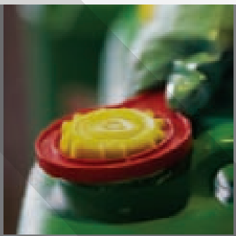
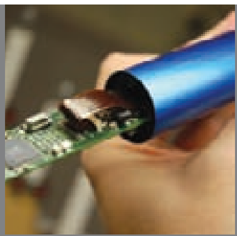
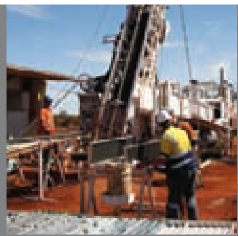
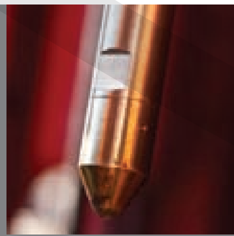
Annual Report 09

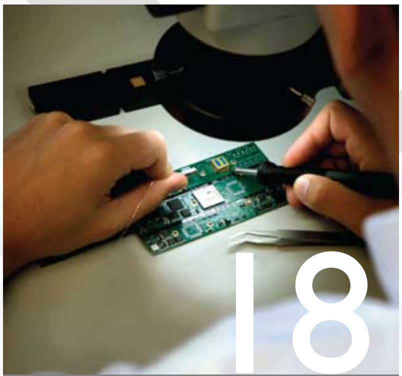
Providing Drilling Fluids and Leading Down Hole Instrumentation to the World.



Contents

Oil & Gas Market



R&D & Operational Efficiencies

Global Business

"Imdex achieved solid financial results and maintained its strategy of expanding its rental business model; continuing to build relationships with global customers; targeted research and development; and increasing market share within the oil and gas sector."

Mr. Bernie Ridgeway
Managing Director

Imdex Group at a glance

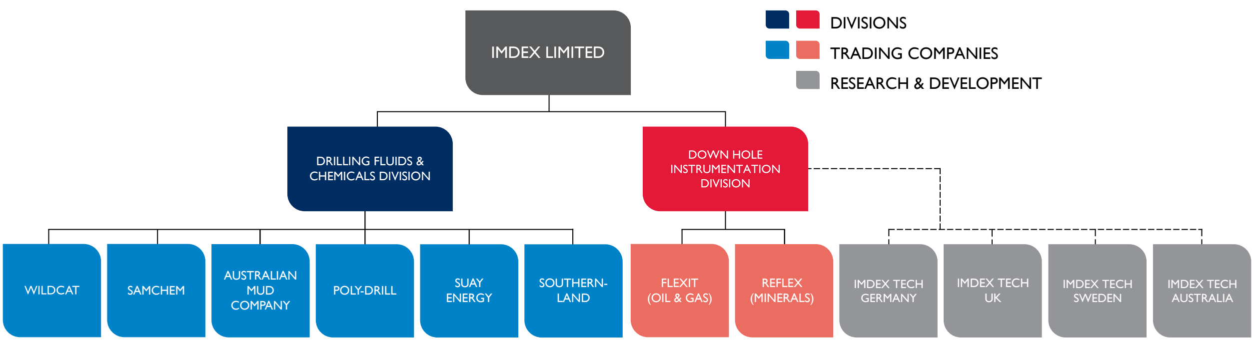
Key Data as at 30 June 2009			
Market Capitalisation	Shares on Issue	Shareholders	Employees
$125,006,671	193,808,793	4,358	278

Imdex is a Western Australian based S&P/ASX 300 listed company which principally provides drilling fluids and leading down hole instrumentation to the mining, oil and gas, water well, and civil engineering industries worldwide.

The Company has established operations in all of the key mineral exploration and mining regions of the world, including Asia Pacific, the Americas and Africa, and has revenue generating activities in others.

Imdex has streamlined its business into two clearly defined and distinct operational divisions, the Drilling Fluids and Chemicals (DFC) Division, and the Down Hole Instrumentation (DHI) Division.

Group Structure



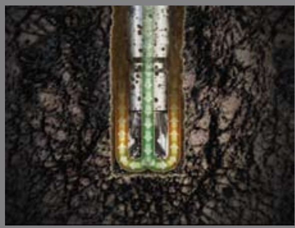
AMC Drilling Fluids


Reflex Survey Instrumentation

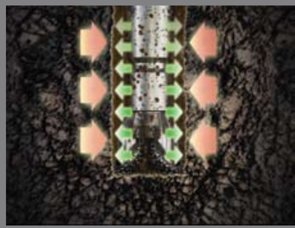
Drilling Fluids & Chemicals (DFC) Division

The DFC Division provides a complete drilling fluids solution by providing an extensive range of drilling fluids and treating chemicals, fluid transfer and containment equipment and environmental site remediation products.

The drilling process generates chips of rock known as cuttings.



Fluid is pumped down the drill pipe lubricating the drill bit and returning cuttings to the surface.



Fluids stabilise and keep the bore hole open.

Continuous circulation of drilling fluids.

What are Drilling Fluids?

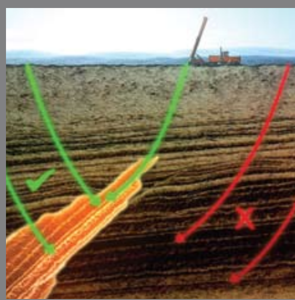
Drilling fluids, or mud, as it is known in the industry, are a key part of the drilling process for mining, oil and gas, and civil applications. There is a broad range of drilling fluids, all with unique properties and uses; however they are principally used to clean, cool and lubricate the drill bit, 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 the borehole which brings the cuttings to the surface. Traditionally the fluid then circulates through a shale shaker or mud tanks to remove the cuttings from the fluid for reuse.

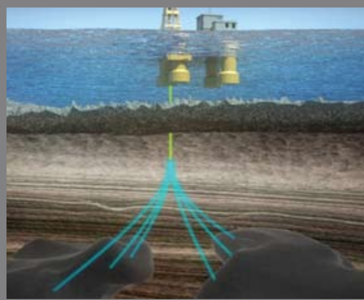
Down Hole Instrumentation (DHI) Division

The DHI Division designs, manufactures and provides advanced down hole survey, core orientation, and directional steering instrumentation for the mineral exploration / mining and oil and gas markets.

A 2 degree deviation at the surface can lead to a 35 metre lateral displacement at a hole depth of 1000 metres.



Core orientation allows geoscientists to determine structural geology.



Drilling multiple wells from a single platform.

What are Down Hole Instruments?

Survey Instruments

Down hole survey instruments give geologists, engineers and drillers comprehensive information about a borehole including azimuth (compass direction) and dip. This allows them to determine the exact location and trajectory of the borehole, even when it is thousands of metres below the surface.

Borehole deviations, where the actual path is different from the planned path, are common. Variable geology, drilling parameters (including excessive or irregular thrust) and hole design, are just some of the reasons a borehole 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 borehole throughout the drilling process, deviations can be corrected and the likelihood of intercepting planned targets or avoiding known obstacles 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. This allows geoscientists to accurately assess the sample to determine the structural geology, which often controls a mineralised ore system. By understanding the structural geology, time and money are not wasted drilling in the wrong location or direction. Core orientation is also particularly important during mine planning and development 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 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 costs millions of dollars to remediate.

Imdex has specifically designed a range of advanced navigational instruments for challenging multiple well environments in areas of high magnetic interference. This allows directional drillers to accurately monitor the path of their wells, to determine actual position versus planned.

FY09 Rewarding Yet Challenging

Reflex technician demonstrating the Reflex Maxibor II survey instrument

FY09 Snapshot

Operational Highlights

- 1 September 2008, acquisition of Wildcat Chemicals Australia Pty Ltd.
- Commissioning of a partially hydrolysed polyacrylamide (PHPA) manufacturing plant in Johannesburg, South Africa.
- Commissioning of a drilling fluids manufacturing plant in Santiago, Chile.
- Commercialisation of Imdex's unique surface solids control unit (SSCU) for the global diamond drilling industry.
- Establishment of a new drilling fluids research laboratory at Osborne Park, Western Australia.
- Continued support of Imdex's global alliances with Boart Longyear, Major Drilling, Layne Christensen and Sandvik.
- Commercialisation of Flexit's suite of down hole instrumentation for the oil and gas market.
- Repositioning of the Down Hole Instrumentation Division's trading brands, Flexit and Reflex, to target and market directly to the global oil and gas and mineral exploration / mining industries.
- Successful launch of new survey instrumentation to the mineral exploration / mining market.
- Restructuring the research and development centres as centres of excellence under the banner of Imdex Technology.
- Relocation of Reflex's manufacturing facility at Imdex Technology UK to Imdex Technology Australia.
- Drilling Fluids & Chemicals Division increased revenue by 7% to $91.7 million (FY08 - $85.7 million).
- Continued upward trend in revenue from the oil & gas sector which contributed 19% of Group revenue in FY09, (FY08 – 9%) and is expected to exceed 25% in FY10.
- Final instalment in relation to the August 2006 acquisition of Chardec was made. Importantly, there are now no outstanding vendor liabilities owed by Imdex for the nine acquisitions made over the last four years.

Market Review

- Severe downturn in mineral exploration expenditure globally, particularly from November 2008.
- Significant fall in commodity prices.
- Rig utilisation rate within the mineral industry fell below 50% in the 2H09. The oil and gas sector was affected to a lesser extent.
- Increased activity within the coal bed methane sector.
- Signs of market recovery became evident in 4Q09. Recovery was region specific with the greatest increase seen in Australia.

Operational Challenges

- Additional refinement and capability to instrumentation for the oil and gas industry delayed commercialisation.
- Reducing costs at the same speed at which revenue reduced, particularly in 2H09.
- Rationalising the global workforce.
- Continuing research and development spend in the face of declining revenue and margins.
- Declining rental tool fleet and significant Down Hole Instrumentation sales reduction.

Financial Performance

- Revenue from continuing operations (excluding interest revenue) of $137.0 million.
- EBITA from continuing operations (excluding non-operational items) of $24.5 million, including one off costs relating to the restructure and relocation of down hole tool manufacturing ($0.8 million) and rationalisation of global workforce ($0.8 million).
- Net profit after tax from continuing operations (excluding non-operational items) of $11.3 million.
- Strong cash generation with cash flow from operations of $16.2 million.
- Continued investment in technology, R&D and new product development to underpin future growth – capex spend for FY09 of $7.7 million.
- Strong balance sheet with conservative gearing levels and net debt / capital of 16%.
- Bank facilities extended to 2014 with no rollover events until then.
- Interim dividend of 1 cent per share with no final dividend, reflecting prevailing economic conditions and prudent approach to capital management.
- Net assets of $116.2 million.
- Flexit agreement renegotiated where $10 million liability has been satisfied by the issue of 10 million Imdex Limited shares.

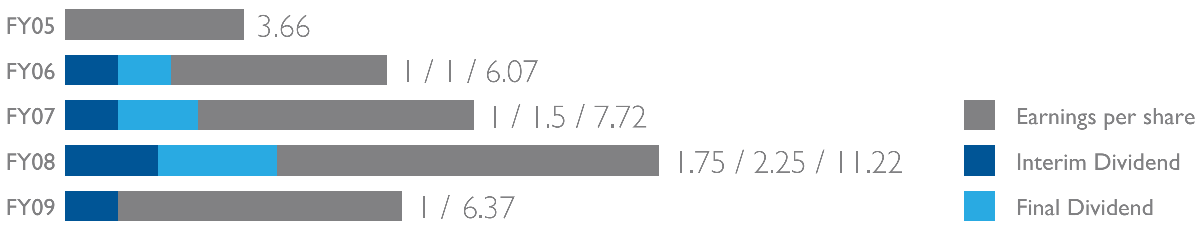
2009 Comparative Financial Performance

	Consolidated			
	2007 $'000	2008 $'000	2009 $'000	08-09 Var %
Revenue from continuing operations (excluding interest income)	103,849	142,009	136,968	(4%)
Operating Profit before Interest, Tax, Depreciation & Amortisation	25,467	42,068	27,817	(34%)
Depreciation	(3,207)	(3,266)	(3,318)	2%
Earnings before Interest, Tax & Amortisation (EBITA)	22,260	38,802	24,499	(37%)
EBITA margin	21%	27%	18%	(33%)
Amortisation	(3,430)	(6,055)	(6,535)	8%
Earnings before Interest & Tax (EBIT)	18,830	32,747	17,964	(45%)
Net interest expense	(1,836)	(862)	(826)	(4%)
Net profit before tax	16,994	31,885	17,138	(46%)
Income tax expense	(5,829)	(10,804)	(5,811)	(46%)
Net Profit after Tax (before non-operational items)	11,165	21,081	11,327	(46%)
Net trading result of Surtron* after tax	1,568	1,001	-	-
Non-operational items				
Forex gain on loan to SGE	-	-	1,057	-
RTE / Imdex Joint Venture recovery	1,121	-	-	-
Profit on sale of Surtron* business	-	12,139	-	-
Tax effect of non-operational items	(336)	(2,219)	(317)	-
Net Profit for the Year after Tax	13,518	32,002	12,067	(62%)
Basic earnings per share from continuing operations (cents)	7.72 ¢	11.22 ¢	6.37 ¢	(43%)
Net Cash provided by Operating Activities	16,259	10,257	16,175	58%
Cash on hand	15,271	13,276	11,975	(10%)
Net Assets	76,614	105,643	116,198	10%
Total Borrowings	40,437	35,552	34,039	(4%)
Net Tangible Assets per Share	7.69 ¢	14.02 ¢	19.10 ¢	36%

* Imdex disposed of non core Surtron business effective 31 October 2007.

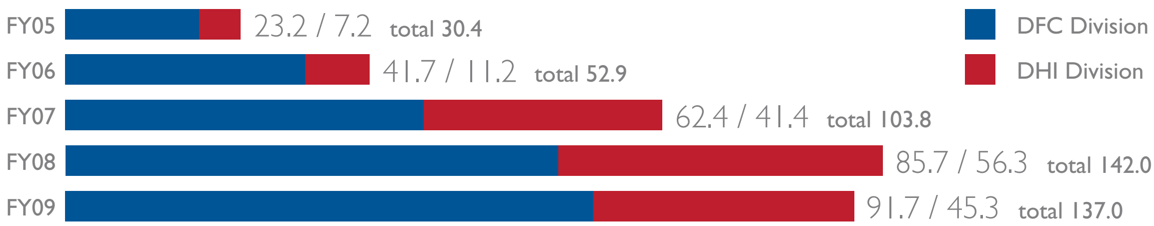
Imdex continued to strengthen its already strong balance sheet and the Company's cash flow from operations increased 58% to $16.2 million. Net debt to total capital was 16% with interest cover to EBITA of 30 times.

Earnings and Dividends per Share (cents)



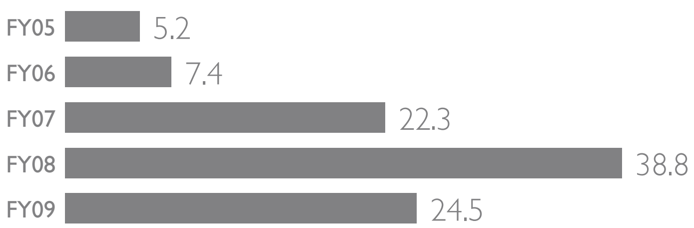
FY09 saw a drop in earnings due to the global financial crisis.
Dividend payout levels were impacted similarly.

Normalised Revenue by Division ($m)



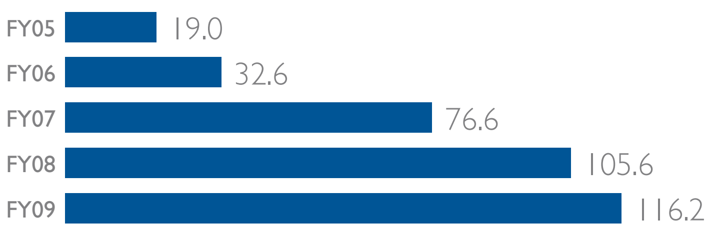
Revenue remained strong despite global financial crisis in FY09.

Normalised EBITA ($m)



EBITA remained above FY07 levels, despite the difficult trading conditions in FY09.

Net Assets ($m)



Net assets continued to grow as Imdex expanded its business globally.

Imdex's Board of Directors

Mr. Ross Kelly BE (HONS) FAICD
Non Executive Director. Age: 71 years

- Appointed to the Board 14 January 2004.
- Qualifications – Bachelor of Electrical Engineering with Honours, Fellow Australian Institute of Company Directors.
- Previously Chairman and Non Executive Director of Clough Limited, Sumich Group Limited, Orbital Corporation Limited, Beltreco Limited, Fraser Range Granite NL and Director of Aurora Gold Limited, PA Consulting Services Ltd and the Fremantle Football Club Ltd.
- Advisor to the Western Australian Government on water policy and water reform.
- Consultant to a number of major Australian companies within the mining, offshore gas, oil refining, steel, construction and heavy process industries.
- Councillor of the Australian Institute of Company Directors and Member of the Advisory Board of the Curtin University Graduate School of Business.

Mr. Ian Burston AM
Non Executive Chairman. Age: 75 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.

The Board's goal of delivering a sustainable and increasing dividend stream, reflecting the earnings profile and capital requirements of the Company remains a high priority.

I F Burston
Chairman

Mr. Bernard Ridgeway B.Bus (ACCTG) ACA
Managing Director. Age: 55 years

- Appointed to the Board 23 May 2000.
- Over 25 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.
- Director of Sino Gas and Energy Holdings Limited.

Mr. Magnus Lemmel B.A.
Non Executive Director. Age 69 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). Chairman of Fiberform Vindic Holding AB, Imdex's largest shareholder, and member of the board of Norfram S.A., Luxemburg.
- Previously Senior Vice President of Ericsson Telecommunications, Chief Executive Officer of the Federation of Swedish Industries and Director General for Enterprise Policy of the European Commission.

Mr. Kevin Dundo B.Com, LLB
Non Executive Director. Age: 56 years

- Appointed to the Board 14 January 2004.
- Practising 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 ComputerCORP Limited.
- Previously a director of St Barbara Mines Limited, Intrepid Mines Limited (ASX; TSX) and Defiance Mining Corporation (TSX).
- 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 Practicing Accountants.

Proven Strategy

Reflex EZ-Trac survey instrument

Mr. Ian Burston

Chairman's Report

I am pleased to report that despite the challenging market conditions, brought about by the global financial crisis and sudden downturn in mineral exploration expenditure, Imdex's 2009 full year (FY09) financial results have demonstrated the Company's strength, its strategy, and the dedication of Imdex's employees.

> Imdex's FY09 full year financial results demonstrate the strength of the Company and its strategy.

Financial Performance

Total revenue for FY09 was $137.0 million which represents a 4% decrease in comparison to FY08. It is pleasing to note, however, that revenue generated from Imdex's Drilling Fluids and Chemicals Division increased 7%, and revenue generated from the oil and gas sector increased from 9% to 19% of Group revenue.

