Poly-Drill Drilling Systems Limited (Poly-Drill), a company incorporated in Canada. Poly-Drill undertake the manufacture and sale of polymer based drilling fluids as well as various solids control activities from Calgary, Canada. The numbers presented below have been accounted for using the acquisition method of accounting.

Details of the assets, liabilities and goodwill:

	Notes	Book value \$'000	Fair value adjustments \$'000	Fair value on acquisition \$'000
Inventory		178	-	178
Property, plant and equipment		150	-	150
Trade and other payables		(696)	-	(696)
Fair value of net identifiable assets acquired (other than cash and cash equivalents)		(368)	-	(368)
Goodwill on acquisition	(i)			3,369
Total purchase consideration				<u>3,001</u>
Total purchase consideration comprises				
Consideration in cash and cash equivalents				1,849
Less: Cash and cash equivalents acquired				(673)
Issue of ordinary shares	(ii), 18			1,750
Direct costs relating to the acquisition	(iii)			75
				<u>3,001</u>
				Results since acquisition \$'000

Operating results of Poly-Drill included in the Consolidated Income Statement of Imdex Limited from acquisition on 1 July 2007 to 30 June 2008:

Revenue	2,727
Total expenses	<u>(2,422)</u>
Profit after tax for the period	<u>305</u>

(i) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire Poly-Drill. 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 Poly-Drill. 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.

(ii) Comprised the issue of 1,212,751 fully paid ordinary shares in Imdex Limited at \$1.443 per share. The issue price of the shares was determined using the closing weighted average share price over the 5 business days prior to 1 July 2007. These shares will be held in voluntary escrow for a period of 12 months from 1 July 2007. The issue of shares was approved by shareholders at the Annual General Meeting on 19 October 2007.

(iii) The Consolidated Cash Flow Statement for the year ended 30 June 2008 records the payment for the acquisition of Poly-Drill as \$0.9 million being the total consideration of \$3.0 million above less \$1.8 million settled in shares and \$0.3 million paid in the prior year.

IMDEX LIMITED

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NOTES TO THE FINANCIAL REPORT

26 Acquisition of Businesses (continued)

(c) Acquisition of initial 75% of entity - Suay Energy Services LLP

With effect from 1 July 2007 Imdex Limited acquired 75% of the issued share capital of Suay Energy Services LLP (Suay), a company incorporated in Kazakhstan. The purchase of Suay is complementary to the existing drilling fluids and chemicals businesses of Imdex. Suay provide drilling fluids and chemicals to the Kazakhstan oilfields in the Caspian Sea region. The numbers presented below have been accounted for using the acquisition method of accounting.

Details of the assets, liabilities and goodwill:

	Notes	Book value \$'000	Fair value adjustments \$'000	Fair value on acquisition \$'000
Trade and other receivables		123	-	123
Inventory		317	-	317
Property, plant and equipment		43	-	43
Trade and other payables		(420)	-	(420)
Fair value of net identifiable assets acquired (other than cash and cash equivalents)		63	-	63
Goodwill on acquisition	(i)			505
Less: Minority interests				(16)
Total purchase consideration				552
Total purchase consideration comprises				
Consideration in cash and cash equivalents				473
Direct costs relating to the acquisition				79
	(ii)			552

Results since acquisition \$'000

Operating results of Suay included in the Consolidated Income Statement of Imdex Limited from acquisition on 1 July 2007 to 30 June 2008:

Revenue	2,108
Total expenses	(1,963)
Profit after tax for the period	145

(i) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire a 75% interest in Suay. 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 Suay. 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.

(ii) The Consolidated Cash Flow Statement for the year ended 30 June 2008 records the payment for the acquisition of Suay as \$0.2 million being the total consideration of \$0.6 million above less \$0.4 million paid in the prior year.



NOTES TO THE FINANCIAL REPORT

26 Acquisition of Businesses (continued)

(d) Acquisition of minority interest - Suay Energy Services LLP

With effect from 30 June 2008 Imdex Limited acquired the remaining 25% of the issued share capital of Suay Energy Services LLP (Suay) from the minority shareholders. The original 75% of the issued share capital of Suay was purchased with effect from 1 July 2007, refer note 26(c). The numbers presented below have been accounted for using the acquisition method of accounting. These numbers are provisional only as the acquisition accounting is still in the process of being finalised.

Details of the assets, liabilities and goodwill:

	Notes	Book value \$'000	Fair value adjustments \$'000	Fair value on acquisition \$'000
Cash and cash equivalents		10	-	10
Trade and other receivables		494	-	494
Inventory		572	-	572
Property, plant and equipment		212	-	212
Trade and other payables		(1,106)	-	(1,106)
Fair value of net identifiable assets acquired		182	-	182
25% thereof				46
Goodwill on acquisition	(i)			761
Total purchase consideration				807
Total purchase consideration comprises				
Consideration in cash and cash equivalents				500
Issue of ordinary shares	(ii)			278
Direct costs relating to the acquisition	(iii)			29
				807

(i) Although Imdex Limited already controlled Suay, an additional goodwill amount became payable on the acquisition of the remaining 25% due to growth in the business and future prospects as well as a premium to obtain complete 100% control. 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.

(ii) Comprised the issue of 168,530 fully paid ordinary shares in Imdex Limited. These shares had a fair value of \$1.65 per share, being the closing market price at 30 June 2008. These shares were issued on 1 July 2008 and are not subject to escrow. The issue of these shares is not required to be formally approved by shareholders as they fall below the 15% threshold level.

(iii) The Consolidated Cash Flow Statement for the year ended 30 June 2008 records the payment for the acquisition of Suay as nil as the cash consideration was paid on 1 July 2008. The purchase consideration of \$0.8 million is accrued at note 15.

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NOTES TO THE FINANCIAL REPORT

26 Acquisition of Businesses (continued)

(e) Acquisition of entity - Southernland S.A.

On 1 November 2007 Imdex South America S.A., a newly incorporated wholly owned subsidiary of Imdex Limited, settled the purchase of 100% of the issued share capital of Southernland S.A. (Southernland), a company incorporated in Chile. The acquisition was structured under a mandate so as to entitle the Group to the profits from 1 July 2007 onwards. Southernland manufacture and supply drilling fluids and chemicals to the Latin American market, complementing the existing fluids and chemicals businesses of Imdex and providing access to new geographic markets. The numbers presented below have been accounted for using the acquisition method of accounting.

Details of the assets, liabilities and goodwill:

	Notes	Book value \$'000	Fair value adjustments \$'000	Fair value on acquisition \$'000
Trade and other receivables		538	-	538
Inventory		273	-	273
Property, plant and equipment		83	-	83
Trade and other payables		(474)	-	(474)
Fair value of net identifiable assets acquired (other than cash and cash equivalents)		420	-	420
Goodwill on acquisition	(i)			2,413
Total purchase consideration				2,833

Total purchase consideration comprises

Consideration in cash and cash equivalents		1,413
Less: Cash and cash equivalents acquired		(87)
Issue of ordinary shares	(ii), 18	1,387
Direct costs relating to the acquisition		120
	(iii)	2,833

Results since acquisition \$'000

Operating results of Southernland included in the Consolidated Income Statement of Imdex Limited from 1 July 2007 to 30 June 2008:

Revenue	3,062
Total expenses	(2,616)
Profit after tax for the period	446

(i) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire Southernland. 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 Southernland. 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.