EBITA from continuing operations was down 37% to $24.5 million, with net profit after tax before non operational items down 46% to $11.3 million. Costs were not able to be cut at the same rate as revenue, principally due to the speed and severity of the downturn within the mineral exploration sector.

Imdex continued to strengthen its already strong balance sheet and the Company's cash flow from operations increased 58% to $16.2 million. Net debt to total capital was 16% with interest cover to EBITA of 30 times.

It should also be highlighted that in the past four years, Imdex has successfully integrated nine strategic acquisitions into the Group, and on 31 July 2009, the final instalment of £1.1 million relating to the acquisition of Imdex Technology UK (formerly Chardec) was paid. This payment discharged the Company's final liability relating to these nine acquisitions.

Robust Strategy

The Board remains confident that the strategy developed and set down in FY07 is robust, and the Directors remain committed to increasing shareholder value by growing its global business, expanding into new markets, particularly the oil and gas market, maintaining product leadership, increasing rental based revenue, and achieving operational efficiencies.

I am proud to report that Imdex has successfully established itself as a global business. Such a global presence, with broad and diversified market exposure, contributed to Imdex's ability to deal with the impact of the global financial crisis. Significant opportunities still exist for Imdex to enter new geographical markets and expand its presence in current markets, and the Company will continue to pursue these opportunities through its international operations and global alliances in FY10.

Expansion of our operations in the global oil and gas market is a key part of Imdex's strategy. This sector is significantly less cyclical in nature than the mineral exploration market, which makes it attractive for sustainable growth. During FY09 significant achievements were made which align with this strategy. The Company acquired Brisbane based Wildcat Chemicals Australia Pty Ltd (Wildcat) which has been successfully integrated into the Group. This acquisition has provided expansion opportunities, additional expertise and products for the oil and gas market. In addition, Imdex's Down Hole Instrumentation Division refined and commercialised its suite of survey instrumentation for the oil and gas industry. These unique and advanced instruments are based on intellectual property owned by Imdex and are expected to facilitate significant expansion in this sector during FY10.

Imdex's commitment to product leadership through research and development allowed the Company to emerge from FY09 in a strong position to take advantage of future product development opportunities. During FY10, both the Drilling Fluids and Chemicals Division and Down Hole Instrumentation Division will continue to enhance Imdex's competitive advantage by refining its product range for its global customers.

Adopting a rental model in preference to a sales model within Imdex's Down Hole Instrumentation Division proved to be a good decision. Core rental activity continued to generate revenue and cash flows for Imdex when sales significantly decreased due to customer cost control measures. During FY10 the Company will increase the proportion of rental based revenue from both Divisions, with a view to generating greater and more sustainable returns for shareholders in the medium to long term.

Dividends

Due to the combined impact of the global financial crisis on profitability in the second half of FY09, Imdex's focus on ongoing research and development, and its commitment to capital expenditure for future growth, the Directors considered it prudent not to pay a final dividend for FY09, maintaining the full year dividend at 1 cent per share. The Board's commitment to delivering a sustainable and increasing dividend stream, which reflects the earnings profile and capital requirements of the Company, notwithstanding, remains unchanged.

FY10 and Beyond

Signs of recovery were evident towards the end of FY09 and the outlook for FY10 remains positive. Recovery is likely to be boosted by the fundamental long term supply versus demand imbalances and the demand of emerging economies for energy and resources which drives exploration spending. A gradual recovery in the mineral exploration industry and expansion within the oil and gas market is expected during FY10.

On behalf of my fellow Board members, I would like to acknowledge and thank Imdex's valued shareholders for their ongoing support throughout the volatile 2009 financial year.

I also extend my gratitude and appreciation to Imdex's Managing Director, Bernie Ridgeway, and Imdex's General Manager, Gary Weston, the management team, and all of Imdex's employees and contractors for their support throughout a challenging yet successful year.

As announced in September, I have made the decision to retire as Imdex's Chairman following the Annual General Meeting on 15 October 2009 and hand over to Mr Ross Kelly who has been a member of the Board since 2004. Since my appointment in November 2000, I have seen Imdex evolve into a truly global company with world class expertise, research and development capabilities, together with advanced products for both the mineral exploration and oil and gas industries. I am extremely proud of these achievements and have every confidence in the Company's Board, management team and Imdex's ability to grow and prosper for its shareholders.

With my retirement, it presents a timely opportunity to increase the oil and gas expertise on the Board which fits neatly with Imdex expanding its business within that sector. We expect to make an appointment in this regard shortly.

I F Burston
Chairman

Managing Director's Report

The 2009 financial year was a rewarding yet challenging one, with unprecedented market volatility for the Imdex Group. Despite being significantly ahead of budget and yielding record revenues and profitability prior to October 2008, the global economic crisis and subsequent downturn in exploration activity, disrupted the upward trend of revenue and EBITA which the Company has achieved over the last 5 years.

Mr. Bernie Ridgeway

Maintenance of this strategy, together with a sound balance sheet, conservative gearing levels and a strong management team, has seen Imdex emerge from FY09 with a resilient business model, better technology and in a stronger position to realise opportunities in FY10 and beyond.

Notwithstanding these challenging conditions, I am pleased to report that Imdex achieved solid financial results and maintained its strategy of expanding its rental business model; continuing to build relationships with global customers; targeted research and development; and increasing market share within the oil and gas sector.

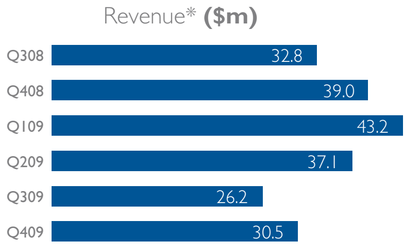
Maintenance of this strategy, together with a sound balance sheet, conservative gearing levels and a strong management team, has seen Imdex emerge from FY09 with a resilient business model, better technology and in a stronger position to realise opportunities in FY10 and beyond.

FY09 Group Financial Performance

The principal financial results for the FY09 full year are as follows:

- Revenue from continuing operations (excluding interest revenue) of $137.0 million (FY08 – $142.0 million);
- EBITA from continuing operations (excluding non-operational items) of $24.5 million (FY08 – $38.8 million), including one off costs relating to the restructure and relocation of down hole tool manufacturing ($0.8 million) and rationalisation of our global workforce ($0.8 million);
- Net profit after tax from continuing operations (excluding non-operational items of $11.3 million) (FY08 – $21.1 million);
- Strong cash generation with cash flow from operations of $16.2 million (FY08 – $10.3 million);
- Conservative gearing levels (net debt / capital) at 16.0% and bank facilities extended until 2014; and
- Net assets of $116.2 million (30 June 2008 – $105.6 million).

It is important to note that signs of market recovery were evident late in the second half of FY09. During 4Q09 the Imdex Group achieved revenue from continuing operations of $30.5 million compared to $26.2 million in 3Q09 and I remain optimistic about opportunities for the Group in FY10.



*excludes other income & discountinued operations

FY09 Divisional Performance

Drilling Fluids & Chemicals (DFC) Division

The DFC Division contributed 67% of Imdex's full year revenue and, despite market conditions, achieved a 7% increase to $91.7 million. The marginal increase on the previous financial year continued the year on year growth trend and validates Imdex's strategy in both mining and oil and gas.

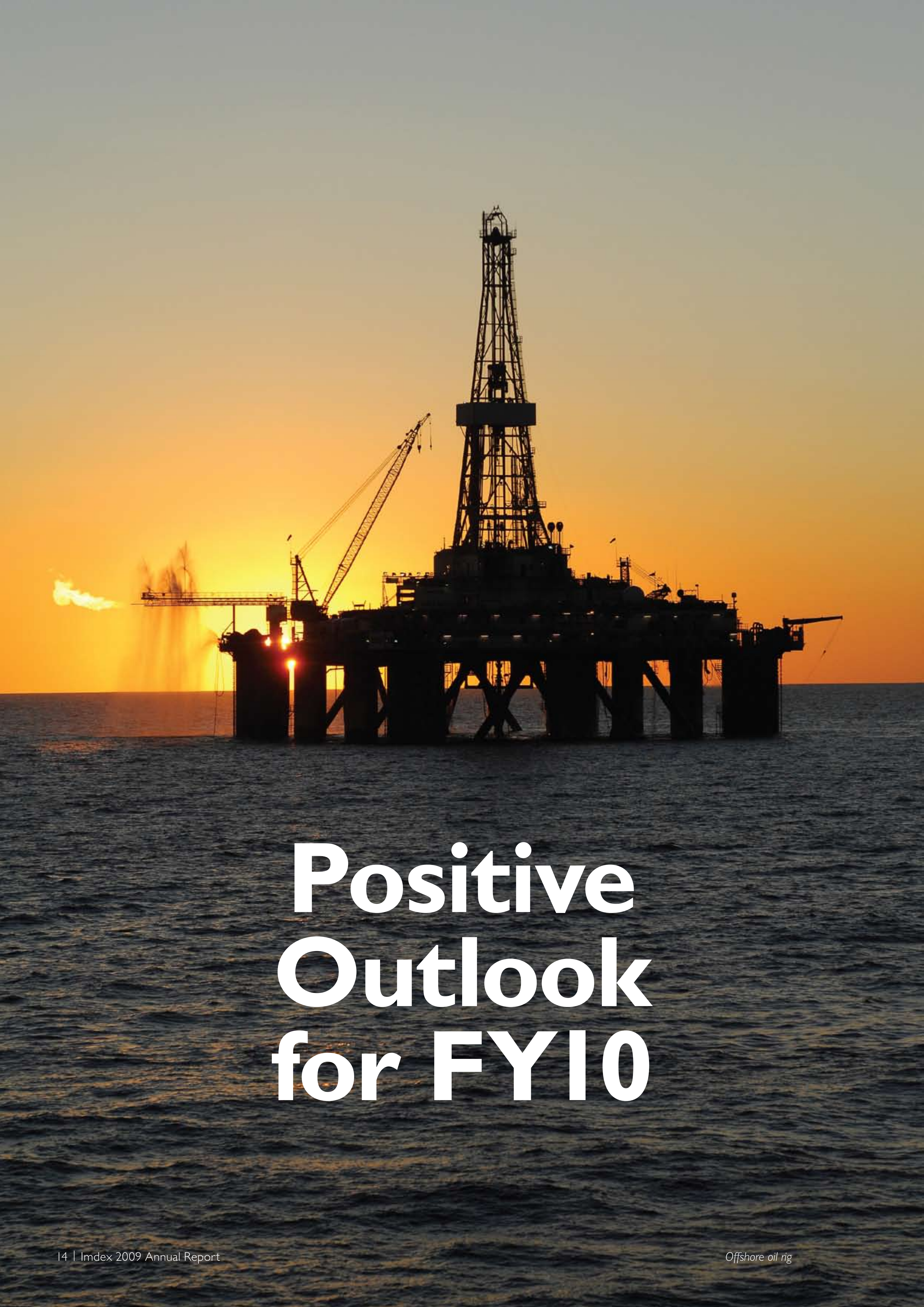
Revenue was boosted by the continued support of global alliances with Boart Longyear, Major Drilling, Layne Christensen and Sandvik, and the acquisition of Wildcat Chemicals Australia Pty Ltd (Wildcat) based in Brisbane. Operational EBITA decreased 26% to $10.3 million (FY08 – $14.0 million).

Highlights for the DFC Division during FY09 included:

- Acquisition of Brisbane based Wildcat for $1.9 million, effective 1 September 2008. Wildcat specialises in the manufacture and production of completion chemicals for the oil and gas industry. The acquisition provides Imdex with additional expansion opportunities, East Coast manufacturing capabilities, expertise and products for this sector;
- Commissioning of a partially hydrolysed polyacrylamide (PHPA) manufacturing plant in Johannesburg, South Africa. This plant allows greater control over the manufacturing process and provides cost benefits and shorter lead times to the local African market;
- Commissioning of a drilling fluids manufacturing plant in Santiago, Chile. The plant is facilitating further expansion into the Latin American market;

Signs of Recovery in 4Q09

AMC Drilling Fluids



Positive Outlook for FY10

Offshore oil rig

Managing Director's Report continued

Poly-Drill Drilling Fluids

I am confident that these initiatives will yield additional revenue in FY10 and beyond.

- Commercialisation of Imdex's unique surface solids control unit (SSCU) for the global diamond drilling industry. SSCU's eliminate the need to dig conventional mud pits and limit the environmental impact on site. Due to both drilling contractors and mining companies becoming increasingly environmentally conscious, demand for these units is strong; and
- Establishment of a new drilling fluids research laboratory at Osborne Park, Western Australia. This laboratory is equipped with specialised analytical equipment to test and develop fluids used in the oilfield, mining, water well and specialised drilling sectors.

Down Hole Instrumentation (DHI) Division

The DHI Division generated $45.3 million (FY08 - $56.3 million) in revenue which represented 33% of Imdex's full year revenue. The 20% decrease from FY08 can be attributed to the severe downturn in global mineral exploration. EBITA decreased 44% to $15.3 million (FY08 - $27.3 million) and earnings were affected by lower demand, additional research and development, and the commercialisation of instrumentation for the oil and gas industries. One off costs associated with the restructure of research and development centres and the relocation of manufacturing facilities also had an impact.

Divisional highlights for the DHI Division during FY09 included:

- Commercialisation of Flexit's suite of down hole instrumentation for the oil and gas market. These products were launched in May at the 2009 Offshore Technology Conference (OTC) in Houston and are expected to yield positive returns in FY10 and beyond;
- Repositioning of the DHI Division's trading brands, Flexit and Reflex, to target and market directly to the global oil and gas and mineral exploration / mining industries;
- The successful launch of new survey instrumentation to the mineral exploration / mining market. Ongoing product development ensures Reflex maintains its position at the forefront of its markets as a supplier of advanced instrumentation technologies;
- Restructuring the research and development centres as centres of excellence under the banner of Imdex Technology;
- Relocation of Reflex's manufacturing facility at Imdex Technology UK to Imdex Technology Australia; and
- Variation of the Flexit purchase agreement whereby the $10 million consideration due on 1 May 2009 was satisfied by the issue of 10 million Imdex shares at $1.00 per share at that date.

Response To The Downturn

In the second half of FY09, Imdex implemented the following initiatives to protect shareholder wealth and the long term strength of the Company:

- Existing bank facilities were extended to 2014 which allowed comfortable headroom in all banking covenants;
- Human resource requirements were reviewed which resulted in a 13% reduction. Redundancies were primarily in the United Kingdom, Sweden and South Africa and will not jeopardise the scale of operations or long term growth strategies. One off redundancy costs incurred in FY09 were $0.8 million and are expected to yield full year savings of $3 million;
- A comprehensive review of costs and working capital requirements. A number of actions were taken to reduce costs and improve cash flow, including a twelve month deferral of the December 2008 salary reviews; and
- Acceleration of the planned relocation of the Down Hole Instrumentation Division's manufacturing from the United Kingdom to Australia. By relocating during a period of minimal activity, Imdex was able to achieve this objective efficiently with little disruption.

Postive Outlook For FY10

Signs of market recovery were evident in the fourth quarter of FY09, including improved debt and equity markets, higher commodity prices and positive sentiments from customers, and I remain optimistic about the opportunities for Imdex in FY10 and beyond.

Imdex's focused strategy of having two distinct operational divisions, drilling fluids and down hole instrumentation, supplying two end markets, mining and oil and gas, remains unchanged for FY10. More specifically the Company will continue to focus on the following five areas:

- Renting products in preference to selling;
- Growing relationships with global customers;
- Expanding Imdex's presence in the oil and gas market;
- Investing in research and development to continue technology leadership; and
- Enhancing operational efficiencies.

During FY10, Imdex will advance a number of initiatives which align with this strategy including:

- Further development of AMC's Equipment Division;
- Expansion within the oil and gas sector by marketing production and treating chemicals and advanced down hole instrumentation; and
- Utilising the Company's global scale and alliances to gain market share in new and underpenetrated markets.

I am confident that these initiatives will yield additional revenue in FY10 and beyond.

I am proud to say that Imdex has a very strong management team which supports the Company's strategies for growth. On behalf the Board of Directors, I thank them, and all of Imdex's employees, for their dedication and hard work in supporting the Company and its customers throughout FY09 and I look forward with great optimism to FY10.

B Ridgeway

Bernie Ridgeway

Managing Director

Market Diversification

Onshore Oil Rig, North West of Australia

Oil & Gas Market

Expansion into the global oil and gas market is central to Imdex's strategy for future sustainable growth. Such business sector diversification is logical, and is an extension of the Company's existing business into a field in which it has considerable expertise.

During FY09 Imdex made significant achievements which align with this strategy, including the acquisition of Wildcat Chemicals Australia Pty Ltd and the commercialisation of its suite of advanced instrumentation. The Group also increased revenue generated from the oil and gas market from 9% to 19% and expects this percentage to exceed 25% in FY10. Imdex's objective over the next two to four years continues to focus on generating at least 40% of Group revenue from the oil and gas industry.

The oil and gas market is significantly less cyclical in nature than the mineral exploration market and a fundamental imbalance remains between supply and demand. In early June 2009, the International Energy Agency stated that 64 million barrels per day of gross capacity needs to be installed by 2030 to meet demand growth and offset decline.

Budgeted spending on exploration and production worldwide for 2009 was recorded as US$375 billion. This represents a 21% decrease on 2008 expenditure, however, it remains the third highest level of spend historically and is close to 2007 levels. Global offshore drilling expenditure over the next five years is estimated to be US$367 billion, or approximately 19,570 wells, which represents a healthy increase of 32% compared to the 2004-2008 period. Energy business analysts, Douglas Westwood, estimate that by 2013, the global drilling market will be worth approximately US$89 billion per annum, which is more than double that of 2004.

Wildcat Acquisition

During FY09 Imdex's Drilling Fluids and Chemicals (DFC) Division established a dedicated oil and gas department to focus on niche markets in the onshore oil and gas and coal bed methane (CBM) industries. This department forms part of Imdex's existing DFC Division, and markets drilling fluids and treating chemicals via its operations in Australia, South Africa and Kazakhstan.

Imdex's acquisition of Brisbane based Wildcat Chemicals Australia Pty Ltd (Wildcat) in September 2008 complements the DFC Oil and Gas Department and plays a significant role in the development and manufacture of new product lines. Wildcat manufactures specialty oilfield chemicals and has brought significant expertise and facilities to Imdex's DFC Division and facilitates further expansion into the oil and gas and CBM industries.

Commercialisation of Advanced Down hole Instrumentation

Throughout FY09 Imdex focused on commercialising its world class down hole instrumentation for the oil and gas industry. The Company has developed three advanced instruments which were introduced to the oil and gas market in May 2009 at the Offshore Technology Conference (OTC) in Houston. The OTC is considered to be one of the most significant events for the development of offshore resources for the drilling, exploration, production, and environmental protection industries.

Commercialisation of these instruments took longer than originally planned, however they are expected to generate significant returns in FY10 and beyond due to the increasing requirement for sophisticated down hole technology, particularly in the offshore market.

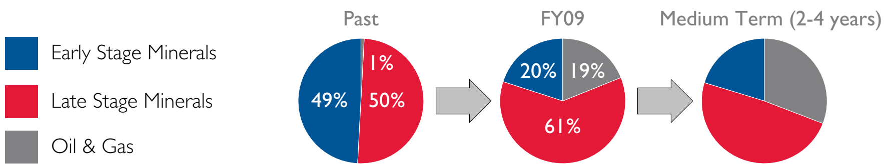
Imdex's range of oil and gas instrumentation, marketed by Flexit, includes:

- The Flexit Target INS, a north seeking high speed continuous gyro;
- The Flexit HTGS, a high temperature MEMS gyro; and
- The Flexit HTMS, a high temperature multishot.

Flexit Target INS trials North West of Houston

"The Group increased revenue generated from the oil and gas market from 9% to 19% and expects this percentage to exceed 25% in FY10."

Imdex's Strategy for Revenue Growth by Market Sector



Commitment to R&D
& Operational Efficiencies

During FY09 Imdex remained committed to targeted research and development and achieving operational efficiencies.

PHPA Plant, South Africa

> The Company's commitment to continual improvement throughout the downturn, allowed it to emerge from FY09 with enhanced products, more efficient facilities and the expertise to take advantage of future opportunities and better service customers going into FY10.

The Company's commitment to continual improvement throughout the downturn, allowed it to emerge from FY09 with enhanced products, more efficient facilities and the expertise to take advantage of future opportunities and better service customers going into FY10.

Key achievements within Imdex's Drilling Fluids and Chemicals Division included commissioning of new drilling fluid manufacturing facilities in South Africa and Chile; completion of an advanced research and development laboratory in Perth, Australia, and the establishment of a supply agreement with Bentonite Products.

Significant achievements within Imdex's Down Hole Instrumentation Division included the repositioning of trading brands Reflex and Flexit; further product upgrades, establishment of research and development centres of excellence; improvements to survey and core orientation for the mineral industry and the successful relocation of manufacturing facilities from Imdex Technology UK to Imdex Technology Australia.

Advanced PHPA Plant, South Africa

In November 2008 construction of a partially hydrolysed polyacrylamide (PHPA) facility in Johannesburg, South Africa was completed. The plant was commissioned for the production of PHPA polymer emulsion, which is used to stabilise reactive clay and shale formations in the drilling environment and as an injection fluid for foam drilling. The PHPA plant allows greater control over the manufacturing process and is yielding a number of benefits including:

- The ability to supply superior quality PHPA products;
- Significant cost efficiencies and shorter lead times associated with local production; and
- The ability to produce a greater range of products.

This plant is completely automated and one of the most advanced, safest and environmentally friendly systems of its kind. The computerised system allows a single plant supervisor to monitor the entire production process, including endothermic and exothermic reactions, agitation processes, heating and cooling, and the pump and valve systems. It is supported by a 361 amp generator to eliminate the risk of power failure and utilises state-of-the-art pumps supported by stop-start controls that reduce electricity consumption and wear and tear. The plant is also designed to eliminate effluent runoff into the drainage system. All waste is stored in a separate tank where it is collected by an environmental disposal company.

Manufacturing Plant Chile

Completion of Manufacturing Plant in Chile

In January 2009, the manufacturiang plant at Imdex's premises in Santiago, Chile was completed.

The new facility has been designed to blend and package both powders and liquids, and enhances Imdex's capability and capacity to market drilling fluids and chemicals within Latin America. This local facility also substantially reduces lead times and costs associated with freight to this region. Chile is considered to be one of the most attractive locations for mining and exploration investment in Latin America, and Imdex is now well placed to offer quality products at competitive prices to grow its presence in this market.

Reflex EZ Com

Surface Solids Control Unit

DHI Market Focused Branding Structure

In 2H09, Imdex's Down Hole Instrumentation Division aligned the branding structure of its trading companies Reflex and Flexit with its principal markets, the mining and mineral exploration market, and the oil and gas market.

The initiative to segment its target markets removed the competition between Reflex and Flexit and allows Imdex's Down Hole Instrumentation Division to focus on the provision of specialised products and a higher level of customer service through dedicated brands and trading companies.

Reflex focuses on the mining and mineral exploration market and directly offers its range of instruments for mining and mineral exploration applications. In addition, it now markets and supports the Reflex Gyro (GyroSmart) previously offered by Flexit to the mining and mineral exploration industry. Flexit focuses solely on the energy sector, marketing instrumentation specifically designed for the oil and gas industry.

Brand	Product	Description	Market
Reflex	Reflex Ez - Shot	Single shot magnetic survey	Global Mining / Mineral Exploration Market
	Reflex Ez - Trac	Multi shot magnetic survey	
	Reflex Maxibor II	Optical survey	
	Reflex Gyro	Gyroscopic survey	
	Reflex ACT / ACT II	Digital core orientation	
Flexit	Target INS	Inertial navigation system	Global Oil & Gas Market
	HTMS	High temperature Multi - Shot	
	HTGS	High temperature Gyro - Smart	

Bentonite Supply Agreement

In February 2009, Imdex's Drilling Fluids and Chemicals Division established an agreement with Queensland based Bentonite Products, for the exclusive supply of quality bentonite which is endorsed by the CSIRO for the drilling industry. This agreement provides cost and logistical efficiencies for the Division.

Success for Equipment & Rental Department

AMC's Equipment and Rental Department made significant progress during FY09 including successful field trials with BHP Billiton and Mosslake, and an official launch of its unique surface solids control unit in March 2009.

Both national and international drilling contractors and mining companies have shown considerable interest in the solids control units as the demand for environmental, portable and efficient solids control alternatives increases.

During FY10, the Equipment and Rental Department will continue to enhance its range of equipment for customers and increase its market presence in the coal bed methane industry.

Advanced Research Laboratory

Towards the end of FY09, Imdex commissioned an advanced drilling fluids research laboratory at its premises in Osborne Park, Western Australia.

The laboratory is equipped with specialised analytical equipment to test and develop fluids used in the oilfield, mining, water well and specialised drilling sectors, and is central to Imdex's Drilling Fluids and Chemicals' Technical Department.

The establishment of the improved laboratory provides enhanced analytical support, research and development services, and more efficient drilling fluid products and operations for Imdex's DFC customers globally.

During FY10, the Technical Department will work with the National Association of Testing Authorities (N.A.T.A) to achieve the ISO 17025 certification which is internationally recognised.

Successful Relocation of Manufacturing Facility

At the end of March 2009, Imdex closed its manufacturing facility at Imdex Technology in the United Kingdom and successfully relocated it to Perth, Western Australia. The planned relocation was accelerated to take advantage of the downturn to minimise disruption to operations.

The integration of this manufacturing unit into Imdex's existing facility in Perth will generate cost savings and efficiencies in FY10 and allow greater control over the manufacturing process. Production commenced in July 2009 and the Company is in the process of upgrading the facility to accommodate ongoing research and development and future growth.

Continual Improvement & Product Upgrades

In March 2009, Imdex's Down Hole Instrumentation Division introduced three new product upgrades to the mineral exploration and mining industry at the Prospectors and Developers Association of Canada's (PDAC) Convention held in Toronto. The new survey and core orientation instruments included the Reflex Gyro; Reflex EZ-Com II, and the Reflex ACT II RD. Continual product improvements ensure that Imdex remains a leading provider of advanced down hole instrumentation.

Imdex Technology, R&D Centres of Excellence

During FY09 Imdex's Down Hole Instrumentation Division restructured its research and development and manufacturing resources under the banner of Imdex Technology. Imdex Technology has established dedicated centres of excellence for the development of MEMS technology, mineral and oil and gas exploration technology, and conventional gyro technology allowing them to produce innovative and leading instrumentation.

imdex Technology

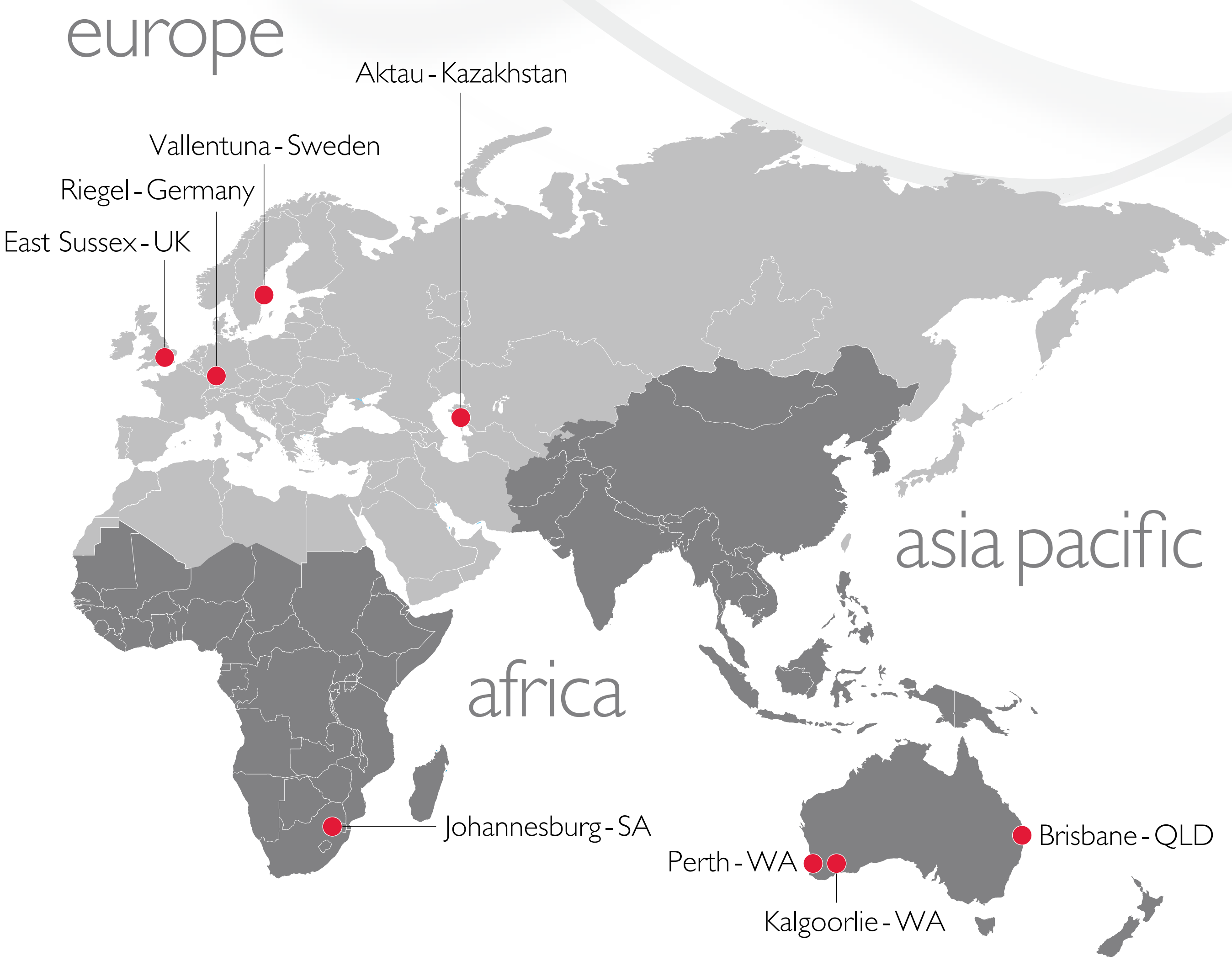
Global Business

Imdex has established operations in all of the key mineral exploration and mining regions of the world, including Asia Pacific, the Americas, and Africa, and has revenue generating activities in others.

Imdex's Global Operations

I am proud to report that Imdex has successfully established itself as a global business

Mr. I F Burston
Chairman



Quality Health, Safety, & the Environment

During FY09 Imdex continued to maintain and implement the International Standard for Quality Management (ISO9001) in accordance with its quality and continual improvement policy to ensure the key principles of quality and customer satisfaction are upheld.

Reflex technician demonstrating Reflex EZ-Com controller

> Imdex outperforms the stringent Australian National Benchmark SAFE WORK AUSTRALIA (Mining).

Key Achievements for FY09

- Imdex Technology (UK) transferred its certification to Imdex Technology (Australia) to align with the relocation of manufacturing facilities.
- Imdex Limited, AMC, Reflex Asia Pacific and Samchem successfully maintained certification to ISO9001.
- ISO9001 implementation commenced for Wildcat Chemicals Australia Pty Ltd and Reflex Canada during FY09. Certification is expected to be completed before the first half of FY10.
- New QA representatives were appointed for Reflex Canada, Imdex Chile and Samchem to assist the Group QA/HSE Manager implement global strategies.
- The Company's internal benchmark system for managing customer satisfaction, HS&E and continual improvement within the organisation was completely redeveloped in FY09. The new system introduced work-flow and risk management prioritisation.
- ISO9001 implementation is scheduled for Imdex Chile, which includes Imdex Limited Chile, AMC, and Reflex South America, during 2H10.

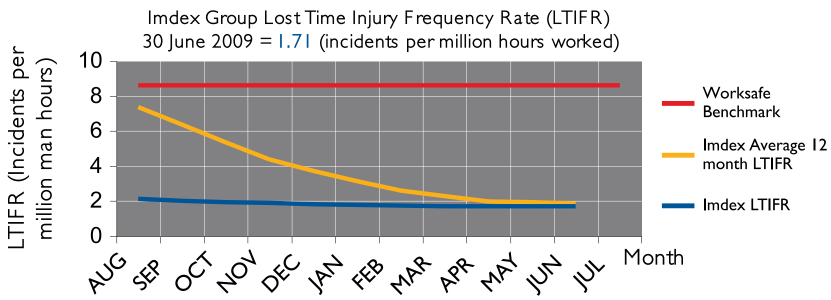
Key Statistics:

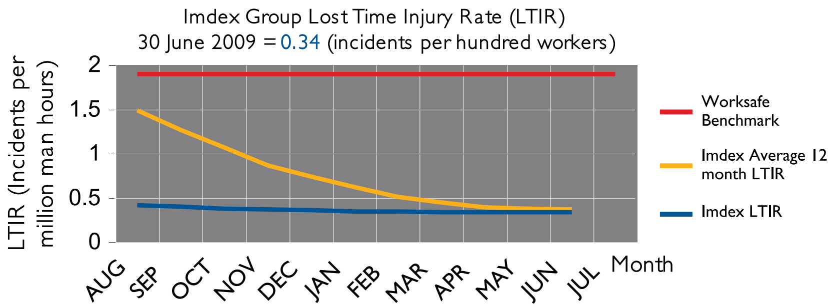
SAFEWORK Loss Time Incident Frequency Rate Benchmark (number of lost time injuries/ diseases for each one million hours worked)

- SAFEWORK Benchmark = 8.6 / LTIFR
- Imdex Group Result = 1.71

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

- SAFEWORK Benchmark = 2.8 / LTIR
- Imdex Group Result = 0.34

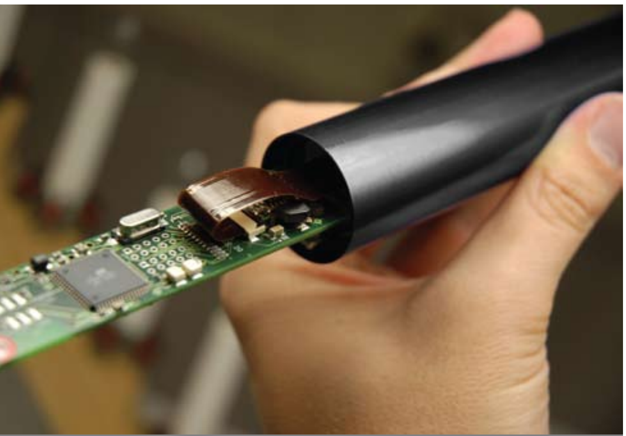




Imdex measures global Injury performance against a stringent Australian National Benchmark SAFE WORK AUSTRALIA (Mining). This Benchmark is reported on a monthly basis, using a 2 month rolling snapshot.

Managing Risk

Imdex believes that the identification and management of risk is central to delivering long-term value to shareholders. Each year, the Board reviews and considers the risk profile for the whole business.



Reflex Gyro survey instrument

> The principal aim of the Group's risk management governance structure and system of internal control is to manage business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets.

Corporate Governance Structure

The Board has delegated the oversight of risk management to the Audit and Compliance Committee (ACC). The ACC monitors the Group's obligations in relation to financial reporting, internal control structure, risk management systems and the internal and external audit functions.

The ACC is supported by an Internal Audit function which regularly conducts reviews and location based internal audits.

Risk Management Framework

Imdex operates a risk management framework that provides an over-arching and consistent framework for the assessment and management of risks. Risks are ranked using a common methodology. Where a risk is assessed as material, it is reported and reviewed by senior management.

Imdex's risk management framework incorporates the following factors:

- Consideration of other ASX listed risk frameworks;
- Consultation with Senior Management in identifying the business risk areas;
- Consideration of the Imdex Quality Assurance risk assessment system to ensure that the same risk language is used across both operational and commercial environments within Imdex;
- A review of all internal and external audit management letters and audit reports;
- Development of a central risk register to record and assess the risk, evaluate existing controls and record recommendations to reduce risk exposure; and
- Identification of risk areas where additional work is required by Internal Audit and/or the business itself to reduce the risk exposure to the business.

The principal aim of the Group's risk management governance structure and system of internal control is to manage business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets.

Management has put in place a number of key policies, processes and independent controls to provide assurance to the Board and the ACC as to the integrity of our reporting and effectiveness of our systems of internal control and risk management.

Long Term Value to Shareholders

Reflex Maxibor II survey instrument

Financial Report 2009

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2009

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 2009.