(ii) Comprised the issue of 723,679 fully paid ordinary shares in Imdex Limited at \$1.9163 per share. The issue price of the shares was determined using the closing weighted average share price over the 5 business days prior to 1 November 2007. These shares will be held in voluntary escrow for a period of 24 months from 1 November 2007. The issue of these shares is not required to be formally approved by shareholders as this issue falls below the 15% threshold level.

(iii) The Consolidated Cash Flow Statement for the year ended 30 June 2008 records the payment for the acquisition of Southernland as \$1.4 million being the total consideration of \$2.8 million above less \$1.4 million paid in shares.

NOTES TO THE FINANCIAL REPORT

26 Acquisition of Businesses (continued)

(f) 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
	(iii)			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 prior 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 Down Hole Instrumentation 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.

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NOTES TO THE FINANCIAL REPORT

26 Acquisition of Businesses (continued)

(g) 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
	(iii)			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 prior 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 Down Hole Instrumentation 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)

(h) Acquisition of entity - Imdex Technology UK 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 Imdex Technology UK Ltd (Imdex Technology), a company incorporated in the United Kingdom. Imdex Technology 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 and earn out payments	(v)			9,381
	(vi)			15,733
				Results since acquisition \$'000

Operating results of Imdex Technology 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 Imdex Technology 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 Imdex Technology. 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 Imdex Technology. 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 Imdex Technology. 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 Imdex Technology 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 (paid); 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 GBP 0.4 million 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 Imdex Technology been effected on 1 July 2006, the beginning of the prior financial year, the Imdex Technology 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 Imdex Technology are included in the Down Hole Instrumentation 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

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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) Down Hole Instrumentation: This segment comprises the manufacture, sale and rental of down hole instrumentation. Until 31 October 2007 this division also provided down hole surveying, geophysical logging and directional drilling services through its Surtron business which was sold on this date; 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; sale and rental of down hole instrumentation
- (ii) Europe: Manufacture, sale and rental of down hole instrumentation
- (iii) Africa: Manufacture and sale of drilling fluids and chemicals; sale and rental of down hole instrumentation
- (iv) Americas: Manufacture and sale of drilling fluids and chemicals; sale and rental of down hole instrumentation

Primary reporting: Business Segments

(a) Segment Revenues

	External revenue		Inter-segment		Other		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Drilling Fluids and Chemicals	85,711	62,337	-	-	-	16	85,711	62,353
Down Hole Instrumentation	56,298	41,512	-	-	-	36	56,298	41,548
Total of all segments	142,009	103,849	-	-	-	52	142,009	103,901
Unallocated							1,900	848
Total revenue - continuing operations							143,909	104,749
Discontinued operation - Surtron (note 28)							6,584	14,591
Total revenue - all operations							150,493	119,340

(b) Segment Results

Continuing operations

Drilling Fluids and Chemicals *	13,981	11,570
Down Hole Instrumentation	21,221	11,858
Total of all segments	35,202	23,428
Eliminations	-	-
Unallocated	(3,317)	(5,313)
Profit before tax	31,885	18,115
Income tax expense	(10,804)	(6,165)
Profit for the year from continuing operations	21,081	11,950

Discontinued operations

Drilling Fluids and Chemicals	-	-
Down Hole Instrumentation	13,347	2,297
Total of all segments	13,347	2,297
Eliminations	-	-
Unallocated	-	-
Profit before tax	13,347	2,297
Income tax expense	(2,426)	(729)
Profit for the year from discontinued operations	10,921	1,568

Profit attributable to ordinary equity holders of Imdex Limited

	32,002	13,518
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* - Included in the prior period is a \$1.1 million recovery from the RTE/Imdex Joint Venture



NOTES TO THE FINANCIAL REPORT

27 Segment Information (continued)

(c) Segment Assets and Liabilities

	Assets		Liabilities	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Drilling Fluids and Chemicals	54,194	33,997	12,895	10,580
Down Hole Instrumentation	101,361	101,837	18,973	34,795
Total of all segments	155,555	135,834	31,868	45,375
Unallocated	17,508	14,012	35,552	27,857
Consolidated	173,063	149,846	67,420	73,232

(d) Other segment information

	Drilling Fluids and Chemicals		Down Hole Instrumentation		Unallocated		Total	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Depreciation	229	258	3,306	3,947	198	163	3,733	4,368
Acquisition of segment assets	1,408	373	3,768	7,788	42	433	5,218	8,594
Significant non cash expenses other than depreciation and amortisation	1,418	364	608	364	404	707	2,430	1,435

Secondary Reporting: Geographical Segme

	Revenue from external customers		Segment assets		Acquisition of segment assets	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Asia Pacific	94,513	77,858	112,298	99,199	1,405	6,302
Europe	8,207	5,057	42,380	37,501	862	1,334
Africa	28,710	22,858	10,615	4,783	1,729	293
Americas	19,063	13,567	7,770	8,363	1,222	665
Total	150,493	119,340	173,063	149,846	5,218	8,594

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NOTES TO THE FINANCIAL REPORT

28 Discontinued Operations

Effective 31 October 2007, the Group disposed of 100% of its shares in Surtron Technologies Pty Ltd, Surtron Technologies UK Ltd and Surtron Technologies US Inc, collectively known as the Surtron business. The disposal was part of the Group's decision to focus its efforts on the core competencies of selling drilling fluids and selling and renting down hole instrumentation. The financial results of the Surtron business up to the date of disposal included in the Group results are summarised below.

	Consolidated	
	4 months ended 31 Oct 2007 \$'000	12 months ended 30 Jun 2007 \$'000
Profit from discontinued operations		
Revenue	6,584	14,591
Expenses	(5,376)	(12,294)
Profit before income tax	1,208	2,297
Income tax expense	(207)	(729)
Profit after income tax of discontinued operations	1,001	1,568
Gain on sale of the entities before income tax	12,139	-
Income tax expense	(2,219)	-
Gain on sale of the entities after income tax	9,920	-
Profit from discontinued operations	10,921	1,568
Cash flows from discontinued operations		
Net cash (outflow)/inflow from ordinary activities	(1,737)	84
Net cash inflow from investing activities (including the proceeds from the sale of the entities)	20,002	210
Net cash inflow from financing	1,121	-
	19,386	294

The assets and liabilities of Surtron at the date of disposal were as follows:

Carrying amounts of assets and liabilities

Cash and cash equivalents	1,873
Trade and other debtors	4,382
Inventories	306
Deferred tax asset	221
Property, plant and equipment	6,528
Total assets	13,310
Intercompany balances	(2,612)
Trade and other creditors	(2,590)
Hire purchase liabilities	(2,300)
Employee entitlements	(686)
Total liabilities	(8,188)
Net assets	5,122

Details of the sale of the entities

	Consolidated	
	4 months ended 31 Oct 2007 \$'000	12 months ended 30 Jun 2007 \$'000
Consideration received:		
Cash received	20,002	-
Carrying amount of net assets sold (net of intercompany balances)	(7,734)	-
Costs of disposal	(129)	-
Gain/(loss) on sale before income tax	12,139	-
Income tax expense	(2,219)	-
Gain/(loss) on sale after income tax	9,920	-

NOTES TO THE FINANCIAL REPORT

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 of 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) Key management personnel equity holdings

2008	Balance at 1 July 2007	Granted as compensation	Received on exercise of options	Inception as key management person	Net other change	Balance at 30 June 2008	Balance held nominally
	No.	No.	No.	No.	No.	No.	No.
Mr I F Burston	260,000	-	-	-	83,786	343,786	-
Mr B W Ridgeway	3,500,000	-	-	-	-	3,500,000	-
Mr R W Kelly	265,000	-	-	-	25,000	290,000	-
Mr K A Dundo	300,000	-	-	-	-	300,000	-
Mr M Lemmel	400,000	-	-	-	47,347	447,347	-
Mr G E Weston	-	-	500,000	-	(500,000)	-	-
Mr D J Loughlin	10,000	-	-	-	(10,000)	-	-
Mr P A Evans	5,000	-	-	-	5,000	10,000	-
	4,740,000	-	500,000	-	(348,867)	4,891,133	-

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.