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	74	▪ Mechanical Engineer ▪ Member of the Audit and Compliance & Remuneration Committees ▪ Director since 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 ▪ Extensive experience leading publicly listed and private companies
Mr B W Ridgeway	Managing Director	55	▪ Chartered Accountant ▪ Director since 23 May 2000 ▪ Over 20 years experience with public and private companies as owner, director and manager ▪ Member of the Institute of Chartered Accountants in Australia and Australian Institute of Company Directors
Mr R W Kelly	Independent, Non Executive Director	71	▪ Engineer ▪ Member of the Audit and Compliance Committee Chairman of the Remuneration Committee ▪ Director since 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.
Mr K A Dundo	Independent, Non Executive Director	56	▪ Lawyer ▪ Chairman of the Audit and Compliance Committee ▪ Member of the Remuneration Committee ▪ Director since 14 January 2004 ▪ Previously Director of Intrepid Mines Ltd, St Barbara Mines Ltd and Defiance Mining Corporation
Mr M Lemmel	Independent, Non Executive Director	70	▪ Management Consultant ▪ Director since 19 October 2006 ▪ 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 (previous owners of Reflex)

(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	Fortescue Metals Group Ltd NRW Holdings Ltd Kansai Mining Corporation Mincor Resources NL Cape Lambert Iron Ore Ltd Aztec Resources Ltd Aviva Corporation Ltd	Non Executive Director Non Executive Chairman Non Executive Director Non Executive Director Non Executive Chairman Chairman and Chief Executive Officer Non Executive Director	2008 – Current 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 – 2009

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2009

(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 Fellow of the Institute of Chartered Accountants in Australia.

(d) Directors' Meetings

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

	Board of Directors		Audit and Compliance Committee		Remuneration Committee	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**
I F Burston	7	6	3	2	4	3
B W Ridgeway	7	7	-	-	-	-
R W Kelly	7	7	3	3	4	4
K A Dundo	7	6	3	3	4	4
M Lemmel	7	5	-	-	-	-

(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	-	393,786	1,000,000
B W Ridgeway	-	3,500,000	2,000,000
R W Kelly	-	380,000	-
K A Dundo	-	300,000	-
M Lemmel	500,000	299,267	-

Details of options on issue at the date of this report are disclosed at (g) below. Details of options on issue at the end of the financial year are disclosed in note 34.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2009

(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.

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 received a payment during the current or prior years as consideration for agreeing to hold the relevant position.

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 $427,677, including statutory superannuation. The Board determines the apportionment of directors' fees between each Director.

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 28% of his cash compensation package. Should the Company perform above budget, additional amounts will become payable. This is not the case in the current financial year. Each year the Remuneration Committee sets the key performance indicators (KPIs) for the Managing Director to earn this short term incentive bonus. These KPIs include financial, strategic and risk based 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 number of options granted 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. No additional benefits above those already entitled to will become payable on termination.

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 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.

Each year the Remuneration Committee sets the KPIs for each key management person. These KPIs include people, customer, system, financial, strategic and risk based 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.

From time to time options may be issued to the Executives and staff as an additional performance incentive. The portion of remuneration package that comprises options is linked to the Company's performance. The number of options granted 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 any Executives or staff in the current year.

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. Mr P J Mander's contract provides for a 3 month notice period. No additional benefits above those already entitled to will become payable on termination.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2009

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);
(iii) Mr P J Mander (General Manager: Fluids and Chemicals (Minerals) Division) (appointed 1 September 2008) and
(iv) Mr P A Evans (Company Secretary and Chief Financial Officer).

Except as noted above Directors and Senior Management held their current position for the hole of the financial year and since the end of the financial year.

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 34) 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 2009:

	30 June 2009	30 June 2008	30 June 2007	30 June 2006	30 June 2005
Revenue – continuing and discontinued operations ($000s)	138,992	150,493	119,340	66,792	40,051
Net profit before tax from continuing operations ($000s)	18,195	31,885	18,115	11,864	5,005
Net profit after tax from continuing operations ($000s)	12,067	21,081	11,950	7,984	3,282
Share price at start of year (cents)	165	150	61	22	11.5
Share price at end of year (cents)	64.5	165	150	61	22
Interim dividend (cents) – fully franked	1.00	1.75	1.00	1.00	-
Final dividend (cents) – fully franked	-	2.25	1.50	1.00	-
Basic earnings per share (cents) – continuing operations	6.37	11.22	7.72	6.07	3.66
Diluted earnings per share (cents) – continuing operations	6.23	10.79	7.09	5.95	3.66

IMDEX LIMITED

and its controlled entities

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2009

Year ended 30 June 2009

Details of Directors' remuneration are set out below. Further information is also set out in note 33:

	Short-term employee benefits				Post Employment		Other long-term employee benefits	Termination Benefits	Share-based payment				Total
									Equity-settled ^		Cash settled	Other	
	Salary & fees	Bonus	Non-monetary	Other	Super-annuation	Other			Shares & Units	Options & Rights			
	$	$	$	$	$	$	$	$	$	$	$	$	$
Executive Director													
B W Ridgeway, Managing Director	498,725	-	8,928	-	44,885	-	12,745	-	-	-	-	-	565,283
Non Executive Directors													
I F Burston, Chairman	119,900	-	-	-	-	-	-	-	-	53,377	-	-	173,277
R W Kelly	80,000	-	-	-	7,200	-	-	-	-	-	-	-	87,200
K A Dundo	80,000	-	-	-	7,200	-	-	-	-	-	-	-	87,200
M Lemmel	80,000	-	-	-	-	-	-	-	-	-	-	-	80,000
	858,625	-	8,928	-	59,285	-	12,745	-	-	53,377	-	-	992,960

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
									Equity-settled ^		Cash settled	Other	
	Salary & fees	Bonus	Non-monetary	Other	Super-annuation	Other			Shares & Units	Options & Rights			
	$	$	$	$	$	$	$	$	$	$	$	$	$
Group Executives													
G E Weston, Group General Manager	346,700	-	11,669	-	31,203	-	23,943	-	-	64,734	-	-	478,249
D J Loughlin, General Manager: Down Hole Instrumentation Division	263,712	-	43,336	-	23,734	-	-	-	-	62,111	-	-	392,893
P J Mander, General Manager: Fluids and Chemicals (Minerals) Division *	164,000	-	3,368	-	14,760	-	-	-	-	15,160	-	-	197,288
P A Evans, Chief Financial Officer / Company Secretary	287,000	-	-	-	25,830	-	-	-	-	57,333	-	-	370,163
	1,061,412	-	58,373	-	95,527	-	23,943	-	-	199,338	-	-	1,438,593

* - Mr P J Mander was appointed to this position on 1 September 2008. Disclosures above relate only to the period when in office.

^ - These non-cash numbers reflect the value of options issued in prior periods that are being expensed in the current period to recognise progressive vesting conditions.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2009

Year ended 30 June 2008

Details of Directors' remuneration are set out below. Further information is also set out in note 33:

	Short-term employee benefits				Post Employment		Other long-term employee benefits	Termination Benefits	Share-based payment				
	Salary & fees	Bonus	Non-monetary	Other	Super-annuation	Other			Equity-settled ^		Cash settled	Other	
									Shares & Units	Options & Rights			Total
	$	$	$	$	$	$	$	$	$	$	$	$	$
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 Group Executives are set out below:

	Short-term employee benefits				Post Employment		Other long-term employee benefits	Termination Benefits	Share-based payment				
	Salary & fees	Bonus	Non-monetary	Other	Super-annuation	Other			Equity-settled ^		Cash settled	Other	
									Shares & Units	Options & Rights			Total
	$	$	$	$	$	$	$	$	$	$	$	$	$
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

^ - These non-cash numbers reflect the value of options issued in current and prior periods that are being expensed in the current period to recognise progressive vesting conditions.

(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. If the contract is terminated without notice, the notice period will become payable in cash. 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.

No bonus was earned in the current year as the profitability related hurdles were not met. During the prior year Mr Ridgeway earned a cash bonus of $60,000, representing 60% of the possible bonus payable for the year. This bonus was earned on the satisfaction of performance criteria linked to Group operational progress and profitability.

No options were granted to Mr Ridgeway in the current year or in the prior year. Although 2,000,000 options were approved by the shareholders at the 2008 Annual General Meeting, these were not granted due to the impacts of the global financial crisis with the knowledge that this would be considered in future employee share option allocations.

(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 Limited from time to time. Additionally, Mr Weston is party to a deed with Imdex Limited, granting Mr Weston the right of first refusal of Australian Mud Company Pty Ltd, a 100% held subsidiary of Imdex Limited, in the event that an offer is received by the directors of Imdex Limited to purchase 100% of the Imdex Limited shares on issue. This 'right' lapses automatically should Mr Weston no longer be employed by Imdex Limited.

No bonus was earned in the current year as the profitability related hurdles were not met. During the prior year Mr Weston earned a cash bonus of $60,000. This represents 100% of the possible bonus available for that year and was earned on the satisfaction of operational and EBITA related hurdles.

No options were granted to Mr Weston in the current year. In the prior 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 prior year compensation that consisted of options was 4%. 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 year vesting period. Refer note 34 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.

No bonus was earned in the current year as the profitability related hurdles were not met. Mr Loughlin earned a bonus of $47,250 in the prior year. This represents 100% of the possible bonus available for that year and was earned on the satisfaction of operational and EBITA related hurdles.

No options were granted to Mr Loughlin in the current or 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 year vesting period. Refer note 34 for further details.

(iv) **Mr P J Mander** was appointed to the position of General Manager: Fluids and Chemicals (Minerals) Division on 1 September 2008, hence the disclosures in this report only relate to the period when in office. Mr Mander is a party to a service contract with Imdex Limited, which sets out a fixed compensation package reviewable annually. The service contract specifies a three month notice period in the event that the contract is terminated. There are no termination benefits specified in this contract. Additional performance incentives may be agreed between Mr Mander and Imdex Limited from time to time.

No bonus was earned in the current year as the profitability related hurdles were not met.

No options were granted to Mr Mander in the current year.

(v) **Mr P A Evans** is a party to a service contract with Imdex Limited, which sets out a fixed compensation package reviewable annually. The service contract specifies a 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.

No bonus was earned in the current year as the profitability related hurdles were not met. During the prior year Mr Evans earned a cash bonus of $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.

No options were granted to Mr Evans in the current year. In the prior 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 prior year compensation that consisted of options was 19%. 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 year vesting period. Refer note 34 for further details.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2009

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	-	0%	100%	0%
G E Weston	-	0%	100%	0%
D J Loughlin	-	0%	100%	0%
P J Mander	-	0%	100%	0%
P A Evans	-	0%	100%	0%

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	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 (i)	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	-	-	-	-	1,000,000	53,377	31%
B W Ridgeway	-	-	-	-	-	-	-
G E Weston	-	-	-	-	500,000	64,734	14%
D J Loughlin	-	-	-	-	166,667	62,111	16%
P J Mander (ii)	-	-	-	-	50,000	15,160	8%
P A Evans	-	-	-	-	166,667	57,333	15%

(i) 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 reflect the value of options issued in prior periods that are being expensed in the current period to recognise progressive vesting conditions.

(ii) Mr P J Mander was appointed to a key management position on 1 September 2008. Disclosures above relate only to the period when in office.

Share options granted to Directors and Senior Managers

No share options were granted to Directors or Senior Managers during or since the end of the financial year.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2009

(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)	4,655,000
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)	3,242,668
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)	1,716,205
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.

(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	1,106,666

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 and rental of a range of drilling fluids and chemicals and down hole instrumentation.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2009

(i) Review of Operations

During the current financial year the Imdex Group continued to sell drilling fluids and chemicals as well as rent and sell technologically advanced down hole instrumentation to the mining and oil & gas industries. The Group earned revenue from continuing operations including interest of $139.0 million (2008: $143.9 million) and profit after tax of $12.1 million (2008: $32.0 million).

(j) Dividends

A fully franked interim dividend of 1.00 cent per ordinary share was paid on 24 March 2009 to shareholders registered on 6 March 2009. A fully franked final dividend of 2.25 cents per ordinary share was paid on 31 October 2008 to shareholders registered on 17 October 2008.

In the prior year 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 and a fully franked final dividend of 1.50 cents per ordinary share was paid on 2 November 2007 to shareholders registered on 15 October 2007.

(k) Changes in State Of Affairs

During the financial year the Group acquired Wildcat Chemicals Australia Pty Ltd, a drilling fluids manufacturing business in Brisbane. More details of this acquisition is contained in note 27(a).

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

(l) Subsequent Events

On 21 July 2009 Imdex Limited announced a conditional proposal to merge with Coretrack Limited (Coretrack). The merger was to be effected through a Scheme of Arrangement where Imdex was to issue Coretrack shareholders 0.61 fully paid Imdex ordinary shares for every one Coretrack fully paid ordinary share, and 0.305 fully paid Imdex ordinary shares for every one Coretrack listed option, and consideration based on similar terms for Coretrack's unlisted options. Coretrack share and option holders were to receive a total of $28.4 million in the form of 43.39 million Imdex shares issued at 65.5 cents per share. On 31 July 2009 it was announced that, following a due diligence process the proposed merger was terminated.

On 31 July 2009 Imdex Limited paid the final deferred settlement instalment of GBP 1,045,000 (A$2.1 million) due to the vendors of Imdex Technology UK Limited (formerly Chardec Technology Limited). No further amounts remain outstanding in relation to this acquisition.

(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.

(p) Auditor's Independence Declaration

The auditor's independence declaration is included in the Annual Report immediately prior to the Audit 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 unless otherwise indicated.

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

On behalf of the Directors

Mr Ian Burston

Chairman

PERTH, Western Australia, 14 August 2009.

Deloitte.

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

240 St. Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

DX 206
Tel: +61 (0) 8 9365 7000
Fax: +61 (0) 8 9365 7001
www.deloitte.com.au

The Board of Directors
Imdex Limited
Level 1, 15 Rheola Street
West Perth WA 6005

14 August 2009

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 2009, 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

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

DX 206
Tel: +61 (0) 8 9365 7000
Fax: +61 (0) 8 9365 7001
www.deloitte.com.au

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 2009, 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 15 and 20 to 81.

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.

Deloitte.

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 2009 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 2009. 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 2009, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter Rupp
Partner
Chartered Accountants
Perth, 14 August 2009

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 26 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) of the Corporations Act 2001.

Dated at Perth, 14 August 2009.

Ian F Burston
Chairman

IMDEX LIMITED
and its controlled entities

CORPORATE GOVERNANCE STATEMENT

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 2009. In addition, the Company has a Corporate Governance section on its website: www.imdexlimited.com (under the “Investors” 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 2009, and the main corporate governance practices in place are set out below.

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.

The performance of Senior Executives is measured against prescribed criteria as set by the Remuneration Committee. These criteria are set annually and individual performance is assessed annually.

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

(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.

(v) Process for evaluating the performance of the Board, its committees and individual Directors

Board performance is measured primarily by means of monitoring Group profitability and share price performance in the market. Individual Director performance is also measured by way of monitoring meeting attendance and individual contributions made at these meetings.

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.

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 2009 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.

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 external auditors, the Managing Director and the Chief Financial Officer are invited to Audit Committee meetings at the discretion of the Committee. Details of meetings held by the Audit Committee during the year are 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 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.

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.

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:

- the Annual Report is made available to all Shareholders. 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;
- 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 made available to all Shareholders;
- regular reports released through the ASX and the media;
- proposed major changes in the Group, which may impact on share ownership rights are submitted to a vote of Shareholders; and

CORPORATE GOVERNANCE STATEMENT

- 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.

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.

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.

In addition to receiving Internal Audit Reports, the Audit and Compliance Committee also receives regular reports from the External Audit function.

(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.

Principle 8: Remunerate fairly and responsibly

(i) Company's remuneration policies

Details on the remuneration of Directors and Executives as well as the Company's remuneration policies are set out in the Remuneration Report that is contained in the Directors Report.

(ii) Remuneration Committee

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

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

Mr R W Kelly (Chairman);
Mr I F Burston; and,
Mr K A Dundo.

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

The Remuneration Committee operates under a written Charter that is published on the Company's website.

(iii) Structure of 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. From time to time additional benefits may be agreed with Directors with due regard to market conditions.

IMDEX LIMITED
and its controlled entities

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Notes	Consolidated Year Ended 30 June 2009 $'000	Consolidated Year Ended 30 June 2008 $'000	Company Year Ended 30 June 2009 $'000	Company Year Ended 30 June 2008 $'000
Continuing operations					
Revenue from sale of goods and operating lease rental		136,968	142,009	-	-
Other revenue from operations		2,024	1,900	3,822	3,338
Total revenue	4	138,992	143,909	3,822	3,338
Other income	4	253	369	16,902	27,474
Raw materials and consumables used	4	(61,700)	(59,589)	-	-
Employee benefit expense	4	(28,467)	(22,996)	(7,443)	(5,720)
Depreciation expense	4	(3,318)	(3,266)	(187)	(198)
Amortisation expense	4	(6,535)	(6,055)	-	-
Finance costs	4	(2,850)	(2,762)	(2,170)	(1,575)
Other expenses	4	(18,180)	(17,725)	(1,351)	(4,474)
Profit before tax		18,195	31,885	9,573	18,845
Income tax expense	5	(6,128)	(10,804)	(1,057)	(2,520)
Profit from continuing operations		12,067	21,081	8,516	16,325
Profit from discontinued operations	29	-	10,921	-	-
Profit for the year		12,067	32,002	8,516	16,325
Attributable to:					
Equity holders of the parent		12,067	31,966	8,516	16,325
Minority interest		-	36	-	-
		12,067	32,002	8,516	16,325
Earnings per share					
Continuing operations:					
Basic earnings per share (cents)	21	6.37	11.22		
Diluted earnings per share (cents)	21	6.23	10.79		
Continuing and discontinued operations:					
Basic earnings per share (cents)	21	6.37	17.04		
Diluted earnings per share (cents)	21	6.23	16.38		

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

IMDEX LIMITED

and its controlled entities

BALANCE SHEET
AS AT 30 JUNE 2009

	Notes	Consolidated 30 June 2009 $'000	Consolidated 30 June 2008 $'000	Company 30 June 2009 $'000	Company 30 June 2008 $'000
Current Assets					
Cash and Cash Equivalents	31	11,975	13,276	1,455	869
Trade and Other Receivables	7	23,367	32,079	5,836	2,401
Inventories	8	26,535	21,716	-	-
Other Financial Assets	9	12,340	13,237	12,340	13,237
Other	10	1,507	1,200	22	20
		75,724	81,508	19,653	16,527
Non Current Assets Classified as Held for Sale	11	8,130	4,500	8,130	4,500
Total Current Assets		83,854	86,008	27,783	21,027
Non Current Assets					
Other Financial Assets	9	-	-	74,772	71,022
Property, Plant and Equipment	12	10,781	7,140	541	522
Goodwill	13	55,268	52,626	-	-
Other Intangible Assets	14	23,915	27,289	-	-
Total Non Current Assets		89,964	87,055	75,313	71,544
Total Assets		173,818	173,063	103,096	92,571
Current Liabilities					
Trade and Other Payables	15	12,769	16,522	1,166	1,811
Borrowings	16	13,514	13,016	10,000	9,000
Current Tax Payables	5	5,268	8,792	2,249	2,643
Provisions	17	1,317	972	422	245
Other Current Liabilities	18	2,492	2,687	-	-
Total Current Liabilities		35,360	41,989	13,837	13,699
Non Current Liabilities					
Borrowings	16	18,033	17,132	11,500	8,000
Deferred Tax Liabilities	5	3,674	5,024	732	273
Provisions	17	553	558	310	128
Other Non Current Liabilities	18	-	2,717	-	-
Total Non Current Liabilities		22,260	25,431	12,542	8,401
Total Liabilities		57,620	67,420	26,379	22,100
Net Assets		116,198	105,643	76,717	70,471
Equity					
Contributed Capital	19	67,136	64,883	67,136	64,883
Foreign Currency Translation Reserve	20	(4,105)	(4,863)	-	-
Employee Equity-Settled Benefits Reserve	20	4,024	2,573	4,024	2,573
Retained Profits		49,143	43,050	5,557	3,015
Total Equity		116,198	105,643	76,717	70,471

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

IMDEX LIMITED

and its controlled entities

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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 2007		54,282	6,700	(2,137)	751	17,018	76,614
Exchange differences on translation of foreign operations after taxation	20	-	-	(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	22	-	-	-	-	(5,934)	(5,934)
Share based payments	20	-	-	-	2,025	-	2,025
Issue of shares as part consideration for the acquisition of Poly-Drill	19	1,750	-	-	-	-	1,750
Issue of shares as part consideration for the acquisition of Southernland	19	1,387	-	-	-	-	1,387
Tax effect of prior period share issue costs	19	(113)	-	-	-	-	(113)
Issue of shares under staff option plan	19, 20	877	-	-	(203)	-	674
Balance at 30 June 2008		58,183	6,700	(4,863)	2,573	43,050	105,643
Exchange differences on translation of foreign operations after taxation	20	-	-	758	-	-	758
Net income recognised directly in equity		-	-	758	-	-	758
Profit for the period		-	-	-	-	12,067	12,067
Total recognised income and expense for the period		-	-	-	-	12,067	12,067
Dividend paid	22	-	-	-	-	(5,974)	(5,974)
Share based payments	20	-	-	-	1,487	-	1,487
Issue of shares as part consideration for the acquisition of Suay	19	278	-	-	-	-	278
Conversion of capital	19	6,700	(6,700)	-	-	-	-
Issue of shares as part consideration for the acquisition of Imdex Technology Sweden AB (formerly Flexit AB)	19	1,900	-	-	-	-	1,900
Tax effect of prior period share issue costs	19	(54)	-	-	-	-	(54)
Issue of shares under staff option plan	19, 20	129	-	-	(36)	-	93
Balance at 30 June 2009		67,136	-	(4,105)	4,024	49,143	116,198

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

IMDEX LIMITED
and its controlled entities

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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 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	22	-	-	-	-	(5,934)	(5,934)
Share based payments	20	-	-	-	2,025	-	2,025
Issue of shares as part consideration for the acquisition of Poly-Drill	19	1,750	-	-	-	-	1,750
Issue of shares as part consideration for the acquisition of Southernland	19	1,387	-	-	-	-	1,387
Tax effect of prior period share issue costs	19	(113)	-	-	-	-	(113)
Issue of shares under staff option plan	19, 20	877	-	-	(203)	-	674
Balance at 30 June 2008		58,183	6,700	-	2,573	3,015	70,471
Profit for the period		-	-	-	-	8,516	8,516
Total recognised income and expense for the period		-	-	-	-	8,516	8,516
Dividend paid	22	-	-	-	-	(5,974)	(5,974)
Share based payments	20	-	-	-	1,487	-	1,487
Issue of shares as part consideration for the acquisition of Suay	19	278	-	-	-	-	278
Conversion of capital	19	6,700	(6,700)	-	-	-	-
Issue of shares as part consideration for the acquisition of Imdex Technology Sweden AB (formerly Flexit AB)	19	1,900	-	-	-	-	1,900
Tax effect of prior period share issue costs	19	(54)	-	-	-	-	(54)
Issue of shares under staff option plan	19, 20	129	-	-	(36)	-	93
Balance at 30 June 2009		67,136	-	-	4,024	5,557	76,717

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

IMDEX LIMITED
and its controlled entities

CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Notes	Consolidated Year Ended 30 June 2009 $'000	Consolidated Year Ended 30 June 2008 $'000	Company Year Ended 30 June 2009 $'000	Company Year Ended 30 June 2008 $'000
Cash Flows From Operating Activities					
Receipts from customers		161,981	154,253	-	-
Payments to suppliers and employees		(132,564)	(126,292)	(8,285)	(7,565)
Intercompany management fees received		-	-	7,481	4,665
Interest and other costs of finance paid		(1,963)	(2,342)	(1,530)	(1,562)
Income tax paid		(11,279)	(15,362)	(1,046)	(8,907)
Net cash provided by / (used in) Operating Activities	31(c)	16,175	10,257	(3,380)	(13,369)
Cash Flows From Investing Activities					
Interest received		119	451	56	212
Intercompany dividend received		-	-	7,500	3,378
Payment for property, plant and equipment		(7,741)	(4,803)	(236)	(42)
Proceeds from sale of property, plant and equipment		2,113	1,138	71	-
Payment for development costs capitalised	14	(3,650)	-	-	-
Payment for shares of Wildcat net of cash acquired	27(a)	(1,902)	-	(1,902)	-
Payment for shares of Imdex Technology UK net of cash acquired	27(g)	(3,106)	(5,088)	-	-
Payment for shares of Poly-Drill net of cash acquired	27(c)	-	(899)	-	(1,571)
Payment for shares of Suay net of cash acquired	27(d), (e)	(500)	(246)	(500)	(246)
Payment for shares of Southernland net of cash acquired	27(f)	-	(1,446)	-	(1,533)
Payment for shares of ITG net of cash acquired	27(b)	-	(13,853)	-	-
Proceeds on the sale of Surtron net of cash disposed	29	-	18,000	-	19,873
Net cash provided by / (used in) Investing Activities		(14,667)	(6,746)	4,989	20,071
Cash Flows From Financing Activities					
Advances from / (to) Controlled Entities		-	-	358	(5,443)
Cash received on exercise of options		93	674	93	674
Dividend paid to equity holders of the parent	22	(5,974)	(5,934)	(5,974)	(5,934)
Hire purchase debt raised		1,838	-	-	-
Hire purchase and lease payments		(227)	(888)	-	(89)
Payment for interest rate cap		-	(239)	-	(239)
Payment of convertible note interest		-	(464)	-	(464)
Proceeds from borrowings		7,000	12,000	7,000	12,000
Repayment of borrowings		(6,593)	(9,983)	(2,500)	(7,300)
Net cash used in Financing Activities		(3,863)	(4,834)	(1,023)	(6,795)
Net Increase / (Decrease) in Cash and Cash Equivalents Held		(2,355)	(1,323)	586	(93)
Cash and Cash Equivalents At The Beginning Of The Financial Year	31(a)	13,276	15,271	869	962
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		1,054	(672)	-	-
Cash and Cash Equivalents At The End Of The Financial Year	31(a)	11,975	13,276	1,455	869

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

1 Adoption of New and Revised Accounting Standards

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group and the Company's financial report:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101', AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	30 June 2010
AASB 8 'Operating Segments', AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	1 January 2009	30 June 2010
AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments'	1 January 2009 (and that ends on or after 30 April 2009)	30 June 2010

Initial application of the following Standards/Interpretations is not expected to have any material impact on the financial report of the Group and the Company:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	30 June 2010
AASB 3 'Business Combinations' (revised), AASB 127 'Consolidated and Separate Financial Statements' (revised) and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	Business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009	30 June 2010
AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations'	1 January 2009	30 June 2010
AASB 2008-2 'Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation'	1 January 2009	30 June 2010
AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 January 2009	30 June 2010
AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 July 2009	30 June 2010
AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009	30 June 2010
AASB 2008-8 'Amendments to Australian Accounting Standards – Eligible Hedged Items'	July 2009	30 June 2010
AASB 2009-4 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	July 2009	30 June 2010

NOTES TO THE FINANCIAL REPORT

1 Adoption of New and Revised Accounting Standards (continued)

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 January 2010 (Applicable to financial years beginning on or after 1 January 2010, except for the amendments made to the guidance to AASB 118 'Revenue' that have no explicit application date and are taken to be immediately effective)	30 June 2011
AASB 2009-6 "Amendments to Australian Accounting Standards"	1 January 2009 (Applicable to financial years beginning on or after 1 January 2009 that end on or after 30 June 2009)	30 June 2010
AASB 2009-7 "Amendments to Australian Accounting Standards"	1 July 2009	30 June 2010
AASB 1 'First-time Adoption of Australian Accounting Standards'	1 July 2009	30 June 2010
AASB Interpretation 15 'Agreements for the Construction of Real Estate'	1 January 2009	30 June 2010
AASB Interpretation 16 'Hedges of a Net Investment in a Foreign Operation'	1 October 2008	30 June 2010
AASB Interpretation 17 'Distributions of Non-cash Assets to Owners', AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners'	July 2009	30 June 2010
AASB Interpretation 18 'Transfers of Assets from Customers'	1 July 2009 (AASB Interpretation 18 applies to transfers of assets from customers received on or after 1 July 2009)	30 June 2010

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

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Nothing issued up to last update of the document		

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 14 August 2009.

(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.

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 50%
Equipment rented to third parties:	10% to 50%
Equipment under finance lease:	20%

(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.

The fair value determined at the grant date of the equity-settled share-based payments is expensed 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.

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' (2004) 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 recognised in the profit or loss in the period in which they are 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 Imdex Limited, 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 are translated into Australian dollars at exchange rates prevailing on the balance sheet date. Income and expense items 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 the financial instrument note in 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.

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.

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.

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 - Samchem	indefinite
Intellectual property – other	10 years
Technology	5-7 years
Contracts	1-5 years (term of contract)
Customers	5-6 years
Trade Names and Patents	1-6 years

Intellectual property of Samchem 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).

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.

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.

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 at the lower of carrying amount and fair value less costs to sell.

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

3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

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

Key sources of estimation uncertainty

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

<u>Value of Shares</u>

Note 11 describes the investment held in Sino Gas & Energy Holdings 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 $8.1 million at 30 June 2009 (2008: $4,500,000).

The fair value of this unlisted 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.

<u>Impairment of Goodwill and Intangibles</u>

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. A forward looking estimation of this nature is inherently uncertain. No impairment losses have been booked in the current or prior years. Refer notes 13 and 14.

4 Profit from Operations

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'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	103,055	118,109	-	-
Operating rental income	33,914	23,900	-	-
Interest income - bank deposits	118	451	56	211
Interest income - other loans and receivables	1,905	1,449	3,766	3,127
	138,992	143,909	3,822	3,338
Revenue from discontinuing operations				
Revenue from the rendering of services	-	6,584	-	-
	138,992	150,493	3,822	3,338
(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	(91)	91	41	-
Foreign exchange gain / (loss)	2,334	(407)	2,352	(266)
	2,243	(316)	2,393	(266)
Gains attributable to:				
Continuing operations	2,334	91	2,393	-
Discontinued operations	-	-	-	-
	2,334	91	2,393	-
Losses attributable to:				
Continuing operations	(91)	(407)	-	(266)
Discontinued operations	-	-	-	-
	(91)	(407)	-	(266)
	2,243	(316)	2,393	(266)
Loans and receivables (including cash and cash equivalents)				
Interest revenue	2,024	1,900	3,822	3,338
Exchange gain/(loss)	2,014	(305)	1,724	(266)
	4,038	1,595	5,546	3,072
Financial liabilities at amortised cost				
Interest expense	(2,850)	(2,822)	(2,170)	(1,575)
Exchange gain/(loss)	320	102	222	-
	(2,530)	(2,720)	(1,948)	(1,575)

4 Profit from Operations (continued)

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
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				
Gain on disposal of property, plant and equipment	-	91	41	-
Gain on disposal of subsidiary	-	-	-	17,245
Management fees from subsidiaries	-	-	9,361	6,671
Dividends from subsidiaries	-	-	7,500	3,379
Other revenue	253	278	-	179
	253	369	16,902	27,474
Depreciation and amortisation of Non Current Assets				
Depreciation of property, plant and equipment (note 12)	3,318	3,733	187	198
Amortisation of intangible assets (note 14)	6,535	6,055	-	-
	9,853	9,788	187	198
Depreciation and amortisation attributable to				
Continuing operations	9,853	9,321	187	198
Discontinued operations	-	467	-	-
	9,853	9,788	187	198
Finance costs				
Interest on hire purchase liabilities	53	66	-	3
Interest on deferred acquisition consideration	194	404	-	-
Interest on commercial bills	1,315	1,487	1,315	1,487
Interest on bank loan	421	744	-	-
Interest on overdraft	195	-	193	-
Interest rate cap expense	229	-	229	-
Other interest	443	121	433	85
	2,850	2,822	2,170	1,575
Finance costs - attributable to				
Continuing operations	2,850	2,762	2,170	1,575
Discontinued operations	-	60	-	-
	2,850	2,822	2,170	1,575
Other expenses				
Commissions	974	1,425	-	-
Consultancy fees	1,257	2,026	306	305
Legal and professional expenses (i)	2,020	1,742	1,012	990
Foreign exchange (gain) / loss	(2,334)	407	(2,352)	266
Rent and premises costs	2,847	2,244	239	172
Travel and accommodation	3,840	3,450	780	514
Motor vehicle costs	1,629	1,374	85	100
Other expenses	7,947	5,771	1,281	2,127
	18,180	18,439	1,351	4,474

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

4 Profit from Operations (continued)

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Employee benefits expense				
Post-employment benefits:				
Defined contribution superannuation costs	1,399	807	375	204
Share based payments:				
Equity-settled share based payments	1,487	2,025	1,487	2,025
Other employee benefits	25,581	20,768	5,581	3,491
	28,467	23,600	7,443	5,720
Employee benefits expense attributable to				
Continuing operations	28,467	22,996	7,443	5,720
Discontinued operations	-	604	-	-
	28,467	23,600	7,443	5,720
Cost of sales	61,700	63,119	-	-
Cost of sales attributable to				
Continuing operations	61,700	59,589	-	-
Discontinued operations	-	3,530	-	-
	61,700	63,119	-	-
Movement in provision for doubtful debts	(68)	198	-	(71)
Movement attributable to				
Continuing operations	(68)	198	-	(71)
Discontinued operations	-	-	-	-
	(68)	198	-	(71)
Operating lease rental (minimum lease payments)	3,306	2,386	273	178
Operating lease rental expense attributable to				
Continuing operations	3,306	2,203	273	178
Discontinued operations	-	183	-	-
	3,306	2,386	273	178

5 Income Taxes

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
(a) Income tax recognised in the income statement				
Tax expense comprises:				
Current tax expense	6,740	15,483	371	2,736
Deferred tax expense relating to the origination and reversal of temporary differences	(552)	(1,690)	616	150
(Over)/under provision per prior year	(60)	(563)	70	(366)
Total tax expense	6,128	13,230	1,057	2,520
Attributable to:				
Continuing operations	6,128	10,804	1,057	2,520
Discontinued operations	-	2,426	-	-
	6,128	13,230	1,057	2,520

5 Income Taxes (continued)

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Prima facie income tax expense on pre-tax accounting profit from operations reconciles to income tax expense in the financial statements as follows:				
Profit from continuing operations	18,195	31,885	9,573	18,845
Profit from discontinued operations	-	13,347	-	-
Profit from operations	18,195	45,232	9,573	18,845
Income tax expense calculated at 30%	5,459	13,570	2,872	5,654
Intercompany dividends received	-	-	(2,250)	(1,014)
Non-deductible share based payments	446	986	446	986
Additional provincial tax arising in a foreign jurisdiction	201	230	-	-
Non-deductible interest on deferred payments	58	121	-	-
Other non-deductible and non-assessable items	(224)	480	(81)	214
Tax rate differential arising from foreign entities	223	(171)	-	-
Carry forward losses not brought to account	25	-	-	-
Capital losses utilised	-	(844)	-	(844)
Non-assessable income from sale of foreign subsidiary	-	(579)	-	(2,110)
(Over) / under provision of prior year income tax	(60)	(563)	70	(366)
	6,128	13,230	1,057	2,520

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	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
The following current and deferred amounts were charged directly to equity during the period:				
Deferred tax: Share issue expenses deductible over five years	(53)	(54)	(53)	(54)
Deferred tax: Translation of foreign operations	(223)	473	-	473
	(276)	419	(53)	419
(c) Current tax assets and liabilities				
Current tax payable	5,268	8,792	2,249	2,643
(d) Deferred tax balances				
Deferred tax assets comprise:				
Provisions	167	108	-	-
Inventory	862	-	-	-
Property, plant and equipment	2,114	2,571	-	-
Carry forward tax losses in subsidiary companies	776	-	-	-
Accruals	-	400	-	110
Foreign currency translation reserves	532	755	727	727
Share issue expenses	97	150	97	150
	4,548	3,984	824	987
Deferred tax liabilities comprise:				
Accruals	(111)	-	(62)	-
Property, plant and equipment	-	(4)	-	-
Intangible assets	(6,617)	(7,744)	-	-
Non-current assets classified as held for sale	(1,494)	(1,260)	(1,494)	(1,260)
	(8,222)	(9,008)	(1,556)	(1,260)
Net deferred tax balances	(3,674)	(5,024)	(732)	(273)
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	426	950	-	-

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	
	2009	2008	2009	2008
	$	$	$	$
Deloitte Touche Tohmatsu (Australia)				
Audit or review of the financial report	219,208	164,443	219,208	164,443
Taxation services - mainly compliance work, transfer pricing and global restructuring advice	229,184	287,356	229,184	287,356
Other non-audit services: Other consulting services	30,812	34,650	30,812	34,650
	479,204	486,449	479,204	486,449
Deloitte Touche Tohmatsu (overseas affiliates)				
Audit or review of the financial report	143,210	88,674	-	-
Taxation services - mainly compliance work, transfer pricing and global restructuring advice	11,166	3,391	-	-
Other non-audit services: Other consulting services	64,138	79,461	-	-
	218,514	171,526	-	-
Other auditors				
Audit or review of the financial report	69,335	178,438	-	-
Other non-audit services: Accounting assistance and taxation advice	448	112,315	-	-
	69,783	290,753	-	-
	767,501	948,728	479,204	486,449

7 Trade and Other Receivables

		Consolidated		Company	
		2009	2008	2009	2008
	Notes	$'000	$'000	$'000	$'000
Current					
Trade receivables	(i)	22,290	31,669	701	2,006
Allowance for doubtful debts	(ii)	(609)	(677)	-	-
		21,681	30,992	701	2,006
Other receivables		1,686	1,087	5,135	395
		23,367	32,079	5,836	2,401

(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	1,455	3,006	-	128
31 - 60 days past due	4,362	2,636	-	-
61 + days past due	1,454	879	701	1,138
	7,271	6,521	701	1,266

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	677	479	-	71
Amounts written off during the year	-	-	-	-
(Decrease)/Increase in allowance recognised in profit or loss	(68)	198	-	(71)
Balance at the end of the year	609	677	-	-

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	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Current				
Raw materials - at cost	4,052	3,383	-	-
Work in progress - at cost	1,527	797	-	-
Finished goods - at cost	20,956	17,536	-	-
	26,535	21,716	-	-

9 Other Financial Assets

		Consolidated		Company	
		2009	2008	2009	2008
	Notes	$'000	$'000	$'000	$'000
Current					
Derivatives at fair value					
Interest rate cap	(i)	-	229	-	229
Loans carried at amortised cost					
Loan to Sino Gas and Energy Holdings Limited	(ii)	12,340	13,008	12,340	13,008
		12,340	13,237	12,340	13,237
Non-Current					
Loans carried at amortised cost					
Loans to Subsidiaries	(iii)	-	-	62,230	60,382
Investments carried at cost					
Investments in Subsidiaries		-	-	12,542	10,640
		-	-	74,772	71,022

(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 32 for further disclosures around this and other financial instruments.