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 personnel 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.

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NOTES TO THE FINANCIAL REPORT

29 Related Party Disclosures (continued)

(iv) Share options issued by Imdex Limited

2008	Balance at 1 July 2007	Granted as compensation	Exercised	Cession as key management person	Balance at 30 June 2008	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	-	2,000,000	2,000,000
Mr R W Kelly	-	-	-	-	-	-	-	-
Mr K A Dundo	-	-	-	-	-	-	-	-
Mr M Lemmel	-	-	-	-	-	-	-	-
Mr G E Weston	2,500,000	500,000	(500,000)	-	2,500,000	-	1,666,667	1,000,000
Mr D J Loughlin	500,000	-	-	-	500,000	-	166,667	166,667
Mr P A Evans	300,000	200,000	-	-	500,000	-	100,000	100,000
	6,300,000	700,000	(500,000)	-	6,500,000	-	3,933,334	3,266,667

Options granted to G E Weston and P A Evans during the financial year were made in accordance with the Staff Option Plan, as further described in Note 33. 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 G E Weston and P A Evans are exercisable in one third lots at the end of each of the first three years during their life.

A total of 500,000 options were exercised by key management personnel 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.

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

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 personnel 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.



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29 Related Party Disclosures (continued)

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

(a) 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 prior financial year until his resignation on 10 April 2007. The total lease cost arising from this arrangement during the prior year until the date of his resignation on 10 April 2007 was \$129,460.

(b) 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 \$216,202 (2007: \$208,785)

(c) Transactions with Directors

	Note	Consolidated		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
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:					
Operating lease rental expense	v(a)	-	129,460	-	-
Legal services expense	v(b)	134,314	31,281	134,314	31,281
<hr/>					
Total assets arising from transactions, other than compensation, with Directors or their related entities:					
Goodwill and intercompany loans (parent: acquisition costs)	v(b)	81,888	177,504	81,888	177,504
<hr/>					
Total assets and liabilities arising from transactions, other than compensation, with Directors or their related entities:					
Current Assets		-	-	-	-
Current Liabilities	v(a) v(b)	3,573	-	3,573	-

(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 \$6,671,293 (2007: \$1,363,000) 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.

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NOTES TO THE FINANCIAL REPORT

30 Notes to the Cash Flow Statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the Cash Flow Statement, 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	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	13,276	15,271	869	962
Bank overdraft	-	-	-	-
	<u>13,276</u>	<u>15,271</u>	<u>869</u>	<u>962</u>

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 \$13,275,763 (2007: \$15,271,482)

(b) Non cash financing and investing activities

During the year the Group acquired equipment under a finance lease of \$0.7 million (2007: \$1.1 million). This acquisition will be reflected in the prior period cash flow 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	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Profit for the year	32,002	13,518	16,325	9,866
<i>Adjustments for non-cash and non-operational items</i>				
Depreciation of non-current assets	3,733	4,368	198	2,269
Amortisation of intangible assets	6,055	3,430	-	-
Non-cash interest on deferred payments	404	707	-	-
Interest earned on intercompany accounts	-	-	(1,677)	(1,999)
Interest received disclosed as investing activities	(451)	(267)	(212)	(217)
Share options expensed	2,025	728	2,025	728
Profit on sale of non-current assets	(91)	(76)	-	(2,200)
Interest on hire purchase liabilities	66	225	3	57
Fair value adjustment on interest rate cap	10	-	10	-
Proceeds from Rashid Trading Establishment shown as investing activities	-	(1,121)	-	(1,121)
Profit on sale of Surtron before tax	(12,139)	-	(17,245)	-
<i>Changes in assets and liabilities during the financial year</i>				
(Increase) / decrease in assets:				
Current receivables	(10,096)	(3,169)	(3,455)	(6,876)
Current inventories	(6,577)	(1,791)	-	(1,004)
Other current assets	(976)	(212)	23	(45)
Increase / (decrease) in liabilities:				
Current payables	(2,132)	(2,187)	258	2,577
Provision for employee entitlements	556	604	143	152
Increase / (decrease) in current tax liability	(121)	4,584	(5,797)	3,477
Increase in deferred tax balances	(2,011)	(3,082)	(590)	(23)
Net Cash Provided by / (used in) Operating Activities	<u>10,257</u>	<u>16,259</u>	<u>(9,991)</u>	<u>5,641</u>

NOTES TO THE FINANCIAL REPORT

30 Notes to the Cash Flow Statement (continued)

(d) Financing facilities

Total facilities available				
Bank loan	13,148	15,484	-	-
Commercial bills	17,000	12,300	17,000	12,300
Equipment finance facility	76	2,591	76	633
Multi option facility (including bank overdraft)	2,020	2,522	2,020	2,020
	32,244	32,897	19,096	14,953
Facilities utilised at balance sheet date				
Bank loan	13,148	15,140	-	-
Commercial bills	17,000	12,300	17,000	12,300
Equipment finance facility	-	2,407	-	449
Multi option facility (including bank overdraft)	-	-	-	-
	30,148	29,847	17,000	12,749
Facilities not utilised at balance sheet date				
Bank loan	-	344	-	-
Commercial bills	-	-	-	-
Equipment finance facility	76	184	76	184
Multi option facility (including bank overdraft)	2,020	2,522	2,020	2,020
	2,096	3,050	2,096	2,204

31 Financial Instruments

(a) Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 16, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 18 and 19. Management and the Board review the capital structure quarterly when the treasury function present an update to the Board. As a part of these reviews management considers the cost of capital and the risks associated with each class of capital. Based on the outcome of these reviews the Group will balance its overall capital structure through payment of dividends and issue of new shares as well as the issue of new debt or repayment of existing debt. The Board does not have a specific optimum gearing target other than to maintain a competitive weighted average cost of capital.

The Group's overall capital management strategy remains unchanged from 2007.

(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) Categories of financial instruments

	Consolidated		Company	
	2008	2007	2008	2007
	\$ 000s	\$ 000s	\$ 000s	\$ 000s
Financial Assets				
Cash and cash equivalents	13,276	15,271	869	962
Loans and receivables	45,087	39,362	75,791	63,027
At fair value through profit and loss	229	-	229	-
Financial Liabilities				
Amortised cost	52,074	57,178	18,811	18,319

IMDEX LIMITED

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NOTES TO THE FINANCIAL REPORT

31 Financial Instruments (continued)

(d) Financial risk management objectives

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

The Group seeks to minimise the effects of these risks by using natural hedges where possible and derivative financial instruments to hedge remaining risk exposures where the benefit of the hedge outweighs the cost. The use of financial derivatives is governed by the Group's treasury policies which are approved by the Board of Directors. These policies describe the Group's policies with respect to foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes. The only derivative instrument in operation at 30 June 2008 is an interest rate cap as described in note (g) below. The corporate treasury function reports quarterly to the Board of Directors.