(ii) Comprises a loan from the Imdex Group to Sino Gas and Energy Holdings Ltd (SGE) in two tranches, one of A$5 million and one of US$5 million, both inclusive of capitalised interest and exclusive of amounts converted to equity in SGE. Interest of $1.9 million was recognised in the profit and loss in the current year (prior year $1.4 million). The funds advanced are secured by a fixed and floating charge over the assets of SGE. The loan bears interest at 13.5% per annum and is repayable on 30 June 2010. The loan carries the option for Imdex Limited to convert the loan balance into equity in SGE at market price. During the current year $3.63 million of capitalised interest was converted into shares in SGE at $0.50 per share.

(iii) Loans to Subsidiaries are repayable on demand. These loans carry no interest other than the loans to Samchem Drilling Fluids and Chemicals (Pty) Ltd, Imdex Sweden AB, Imdex South America S.A. and Suay Energy Services LLP. The loan to Samchem carries interest at the South African prime overdraft rate (currently 11%) plus a 2% margin. The loan to Imdex Sweden carries interest at the Stockholm Interbank Offered Rate (currently 0.65%) plus a margin of 0.3%. The loan to Imdex South America S.A. carries interest at the Chilean Monetary Policy Rate (currently 0.75%) plus a margin of 1%. The loan to Suay Energy Services LLP carries interest at the Kazakhstan prime overdraft rate (currently 8.5%) plus a margin of 2%.

10 Other Assets

	Consolidated		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Current				
Prepayments	1,507	1,200	22	20
	1,507	1,200	22	20

11 Non-Current Assets Classified as Held for Sale

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Shares held for sale	(i)	8,130	4,500	8,130	4,500

(i) Comprises 22,260,000 fully paid ordinary shares in Sino Gas and Energy Holdings Ltd (SGE) (2008: 15,000,000 shares). The investment comprises 19% of the issued share capital of SGE (2008: 13%). As a result of the loan to SGE described in note 9 and by virtue of controlling 19% of the issued share capital of SGE, the Company is deemed to have significant influence over SGE. 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.

The Company intends to realise the value of this investment through sale via broker before 30 June 2010 subject to any escrow arrangements.

The investment increased by $3.6 million in the current year due to the capitalisation of interest on the loan described in note 9 at $0.50 per share.

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 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
Additions	4,633	1,418	491	1,199	7,741
Acquisitions through business combinations	266	-	-	-	266
Disposals	(2,953)	(4,506)	-	-	(7,459)
Net foreign currency exchange differences	267	1,129	4	23	1,423
Transfer	1,062	(283)	(23)	(756)	-
Balance at 30 June 2009	10,283	6,012	492	990	17,777
Accumulated Depreciation					
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
Disposals	(1,295)	(3,965)	-	-	(5,260)
Acquisitions through business combinations	-	-	-	-	-
Depreciation expense	1,580	1,613	125	-	3,318
Net foreign currency exchange differences	71	199	2	-	272
Transfer	97	(81)	(16)	-	-
Balance at 30 June 2009	3,434	3,437	125	-	6,996
Net Book Value					
As at 30 June 2008	4,027	2,583	6	524	7,140
As at 30 June 2009	6,849	2,575	367	990	10,781

12 Property, Plant and Equipment (continued)

Company	Plant and Equipment at cost	Equipment Rented to Third Parties at cost	Equipment under Hire Purchase at cost	Capital Works in Progress at cost	**TOTAL**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Gross Carrying Value					
Balance at 30 June 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
Additions	207	-	-	29	236
Disposals	(488)	-	-	-	(488)
Balance at 30 June 2009	1,010	-	-	29	1,039
Accumulated Depreciation					
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
Disposals	(458)	-	-	-	(458)
Depreciation expense	187	-	-	-	187
Balance at 30 June 2009	498	-	-	-	498
Net Book Value					
As at 30 June 2008	522	-	-	-	522
As at 30 June 2009	512	-	-	29	541

	Consolidated		**Company**	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:				
Plant and equipment	1,580	1,397	187	198
Plant and equipment rented to third parties	1,613	2,241	-	-
Equipment under hire purchase	125	95	-	-
	3,318	3,733	187	198

13 Goodwill

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Gross Carrying Amount					
Balance at beginning of the financial year		52,626	35,033	-	-
Recognised on acquisition of Wildcat Chemicals Australia Pty Ltd	(i)	1,501	-	-	-
Recognised on acquisition of Imdex Technology Sweden AB (formerly Flexit AB)	19(i)	1,900	-	-	-
Recognised on acquisition of Suay Energy Services LLP	(ii)	-	1,266	-	-
Recognised on acquisition of Poly-Drill Drilling Systems Ltd	(iii)	-	3,369	-	-
Recognised on acquisition of Southernland S.A.	(iv)	-	2,413	-	-
Recognised on acquisition of Imdex Technology Germany GmbH (ITG) (formerly System Entwicklungs GmbH)	(v)	-	10,499	-	-
Effect of foreign exchange movements		(759)	46	-	-
Balance at end of the financial year		55,268	52,626	-	-
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		52,626	35,033	-	-
At the end of the financial year		55,268	52,626	-	-

Goodwill is allocated to cash-generating units as follows:

	2009 $'000	2008 $'000
Samchem	1,568	1,324
Wildcat	1,501	-
Suay Energy Services	1,266	1,266
Poly-Drill Drilling Systems	3,369	3,369
Southernland	2,537	2,413
Reflex / Imdex Technology UK	21,397	22,613
Flexit / ITG	23,630	21,641
	55,268	52,626

(i) Goodwill arose during the year on the acquisition of Wildcat Chemicals Australia Pty Ltd (Wildcat) by Imdex Limited effective 1 September 2008. (Refer note 27(a)). Wildcat is considered to be a separate cash generating unit since it operates independently from other Imdex operations in a separate geographical area being the Queensland area and in a separate market, being the manufacture of production and completion chemicals for oilfield operations. The recoverable amount of this goodwill has been determined based on a value in use calculation which uses a 5 year discounted cash flow projection based on the 2010 budget plus a terminal value. The projection assumes minor growth in the business beyond 2010. A discount rate of 10%, being the Imdex Group weighted average cost of capital has been used. Management believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

(ii) Goodwill arose during the prior 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 27(d) and 27(e). 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.

(iii) Goodwill arose during the prior year on the acquisition of Poly-Drill Drilling Systems Ltd (Poly-Drill) by Imdex Limited effective 1 July 2007. Refer note 27(c). 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.

(iv) Goodwill arose during the prior 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 27(f). 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.

13 Goodwill (continued)

(v) Goodwill arose during the prior year on the acquisition of 100% of the issued share capital of Imdex Technology Germany GmbH (ITG) (formerly System Entwicklungs GmbH) (refer note 27(b)). ITG and Imdex Technology Sweden AB (ITS) (formerly Flexit AB), a Swedish entity acquired in the FY07 financial year, 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.

(vi) The recoverable amount of goodwill has been determined based on a value in use calculation which uses a 5 year discounted cash flow projection based on the 2010 budget plus a terminal value. The projection assumes conservative additional growth in cash generating units beyond 2010. 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:

<table>
<tr><th></th><th>Budgeted sales growth</th><th>Discount Rate</th><th>Budgeted net margins</th><th>Exchange rate fluctuations</th></tr>
<tr><td>Samchem CGU</td><td>Sales growth has been budgeted in line with the expected activity in the local industries serviced by Samchem.</td><td>18%</td><td>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.</td><td rowspan="7">Exchange rate fluctuation expectations have been built into the budget numbers based on forecasted exchange rates published by major lending institutions.</td></tr>
<tr><td>Wildcat CGU</td><td>Sales growth has been budgeted in line with the expected activity in the local oil & gas industries serviced by Wildcat and potential new on and offshore opportunities, some of which have been brought about by the integration into the broader Imdex Group.</td><td>10%</td><td>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.</td></tr>
<tr><td>Suay CGU</td><td>Sales growth has been budgeted in line with the expected activity in the local industries serviced by Suay.</td><td>15.5%</td><td>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.</td></tr>
<tr><td>Poly-Drill CGU</td><td>Sales growth has been budgeted in line with the expected activity in the local industries serviced by Poly-Drill as well as growth expected to arise from the global alliances.</td><td>7.25%</td><td>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.</td></tr>
<tr><td>Southernland CGU</td><td>Sales growth has been budgeted in line with the expected activity in the local industries serviced by Southernland as well as growth expected to arise from the global alliances.</td><td>7.75%</td><td>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.</td></tr>
<tr><td>Reflex / ITU CGU</td><td>Sales growth has been budgeted based on the expected activity levels in the global minerals down hole tool market plus an increment for the market share expected to be gained.</td><td>10%</td><td>Net margins have been budgeted using the prior year actuals as a base. In addition an increase is expected to arise from the business model trend away from sales towards rentals.</td></tr>
<tr><td>Flexit / ITG CGU</td><td>Sales growth has been budgeted based on the expected activity levels in the global oil & gas down hole tool market plus an increment for the market share expected to be gained.</td><td>10%</td><td>Net margins have been budgeted using the prior year actuals as a base. In addition an increase is expected to arise from the business model trend away from sales towards rentals.</td></tr>
</table>

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 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
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
Capitalised during the year	-	-	-	-	-	3,650	-	3,650
Impact of exchange rate changes	-	169	(337)	-	(772)	-	(351)	(1,291)
Balance at 30 June 2009	761	2,586	14,412	1,315	11,621	4,079	4,210	38,984
Accumulated Amortisation and Impairment								
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
Amortisation expense	152	151	2,398	530	2,255	86	963	6,535
Impact of exchange rate changes	-	-	(156)	-	(464)	-	(182)	(802)
Impairment losses	-	-	-	-	-	-	-	-
Balance at 30 June 2009	329	226	6,074	1,138	5,092	172	2,038	15,069
Net Book Value								
As at 30 June 2008	584	2,342	10,917	707	9,092	343	3,304	27,289
As at 30 June 2009	432	2,360	8,338	177	6,529	3,907	2,172	23,915
Company								
Gross Carrying Value								
Balance at 30 June 2007	-	-	-	-	-	429	-	429
Transferred to subsidiary entity	-	-	-	-	-	(429)	-	(429)
Balance at 30 June 2008	-	-	-	-	-	-	-	-
Transferred to subsidiary entity	-	-	-	-	-	-	-	-
Balance at 30 June 2009	-	-	-	-	-	-	-	-
Accumulated Amortisation and Impairment								
Balance at 30 June 2007	-	-	-	-	-	-	-	-
Amortisation expense	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Balance at 30 June 2008	-	-	-	-	-	-	-	-
Amortisation expense	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Balance at 30 June 2009	-	-	-	-	-	-	-	-
Net Book Value								
As at 30 June 2008	-	-	-	-	-	-	-	-
As at 30 June 2009	-	-	-	-	-	-	-	-

14 Other Intangible Assets (continued)

Intellectual Property

The net book value of Intellectual Property of $2.4 million is comprised of Intellectual Property in Samchem Drilling Fluids & Chemicals (Pty) Ltd (Samchem) of $1.1 million and Intellectual Property in Imdex Technology Germany GmbH (ITG) (formerly System Entwicklungs GmbH) of $1.3 million.

The Intellectual Property of Samchem 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. This portion of the Intellectual Property is therefore subjected to annual impairment testing.

The recoverable amount of the Samchem Intellectual Property has been determined based on a value in use calculation which uses a 5 year discounted cash flow projection based on the 2010 budget plus a terminal value. The projection assumes no additional growth in the business beyond 2010. A discount rate of 18% 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	
		2009	**2008**	**2009**	**2008**
	Notes	**$'000**	**$'000**	**$'000**	**$'000**
Trade payables	(i)	7,921	9,836	179	207
Accruals and other payables		4,122	5,252	987	826
Due to the vendors of Imdex Technology Germany GmbH (formerly System Entwicklungs GmbH)	27(b)	726	656	-	-
Due to the vendors of Suay Energy Services LLP	27(e)	-	778	-	778
		12,769	16,522	1,166	1,811

(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	
		2009	**2008**	**2009**	**2008**
	Notes	**$'000**	**$'000**	**$'000**	**$'000**
Current borrowings					
Secured					
At amortised cost					
Commercial bill	(i)	10,000	9,000	10,000	9,000
Bank loan	(ii)	3,029	4,016	-	-
Hire purchase liabilities	(iii) 25	485	-	-	-
		13,514	13,016	10,000	9,000
Non-current borrowings					
Secured					
At amortised cost					
Commercial bills	(i)	11,500	8,000	11,500	8,000
Bank loan	(ii)	5,354	9,132	-	-
Hire purchase liabilities	(iii) 25	1,179	-	-	-
		18,033	17,132	11,500	8,000

16 Borrowings (continued)

(i) Commercial bills bear interest at 3.34% 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. Refer note 32(g) for further details. Bills totalling $7 million are repayable on demand. The balance of bills amounting to $14.5 million are repayable in quarterly instalments due at the end of each calendar quarter. There are 19 instalments of $750,000 each and one final instalment on 30 June 2014 of $250,000. Bills are secured by a Mortgage Debenture over all the assets and liabilities of Imdex Limited, Australian Mud Company Pty Ltd, Reflex Instruments Asia Pacific Pty Ltd, Imdex International Pty Ltd, Imdex Technology UK Limited, Imdex Technology Australia Pty Ltd, Wildcat Chemicals Australia Pty Ltd, Samchem Drilling Fluids and Chemicals (Pty) Ltd, Imdex Sweden AB, Imdex Technology Sweden AB and Reflex Instrument Sweden AB. This Mortgage Debenture excludes assets held under hire purchase arrangements.

(ii) Comprises of a loan of SEK 52,525,000 bearing interest at the 7 day Stockholm Interbank Offered Rate ('STIBOR'), currently 0.65% plus a weighted average margin of 2.62% per annum. The loan is repayable in quarterly instalments at the end of each calendar quarter as follows: one instalment of SEK 5,775,000 in September 2009; then 8 quarterly instalments of SEK 4,400,000 each until September 2011, followed by 7 instalments of SEK 1,650,000 each until June 2013. This loan is secured over the assets of the Reflex and Flexit companies that are domiciled in Sweden and is guaranteed with a Standby Letter of Credit. The fee for this guarantee is 1.75% of the balance of the loan.

(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 was 7.9% (2008: 7.6%).

17 Provisions

		Consolidated		Company	
		2009	2008	2009	2008
	Notes	$'000	$'000	$'000	$'000
Current provisions					
Employee entitlements	(i)	1,317	972	422	245
Non-current provisions					
Employee entitlements		553	558	310	128

(i) The majority of these entitlements are expected to be taken during the coming year. (2008: same)

18 Other Liabilities

		Consolidated		Company	
		2009	2008	2009	2008
	Notes	$'000	$'000	$'000	$'000
Other Current Liabilities					
Unsecured					
At amortised cost					
Deferred acquisition payments	(i) 35	2,492	2,687	-	-
		2,492	2,687	-	-
Other Non-Current Liabilities					
Unsecured					
At amortised cost					
Deferred acquisition payments	(i)	-	2,717	-	-
		-	2,717	-	-

(i) Deferred acquisition payments are those portions of the purchase price of Imdex Technology UK Ltd that are due in future periods. Instalments are due as follows: GBP 1.045m due on 31 July 2009 and GBP 1.09m due on 31 July 2008 (paid). In addition a revenue based earn-out may also become payable. The additional revenue based earn-out has been estimated by management as being nil. The cash components of these deferred amounts have been discounted to their present values using an interest rate of 8% per annum.

19 Contributed Capital

		Consolidated		Company	
		2009	2008	2009	2008
	Notes	$'000	$'000	$'000	$'000
Issued and Paid Up Capital - Fully paid ordinary shares	(i)	67,136	58,183	67,136	58,183
Mandatory convertible capital	(ii)	-	6,700	-	6,700
		67,136	64,883	67,136	64,883

(i) Fully paid ordinary shares carry one vote per share and the right to dividends.
(ii) Converted into fully paid ordinary shares on 11 May 2009. See Conversion of Capital paragraph below.

		Consolidated and Company			
		2009		2008	
	Notes	Number	$'000	Number	$'000
Ordinary shares					
Balance at beginning of the financial year		183,490,932	58,183	179,949,003	54,282
Issue of shares as part consideration for the acquisition of Poly-Drill	27(c)	-	-	1,212,751	1,750
Issue of shares as part consideration for the acquisition of Southernland	27(f)	-	-	723,679	1,387
Issue of shares as part consideration for the acquisition of Suay	27(e)	168,530	278	-	-
Conversion of capital	(i)	5,000,000	6,700	-	-
Issue of shares as part consideration for the acquisition of Imdex Technology Sweden AB (formerly Flexit AB)	(i)	5,000,000	1,900	-	-
Tax effect of share issue costs		-	(54)	-	(113)
Issue of shares under staff option plan	(ii)	149,331	129	1,605,499	877
Closing balance at end of the financial year		193,808,793	67,136	183,490,932	58,183

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.

(i) Conversion of capital and issue of shares to acquire Imdex Technology Sweden AB (formerly Flexit AB)

On 11 May 2009 a total of 10,000,000 Imdex Limited fully paid ordinary shares were issued to the previous owners of Imdex Technology Sweden AB (formerly Flexit AB). These shares were issued pursuant to the original purchase agreement effective 1 May 2007 as modified by a Deed of Variation dated 13 February 2009. The original agreement provided for the conversion of 5,000,000 fully paid Imdex Limited shares in May 2009, the fair value of which at the time of signing the agreement on 1 May 2007 was $6.7 million. The Deed of Variation provided for the issue of 5,000,000 additional fully paid Imdex Limited shares at May 2009, the fair value of which at the time of signing the agreement on 13 February 2009 was $1.9 million. An additional cash payment may become payable by Imdex Limited on 1 May 2012 should the Imdex Limited share price not have reached $1.00 per share at any time between 11 May 2009 and 1 May 2012. The payment will be calculated as the difference between $1 and the Imdex Limited share price on 1 May 2012 multiplied by 10,000,000. At 30 June 2009 it is estimated that the liability at 1 May 2012 will be nil. The market price of Imdex Limited ordinary shares at the date of the issue of the 10,000,000 shares was $0.5

(ii) Share options granted under the staff option plan

No options were granted under the staff option plan in the current year.

In accordance with the provisions of the staff option plan, as at 30 June 2009, executives, directors and staff have options over 15,580,539 ordinary shares (10,468,862 of which had vested), in aggregate. These options expire over a range of dates up to March 2013. 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. 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 34.

20 Reserves

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Foreign Currency Translation Reserve					
Balance at beginning of the financial year		(4,863)	(2,137)	-	-
Translation of foreign operations after taxation		758	(2,726)	-	-
Balance at the end of the financial year		(4,105)	(4,863)	-	-

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

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Employee Equity-Settled Benefits Reserve					
Balance at beginning of the financial year		2,573	751	2,573	751
Options expensed after taxation	4	1,487	2,025	1,487	2,025
Options exercised during the financial year		(36)	(203)	(36)	(203)
Balance at the end of the financial year		4,024	2,573	4,024	2,573

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 34.

21 Earnings Per Share

	Consolidated 2009 Cents per share	Consolidated 2008 Cents per share
Basic earnings per share		
From continuing operations	6.37	11.22
From discontinued operations	-	5.82
Total basic earnings per share	6.37	17.04
Diluted earnings per share		
From continuing operations	6.23	10.79
From discontinued operations	-	5.59
Total diluted earnings per share	6.23	16.38

(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)	12,067	31,966
Earnings from continuing operations (i)	12,067	21,045

	Shares	Shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	189,479,588	187,578,226

(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	12,067	31,966
Earnings used in the calculation of basic EPS	12,067	31,966
Adjustments to exclude profit for the period from discontinued operations	-	(10,921)
Earnings used in the calculation of basic EPS from continuing operations	12,067	21,045

21 Earnings Per Share (continued)

	Consolidated 2009	2008
(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:	**$'000s**	**$'000s**
Earnings (ii)	12,067	31,966
Earnings from continuing operations (ii)	12,067	21,045
	Shares	**Shares**
Weighted average number of ordinary shares for the purposes of diluted earnings per share (iii)	193,625,987	195,112,068
(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:	**$'000s**	**$'000s**
Net profit	12,067	31,966
Earnings used in the calculation of diluted EPS	12,067	31,966
Adjustments to exclude profit for the period from discontinued operations	-	(10,921)
Earnings used in the calculation of diluted EPS from continuing operations	12,067	21,045
(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:	**Shares**	**Shares**
Weighted average number of ordinary shares used in the calculation of basic EPS	189,479,588	187,578,226
Shares deemed to be issued for no consideration in respect of employee and Director options	4,146,399	7,533,842
Weighted average number of ordinary shares used in the calculation of diluted EPS	193,625,987	195,112,068
(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:	**Shares**	**Shares**
Chairman's options	1,000,000	-
Employees share options tranche 3	700,000	-
Employees share options tranche 4	3,242,668	-
Employees share options tranche 5	625,000	625,000
Employees share options tranche 6	500,000	500,000
Employees share options tranche 7	4,655,000	4,815,000
	10,722,668	5,940,000

22 Dividends

	Notes	2009 Cents per share	2009 Total $'000	2008 Cents per share	2008 Total $'000
Recognised amounts					
Fully paid ordinary shares - interim dividend franked to 30%	(i)	1.00	1,839	1.75	3,212
Fully paid ordinary shares - final dividend franked to 30%	(ii)	2.25	4,135	1.50	2,722
		3.25	5,974	3.25	5,934
Unrecognised amounts					
Fully paid ordinary shares - final dividend franked to 30%		-	-	2.25	4,129

(i) The interim, fully franked dividend was paid on 24 March 2009 (2008: 25 March 2008). The record date for determining the entitlement to the interim dividend was 6 March 2009 (2008: 7 March 2008). There are no dividend reinvestment plans in operation.

(ii) The final, fully franked dividend was paid on 31 October 2008 (2008: 2 November 2007). The record date for determining the entitlement to the final dividend was 17 October 2008 (2008: 15 October 2007). There are no dividend reinvestment plans in operation.

	Consolidated 2009 $'000	Consolidated 2008 $'000
Adjusted franking account balance	19,652	13,521
Impact on franking account of dividends not recognised	-	(1,770)
Income tax consequences of unrecognised dividends	-	-

23 Commitments for Expenditure

(a) Capital expenditure commitments

At 30 June 2009 the Group had a capital expenditure commitments amounting to $3,344,000. This comprised $3,186,000 for gyro purchases in ITG and software and sundry software and equipment purchase commitments amounting to $158,000. The Company had capital expenditure commitments of $118,000 relating to software purchases.

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 ITG. The Company had no capital expenditure commitments.

(b) Lease commitment

Hire purchase liabilities and non-cancellable operating lease commitments are disclosed in note 25.

24 Contingent Liabilities and Contingent Assets

There are no contingent liabilities or contingent assets in the current or prior years.

25 Leases

(a) Hire Purchases

Hire purchase arrangements

Hire purchase arrangements relate to plant and equipment with terms of up to 4 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	
	2009	2008	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Hire purchase commitments								
Hire purchase commitments are payable as follows.								
Due:								
Within one year	607	-	-	-	485	-	-	-
Between one and five years	1,279	-	-	-	1,179	-	-	-
Later than five years	-	-	-	-	-	-	-	-
Minimum lease payments	1,886	-	-	-	1,664	-	-	-
Less: future finance charges	(222)	-	-	-	-	-	-	-
	1,664	-	-	-	1,664	-	-	-
Hire purchase liabilities provided for in the Financial Report								
Current – Note 16					485	-	-	-
Non current – Note 16					1,179	-	-	-
					1,664	-	-	-

(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	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Non-cancellable operating lease payments				
Within one year	2,662	1,838	424	162
Between one and five years	3,661	3,785	221	365
Later than five years	190	1,139	-	-
	6,513	6,762	645	527

26 Subsidiaries

	Notes	Country of Incorporation	Ownership Interest 2009 %	2008 %
Parent Entity				
Imdex Limited	(i), (ii), (iii)	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)	Australia	100	100
Imdex Sweden AB		Sweden	100	100
Reflex Instruments Asia Pacific Pty Ltd	(ii), (iii)	Australia	100	100
Imdex Technology UK Ltd (formerly Chardec Technology Ltd)		United Kingdom	100	100
Reflex Instrument AB		Sweden	100	100
Reflex Instrument North America		Canada	100	100
Reflex Instrument South America Ltda		Chile	100	100
Reflex Instruments Europe Ltd		United Kingdom	100	100
Drillhole Surveying Instruments (Pty) Ltd		South Africa	100	100
Imdex Technology Sweden AB (formerly Flexit AB)		Sweden	100	100
Flexit Australia Pty Ltd	(ii)	Australia	100	100
Suay Energy Services LLP	27(d) (e)	Kazakhstan	100	100
Poly-Drill Drilling Systems Ltd	27(c)	Canada	100	100
Imdex South America S.A.	27(f)	Chile	100	100
Southernland S.A.	27(f)	Chile	100	100
Wildcat Chemicals Australia Pty Ltd	(ii), 27(a)	Australia	100	-
Imdex Technology Australia Pty Ltd	(ii), (iv)	Australia	100	-
Flexit Americas Inc	(iv)	United States of America	100	-
AMC Reflex Argentina S.A.	(v)	Argentina	100	-
AMC Reflex Peru S.A.C.	(v)	Peru	100	-
Imdex Technology Germany GmbH (formerly System Entwicklungs GmbH)	27(b)	Germany	100	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 Australian tax consolidated group.
(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.
(iv) These entities were incorporated on 26 September 2008.
(v) These entities were incorporated on 10 February 2009.

26 Subsidiaries (continued)

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

Income Statement	**2009 $'000**	**2008 $'000**
Revenue from sale of goods and operating lease rental	86,339	91,161
Other revenue from operations	3,822	3,356
Total revenue	90,161	94,517
Other income	6,633	9,615
Raw materials and consumables used	(46,168)	(42,784)
Employee benefit expenses	(15,629)	(11,888)
Depreciation and amortisation expense	(3,851)	(3,243)
Finance costs	(2,241)	(1,998)
Commissions	(115)	(1,259)
Consultancy fees	(318)	(1,834)
Legal and professional expenses	(1,068)	(1,330)
Rent and premises costs	(1,434)	(1,242)
Travel and accommodation	(2,047)	(2,012)
Motor vehicle costs	(808)	(655)
Foreign exchange gain/(loss)	(46)	(1,018)
Other expenses	(1,056)	(10,320)
Profit before income tax expense	22,013	24,549
Income tax expense	(7,324)	(9,127)
Profit for the year from continuing operations	14,689	15,422
Profit for the year from discontinued operations	-	15,855
Profit for the year	14,689	31,277

26 Subsidiaries (continued)

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

Balance Sheet	**2009 $'000**	**2008 $'000**
Current Assets		
Cash and Cash Equivalents	12,019	7,341
Trade and Other Receivables	26,190	31,946
Inventories	13,507	14,214
Other Financial Assets	20,470	51,243
Other	281	30
Total Current Assets	72,467	104,774
Non Current Assets		
Other Financial Assets	84,757	40,752
Property, Plant and Equipment	6,263	7,216
Other Intangible Assets	1,306	1,543
Deferred Tax Asset	-	130
Total Non Current Assets	92,326	49,641
Total Assets	164,793	154,415
Current Liabilities		
Trade and Other Payables	10,566	10,293
Borrowings	10,000	11,687
Current Tax Payables	6,530	8,071
Provisions	1,182	800
Other Current Liabilities	2,492	2,687
Total Current Liabilities	30,770	33,538
Non Current Liabilities		
Borrowings	11,500	8,000
Deferred Tax Liabilities	492	-
Provisions	310	558
Other Non-Current Liabilities	-	2,717
Total Non Current Liabilities	12,302	11,275
Total Liabilities	43,072	44,813
Net Assets	121,721	109,602
Equity		
Contributed Capital	66,836	64,883
Employee Equity-Settled Benefits Reserve	4,024	2,573
Retained Profits *	50,861	42,146
Total Equity	121,721	109,602
* Retained Profit at the beginning of the financial year	42,146	16,803
Net Profit	14,689	31,277
Dividend provided for or paid	(5,974)	(5,934)
Retained Profit at the end of the financial year	50,861	42,146

27 Acquisition of Businesses

(a) Acquisition of entity - Wildcat Chemicals Australia Pty Ltd

With effect from 1 September 2008, Imdex Limited, acquired 100% of the issued share capital of Wildcat Chemicals Australia Pty Ltd (Wildcat), a company incorporated in Australia and operating out of premises north of Brisbane. Wildcat manufacture production and completion chemicals for the oil and gas industry. 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		427	-	427
Inventory		393	-	393
Property, plant and equipment		266	-	266
Trade and other payables		(685)	-	(685)
Fair value of net identifiable assets acquired		401	-	401
Goodwill on acquisition	(i)			1,501
Total purchase consideration				1,902
Total purchase consideration comprises				
Consideration in cash and cash equivalents				1,843
Less: Cash and cash equivalents acquired				-
Direct costs relating to the acquisition				59
	(ii)			1,902

	Results since acquisition $'000
Operating results of Wildcat included in the Consolidated Income Statement of Imdex Limited from acquisition on 1 September 2008 to 30 June 2009:	
Revenue	3,267
Total expenses	(3,045)
Profit after tax for the period	222

(i) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire Wildcat. 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 Wildcat. 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. No identifiable intangibles were present in this acquisition.

(ii) The Consolidated Cash Flow Statement for the year ended 30 June 2009 records the payment for the acquisition of Wildcat as $1.9 million being the total consideration including on-costs that was paid in cash in the current year.

(iii) Had the acquisition of Wildcat been effected on 1 July 2008, the beginning of the current year, the Wildcat financial results included in the Imdex consolidated results would have been revenue of approximately $3.9 million and profit of approximately $0.3 million. The results of Wildcat are included in the Drilling Fluids and Chemicals segment. The Board considers these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

27 Acquisition of Businesses (continued)

(b) Acquisition of entity - Imdex Technology Germany GmbH (formerly System Entwicklungs GmbH)

With effect from 1 January 2008, Imdex Limited, acquired 100% of the issued share capital of Imdex Technology Germany GmbH (ITG) (formerly System Entwicklungs GmbH), a company incorporated in Germany. ITG 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	(v)	(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 ITG 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 ITG. 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 ITG. 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 ITG 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.

(iv) Had the acquisition of ITG been effected on 1 July 2007, the beginning of the prior financial year and assuming all units were sold and none rented, the ITG 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 ITG 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.

(v) Included in Trade and Other Payables above is an amount due to the vendors of ITG of EUR 0.4 million (A$0.7 million) at 30 June 2009.

27 Acquisition of Businesses (continued)

(c) 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				3,001
Total purchase consideration comprises				
Consideration in cash and cash equivalents				1,849
Less: Cash and cash equivalents acquired				(673)
Issue of ordinary shares	(ii), 19			1,750
Direct costs relating to the acquisition				75
	(iii)			3,001

	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	(2,422)
Profit after tax for the period	305

(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 previous year.

27 Acquisition of Businesses (continued)

(d) 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 previous year.

27 Acquisition of Businesses (continued)

(e) 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 27(d). 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**
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				29
	(iii)			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 purchase consideration of $0.8 million was paid on 1 July 2008 and is shown in the Consolidated Cash Flow Statement for the year ended 30 June 2009.

27 Acquisition of Businesses (continued)

(f) 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), 19			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 were 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.

(g) Acquisition of entity - Imdex Technology UK Ltd (formerly Chardec Consultants Ltd)

On 31 July 2008 the second of three deferred acquisition payments and earn out, being GBP 1.5 million ($3.1 million), was paid. The first deferred acquisition payment of GBP 2.2 million ($5.1 million) was paid on 31 July 2007. The third and final payment of GBP 1 million is due on 31 July 2009. Refer note 35 for details of payment made post year end.

28 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 that 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

	2009 $'000	2008 $'000
Drilling Fluids and Chemicals	91,687	85,711
Down Hole Instrumentation	45,281	56,298
Total of all segments	136,968	142,009
Unallocated	2,024	1,900
Total revenue - continuing operations	138,992	143,909
Discontinued operation - Surtron (note 29)	-	6,584
Total revenue - all operations	138,992	150,493

(b) Segment Results

	2009 $'000	2008 $'000
Continuing operations		
Drilling Fluids and Chemicals	10,315	13,981
Down Hole Instrumentation	8,731	21,221
Total of all segments	19,046	35,202
Eliminations	-	-
Unallocated	(850)	(3,317)
Profit before tax	18,195	31,885
Income tax expense	(6,128)	(10,804)
Profit for the year from continuing operations	12,067	21,081
Discontinued operations		
Drilling Fluids and Chemicals	-	-
Down Hole Instrumentation	-	13,347
Total of all segments	-	13,347
Eliminations	-	-
Unallocated	-	-
Profit before tax	-	13,347
Income tax expense	-	(2,426)
Profit for the year from discontinued operations	-	10,921
Profit attributable to ordinary equity holders of Imdex Limited	12,067	32,002

28 Segment Information (continued)

(c) Segment Assets and Liabilities

	Assets		Liabilities	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Drilling Fluids and Chemicals	62,999	54,194	7,941	12,895
Down Hole Instrumentation	90,349	101,361	15,640	18,973
Total of all segments	153,348	155,555	23,581	31,868
Unallocated	20,470	17,508	34,039	35,552
Consolidated	173,818	173,063	57,620	67,420

(d) Other segment information

	Drilling Fluids and Chemicals		Down Hole Instrumentation		Unallocated		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Depreciation	836	229	2,295	3,306	187	198	3,318	3,733
Amortisation	-	-	6,535	6,055	-	-	6,535	6,055
Acquisition of segment assets	3,226	1,408	4,279	3,768	236	42	7,741	5,218
Significant non cash expenses other than depreciation and amortisation	1,041	1,418	446	608	194	404	1,681	2,430

Secondary Reporting: Geographical Segments

	Revenue from external customers		Segment assets		Acquisition of segment assets	
	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000
Asia Pacific	77,659	83,485	101,675	112,298	2,934	1,405
Europe	8,185	8,207	49,439	42,380	2,033	862
Africa	23,209	28,710	8,287	10,615	1,084	1,729
Americas	29,939	30,091	14,417	7,770	1,690	1,222
Total	138,992	150,493	173,818	173,063	7,741	5,218

29 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
Profit from discontinued operations	
Revenue	6,584
Expenses	(5,376)
Profit before income tax	1,208
Income tax expense	(207)
Profit after income tax of discontinued operations	1,001
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
Cash flows from discontinued operations	
Net cash (outflow)/inflow from ordinary activities	(1,737)
Net cash inflow from investing activities (including the proceeds from the sale of the entities)	20,002
Net cash inflow from financing activities	1,121
	19,386

The assets and liabilities of Surtron at the date of disposal were as follows:	Consolidated 31 Oct 2007 $'000
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
Consideration received:	
Cash received	20,002
Carrying amount of net assets sold (net of intercompany balances)	(7,734)
Costs of disposal	(129)
Gain on sale before income tax	12,139
Income tax expense	(2,219)
Gain on sale after income tax	9,920

30 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 26. 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 33.

(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

2009	Balance at 1 July 2008	Granted as compensation	Received on exercise of options	Inception as key management person	Net other change ^	Balance at 30 June 2009	Balance held nominally
	No.	No.	No.	No.	No.	No.	No.
Mr I F Burston	343,786	-	-	-	50,000	393,786	-
Mr B W Ridgeway	3,500,000	-	-	-	-	3,500,000	-
Mr R W Kelly	290,000	-	-	-	90,000	380,000	-
Mr K A Dundo	300,000	-	-	-	-	300,000	-
Mr M Lemmel	447,347	-	-	-	351,920	799,267	-
Mr G E Weston	-	-	-	-	-	-	-
Mr D J Loughlin	-	-	-	-	-	-	-
Mr P J Mander *	-	-	-	-	-	-	-
Mr P A Evans	10,000	-	-	-	35,000	45,000	-
	4,891,133	-	-	-	526,920	5,418,053	-

* - Mr P J Mander became a Key Management Person when he was appointed to the position of General Manager: Fluids and Chemicals (Minerals) Division on 1 September 2008. Disclosures above relate only to the period when in office.
^ - represent on market transactions

2008	Balance at 1 July 2007	Granted as compensation	Received on exercise of options	Cession 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	-

^ - represent on market transactions

30 Related Party Disclosures (continued)

(iv) Share options issued by Imdex Limited

2009	Balance at 1 July 2008	Granted as compensation	Exercised	Inception as key management person	Balance at 30 June 2009	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	-	1,000,000	1,000,000
Mr B W Ridgeway	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	-	-	-	2,500,000	-	2,166,666	500,000
Mr D J Loughlin	500,000	-	-	-	500,000	-	333,333	166,667
Mr P J Mander *	-	-	-	150,000	150,000	-	50,000	50,000
Mr P A Evans	500,000	-	-	-	500,000	-	266,667	166,667
	6,500,000	-	-	150,000	6,650,000	-	5,816,666	1,883,334

* - Mr P J Mander became a Key Management Person when he was appointed to the position of General Manager: Fluids and Chemicals (Minerals) Division on 1 September 2008. Disclosures above relate only to the period when in office.