(e) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (note (f) below) and interest rates (note (g) below). The Group monitors its exposure to these risks on a quarterly basis and enters into derivative financial instruments to manage these risks where appropriate. The only derivative financial instrument currently being used is an interest rate cap. At a Group and at a company level market risk exposures are measured by sensitivity analyses and scenario modelling.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(f) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to foreign exchange rate fluctuations arise. Exchange rate exposures are managed with the use of natural hedges where possible and with the use of financial instruments where benefit outweighs cost within approved policy parameters. During the current and prior year no financial instruments were used to manage foreign exchange risk.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the reporting date is as follows:

	Liabilities		Assets	
	2008 \$ 000s	2007 \$ 000s	2008 \$ 000s	2007 \$ 000s
United States Dollars	487	930	14,045	9,920
South African Rand	1,770	1,820	3,782	5,132
Canadian Dollars	44	714	4,222	3,197
Swedish Kroner	13,564	17,381	3,975	4,446
British pounds	4,953	13,700	401	2,416
Other - mostly Euros and Chilean Pesos	3,554	66	3,620	130

Foreign currency sensitivity

The Group is mainly exposed to United States Dollars, Swedish Kroner, Canadian Dollars and South African Rand.

The following table details the Group's sensitivity to a 2% increase and decrease in the Australian Dollar against the relevant foreign currencies. The sensitivity rate of 2% is the rate used when performing the quarterly reporting on foreign currency risk internally. Foreign exchange risk is reported quarterly to key management personnel and the Board. The estimated movement of 2% represents management's assessment of the possible change in foreign currency exchange rates which is based on regular forecasts received from major lending institutions. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust their translation at the period end for a 2% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss and other equity where the Australian Dollar strengthens against the respective currency. For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and other equity, and the balances below would carry the opposite sign.

NOTES TO THE FINANCIAL REPORT

31 Financial Instruments (continued)

(f) Foreign currency risk management (continued)

	United States Dollar Impact				South African Rand Impact			
	Consolidated		Company		Consolidated		Company	
	2008 \$ 000's	2007 \$ 000's	2008 \$ 000's	2007 \$ 000's	2008 \$ 000's	2007 \$ 000's	2008 \$ 000's	2007 \$ 000's
Profit or (loss)	(271)	(180)	-	- (i)	(40)	(66)	-	- (i)
Other equity	-	-	-	- (ii)	-	-	-	- (ii)

	Swedish Kroner Impact				Canadian Dollar Impact			
	Consolidated		Company		Consolidated		Company	
	2008 \$ 000's	2007 \$ 000's	2008 \$ 000's	2007 \$ 000's	2008 \$ 000's	2007 \$ 000's	2008 \$ 000's	2007 \$ 000's
Profit or (loss)	192	259	-	- (i)	(84)	(50)	-	- (i)
Other equity	-	-	-	- (ii)	-	-	-	- (ii)

(i) Profit and loss impacts are mainly attributable to exposure on outstanding receivables and payables at year end denominated in the applicable foreign currency

(ii) Equity movements are attributable to the net investment in a foreign operation denominated in the applicable foreign currency

(g) Interest rate risk management

The Company and the Group are exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. Interest rate risk is managed within defined policy guidelines. This is achieved by the Group by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of an interest rate cap to limit the maximum exposure to interest rate rises on part of Group debt.

The Company and the Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible changes in interest rates based on consultation with appropriately qualified financial professionals.

Group sensitivity

At reporting date, if interest rates had been 100 basis points higher and all other variables were held constant, the Group's net profit would decrease by \$0.2 million (2007: 0.3 million). There would be a nil impact on equity. A 100 basis point decrease in interest rates, holding all other variables constant would yield an increase in the Group's net profit of \$0.3 million (2007: \$0.3 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings. The profit increase / decrease effect is not symmetrical due to the presence of an interest rate cap which limits the Group's maximum exposure to interest rates on \$10 million of its debt.

The Group's sensitivity to interest rates decreased during the current period due to the introduction of an interest rate cap to limit the maximum amount of interest rate impact on \$10 million of its debt.

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NOTES TO THE FINANCIAL REPORT

31 Financial Instruments (continued)

(g) Interest rate risk management (continued)

Company sensitivity

At reporting date, if interest rates had been 100 basis points higher and all other variables were held constant, the Company's net profit would decrease by \$0.1 million (2007: \$0.1 million). There would be a nil impact on equity. A 100 basis point decrease in interest rates, holding all other variables constant would yield an increase in the Company's net profit of \$0.2 million (2007: \$0.1 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings. The profit increase / decrease effect is not symmetrical due to the presence of an interest rate cap which limits the Group's maximum exposure to interest rates on \$10 million of its debt.

The Company's sensitivity to interest rates decreased during the current period due to the introduction of an interest rate cap to limit the maximum amount of interest rate impact on \$10 million of its debt.

Interest rate cap

On 1 January 2008 the Company entered into an interest rate cap arrangement for a 3 year period. This interest rate cap, costing \$0.2 million, enabled the Company to limit the maximum exposure to interest rate movements on \$10 million of its debt to 7% per annum. At 30 June 2008 this interest rate cap had a fair value of \$0.2 million. (Note 9) This fair value has been determined by seeking market valuations at 30 June 2008 for an interest rate cap with identical terms that terminates on 31 December 2011.

(h) 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. Credit exposure is controlled by counterparty limits that are reviewed regularly by management.

Trade receivables 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.

The Group does not have any significant credit risk exposure to any single counterparty or group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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 collateral obtained. At 30 June 2008 no such collateral had been obtained. (30 June 2007 : nil)

(i) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who monitor short, medium and long term liquidity requirements through the use of financial models. The treasury function reports quarterly to key management personnel and the Board on matters affecting liquidity risk. 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. Included in note 30(d) is a listing of additional undrawn facilities that the Company/Group has at its disposal to further reduce liquidity risk.

NOTES TO THE FINANCIAL REPORT

31 Financial Instruments (continued)

(i) Liquidity risk management (continued)

Liquidity and interest risk tables

The following tables detail the Company's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the balance sheet.