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

No options were granted to key management personnel in the current year. Options granted to G E Weston and P A Evans during the prior financial year were made in accordance with the Staff Option Plan, as further described in note 34. 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 prior year. The exercise price was 20c per share. No amounts remain unpaid on the options exercised.

30 Related Party Disclosures (continued)

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

(a) 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 $251,081 (2008: $216,202)

(b) Transactions with Directors

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
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:					
Legal services expense	v(a)	193,865	134,314	193,865	134,314
Total assets arising from transactions, other than compensation, with Directors or their related entities:					
Goodwill and intercompany loans (parent: acquisition costs)	v(a)	57,216	81,888	57,216	81,888
Total assets and liabilities arising from transactions, other than compensation, with Directors or their related entities:					
Current Liabilities	v(a)	41,420	3,573	41,420	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 $9,361,401 (2008: $6,671,293) 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.

31 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	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash and cash equivalents	11,975	13,276	1,455	869
Bank overdraft	-	-	-	-
	11,975	13,276	1,455	869

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 $11,975,244 (2008: $13,275,763)

(b) Non cash financing and investing activities

During the year the Group acquired equipment under a finance lease of $1.8 million (2008: $0.7 million). This equipment acquisition will be reflected in the 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	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Profit for the year	12,067	32,002	8,516	16,325
Adjustments for non-cash and non-operational items				
Depreciation of non-current assets	3,318	3,733	187	198
Amortisation of intangible assets	6,535	6,055	-	-
Non-cash interest on deferred payments	194	404	-	-
Interest earned on intercompany accounts	-	-	(1,861)	(1,678)
Dividends received disclosed as investing activities	-	-	(7,500)	(3,378)
Interest received disclosed as investing activities	(119)	(451)	(56)	(212)
Share options expensed	1,487	2,025	1,487	2,025
Loss / (profit) on sale of non-current assets	86	(91)	(41)	-
Interest on hire purchase liabilities	53	66	-	3
Fair value adjustment on interest rate cap	229	10	229	10
Profit on sale of Surtron before tax	-	(12,139)	-	(17,245)
Changes in assets and liabilities during the financial year				
(Increase) / decrease in assets:				
Current receivables	8,129	(10,096)	(4,842)	(3,454)
Current inventories	(5,321)	(6,577)	-	-
Other current assets	(307)	(976)	(2)	23
Increase / (decrease) in liabilities:				
Current payables	(5,365)	(2,132)	133	258
Provision for employee entitlements	340	556	359	143
Current tax liability	(3,524)	(121)	(394)	(5,797)
Deferred tax balances	(1,627)	(2,011)	405	(590)
Net Cash Provided by / (used in) Operating Activities	16,175	10,257	(3,380)	(13,369)

31 Notes to the Cash Flow Statement (continued)

(d) Financing facilities	**Consolidated**		**Company**	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Total facilities available				
Bank loan	8,383	13,148	-	-
Commercial bills	24,500	17,000	24,500	17,000
Equipment finance facility	2,177	76	2,177	76
Multi option facility (including bank overdraft)	220	2,020	220	2,020
	35,280	32,244	26,897	19,096
Facilities utilised at balance sheet date				
Bank loan	8,383	13,148	-	-
Commercial bills	21,500	17,000	21,500	17,000
Equipment finance facility	-	-	-	-
Multi option facility (including bank overdraft)	-	-	-	-
	29,883	30,148	21,500	17,000
Facilities not utilised at balance sheet date				
Bank loan	-	-	-	-
Commercial bills	3,000	-	3,000	-
Equipment finance facility	2,177	76	2,177	76
Multi option facility (including bank overdraft)	220	2,020	220	2,020
	5,397	2,096	5,397	2,096

32 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 19 and 20. Management and the Board review the capital structure regularly. The treasury function present regular updates 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 prior years.

(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**	
	2009	**2008**	**2009**	**2008**
	$ 000s	**$ 000s**	**$ 000s**	**$ 000s**
Financial Assets				
Cash and cash equivalents	11,975	13,276	1,455	869
Loans and receivables	35,707	45,087	80,406	75,791
At fair value through profit and loss	-	229	-	229
Financial Liabilities				
Amortised cost	46,808	52,074	22,666	18,811

32 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 year end is an interest rate cap as described in note (g) below.

(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 regular 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	
	2009 $ 000s	2008 $ 000s	2009 $ 000s	2008 $ 000s
United States Dollars	1,234	487	12,148	14,045
South African Rand	1,274	1,770	3,806	3,782
Canadian Dollars	390	44	2,057	4,222
Swedish Kroner	8,495	13,564	3,176	3,975
British Pound	5,165	4,953	2,984	401
European Dollar	204	728	3,056	416
Chilean Pesos	195	2,040	1,453	2,745
Other - mostly Kazakhstani Tenge	59	786	819	459

Foreign currency sensitivity

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

The following table details the Group's sensitivity to a 5% (2008: 2%) increase and decrease in the Australian Dollar against the relevant foreign currencies. The sensitivity rate of 5% (2008: 2%) is the rate used when performing regular reporting on foreign currency risk internally. Foreign exchange risk is reported regularly to key management personnel and the Board. The estimated movement of 5% (2008: 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 5% (2008: 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.

32 Financial Instruments (continued)

(f) Foreign currency risk management (continued)

	United States Dollar Impact					South African Rand Impact				
	Consolidated		Company			Consolidated		Company		
	2009	2008	2009	2008		2009	2008	2009	2008	
	$ 000's	$ 000's	$ 000's	$ 000's		$ 000's	$ 000's	$ 000's	$ 000's	
Profit or (loss)	(546)	(271)	-	-	(i)	(127)	(40)	-	-	(i)
Other equity	-	-	-	-	(ii)	-	-	-	-	(ii)

	Swedish Kroner Impact					Canadian Dollar Impact				
	Consolidated		Company			Consolidated		Company		
	2009	2008	2009	2008		2009	2008	2009	2008	
	$ 000's	$ 000's	$ 000's	$ 000's		$ 000's	$ 000's	$ 000's	$ 000's	
Profit or (loss)	266	192	-	-	(i)	(83)	(84)	-	-	(i)
Other equity	-	-	-	-	(ii)	-	-	-	-	(ii)

	British Pound					European Dollar				
	Consolidated		Company			Consolidated		Company		
	2009	2008	2009	2008		2009	2008	2009	2008	
	$ 000's	$ 000's	$ 000's	$ 000's		$ 000's	$ 000's	$ 000's	$ 000's	
Profit or (loss)	109	91	-	-	(i)	(143)	6	-	-	(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 treasury 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 $0.3 million (2008: 0.2 million). There would be a nil impact on equity other than via profit. 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 (2008: $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 in the prior year 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. This effect is symmetrical in the current year as the interest cap maximum threshold is not being exceeded.

32 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 $0.2 million (2008: $0.1 million). There would be a nil impact on equity other than via profit. 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 (2008: $0.2 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 in the prior year 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. This effect is symmetrical in the current year as the interest cap maximum threshold is not being exceeded.

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 2009 this interest rate cap had a fair value of nil (30 June 2008: $0.2 million). (note 9) These fair values have been determined by seeking market valuations at year end 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 monitored on a weekly basis 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 2009 no such collateral had been obtained. (30 June 2008 : 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 regularly 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 31(d) is a listing of additional undrawn facilities that the Company/Group has at its disposal to further reduce liquidity risk.

32 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
	%	$'000	$'000	$'000	$'000
2009					
Non-interest bearing	-	8,877	6,384	-	-
Finance lease liability	7.89%	152	455	1,279	
Variable interest rate instruments	4.57%	9,011	5,267	18,387	-
		18,040	12,106	19,666	-
2008					
Non-interest bearing	-	10,948	8,261	2,717	-
Finance lease liability	-	-	-	-	-
Variable interest rate instruments	8.20%	2,101	12,788	19,606	-
		13,049	21,049	22,323	-

Company

	Weighted average effective interest rate	0-3 months	3 months to 1 year	1-5 years	5+ years
	%	$'000	$'000	$'000	$'000
2009					
Non-interest bearing	-	583	583		
Finance lease liability	-	-	-	-	-
Variable interest rate instruments	5.09%	8,020	3,004	12,872	-
		8,603	3,587	12,872	-
2008					
Non-interest bearing	-	906	905	-	-
Finance lease liability	-	-	-	-	-
Variable interest rate instruments	9.70%	908	9,256	9,584	-
		1,814	10,161	9,584	-

32 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	3 months to 1 year	1-5 years	5+ years
	%	$'000	$'000	$'000	$'000
2009					
Non-interest bearing	-	23,367	-	-	-
Variable interest rate instruments	2.75%	11,975	-	-	-
Fixed interest rate instruments	13.50%	-	12,340	-	-
		35,342	12,340	-	-
2008					
Non-interest bearing	-	32,079	-	-	-
Variable interest rate instruments	4.40%	13,276	-	-	-
Fixed interest rate instruments	13.50%	-	13,008	-	-
		45,355	13,008	-	-

Company

	Weighted average effective interest rate	0-3 months	3 months to 1 year	1-5 years	5+ years
	%	$'000	$'000	$'000	$'000
2009					
Non-interest bearing	-	5,836	-	-	62,230
Variable interest rate instruments	2.75%	1,455	-	-	-
Fixed interest rate instruments	13.50%	-	12,340	-	-
		7,291	12,340	-	62,230
2008					
Non-interest bearing	-	2,401	-	-	60,382
Variable interest rate instruments	4.40%	869	-	-	-
Fixed interest rate instruments	13.50%	-	13,008	-	-
		3,270	13,008	-	60,382

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.

	0-3 months	3 months to 1 year	1-5 years	5+ years
	$'000	$'000	$'000	$'000
2009				
Interest rate cap	-	-	-	-
2008				
Interest rate cap	20	60	200	-

32 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.

33 Key Management Personnel Compensation

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

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Short-term employee benefits	1,987,338	1,656,713	1,987,338	1,301,545
Post-employment benefits	154,812	112,836	154,812	88,225
Other long-term benefits	36,688	116,291	36,688	39,790
Termination benefits	-	-	-	-
Share-based payments	252,715	419,325	252,715	399,119
	2,431,553	2,305,165	2,431,553	1,828,679

34 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

Options were issued to the Chairman as a reward for past performance and as an incentive for the future. These options have been approved a General Meeting of shareholders. 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 2009 all 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 2009 all of these options had vested.

At the 2008 Annual General Meeting 2,000,000 options were approved by the shareholders for issue to the Managing Director. These were however not granted due to the impacts of the global financial crisis with the knowledge that this would be considered in future employee share option allocations.

34 Staff Option Scheme (continued)

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

2009	Issue Date	Expiry Date	Exercise Price $	Fair Value at Grant Date $	Number of Options: Opening balance	Issued current year	Exercised current year	Lapsed current year	Closing balance
Staff Options									
Tranche 1 (i)	1-Aug-04	31-Jul-09	0.20	0.01	1,178,333	-	(36,667)	-	1,141,666
Tranche 2 (i)	1-Feb-06	31-Jan-11	0.35	0.02	1,812,872	-	(41,666)	(55,001)	1,716,205
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	3,563,667	-	(70,999)	(250,000)	3,242,668
Tranche 5 (i)	12-Jun-07	11-Jun-12	1.80	0.51	625,000	-	-	-	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	4,815,000	-	-	(160,000)	4,655,000
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
					16,194,872	-	(149,332)	(465,001)	15,580,539

2008	Issue Date	Expiry Date	Exercise Price $	Fair Value at Grant Date $	Number of Options: Opening balance	Issued current year	Exercised current year	Lapsed current year	Closing balance
Staff Options									
Tranche 1 (i)	1-Aug-04	31-Jul-09	0.20	0.01	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

(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 date.

34 Staff Option Scheme (continued)

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

No share options were issued in the current year. The weighted average fair value of share options granted during the prior financial year was $0.45. 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%

(d) Exercised during the financial year

2009

Option Series	Number Exercised	Exercise Date	Share Price at Exercise Date	Amount Paid ($)	Amount Unpaid ($)
Staff Options Tranche 3	50,000	17-Jul-08	156.5	37,500	-
Staff Options Tranche 1	10,000	25-Jul-08	157	2,000	-
Staff Options Tranche 2	20,000	25-Jul-08	157	7,000	-
Staff Options Tranche 3	8,333	15-Aug-08	168	6,250	-
Staff Options Tranche 3	4,333	1-Sep-08	191	3,250	-
Staff Options Tranche 2	5,000	3-Sep-08	186	1,750	-
Staff Options Tranche 3	8,333	3-Sep-08	186	6,250	-
Staff Options Tranche 1	16,667	15-Oct-08	77	3,333	-
Staff Options Tranche 2	16,666	15-Oct-08	77	5,833	-
Staff Options Tranche 1	10,000	12-Jun-09	65	2,000	-
	149,332				

2008

Option Series	Number Exercised	Exercise Date	Weighted Average Share Price at Exercise Date	Amount Paid ($)	Amount Unpaid ($)
Staff Options Tranche 1	912,168	Various	1.86	182,434	-
Staff Options Tranche 2	306,998	Various	1.86	107,449	-
Staff Options Tranche 3	386,333	Various	1.86	289,750	-
	1,605,499				

34 Staff Option Scheme (continued)

(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 $1.41 (2008: $1.41), and a weighted average remaining contractual life of 911 days (2008: 1279 days)

(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

	2009		2008	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Balance at beginning of the financial year	16,194,872	1.41	13,080,406	0.67
Granted during the financial year	-	-	5,375,000	2.89
Forfeited during the financial year	-	-	-	-
Exercised during the financial year	(149,332)	0.62	(1,605,499)	0.42
Expired during the financial year	(465,001)	1.86	(655,035)	1.16
Balance at end of the financial year	15,580,539	1.41	16,194,872	1.41
Exercisable at end of the financial year	10,468,872		5,019,872	

35 Subsequent Events

On 21 July 2009 Imdex Limited announced a conditional proposal to merge with Coretrack Limited (Coretrack). The merger was to be effected through a Scheme of Arrangement where Imdex was to issue Coretrack shareholders 0.61 fully paid Imdex ordinary shares for every one Coretrack fully paid ordinary share, and 0.305 fully paid Imdex ordinary shares for every one Coretrack listed option, and consideration based on similar terms for Coretrack's unlisted options. Coretrack share and option holders were to receive a total of $28.4 million in the form of 43.39 million Imdex shares issued at 65.5 cents per share. On 31 July 2009 it was announced that, following a due diligence process the proposed merger was terminated.

On 31 July 2009 Imdex Limited paid the final deferred settlement instalment of GBP 1,045,000 (A$2.1 million) due to the vendors of Imdex Technology UK Limited (formerly Chardec Technology Limited). No further amounts remain outstanding in relation to this acquisition.

IMDEX LIMITED

and its controlled entities

ADDITIONAL STOCK EXCHANGE INFORMATION AS AT 28 AUGUST 2009

(a) Distribution of Shareholders

	Number of Fully Paid Ordinary Shareholders	Number of Option holders
1 – 1,000	353	-
1,001 – 5,000	1,376	6
5,001 – 10,000	1,021	28
10,001 – 100,000	1,517	149
100,001 – and over	166	26
	4,433	209
Holding less than a marketable parcel	118	-

(b) Substantial Shareholders

Ordinary Shareholders	Fully Paid	
	Number	Percentage
Invia Custodian Pty Limited <Fiberform Vindic A/C>	24,300,000	12.47%
National Nominees Limited	19,355,823	9.93%
Citicorp Nominees Pty Limited	10,263,686	5.27%

(c) Twenty Largest Holders of Quoted Equity Securities

Ordinary Shareholders	Fully Paid	
	Number	Percentage
Invia Custodian Pty Limited <Fiberform Vindic A/C>	24,300,000	12.47%
National Nominees Limited	19,355,823	9.93%
Citicorp Nominees Pty Limited	10,263,686	5.27%
ANZ Nominees Limited <Cash Income A/C>	9,527,852	4.89%
HSBC Custody Nominees (Australia) Limited	6,091,693	3.13%
RBC Dexia Investor Services Australia Nominees Pty Limited <Piic A/C>	5,333,243	2.74%
J P Morgan Nominees Australia Limited	5,295,072	2.72%
RBC Dexia Investor Services Australia Nominees Pty Limited <Pipooled A/C>	3,821,538	1.96%
Telic Alcatel (Australia) Pty Ltd <Middendorp Directors Sf A/C>	3,603,152	1.85%
Wear Services Pty Ltd	2,079,630	1.07%
Mr Petrus Middendorp	1,992,500	1.02%
Longo Pty Ltd <The Longo R/F A/C>	1,572,826	0.81%
Keeble Nominees Pty Ltd <Ridgeway Super Fund A/C>	1,420,370	0.73%
Mr Clarke James Roycroft	1,015,000	0.52%
Methuen Holdings Pty Ltd <Pb Family A/C>	1,000,000	0.51%
Dimana Holdings Pty Ltd	900,000	0.46%
UBS Wealth Management Australia Nominees Pty Ltd	888,920	0.46%
Fortis Clearing Nominees P/L <Settlement A/C>	856,267	0.44%
Cogent Nominees Pty Limited	843,378	0.43%
Mr Richard Hill <Icena Account>	803,931	0.41%
	100,964,881	**51.80%**

ADDITIONAL STOCK EXCHANGE INFORMATION
AS AT 28 AUGUST 2009

(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	380,000	-
Mr K A Dundo	300,000	-
Mr M Lemmel	799,267	-
Mr P A Evans	45,000	500,000
	5,418,053	3,500,000

(e) Company Secretary

Mr Paul Anthony Evans

(f) Registered Office

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

(g) Share Registry

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

imdex
LIMITED

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

ABN: 78 008 947 813

Imdex Limited

Imdex Limited, an ASX listed Australian global drilling products company, based in Perth Western Australia.
Imdex specialises in drilling fluids and leading down hole instrumentation for the mineral, oil & gas, water well and civil industries.
Imdex operates in Australia and internationally and has a wealth of experience in diverse drilling environments.

www.imdexlimited.com