Consolidated

	Weighted average effective interest rate	0-3 months	3 months to 1 year	1-5 years	5+ years	Adjustment	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2008							
Non-interest bearing	-	10,948	8,261	2,717	-	-	21,926
Finance lease liability	-	-	-	-	-	-	-
Variable interest rate instruments	8.20%	2,101	12,788	19,606	-	(4,347)	30,148
		<u>13,049</u>	<u>21,049</u>	<u>22,323</u>	<u>-</u>	<u>(4,347)</u>	<u>52,074</u>
2007							
Non-interest bearing	-	13,744	8,371	4,715	-	-	26,830
Finance lease liability	7.60%	395	1,185	760	248	(181)	2,407
Variable interest rate instruments	6.26%	1,359	5,437	23,086	3,240	(5,181)	27,941
		<u>15,498</u>	<u>14,993</u>	<u>28,561</u>	<u>3,488</u>	<u>(5,362)</u>	<u>57,178</u>

Company

	Weighted average effective interest rate	0-3 months	3 months to 1 year	1-5 years	5+ years	Adjustment	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2008							
Non-interest bearing	-	906	905	-	-	-	1,811
Finance lease liability	-	-	-	-	-	-	-
Variable interest rate instruments	9.70%	908	9,256	9,584	-	(2,748)	17,000
		<u>1,814</u>	<u>10,161</u>	<u>9,584</u>	<u>-</u>	<u>(2,748)</u>	<u>18,811</u>
2007							
Non-interest bearing	-	2,785	2,785	-	-	-	5,570
Finance lease liability	7.65%	117	350	-	-	(18)	449
Variable interest rate instruments	8.54%	1,071	2,564	10,327	2,093	(3,755)	12,300
		<u>3,973</u>	<u>5,699</u>	<u>10,327</u>	<u>2,093</u>	<u>(3,773)</u>	<u>18,319</u>

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NOTES TO THE FINANCIAL REPORT

31 Financial Instruments (continued)

(i) Liquidity risk management (continued)

The following tables detail the Company's and the Group's remaining contractual maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted cash flows of financial assets including interest that will be earned on those assets except where the Company/Group anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the balance sheet.

Consolidated

	Weighted average effective interest rate %	0-3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000	Adjustment \$'000	Total \$'000
2008							
Non-interest bearing	-	32,079	-	-	-	-	32,079
Variable interest rate instruments	4.40%	13,276	-	-	-	-	13,276
Fixed interest rate instruments	13.50%	-	13,008	-	-	-	13,008
		<u>45,355</u>	<u>13,008</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,363</u>
2007							
Non-interest bearing	-	27,806	-	-	-	-	27,806
Variable interest rate instruments	2.50%	15,271	-	-	-	-	15,271
Fixed interest rate instruments	13.50%	-	-	13,116	-	(1,560)	11,556
		<u>43,077</u>	<u>-</u>	<u>13,116</u>	<u>-</u>	<u>(1,560)</u>	<u>54,633</u>

Company

	Weighted average effective interest rate %	0-3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000	Adjustment \$'000	Total \$'000
2008							
Non-interest bearing	-	2,401	-	-	60,382	-	62,783
Variable interest rate instruments	4.40%	869	-	-	-	-	869
Fixed interest rate instruments	13.50%	-	13,008	-	-	-	13,008
		<u>3,270</u>	<u>13,008</u>	<u>-</u>	<u>60,382</u>	<u>-</u>	<u>76,660</u>
2007							
Non-interest bearing	-	10,213	-	-	41,258	-	51,471
Variable interest rate instruments	4.40%	962	-	-	-	-	962
Fixed interest rate instruments	13.50%	-	-	13,116	-	(1,560)	11,556
		<u>11,175</u>	<u>-</u>	<u>13,116</u>	<u>41,258</u>	<u>(1,560)</u>	<u>63,989</u>

The following table details the Company's and Group's liquidity analysis for its derivative financial instrument. The table has been drawn up based on the undiscounted gross cash inflows / (outflows) since derivative financial instrument, being the interest rate cap, settles on a gross basis. Since the amounts payable and receivable are not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date. There were no derivative financial instruments in the Company or Group in 2007.

	0-3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000
2008				
Interest rate cap	<u>20</u>	<u>60</u>	<u>200</u>	<u>-</u>

NOTES TO THE FINANCIAL REPORT

31 Financial Instruments (continued)

(j) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using pricing models based on observable current market transactions; and
- the fair value of derivative financial instruments are calculated using quoted market prices

The financial statements include holdings in unlisted shares which are measured at cost due to them being held for disposal (note 11).

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair values.

32 Key Management Personnel Compensation

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

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Short-term employee benefits	1,656,713	1,455,441	1,301,545	1,150,003
Post-employment benefits	112,836	93,068	88,225	72,022
Other long-term benefits	116,291	34,785	39,790	20,020
Termination benefits	-	-	-	-
Share-based payments	419,325	242,751	399,119	208,952
	<u>2,305,165</u>	<u>1,826,045</u>	<u>1,828,679</u>	<u>1,450,997</u>

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. Each employee share option converts to one ordinary share of Imdex Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. Options may be exercised at any time from the date of vesting to the date of expiry. 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 normally 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.

Chairman's Options

During the prior 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 2008 none of these options had vested.

Managing Director's Options

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 2008 all of these options had vested.

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NOTES TO THE FINANCIAL REPORT

33 Staff Option Scheme (continued)

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

2008	Issue Date	Expiry Date	Exercise Price \$	Fair Value at Grant Date \$	Opening balance	Issued current year	Number of Options		Closing balance
							Exercised current year	Lapsed current year	
Staff Options									
Tranche 1 (i)	1-Aug-04	31-Jul-09	0.20	0.01	2,090,501	-	(912,168)	-	1,178,333
Tranche 2 (i)	1-Feb-06	31-Jan-11	0.35	0.02	2,189,905	-	(306,998)	(70,035)	1,812,872
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	4,425,000	-	(386,333)	(475,000)	3,563,667
Tranche 5 (i)	12-Jun-07	11-Jun-12	1.80	0.51	675,000	-	-	(50,000)	625,000
Tranche 6 (i)	18-Oct-07	17-Oct-12	1.80	0.81	-	500,000	-	-	500,000
Tranche 7 (i)	28-Mar-08	27-Mar-13	3.00	0.42	-	4,875,000	-	(60,000)	4,815,000
Chairman's 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
					13,080,406	5,375,000	(1,605,499)	(655,035)	16,194,872

2007	Issue Date	Expiry Date	Exercise Price \$	Fair Value at Grant Date \$	Opening balance	Issued current year	Number of Options		Closing balance
							Exercised current year	Lapsed current year	
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
Chairman's 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

(i) Exercisable 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.

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33 Staff Option Scheme (continued)

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

The weighted average fair value of the share options granted during the financial year is \$0.45 (2007: \$0.47). 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.

2008	Staff Options Tranche 6	Staff Options Tranche 7		
Inputs into the model				
Grant date share price (\$)	1.87	1.79		
Exercise price (\$)	1.80	3.00		
Expected volatility	45%	50%		
Option life (years)	5.00	5.00		
Risk-free interest rate	6.47%	6.18%		
Dividend yield	1.66%	1.96%		
2007	Chairman's 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
Risk-free interest rate	5.89%	6.00%	6.00%	6.38%
Dividend yield	2.30%	2.30%	2.30%	2.30%

(d) Exercised during the financial year

2008

Option Series	Number Exercised	Exercise Date	Weighted Average Share Price at Exercise Date
Staff Options Tranche 1	912,168	Various	1.86
Staff Options Tranche 2	306,998	Various	1.86
Staff Options Tranche 3	386,333	Various	1.86
	<u>1,605,499</u>		

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
	<u>4,466,260</u>		

(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 \$0.33 (2007: \$0.25), and a weighted average remaining contractual life of 1582 days (2007: 1398 days)

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33 Staff Option Scheme (continued)

(f) Reconciliation of movements in share options during the year

The following reconciles the outstanding share options granted under the Staff Option Scheme at the beginning and end of the financial year

	2008		2007	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance at beginning of the financial year	13,080,406	0.25	10,808,333	0.02
Granted during the financial year	5,375,000	0.45	6,950,000	0.47
Forfeited during the financial year	-	-	-	-
Exercised during the financial year	(1,605,499)	0.13	(4,466,260)	0.02
Expired during the financial year	(655,035)	0.42	(211,667)	0.34
Balance at end of the financial year	<u>16,194,872</u>	0.33	<u>13,080,406</u>	0.25
Exercisable at end of the financial year	5,019,872		2,493,739	

34 Subsequent Events

On 1 July 2008, \$500,000 cash was paid and 168,530 fully paid Imdex Limited ordinary shares were issued to acquire the remaining 25% of the issued share capital of Suay Energy Services LLP. Refer note 26(d).

On 31 July 2008 Imdex Limited paid the next deferred settlement instalment of GBP 1,090,000 (A\$2,271,000) due to the vendors of Imdex Technology UK Limited (formerly Chardec Technology Limited).

Subsequent to year end the Directors declared a 2.25 cent per share fully franked dividend with an entitlement date of 17 October 2008 and a payment date of 31 October 2008. The effect of this dividend has not been reflected in this financial report.

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ADDITIONAL STOCK EXCHANGE INFORMATION AS AT 2 SEPTEMBER 2008

(a) Distribution of Shareholders

	Number of Fully Paid Ordinary Shareholders	Number of Option holders
1 – 1,000	353	-
1,001 – 5,000	1,258	7
5,001 – 10,000	797	41
10,001 – 100,000	1,148	213
100,001 – and over	126	18
	3,682	279
Holding less than a marketable parcel	54	-

(b) Substantial Shareholders

Ordinary Shareholders	Fully Paid	
	Number	Percentage
Fiberform Vindic Holding AB	20,800,000	11.32%
National Nominees Ltd	15,744,776	8.57%
HSBC Custody Nominees (Australia) Ltd	14,294,842	7.78%

(c) Twenty Largest Holders of Quoted Equity Securities

Ordinary Shareholders	Fully Paid	
	Number	Percentage
Fiberform Vindic Holding AB	20,800,000	11.32%
National Nominees Ltd	15,744,776	8.57%
HSBC Custody Nominees (Australia) Ltd	14,294,842	7.78%
Citicorp Nominees Pty Ltd	11,119,760	6.05%
ANZ Nominees Ltd	8,989,877	4.89%
J P Morgan Nominees Australia Ltd	6,153,846	3.35%
RBC Dexia Investor Services Australia Nominees Pty Ltd (PIIC Account)	4,417,516	2.40%
UBS Nominees Pty Ltd	3,806,337	2.07%
Telic Alcatel (Australia) Pty Ltd	3,603,152	1.96%
RBC Dexia Investor Services Australia Nominees Pty Ltd (PIPooled Account)	3,078,118	1.68%
Queensland Investment Corporation	2,895,929	1.58%
Wear Services Pty Ltd	2,725,547	1.48%
Bond Street Custodians Ltd	2,667,449	1.45%
RBC Dexia Investor Services Australia Nominees Pty Ltd (BKCust Account)	2,631,648	1.43%
Citicorp Nominees Pty Ltd	2,331,802	1.27%
Mr Petrus Cornelius Nicolaas Middendorp	1,882,500	1.02%
Primbee Investments Pty Ltd	1,737,171	0.95%
Fortis Clearing Nominees Pty Ltd	1,668,534	0.91%
Longo Pty Ltd	1,572,826	0.86%
Mr B Conway and Mrs R Conway	1,100,000	0.60%
	113,221,630	61.62%

IMDEX LIMITED

and its controlled entities

ADDITIONAL STOCK EXCHANGE INFORMATION AS AT 2 SEPTEMBER 2008

(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	393,786	1,000,000
Mr R W Kelly	290,000	-
Mr K A Dundo	300,000	-
Mr M Lemmel	457,347	-
Mr P A Evans	10,000	500,000
	<u>4,891,133</u>	<u>3,500,000</u>

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



Contact Details

Imdex Limited
Level 1, 15 Rheola Street
West Perth 6005 Western Australia
PO Box 1325 West Perth 6872
Western Australia

Telephone: +61 8 9481 5777

Fax: +61 8 9481 6527

Email: imdex@imdexlimited.com

www.imdexlimited.com





ABN 78 008 947 813

2008 Annual General Meeting

Meeting Documents

Notice of Annual General Meeting & Explanatory Memorandum

Proxy Form for Annual General Meeting

Corporate Representative Certificate for Annual General Meeting

**To be held on Thursday, 16 October 2008 at the Celtic Club,
48 Ord Street, West Perth, Western Australia commencing at
11.00am WST**



ABN 78 008 947 813

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the 2008 Annual General Meeting of Shareholders of Imdex Limited will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia, on 16 October 2008 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 2008.
- 2 To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

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

Voting Exclusion: The Company will disregard any votes cast on Resolution 3 by Mr Ridgeway or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

- 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 723,769 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 Christian Rolando Dockendorff Catalán, Christian Alexander Dockendorff Rioseco and Fernando Ivan Dockendorff Catalán 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 168,530 fully paid ordinary shares in the capital of the Company on the terms set out in the accompanying Explanatory Memorandum.



NOTICE OF ANNUAL GENERAL MEETING

Voting Exclusion: The Company will disregard any votes cast on Resolution 5 by Elvira Zhubaniyazov 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.

- 6 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 1,605,499 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 6 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.

- 7 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 2008 be approved.

- 8 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, 14 October 2008 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 14 October 2008.



NOTICE OF ANNUAL GENERAL MEETING

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: 8 September 2008

By Order of the Board of Directors
Index Limited

A handwritten signature in black ink, appearing to be "Paul Evans", followed by a long horizontal line extending to the right.

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 – Re-election of Director

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

Mr Ian Burston, a Director of the Company since 22 November 2000, seeks re-election by reason of his retirement by rotation pursuant to Resolution 2 of the Notice of Meeting. A record of Mr Ian Burston's attendances at Board meetings over the 12 month period to 30 June 2008 is set out in the 2008 Annual Report as are further details concerning his qualifications and experience.

The Directors recommend that Shareholders vote in favour of Resolution 2 to appoint Mr Ian Burston.

3 Resolution 3 – Issue of options to Mr B W Ridgeway

In accordance with ASX Listing Rule 10.11, and Chapter 2E of the Corporations Act, Resolution 3 of the Notice of Meeting deals with the consideration by Shareholders of the proposed issue to Mr Bernie Ridgeway, Imdex's Managing Director, or his nominee of 2,000,000 five year Options to acquire ordinary shares in the Company, exercisable at \$3.00 per Option, which are subject to the general terms and conditions set out below.

The purpose of the grant of the Options is to provide a performance incentive to Mr Ridgeway. The Options will be granted and issued no later than one month after this meeting if the resolution is passed, for no consideration.

If the Options are fully exercised by Mr Ridgeway \$6 million will be received by the Company. This money will be used by the Company for general working capital purposes. The dilution effect if all Options are exercised by Mr Ridgeway would amount to approximately 1.1%, based on the Company's current issued share capital. No material opportunity cost is considered to arise to the Company in respect of the proposed grant of Options to Mr Ridgeway.

Requirements of the Listing Rules

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

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

Requirement of the Corporations Act

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

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

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

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

- a) The related party to whom this Resolution would permit financial benefits to be given is Mr Bernie Ridgeway;
- b) The financial benefit to Mr Bernie Ridgeway consists of the grant to him of 2,000,000 Options exercisable at \$3.00 per Option which are subject to the general terms and conditions set out below;
- c) The Directors of the Company other than Mr Ridgeway recommend to Shareholders that this Resolution be passed as they believe it is in the Company's best interests to provide Mr Ridgeway with performance incentives. Mr Ridgeway makes no recommendation;
- d) None of the Directors of the Company other than Mr Ridgeway has a direct interest in the outcome of the Resolution. Mr Ridgeway has a direct interest in the outcome of the Resolution as he is the recipient of the Options;
- e) ASIC requires that a dollar value be placed on the Options to be granted and has indicated the Black and Scholes Option valuation method is acceptable for calculating such value. The Black and Scholes Option Valuation method is designed to value listed securities that are freely tradeable. A range of values for the Options has been estimated using this valuation method. On this basis, the Options currently have a value of approximately 60 cents each. Therefore, the implied “value” being received by Mr Ridgeway is assessed at approximately \$1.2 million. The key assumptions used in this calculation are:
 - risk free rate of 7.00% based on the Commonwealth Government securities rate with a maturity date approximating that of the expiration period of the options (source: Reserve Bank of Australia);
 - strike price of the Option of \$3.00, being the exercise price on or before 5 years from the date of issue of the Options;
 - time to expiry of 5 years;
 - current share price of \$1.85, based on the closing share price on 4 September 2008; and
 - share volatility of 50%, being the annualised standard deviation of returns.
- f) The highest and lowest price on the ASX for the Company's shares in the past 12 months was \$2.69 on 13 December 2007 and \$1.04 on 17 August 2007. The closing share price of the Company's shares on 4 September 2008, being the latest practicable date before the date of this Notice of Meeting was \$1.85;
- g) The dilution effect if the Options granted to Mr Ridgeway are exercised would amount to approximately 1.1% based on the Company's current issued share capital;

- h) Mr Ridgeway currently holds 3.5 million ordinary fully paid shares and 2 million options in Imdex Limited through Wear Services Pty Ltd and Keeble Nominees Pty Ltd, companies of which he is a director. As at the date of this Explanatory Memorandum and as set out in further detail in Imdex's 2008 Annual Report that accompanies this Notice of Meeting, Mr Ridgeway's total remuneration for the year ended 30 June 2008 was \$562,509 and it is anticipated that Mr Ridgeway's salary for the current financial year will be substantially the same as for the previous financial year, however this will be the subject of review by the Company's Remuneration Committee on, or about, 31 December 2008. Mr Ridgeway does not currently receive any other remuneration or emoluments from the Company;
- i) The primary purpose of the grant of Options is to provide a performance incentive to Mr Ridgeway. Given these purposes, the Directors do not consider that there is any material opportunity cost or benefit foregone to the Company in granting the Options. The Board determined the number and value of the Options to be issued to Mr Ridgeway based on Mr Ridgeway's historical level of participation and assistance to the Company and also the Board's perception of Mr Ridgeway's likely future involvement, commitment and loyalty to the Company; and
- j) Other than the information set out in this Explanatory Memorandum, neither the Directors nor the Company are aware of any additional information that would be reasonably required by the Shareholders to enable them to make a decision in relation to whether the grant to Mr Ridgeway is in the Company's interests.

General Terms and Conditions

- a) The Options shall be exercisable by the option holder by notice in writing to the Company together with a payment of the exercise price of the Options, provided that Mr Ridgeway is employed by or on behalf of the Company at the time the Options are exercised or he may exercise the Options or part thereof within three calendar months of ceasing such employment;
- b) An option holder may exercise one third of the Options granted to him at any time within the period beginning one year after the date of issue of the Options and ending five years of the date of issue of the Options. A further one third of the Options may be granted to him at any time within the period beginning two years after the date of issue of the Options and ending five years of the date of issue of the Options. The remaining one third of the Options may be granted to him at any time within the period beginning three years after the date of issue of the Options and ending five years of the date of issue of the Options;
- c) Any notice of exercise of an Option received by the Company shall be deemed to be a notice of the exercise of the Option on the first business day after the date of receipt of the notice;
- d) No Option will entitle the option holder to:
 - (i) distributions or bonus issues made by the Company to its Shareholders; or
 - (ii) the right to participate in any new offers of securities which may be made to the existing Shareholders of the Company without first exercising that option and the option holder has no rights to a change in the exercise price, or a change in the number of shares over which the Option may be exercised;
- e) In the event of any re-organisation (including reconstruction, consolidation, subdivision, share buy-back, reduction or return) of the issued capital of the Company, the rights of the Option holder shall be reorganised (as appropriate) in accordance with the Listing Rules of the ASX and (subject to the provisions with respect to rounding of entitlements) in all other respects the terms of the Options shall remain unchanged;
- f) Shares issued pursuant to the exercise of the Options will be granted following the receipt of all relevant documentation and payments;
- g) Any shares granted on exercise of Options will be credited as fully paid and will rank pari passu in all respects with other shares on issue as at the exercise date;

- h) During Mr Ridgeway's employment with the Company or any of its subsidiaries, the holder may transfer the Options to an associate or related party of the holder;
- i) In the event of the holder dying whilst an employee of the Company or any of its subsidiaries prior to the expiry of the Options, the right of the holder to exercise the Options shall vest in his executor and/or administrator and they shall have the same rights to exercise the Options as such deceased holder would have had during the option period but for his death;
- j) The Options will not be quoted on the ASX; and
- k) The Company will not make an application to the ASX for the quotation of shares issued on exercise of Options. The Company will not be under any obligation to ensure that such shares will be quoted.

Voting Restrictions

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

- a) It is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- b) It is cast by the Chairperson of the meeting as proxy for a person who is entitled to vote as the proxy decides.

4 Resolution 4 – Ratification of the issue of 723,679 Shares

Resolution 4 seeks Shareholder ratification for the issue and allotment of 723,679 Shares issued to Christian Rolando Dockendorff Catalán, Christian Alexander Dockendorff Rioseco and Fernando Ivan Dockendorff Catalán (collectively the Vendors) as part consideration for the purchase of all of the shares of Southernland S.A. (**Southernland**).

4.1 Southernland S.A.

Southernland is, a South American based company which specialises in the manufacture and supply of drilling fluids for the Latin American market. The business of Southernland is complementary to the existing drilling fluids businesses of Imdex. The total consideration for the purchase of all of the shares of Southernland was \$2,920,000, consisting of a cash payment of \$1,533,000 (including on-costs) and the issue of 723,769 Shares at a deemed issue price of \$1.92 per share.

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 4:

- (a) the total number of Shares issued by the Company on 1 November 2007 was 723,679 Shares;
- (b) the Shares are subject to voluntary escrow for 24 months from 1 November 2007;
- (c) the Shares were issued at a deemed price of \$1.92 per Share, being the closing weighted average share price of the Company's Shares on ASX on the five business days prior to 1 November 2007;
- (d) the Shares were allotted to Christian Rolando Dockendorff Catalán, Christian Alexander Dockendorff Rioseco and Fernando Ivan Dockendorff Catalán (collectively the Vendors) as part consideration for the purchase by the Company of Southernland S.A.
- (e) all of the Shares allotted and issued rank equally in all respects with the Company's existing Shares on issue;
- (f) no Shares were issued to any related party of the Company; and
- (g) no monies were raised by the issue as the issue was in part consideration for the purchase by the Company of all of the shares in Southernland S.A..

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

5 Resolution 5 – Ratification of the issue of 168,530 Shares

Resolution 5 seeks Shareholder ratification for the issue and allotment of 168,530 Shares issued to Elvira Zhubaniyazov as part consideration for the purchase of the remaining 25% of Shares in Suay Energy Services LLP (**Suay**).

5.1 Suay

Suay provides drilling fluids to customers in the Caspian Sea region. The total consideration for the purchase of the remaining 25% of the shares in Suay was \$778,075 comprising a cash payment of \$500,000 and the issue of 168,530 Shares at a deemed issue price of \$1.65 per Share being the price of the Company's shares at 30 June 2008.

5.2 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.



EXPLANATORY MEMORANDUM

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:

- (h) the total number of Shares issued by the Company on 1 July 2008 was 168,530 Shares;
- (i) the Shares were issued at a deemed price of \$1.65 per Share, being the price of the Company's shares on the ASX on 30 June 2008;
- (j) the Shares were allotted to Elvira Zhubaniyazov as part consideration for the purchase by the Company of 25% of Suay Energy Services LLP;
- (k) the Shares allotted and issued rank equally in all respects with the Company's existing Shares on issue;
- (l) no Shares were issued to any related party of the Company; and
- (m) no monies were raised by the issue as the issue was in part consideration for the purchase by the Company of 25% of the shares in Suay Energy Services LLP.

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

6 Resolution 6 – Ratification of the issue of Staff Shares

Resolution 6 seeks Shareholder ratification for the issue and allotment of 1,605,499 Shares which were issued to employees and consultants of the Company (**Staff Shares**).

6.1 Staff Shares

1,605,499 Staff Shares were issued to various employees 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) 912,168 Shares were issued at a price of \$0.20;
- (b) 306,998 Shares were issued at a price of \$0.35; and
- (c) 386,333 Shares were issued at a price of \$1.00.

6.2 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 6:

- (a) The total number of Shares issued by the Company was 1,605,499 Shares;
- (b) 912,168 Shares were issued at a price of \$0.20 per Share, 306,998 Shares were issued at a price of \$0.35 per Share and 386,333 Shares were issued at a price of \$1.00 per Share. The Shares were issued on the dates detailed in the table in Annexure A, which dates are between 1 July 2007 and 30 June 2008;
- (c) The Shares were allotted to employees of the Company by the exercise of Staff Options held by the employees, 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) \$676,216 in total was raised by the issue, which was used as general working capital.

The Directors recommend that Shareholders vote in favour of Resolution 6.

7 Resolution 7 – Remuneration Report

Included in the Directors' Report contained within the 2008 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 7.

8 Glossary

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

AGM	means the 2008 Annual General Meeting of the Company to be held at 11.00am on 16 October 2008.
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.
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.
Southernland	means Southernland S.A.
Suay	means Suay Energy Services LLP.
WST	means Australian Western Standard Time.

Date of exercise of options	Number of Staff Shares issued	Issue Price (\$)
1/07/2007	8,333	\$0.35
18/07/2007	8,334	\$0.20
18/07/2007	25,000	\$0.35
18/07/2007	50,000	\$1.00
23/07/2007	25,000	\$1.00
23/07/2007	10,000	\$0.35
01/08/2007	10,000	\$0.20
01/08/2007	5,000	\$0.20
03/09/2007	20,000	\$0.20
07/09/2007	25,000	\$0.20
12/09/2007	16,667	\$0.20
24/09/2007	33,500	\$0.20
26/09/2007	22,000	\$0.20
26/09/2007	16,667	\$0.20
27/09/2007	25,000	\$0.20
27/09/2007	8,333	\$0.35
22/10/2007	50,000	\$0.20
22/10/2007	25,000	\$0.20
22/10/2007	5,000	\$0.20
23/10/2007	250,000	\$0.20
26/10/2007	16,667	\$0.20
26/10/2007	250,000	\$0.20
05/11/2007	16,666	\$0.35
05/11/2007	30,000	\$0.20
05/11/2007	3,333	\$0.35
29/11/2007	8,333	\$0.35
04/12/2007	25,000	\$1.00
04/12/2007	15,000	\$0.35
17/12/2007	16,666	\$0.20
18/12/2007	10,000	\$0.35
19/12/2007	25,000	\$1.00
09/01/2008	10,000	\$0.35
09/01/2008	25,000	\$1.00



ANNEXURE A – STAFF SHARES (continued)

09/01/2008	20,000	\$0.35
18/01/2008	16,667	\$0.20
22/01/2008	20,000	\$1.00
22/01/2008	6,667	\$0.35
23/01/2008	25,000	\$1.00
25/01/2008	16,666	\$0.35
30/01/2008	20,000	\$0.20
04/02/2008	25,000	\$0.35
20/02/2008	8,333	\$0.35
20/02/2008	25,000	\$1.00
27/02/2008	33,000	\$1.00
29/02/2008	16,667	\$1.00
29/02/2009	16,667	\$0.35
04/03/2008	25,000	\$1.00
04/03/2008	5,000	\$0.35
05/03/2008	34,000	\$0.35
07/03/2008	10,000	\$0.20
07/03/2008	26,667	\$0.35
10/03/2008	10,000	\$0.35
01/04/2008	10,000	\$0.35
04/04/2008	8,333	\$1.00
11/04/2008	5,000	\$1.00
11/04/2008	3,000	\$0.35
16/04/2008	30,000	\$1.00
17/04/2008	8,333	\$1.00
28/04/2008	5,000	\$1.00
01/05/2008	15,000	\$1.00
27/05/2008	4,000	\$1.00
16/06/2008	16,000	\$1.00
16/06/2008	10,000	\$0.35
19/06/2008	40,000	\$0.20
Total	1,605,499	



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 16 October 2008 and at any adjournments of that meeting.

DATED

.....2008

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.



CORPORATE REPRESENTATIVE CERTIFICATE

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

Imdex Limited

ABN 78 008 947 813

000001 000 IMD
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
+61 8 9323 2033

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form



For your vote to be effective it must be received by 11.00am (WST) Tuesday 14 October 2008

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.



View the annual report:

www.imdexlimited.com

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, 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 sign in the appropriate place to indicate the office held.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.computershare.com.

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form ➔



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Imdex Limited hereby appoint

☐ the Chairman of the Meeting **OR**



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

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 Thursday, 16/10/2008 at 11.00am and at any adjournment of that meeting.

Important for Resolutions 3, 4, 5 and 6: If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on Resolutions 3 to 6 below, please mark the box in this section. If you do not mark this box and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Resolutions 3 to 6 and your votes will not be counted in computing the required majority if a poll is called on these resolutions. The Chairman of the Meeting intends to vote undirected proxies in favour of Resolutions 3 to 6.

☐ I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if he/she has an interest in the outcome of that Item and that votes cast by him/her, other than as proxy holder, would be disregarded because of that interest.

STEP 2 Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 2	Re-election of Mr Ian Burston as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Issue of options to Mr B W Ridgeway	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Ratification of issue of 723,679 Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Ratification of issue of 168,530 Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Ratification of issue of Shares - Staff Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /