2010 Annual Report

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

Imdex Limited (Imdex)

ABN 78 008 947 813 Imdex was listed on the Australian Securities Exchange on 24 September 1987.

Registered Office address

8 Pitino Court
OSBORNE PARK, WA, AUSTRALIA, 6017

Head Office address

8 Pitino Court
OSBORNE PARK, WA, AUSTRALIA, 6017

Directors

Mr. Ross Kelly (Chairman)
Mr. Bernie Ridgeway (Managing Director)
Mr. Kevin Dundo (Non Executive Director)
Mr. Magnus Lemmel (Non Executive Director)
Ms. Elizabeth Donaghey (Non Executive Director)

2010 Annual General Meeting

Imdex's Annual General Meeting will be held at the Celtic Club, 48 Ord Street, West Perth, Western Australia 6005 commencing at 11:00am on Thursday 14 October 2010.

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Well established global operations

Imdex Group at a glance

KEY DATA AS AT 30 JUNE 2010

Market Capitalisation

$142,384,403

Shares on Issue

195,047,128

Shareholders

3,598

Employees

305

Imdex Limited (Imdex) is a ASX listed company providing drilling fluids and leading down hole instrumentation to the mining, oil and gas, water well, and civil engineering industries world wide.

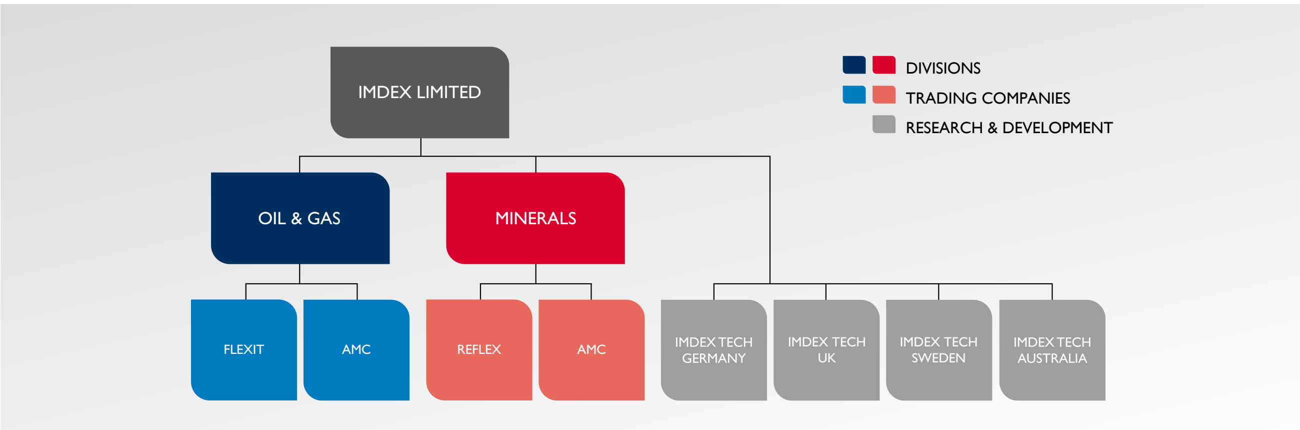
The Company has well established operations in all key mineral exploration and mining regions of the world, including Asia Pacific, the Americas and Africa, and has revenue generating activities in others. An illustration of Imdex's global presence is set out on page 22.

Imdex operates two clearly defined and distinct divisions, the Drilling Fluids and Chemicals Division (DFC), and the Down Hole Instrumentation Division (DHI). The Company is focused on two principal end markets, the mineral exploration and mining industry, and the oil and gas industry.

Imdex's DFC Division includes the following trading brands: AMC Minerals and AMC Oil and Gas. These business units service the global mineral exploration / mining and niche onshore oil and gas industries.

Imdex's DHI Division includes Reflex, which focuses on the mineral exploration / mining industry, and Flexit, which markets exclusively to the oil and gas industry.

Group Structure



On site technical support

DRILLING FLUIDS & CHEMICALS (DFC) DIVISION

Imdex's DFC Division provides complete drilling fluid solutions by utilising its extensive range of drilling fluids and treating chemicals, fluid transfer and containment equipment and on site technical support to service customers globally.

What are drilling fluids & treating chemicals?

Drilling fluids, or mud, as it is known in the drilling industry, are a key part of the drilling process in mining, oil and gas, and civil applications. Imdex offers a broad range of drilling fluids, all with unique properties and uses, however, their principal application is 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. Fluid is pumped down the drill pipe, through the drill bit, and returns via the cavity between the drill pipe and borehole carrying the drill cuttings to the surface. Traditionally the fluid then circulates through a shale shaker or mud pits to remove the cuttings from the fluid for reuse.

What is fluid transfer and containment equipment?

AMC has developed surface and underground solids control units that provide an economical and environmentally acceptable alternative to the conventional mud pits used in the drilling process referred to above.

DOWN HOLE INSTRUMENTAION (DHI) DIVISION

Imdex's DHI Division develops, manufactures and markets advanced down hole survey and core orientation instruments to the mineral exploration and oil and gas industries globally.

Imdex's range of instruments for the mineral exploration industry marketed by Reflex includes the following core orientation and survey instruments:

- Reflex ACT - A digital core orientation instrument;
- Reflex ACT II RD - A rapid decent core orientation instrument;
- Reflex EZ-Shot - A single shot magnetic survey instrument;
- Reflex EZ-AQ - A magnetic survey instrument specifically designed for AQ sized boreholes;
- Reflex EZ-Trac - A multi shot magnetic survey instrument;
- Reflex Maxibor II - An optical non-magnetic survey instrument;
- Reflex Gyro - A gyroscopic survey instrument; and
- Customised directional motors.

Imdex's range for the oil and gas industry marketed by Flexit includes the following advanced instruments:

- Flexit Target INS - North seeking high speed continuous gyro;
- Flexit HTMS - High temperature Multi Shot survey instrument; and
- Flexit HTGS - High temperature MEMS gyroscopic survey instrument.

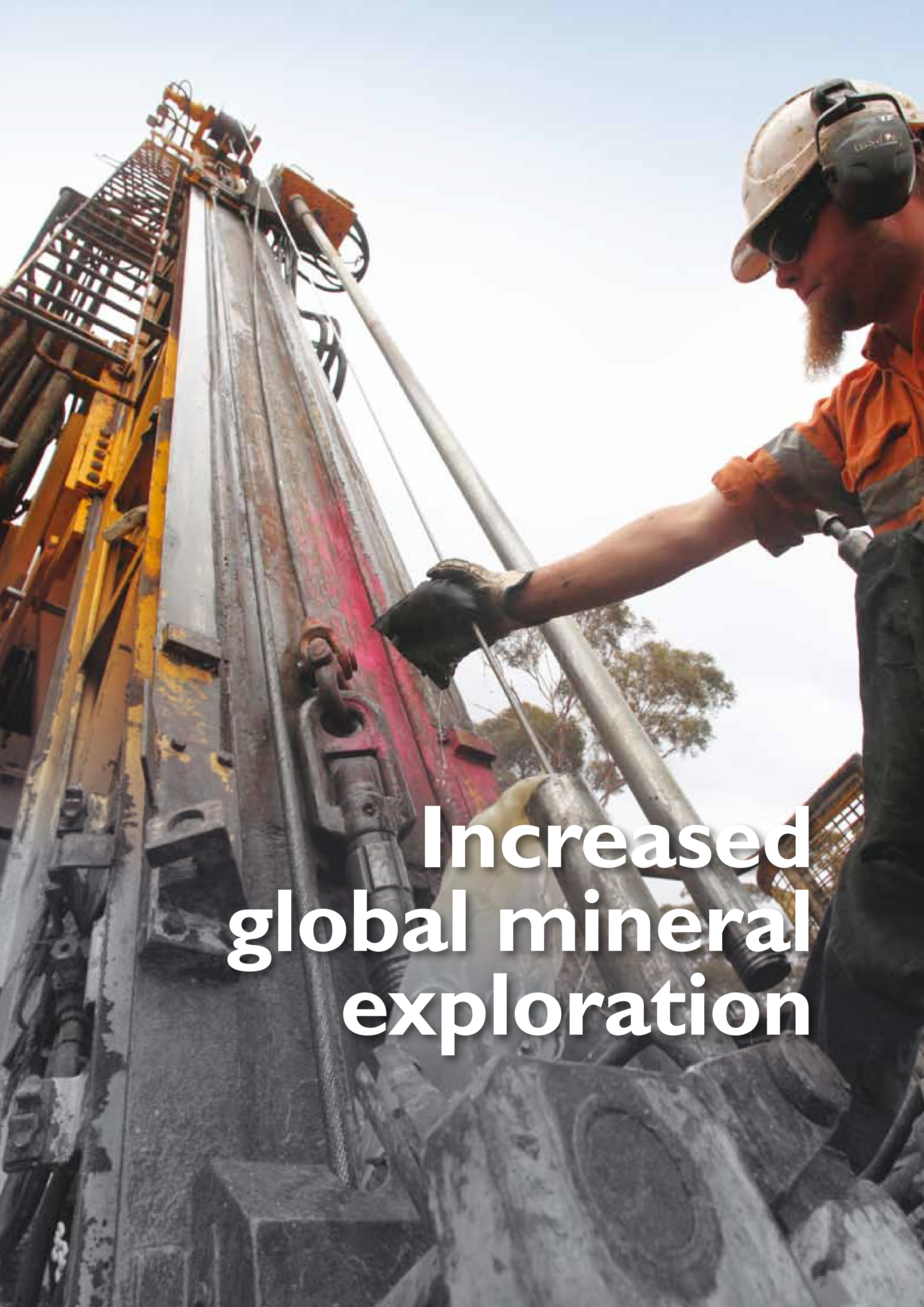
Fig 1. The drilling process generates chips of rock known as cuttings

Fig 2. Fluid is pumped down the drill pipe lubricating the drill bit and returning cuttings to the surface

Fig 3. Fluids stabilize and keep the bore hole open

Fig 4. Traditional mud pits leave environmental footprint and require site rehabilitation

Fig 5. Solids Control Units minimise environmental impact caused by mud pits



Increased global mineral exploration

FY10 Snapshot

Strategy to increase shareholder value

- Continue to grow Imdex's global business;
- Expansion in the oil and gas market;
- Maintain product leadership through continued investment in research and product development;
- Increase rental based revenue; and
- Achieve operational efficiencies.

Platform for growth

- Improve global customer relationships;
- Maximise global reach; and
- Optimise Imdex's product portfolio.

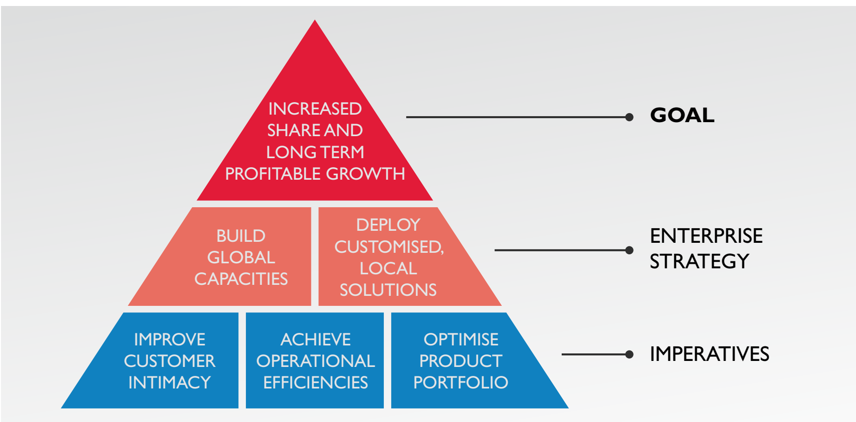
Operational achievements in FY10

- Marketing of Reflex Gyro, ACT II and Reflex EZ-Com II to customers globally;
- Retained market leadership in the coal bed methane sector;
- Successful relocation of manufacturing facilities from the UK to Australia;
- New manufacturing facility at Osborne Park (Western Australia) commissioned and operating well;
- Move to a new regional and reporting structure (effective from 1 July 2010);
- Rationalisation of drilling fluid brands to AMC Mining and AMC Oil and Gas;
- Drilling fluid product development utilising new laboratory at Osborne Park;
- Further development of the new generation Solids Control Units;
- Successful operation of the Flexit HTGS survey instrument in the USA;
- Significant progress with Flexit Target; and
- Progress with Sensonor and the development of north seeking MEMS gyro.

Market review

- Improved trading activity in the Asia Pacific Region, slower recovery in Africa, Canada and Latin America;
- Increased drilling activity towards the end of the first half of FY10 with significant improvement in the second half of FY10;
- Stronger commodity prices, improving from the significant lows experienced in the second half of FY09;
- Increased global mineral exploration expenditure relative to lows of second half of FY09;
- Increased global oil and gas exploration and production expenditure from the lows of second half of FY09;
- Higher rig utilisation levels, a trend major customers forecast to continue in FY11;
- Greater activity in onshore oil and gas drilling in USA; and
- Activity within the coal bed methane sector in Australia remained strong and is forecast to continue in FY11.

IMPERATIVES, ENTERPRISE STRATEGY & GOALS



FINANCIAL PERFORMANCE IN FY10

Revenue from continuing operations (excluding interest revenue)

$134.3m

Normalised EBITA from continuing operations
(excluding non-operational items)

$20.7m

Normalised net profit after tax from continuing operations
(excluding non operational items)

$9.8m

Cash flow from operations

$5.7m

Gearing levels net debt / net debt + equity

19.6%

Net assets

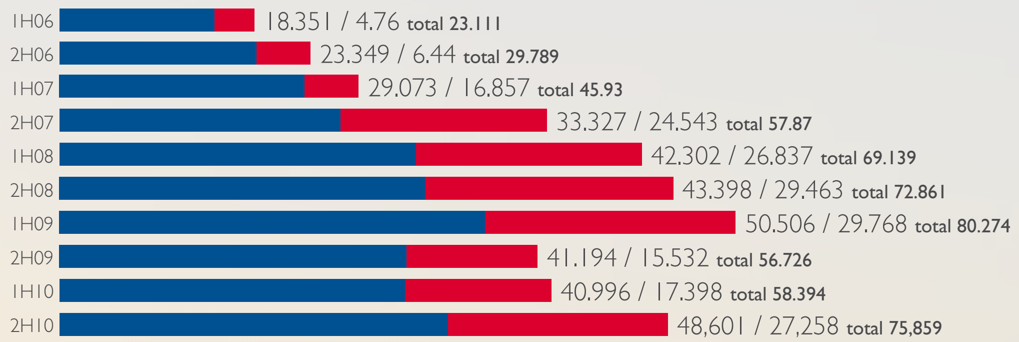
$94.5m

FY10 Comparative Financial Performance

	Consolidated			
	2008 $'000	2009 $'000	2010 $'000	09-10 Var %
Revenue from continuing operations (excluding interest income)	142,009	136,968	134,253	(2%)
Operating Profit before Interest, Tax, Depreciation & Amortisation	42,068	27,817	24,893	(11%)
Depreciation	(3,266)	(3,318)	(4,182)	26%
Earnings before Interest, Tax & Amortisation (EBITA)	38,802	24,499	20,711	(15%)
EBITA margin	27%	18%	15%	(17%)
Amortisation	(6,055)	(6,535)	(6,363)	(3%)
Earnings before Interest & Tax (EBIT)	32,747	17,964	14,348	(20%)
Net interest expense	(862)	(826)	(771)	(7%)
Net profit before tax	31,885	17,138	13,577	(21%)
Income tax expense	(10,804)	(5,811)	(3,781)	(35%)
Net Profit after Tax (before non-operational items)	21,081	11,327	9,796	(14%)
Net trading result of Surtron after tax	1,001	-	-	-
Non-operational items				
Forex gain / (loss) on loan to SEH	-	1,057	(677)	-
Impairment of SEH investment	-	-	(10,440)	-
Impairment of operations	-	-	(23,531)	-
Profit on sale of Surtron business	12,139	-	-	-
Tax effect of non-operational items	(2,219)	(317)	3,304	-
Net Profit (Loss) for the Year after Tax	32,002	12,067	(21,548)	-
Basic earnings (loss) per share from continuing operations (cents)	11.22 ¢	6.37 ¢	(11.05 ¢)	(273%)
Net Cash provided by Operating Activities	10,257	16,175	5,700	(65%)
Cash on hand	13,276	11,975	9,007	(25%)
Net Assets	105,643	116,198	94,495	(19%)
Total Borrowings	35,552	34,039	32,018	(6%)
Net Tangible Assets per Share	14.02 ¢	19.10 ¢	22.83 ¢	20%

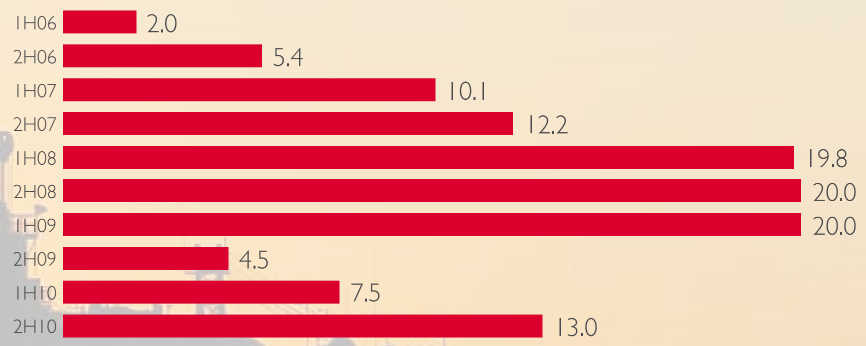
> By the second half of FY10 global trading conditions improved significantly allowing Imdex's revenue and margin levels to return towards those experienced prior to the global financial crisis.

Normalised* Revenue by Division



* Excludes discontinued operations and non operational items

Normalised* EBITA



* Excludes discontinued operations and non operational items

Mr. Kevin Dundo
B.Com, LLB
Non Executive Director
Appointed to the Board
14 January 2004.

Mr. Bernard Ridgeway
B.Bus (ACCTG) ACA
Managing Director
Appointed to the Board
23 May 2000.

Mr. Ross Kelly
BE (HONS) FAICD
Non Executive Chairman
Appointed to the Board
14 January 2004.

Ms. Betsy Donaghey,
B.S. Civil Engineering,
M.S. Operations Research
Non Executive Director
Appointed to the Board
28 October 2009.

Mr. Magnus Lemmel B.A.
Non Executive Director
Appointed to the Board
19 October 2006.

Imdex's Board of Directors

Imdex's Board members have between them extensive professional expertise, business experience and technical knowledge of the mineral exploration / mining and oil and gas industries.

In 2007 the Board set down a robust strategy for global growth that has been successfully maintained, despite periods of unprecedented economic volatility. Imdex has developed into a company with world class expertise, research and development capabilities, global operations and a loyal customer base.

In September 2009, Imdex's Chairman, Mr. Ian Burston, announced his decision to retire from the position following the Company Annual General Meeting held on 15 October 2009. At that meeting, fellow Board member Mr. Ross Kelly was appointed Chairman. Ms. Betsy Donaghey was welcomed to Imdex's Board on 28 October 2009 with the view to enhancing its oil and gas expertise.

Mr. Ross Kelly BE (HONS) FAICD
Non Executive Chairman. Age: 72 years

- Appointed to the Board 14 January 2004.
- Appointed as Chairman 15 October 2009.
- 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. Bernard Ridgeway B.Bus (ACCTG) ACA
Managing Director. Age: 56 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 71 years

- Appointed to the Board 19 October 2006.
- Management Consultant based in Brussels, Belgium.
- Involved in small business development in Sweden. Chairman of Fiberform Vindic Holding AB, Imdex's largest shareholder, and member of the board of Norfram S.A., Luxemburg and Xinix AB.
- 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: 58 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 Red 5 Limited and Synergy Plus Limited.
- Previously a director of St Barbara Mines Limited, Intrepid Mines Limited, and Defiance Mining Corporation.
- 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.

Ms. Betsy Donaghey, B.S. Civil Engineering, M.S. Operations Research
Non Executive Director. Age: 52 years

- Appointed to the Board 28 October 2009.
- Bachelor's degree in civil engineering from Texas A & M University and a Master's degree in operations research from the University of Houston.
- Extensive experience within the energy sector, including 19 years working with BHP Billiton and 9 years with Woodside Energy.

Throughout FY10 Imdex's mining tool rental fleet utilisation improved 160% from the low level experienced in April 2009. This is an excellent result for the Company.

Chairman's Report

On behalf of Imdex Limited's Board I am pleased to present the 2010 Annual Report; my first as Chairman of your Company. The 2010 financial year was a tale of two halves - slow global trading activity in the first half, followed by a recovery in the second.

Despite these challenging trading conditions, Imdex performed well and maintained its strategy for growth, emerging as a stronger company well positioned to capitalise on the positive outlook for our industry.

A very satisfactory performance in challenging markets

A total revenue of $135.6 million was achieved for the 12 months ended 30 June 2010 (FY10). While marginally less than FY09, this was a good result given the exceptional growth in revenue and profits generated in the first half of FY09 and the slow recovery from the global financial crisis (GFC) experienced in the first half of FY10. It is also significant that despite the volatile market, Imdex was able to roughly maintain its percentage of revenue obtained from the oil and gas sector.

EBITA from continuing operations decreased 15% to $20.7 million (FY09 $24.5 million). This decline was due to the slower recovery in mineral exploration activity in Canada, Latin America and Africa. As a result, net profit after tax from continuing operations decreased to $9.8 million (FY09 $11.3 million).

An impairment loss of $34.0 million was also incurred - resulting in a final reported loss after tax for the year of $21.5 million. $10.4 million of the impairment resulted from the market revaluation of Imdex's investment in Sino Gas and Energy Holdings Limited. The remaining $23.6 million was the result of writing off goodwill and intangible assets at the half year - a direct consequence of the GFC and the reduction in forecast cash flows expected to result from it. Since making the impairment (31st December 2009) the global financial environment and hence our expected future cash flows have improved considerably.

Gearing levels increased slightly to 19.6% (16.0% in FY09). Again this increase is due to the impairment and the reduction in equity that resulted from it. Importantly, Imdex's absolute debt decreased by $2 million over the financial year.

Reinvesting in growth

As the impact of the GFC continues to moderate, exploration expenditure within the mineral and energy sectors is increasing. Imdex is in a strong position to capitalise on these improved market conditions and embark upon a new and exciting growth phase. This, together with the need for continued investment in targeted research and development, has caused the Board not to declare a dividend this financial year.

A resilient business

Imdex's sound performance, given the challenging conditions which prevailed in the first half of the year, is attributable to four key elements of the Company's strategy:

- An established global presence;
- A focus on core business;
- Commitment to a proven growth plan; and
- A strong management team.

An established global presence

Imdex has a well established presence in eleven countries and generates revenue in many more. Our global footprint provides opportunities to grow in underpenetrated regions and broadens our exposure to different markets, thereby mitigating risk.

Focus on core business

Over the past three years, Imdex has streamlined its operations in order to focus on its core business in two distinct markets. This has enabled the Company to provide its global mining and oil and gas customers with quality drilling fluids, leading down hole instrumentation and optimal support.

In February of this year, the decision was taken to improve Imdex's operations by implementing a global structure incorporating four operating regions - Asia Pacific, Africa, Europe and the Americas. The new structure allows the Company to focus on its total business within a region, (as opposed to having each of our specific businesses operate separately within it) and facilitates better customer service and the ability to cross sell Imdex's range of products. The new operational structure which will generate cost savings has already generated increased market share in Asia Pacific and the Americas.

A proven growth plan

Imdex has adhered to its growth strategy and remains committed to:

- Growing its global business;
- Expanding into new markets (particularly oil and gas);
- Maintaining product leadership through investment in research and development;
- Increasing rental based revenue; and
- Achieving operational efficiencies.

A number of notable achievements during FY10 demonstrate the success of this strategy.

We continue to invest in product development and research to ensure that the Company remains capable of satisfying our customers' demands for the premium quality drilling fluids and state of the art instrumentation that they need to operate in remote regions and in conditions that are becoming increasingly difficult.

Positive improvements were made to Imdex's range of survey instrumentation for both the mining and oil and gas industries (refer to pages 19 and 21 of this report).

Significant progress was also made on the development of Imdex's surface and underground Solids Control Units (refer to pages 19 and 21 of this report). These units are expected to generate additional revenue in FY11.

Despite a depressed market in the first half of FY10, Imdex continued to achieve strong cash flows from rentals. This is a clear endorsement of our strategy of renting rather than selling survey instrumentation equipment. During FY11 we will continue to apply this strategy to our instrumentation and extend its application to include surface and underground solids control equipment.

Looking to FY11

A number of the fundamentals that impact Imdex's core markets now appear favourable.

- Metals prices have recovered significantly from their 2009 lows and many are trading above their long term averages;
- Gold traditionally accounts for some 50% of worldwide non-ferrous mineral exploration expenditure and the gold price remains strong; and
- The Chinese and Indian economies, fuelled by investment in infrastructure and urbanisation, are experiencing high growth.

These factors are likely to promote higher demand for commodities and in turn stimulate increased exploration expenditure.

Respected worldwide minerals information and consultancy; Metals Economics Group, has estimated that 2010 exploration expenditure will exceed that of 2009 by 35%-40%. Similarly, industry data for the oil and gas sector predicts that 2010 exploration and production expenditure will increase beyond that experienced in 2009.

There have been very few recent world class discoveries in either the minerals or oil and gas sectors. This means that for many commodities, the imbalance between supply and demand will continue and commodity prices are likely to increase; further stimulating exploration expenditure.

The outlook for our industry is positive and importantly, drilling contractors are reporting stronger demand from both major and intermediate sized mining companies and rig utilisation rates are well up.

A strong management team

The importance of strong leadership and a team of capable employees dedicated to the success of our Company cannot be over emphasised. I would like to express my gratitude to Managing Director, Bernie Ridgeway and General Manager, Gary Weston, for their dedication and leadership throughout the year. I would also like to thank the management team and all of Imdex's employees and contractors for their innovative approach, hard work, and team spirit.

During the year we said farewell to Mr Ian Burston who served as Chairman of Imdex for some nine years. Ian made an outstanding contribution to the success of the Company. I thank him sincerely for his leadership and for helping place Imdex in the strong position that it occupies today.

In October 2009, we welcomed Betsy Donaghey to the Board. Betsy brings with her a wealth of experience and knowledge of our industry, particularly within the oil and gas sector and her contributions to the deliberations of the board will continue to be invaluable.

I would also like to thank my fellow Board Members for their hard work and significant contributions over the year and look forward to working with them again in the coming year.

Finally, on behalf of Imdex's Board of Directors and employees, I thank all of our valued customers for their loyalty and our shareholders for their ongoing support and belief in the Company.

Ross Kelly.

Ross Kelly
Chairman

Application of new technology

Managing Director's Report

The past year provided many challenges for both our business and the markets we operate in. I am delighted to report, however, that the Company performed well in FY10, a testament to our focused strategy, global operations, and the commitment and hard work of the entire Imdex team.

The Company's performance over FY10 needs to be set against the backdrop of FY09. Imdex produced unprecedented revenues and profitability in the first half of FY09; however, like the majority of companies within the mining services sector, the severity and speed of the global financial crisis and subsequent economic downturn negatively affected the Company's performance in the second half of FY09.

I am pleased to report that following the low point in the second half of FY09, Imdex returned to growth in FY10. While trading activity in the first half was strong in the Asia Pacific region, it was slower to recover in Canada, Africa and Latin America which impacted on margins and operational cash flows.

By the second half of FY10 global trading conditions had improved significantly allowing Imdex's revenue and margin levels to return towards those experienced prior to the global financial crisis.

Solid financial performance in FY10

The principal financial results for the FY10 full year are as follows:

- Revenue from continuing operations (excluding interest revenue) of $134.3 million (FY09 $137.0 million);
- Normalised EBITA from continuing operations (excluding non-operational items) of $20.7 million (FY09 $24.5 million);
- Normalised net profit after tax from continuing operations $9.8 million (after excluding impairment charges);
- Cash flow from operations $5.7 million;
- Gearing levels (net debt / net debt + equity) at 19.6%; and
- Net assets of $94.5 million.

Despite the challenging conditions which conditioned the first half of FY10, Imdex maintained its strategy of building its business and relationships with global customers; expanding into new markets, particularly the oil and gas sector; investing in targeted research and development to maintain product leadership; increasing its rental based revenue; and achieving operational efficiencies. The Company's commitment to this strategy has seen it emerge from the downturn a stronger company and well positioned to capitalise on future opportunities.

FY10 Divisional Performance

Drilling Fluids and Chemicals (DFC) Division

In FY10 Imdex's DFC Division generated $89.6 million in revenue (FY09 $91.7 million) which represented 67% of Imdex's revenue for the full year. While the Division's full year revenue was marginally lower than the previous year given the unprecedented results of the first half of FY09, it is important to note that significant gains were experienced in the second half of FY10 and I expect this upward trend to continue in FY11.

22% of the DFC Division's revenue was generated from the oil and gas market. This market remains an important focus area for FY11 and beyond.

Operational achievements for the DFC Division during FY10 included:

- AMC's ability to maintain market leadership within the coal bed methane sector. Activity within this sector in Australia continues to build and is forecast to present significant revenue generating opportunities for Imdex for many years;

> 'Imdex maintained its strategy of building its business and relationships with global customers and expanding into new markets.'

Excellent results for the Company

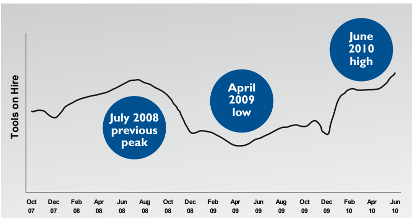
Managing Director's Report continued

- Further development of Imdex's surface and underground Solids Control Units (SCUs) including capacity and design enhancements to meet the demands of large international mining companies which will increase the marketability of the SCUs;
- Completion of the drilling fluids research laboratory at Imdex's premises in Osborne Park. The laboratory has specialised analytical equipment to test and develop fluids used in the oilfield, mining, water well and specialised drilling sectors. The ability to offer these services gives Imdex a significant competitive advantage within the drilling fluids market;
- Implementing a regional reporting and operational structure (effective from 1 July 2010) to maximise cross selling opportunities between Imdex's two Divisions; and
- The decision to rationalise Imdex's DFC brands from six individual brands to two global AMC brands - AMC Mining and AMC Oil and Gas.

Down Hole Instrumentation (DHI) Division

As with Imdex's DFC Division, the DHI Division also focused on supporting its global customers and alliances, and yielded revenue of $44.7 million for the full year which represented 33% of Imdex's revenue. Revenue for the first half of FY10 was 12% higher than the second half of FY09 and this upward trend continued in the second half, resulting in FY10 revenue being only marginally lower than the previous year (FY09 $45.3 million). In light of market conditions, this result reinforces the strength of the Division's business model and range of instrumentation.

MINING TOOLS ON HIRE



160% growth from April 2009 low to June 2010 high.

Throughout FY10 Imdex's mining tool rental fleet utilisation improved 160% from the low level experienced in April 2009, and as at 30 June 2010, mining tool rental fleet utilisation had exceeded the previous peak at July 2008 by 6%. This is an excellent result for the Company.

Operational highlights for the DHI Division during FY10 included:

- Completion of the relocation of manufacturing facilities from the UK to Australia. The relocation, which commenced in the second half of FY09 to take advantage of the downturn and minimise disruption to operations, is working well. The newly renovated facility at Imdex's premises in Osborne Park, has been designed to maximise production efficiencies and cater for forecast tool requirements;
- Further marketing of Reflex's products, the Reflex Gyro, ACT II and Reflex EZ-Com II. These new products were launched to the mineral exploration / mining market in early FY10, and are being well received by customers globally. The introduction of the new gyro technology broadens Reflex's product suite to include a full range of magnetic, gyroscopic and optical survey instruments;
- Successful results with the Flexit HTGS MEMS gyro system in onshore oil and gas operations as part of an exclusive customer agreement in the United States. Marketing of the Flexit HTGS will be expanded to other customers and geographical regions in FY11;
- Significant improvements in the production, capabilities and reliability of Flexit's Target INS north seeking mechanical gyro system. The Flexit Target INS system is being successfully utilised in diverse regions and countries around the world including the United Arab Emirates, Malaysia, Egypt, Nigeria, the Caspian Sea, and Canada. Imdex continues to refine the instrument's capabilities to ensure that it becomes the benchmark of superior down hole survey technology;
- Further progress with the development of a north seeking MEMS gyro for down hole survey applications within the mineral exploration / mining and oil and gas industries. Flexit is developing this pioneering survey instrument with Sensonor, a Norwegian company which has specialised in MEMS technology for the past 25 years; and
- Continued investment in engineering and product development to maintain Imdex's position as a leader and innovator in advanced down hole survey technology.

Imdex's commitment to safety

I am proud to say that Imdex has always maintained an excellent health and safety record and is committed to the safety and wellbeing of its people, customers and others with whom it interacts. During FY10, Imdex demonstrated this commitment by implementing a number of additional safety initiatives and quality certifications. These achievements are detailed on page 25 in the quality, health, safety and environment section of this report.

Growth opportunities for FY11

As the Chairman has reported, the underlying fundamentals for Imdex's core markets are attractive given improved economic conditions and forecast demand for commodities.

Imdex's management team remains committed to the Company's focused strategy of:

- Providing exceptional customer support and out servicing competitors in order to maintain and grow existing markets;
- Further penetration of the oil and gas and coal bed methane markets with both drilling fluids and down hole instrumentation;
- Increasing Imdex's exposure to the underpenetrated geographical markets of Canada, Africa and Latin America;
- Controlling costs and growing the down hole instrumentation rental business; and
- Continuing to invest in research and development to expand and diversify product ranges to maintain and extend Imdex's technology leadership position.

Imdex has emerged from the global financial crisis and subsequent downturn in drilling activity a stronger Company with an enhanced global structure, additional expertise, and a superior suite of technologies due to the strategy of maintaining the Company's expenditure on research and product development throughout the business cycle.

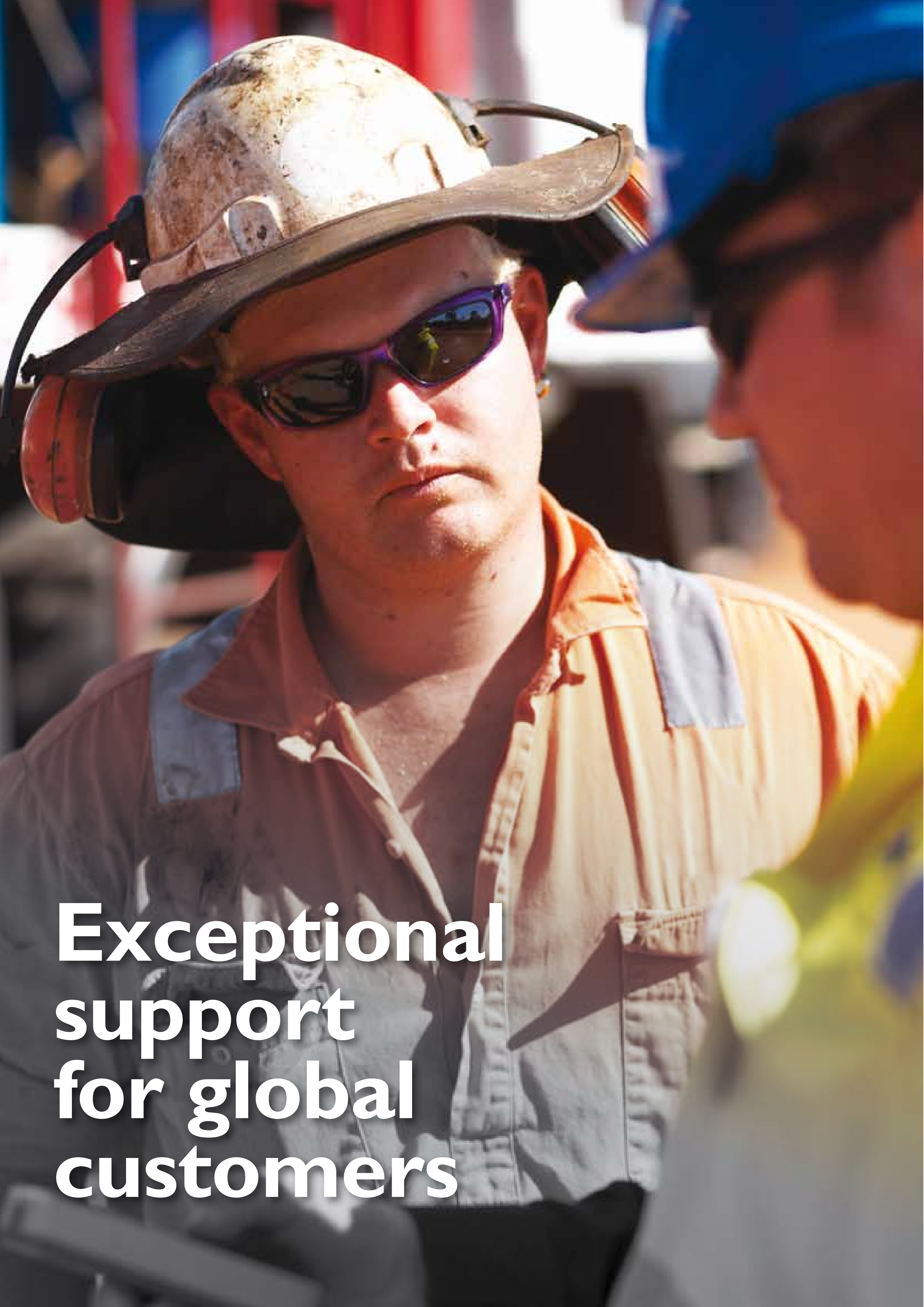
I remain confident in Imdex's strategy, its initiatives for growth and the Company's ability to deliver strong shareholder returns.

I would like to thank all of my Imdex colleagues for their dedication and hard work throughout the year, and Imdex's customers for their ongoing support.

B Ridgeway

Bernie Ridgeway

Managing Director



Exceptional support for global customers

FY10 Initiatives

Fig 1. Advanced testing equipment

Fig 2. Upgraded Osborne Park Facility

Fig 3. Advanced Electronics of the Flexit HTGS

Introduction of a regional operating structure for Minerals business

In FY10 Imdex made the decision to implement a regional structure that divides the business into four operational regions - Asia Pacific, Africa, Europe and the Americas.

The regional structure became effective on 1 July 2010 and will facilitate cross selling opportunities for Imdex as its trading companies in this sector largely share the same customer base. Significant opportunities for market penetration for both Imdex's drilling fluids and down hole instrumentation products have been identified, particularly in Canada and South America.

Regional managers are now based in each of the four regions to ensure efficient operations, exceptional support for global customers, and opportunities to gain market share are realised.

Relocation of European and UK production and R&D facilities

During FY10, the relocation of Reflex's manufacturing facility at Imdex Technology in the United Kingdom to Imdex's existing facility at Osborne Park, Western Australia, was successfully completed.

The relocation was undertaken to enhance operational efficiencies, generate cost saving benefits, and allow greater control over the manufacturing and research and development functions.

In FY11 a similar process is planned for Imdex's European production, research and development functions. Imdex has commenced work at its Osborne Park facility to accommodate these units and facilitate ongoing research, development and future growth.

Rationalisation of Drilling Fluid brands

In recent years, Imdex has acquired and successfully integrated five drilling fluid companies in key mining regions around the world to increase its global presence, product offerings and expertise.

The majority of these strategic acquisitions do not have established global brands. Imdex has taken this opportunity to rationalise its six trading brands within its DFC Division to one global AMC brand. AMC will trade as AMC Minerals and AMC Oil and Gas and support the minerals and oil and gas industries respectively.

Rationalisation of the DFC brands aligns with Imdex's new regional structure for its minerals business, and serves to strengthen the AMC brand as one offering a total drilling fluid solution to its global customers. Another key benefit is the reduction in costs associated with product marketing and packaging.

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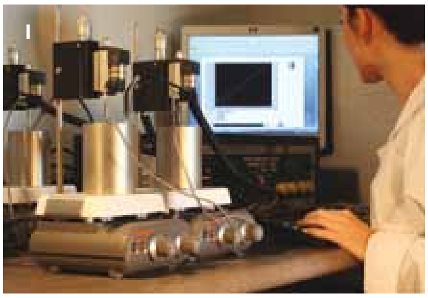

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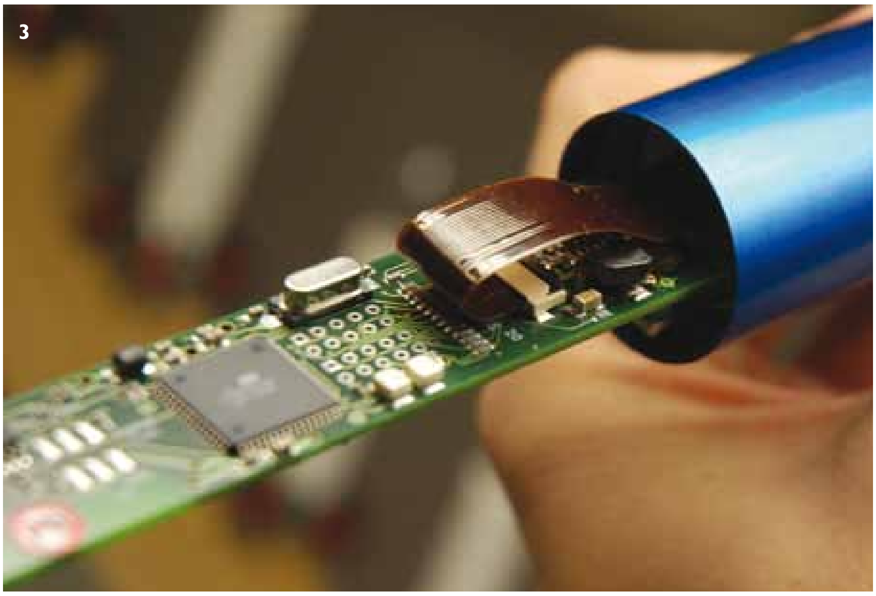


FY10 Initiatives continued

Successful results with Flexit HTGS

Following successful results with Flexit's High Temperature Gyro Smart instrument (Flexit HTGS) in shallow to medium onshore oilfield drilling applications, MS Energy Services' survey division (based in Houston, USA) trialed the instrument in deeper and more challenging wellbores, as part of an exclusive customer agreement.

The trials produced positive results and Imdex will now market the Flexit HTGS to other customers and geographical regions in FY11.

The Flexit HTGS is based on unique MEMS solid state gyro technology utilising digital microgyros which consist of silicon sensor chips and advanced integrated circuits assembled together in a ceramic package. This digital micro-gyro has world class performance, is compact and light weight and is thereby very rugged and shock tolerant. The Flexit HTGS is designed to be the simplest to use, yet the most technically advanced, miniature memory digital gyro system available.

Sensonor project

Throughout FY10 further progress was made with the development of a north seeking MEMS gyro for down hole survey applications within the mineral exploration / mining and oil and gas industries.

Flexit is developing this pioneering survey instrument with Sensonor, a Norwegian company which has specialised in MEMS technology for the past 25 years.

It is anticipated that Flexit will be the first company globally to have north seeking MEMS capability in down hole survey applications for the mining and oil and gas industries.

Successful launch of Reflex ACT II

The Reflex ACT (Advanced Core Tool) is the market leader in core orientation instruments within the mineral industry and has become the preferred system for many drillers and geologists worldwide. The instrument's innovative use of digital technology reduces the time taken for the orientation process and improves the quantity and quality of data.

In February 2010, Imdex launched the ACT II Rapid Decent tool at the Mining Indaba 2010 Expo held in South Africa. This new version retains the quality and consistency of the ACT and offers a number of additional benefits including rapid decent, time stamping and infra-red technologies, making the tool faster, more robust and accurate.

Solids Control Unit MKII and Underground Solids Control Unit

In March 2009, Imdex introduced a unique Solids Control Unit (MK1) to the global diamond drilling industry. The original MK1 version was designed to eliminate excavation of conventional mud pits and limit the environmental impact and disturbance on site.

The launch of the Surface Solid Control Unit (MK1) established that there was strong demand for a product that provided economical and environmental alternatives to current operations.

Extensive consultation and trials with customers identified a number of enhancements to reduce labour intensity, improve mobility when the unit was full of fluid, and improve the safety of operation which led to the MKII design.

The design and manufacturing of the MKII has reduced labour intensity and provided a safer product that includes 360° walkway platforms enabling easy access and product management from one location. The MKII unit also includes hydraulic power sources to support operations and an independent hydraulic platform to enable mobilisation when full of fluid. Another new feature is the MKII's advanced screw classifier that allows solids and cuttings removal on an ongoing basis and provides a two stage separation process.

The MKII is a unique product that enables flexible operations for customers and new technology to be adopted without incurring significant modification costs.

The MKII Solids Control Unit has achieved the industry's highest safety requirements and has been recognised as one of the few products to be designed, engineered and manufactured in Western Australia.

In addition to the MKII unit, Imdex designed an Underground Solids Control Unit (USCU) based on operational reviews and client feedback. The USCU was designed to:

- Lower water consumption;
- Reduce drilling additive costs; and
- Increase the standard of site organisation and tidiness.

The USCU was designed with the following principal objectives:

- Maintenance of a limited footprint for underground operations;
- Suitable fluid volume to support general operations;
- Robust structure to manage the harsh working environment; and
- Flexibility to accommodate different power sources, such as air or electrical.

The USCU is in still in its infancy; however, customers have reported significant improvement in drilling additives and water management.

Customers have also identified the opportunity for larger USCUs to be placed on site to better manage water in underground services. This is achieved by placing the same system at each mining level removing the necessity of pumps, service lines and personnel to manage the mines water supply for other mine services.

The design of the USCU can also accommodate small exploration operations that utilise helicopter services in areas with limited access where conventional earthmoving equipment cannot provide drill sumps.

Customers that have trialed, or are utilising the Imdex's Solids Control units include BHP Billiton, Rio Tinto, Xstrata, Mincor, Cameco, Boart Longyear, Foraco / Mosslake, Lucas Mitchell and Australian Drilling Services.

Demand for these units is expected to continue as requirements increase for drilling contractors and mining companies to utilise environmentally acceptable alternatives.

Advanced Drilling Fluids Laboratory

This year Imdex completed a modern fully serviced research and development laboratory at its facility in Osborne Park, Western Australia, to test and develop fluids used in the oilfield, mining, water well and specialised drilling sectors.

The Company employs two industrial chemists at this facility and continually invests in ongoing research and development in order to provide effective drilling fluid products for diverse drilling applications and environments.

The Osborne Park laboratory has been custom designed and utilises state of the art equipment including FANN iX77 HPHT rheometers that enables AMC to measure drilling fluid characteristics at temperatures of up to 316°C and pressures of 30,000 psi. Such rheometers are only available in two locations in Australia and allow extreme HPHT fluids to be tested at the highest requirements for geothermal wells.

In addition to the FANN iX77 HPHT rheometers, AMC's laboratory has sophisticated fluid testing apparatus including: a Silversen L4RT shear mixer; lubricity tester; linear swell metre; and comprehensive oilfield testing equipment.

5

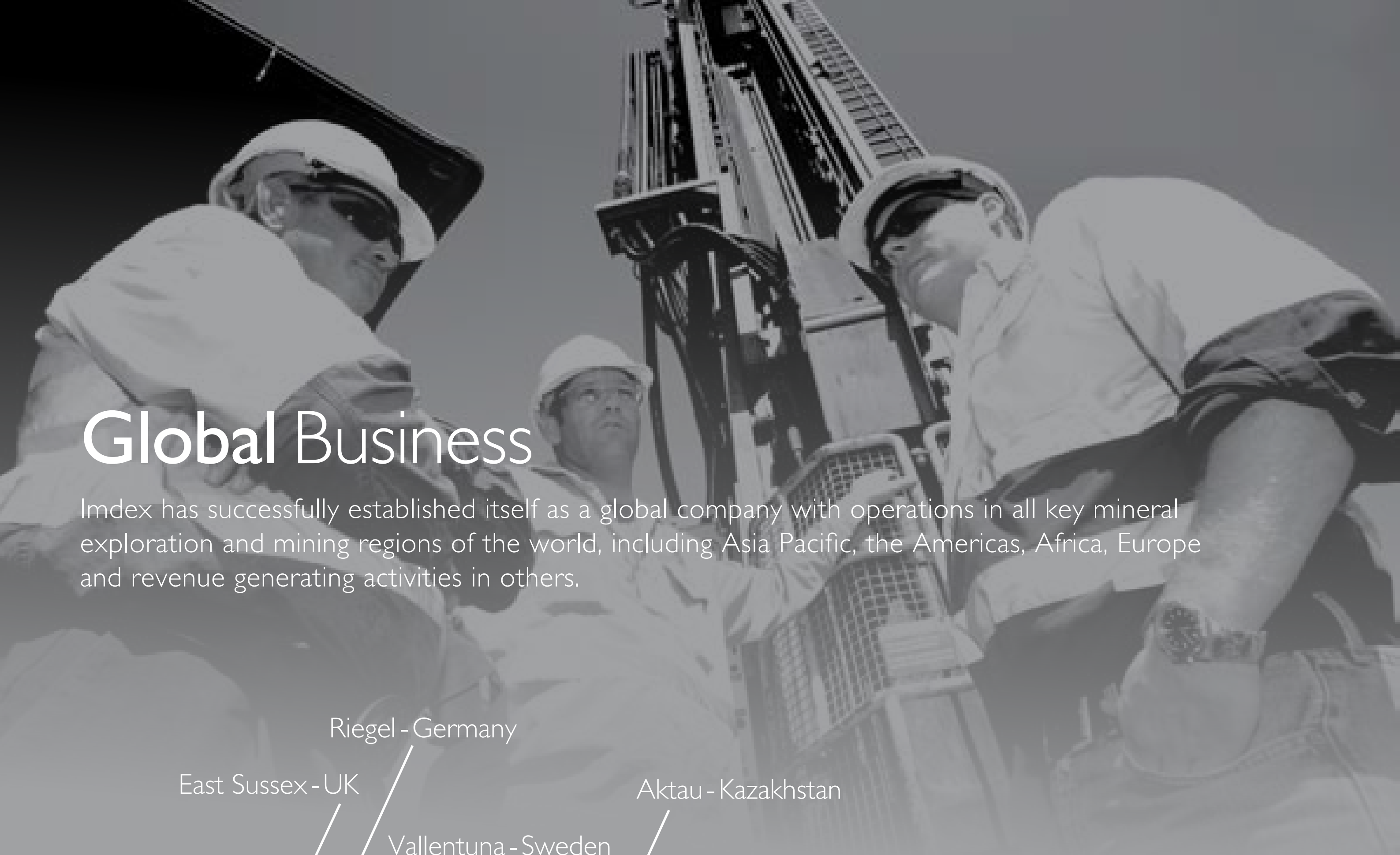
Fig 1. Advanced design of the EZ-Trac

Fig 2. Upgraded Research Facility

Fig 3. Underground Solids Control Unit

Fig 4. Surface Solids Control Unit Deployed at a Drilling Site

Fig 5. Surface Solids Control Unit MkII



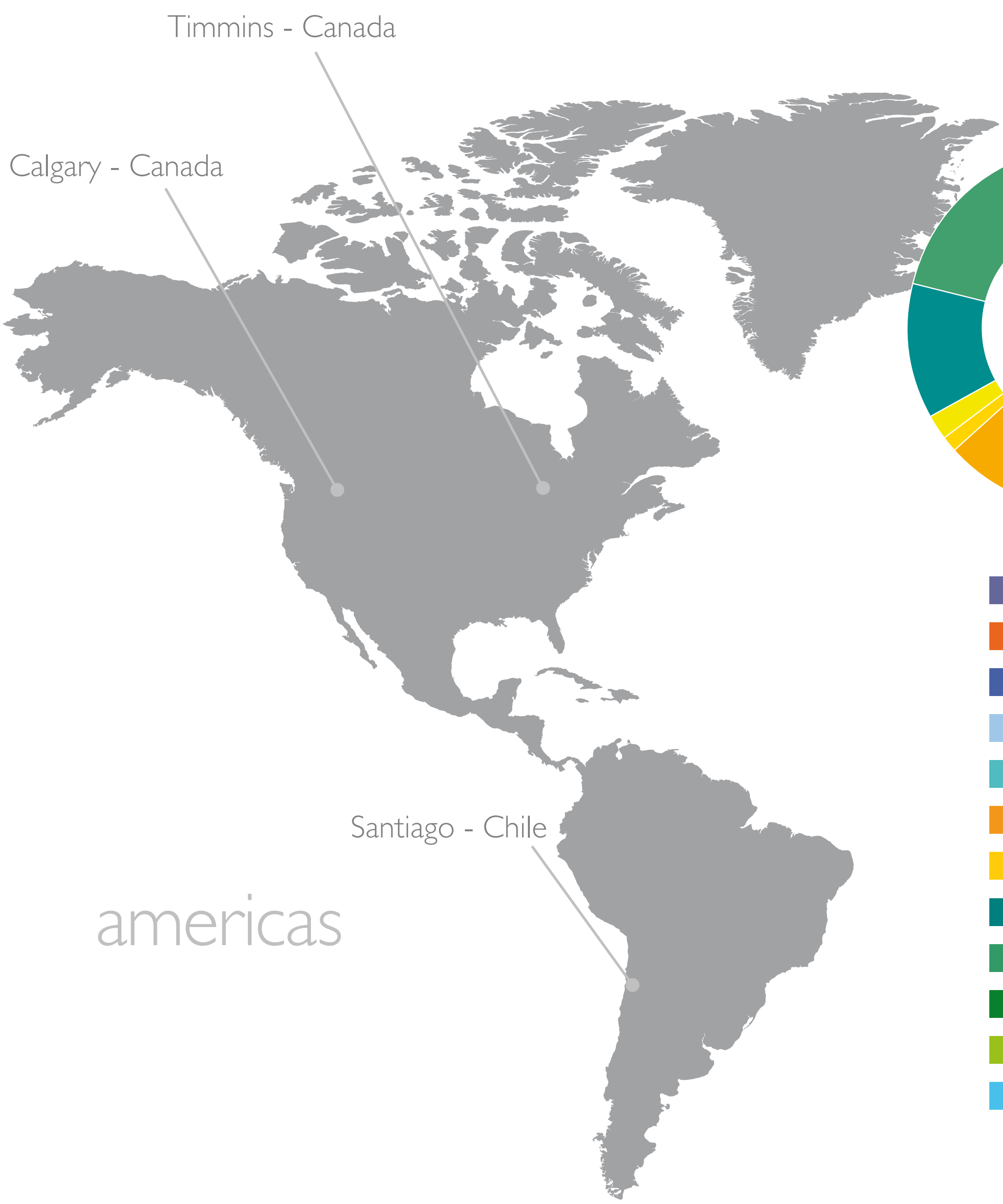
Global Business

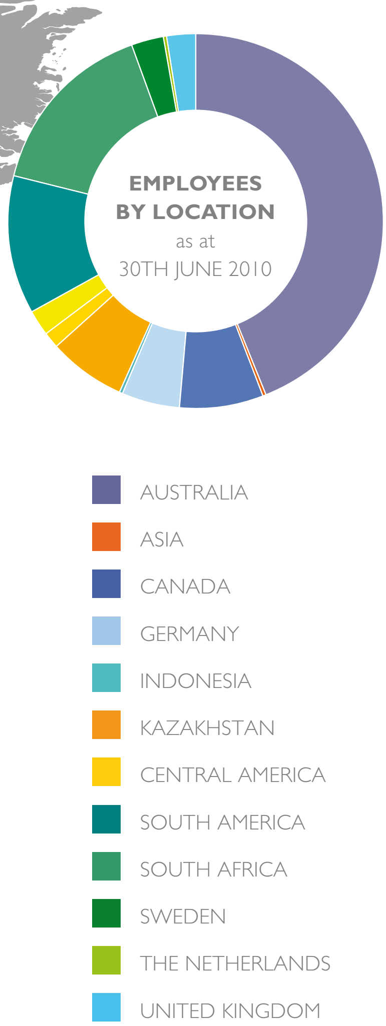
Imdex has successfully established itself as a global company with operations in all key mineral exploration and mining regions of the world, including Asia Pacific, the Americas, Africa, Europe and revenue generating activities in others.

Imdex's Management & Team

Imdex has a strong and stable management team with extensive technical and product knowledge and hands on experience. The Company has managers based in the Asia Pacific region, Africa, Europe and the Americas, and prides itself in offering on site technical support to customers.

The Company also has excellent research and development capabilities within both the Drilling Fluids and Chemicals Division, and Down Hole Instrumentation Division. Imdex differentiates itself by its ability to provide advanced analytical services, innovative drilling fluids and leading down hole instrumentation.





Excellent safety performance record

Quality, Health, Safety & Environment

Imdex has a dedicated quality department that oversees the Company's commitment to continuous improvement, and the safety and wellbeing of its people, customers and others with whom it interacts.

Key achievements for FY10

- Imdex Limited, AMC, Reflex Asia Pacific, Imdex Technology and Samchem successfully maintained certification to ISO9001:2007;
- Wildcat and Reflex Canada achieved ISO9001 certification;
- Workflow and risk management prioritisation was included in Imdex's new internal benchmark system for managing customer satisfaction, HS&E and continual improvement within the organisation;
- ISO9001 implementation commenced in May 2010 for Imdex Chile, including AMC Chile and Reflex South America. Certification is expected November 2010;
- Objectives to implement OH&S certification Australia wide to international safety management system standard OHSAS18001:2007. This will provide a OH&S due-diligence framework, for the management of legislative issues, support and enhance the tendering process, and importantly, provide a safer environment for employees. Additional QHSE Coordinators were appointed to ensure the success of the OH&S certification program, together with adoption of customer Risk Management Software.

Key statistics for FY10

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

Imdex enjoyed an excellent safety performance record across its global operations having one lost time injury (LTI) during FY10, resulting in only 5 days lost time.

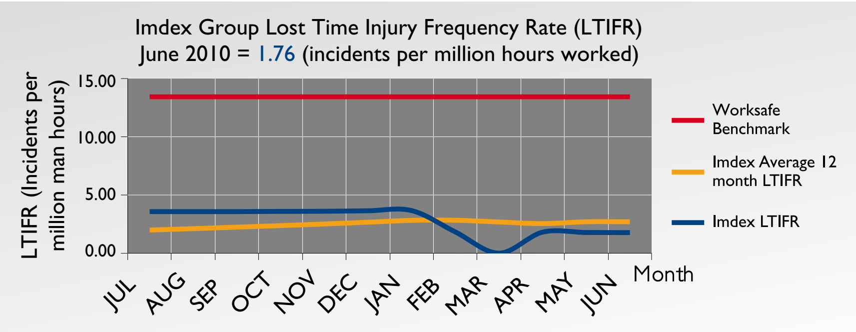
WorkSafe Benchmark

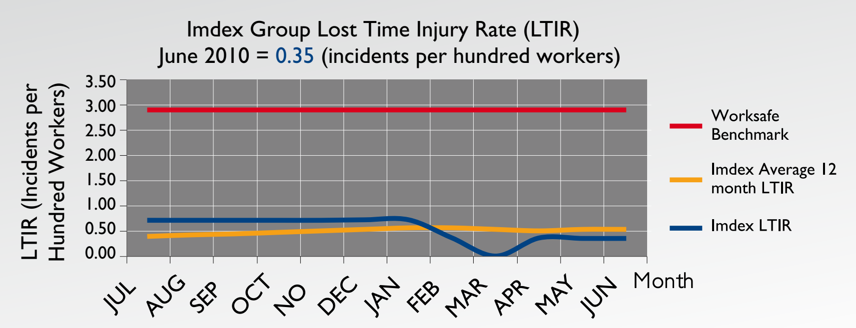
LTIFR = 13.4

↓

Imdex Group

LTIFR = 1.76





The Imdex Group reports against the WorkSafe Benchmark on a monthly basis, using a 12 month rolling snapshot. Imdex uses the stringent Western Australia LTIFR & LTIR WorkSafe benchmark, to measure global injury performance.

Enhancing the value of shareholders investments

Managing
Risk

Fig 1. On site support mixing muds

Fig 2. Underground drilling

Fig 3. Strong leadership and committed management

Corporate governance

Imdex's Board of Directors 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 within a risk management framework that provides an over-arching and consistent mechanism 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 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 the Company;
- A review of all internal and external audit management letters and audit reports;
- Development of a central risk register to record and assess risks, 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 exposure of the business to risks.

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 the Company's reporting and effectiveness of its systems of internal control and risk management.

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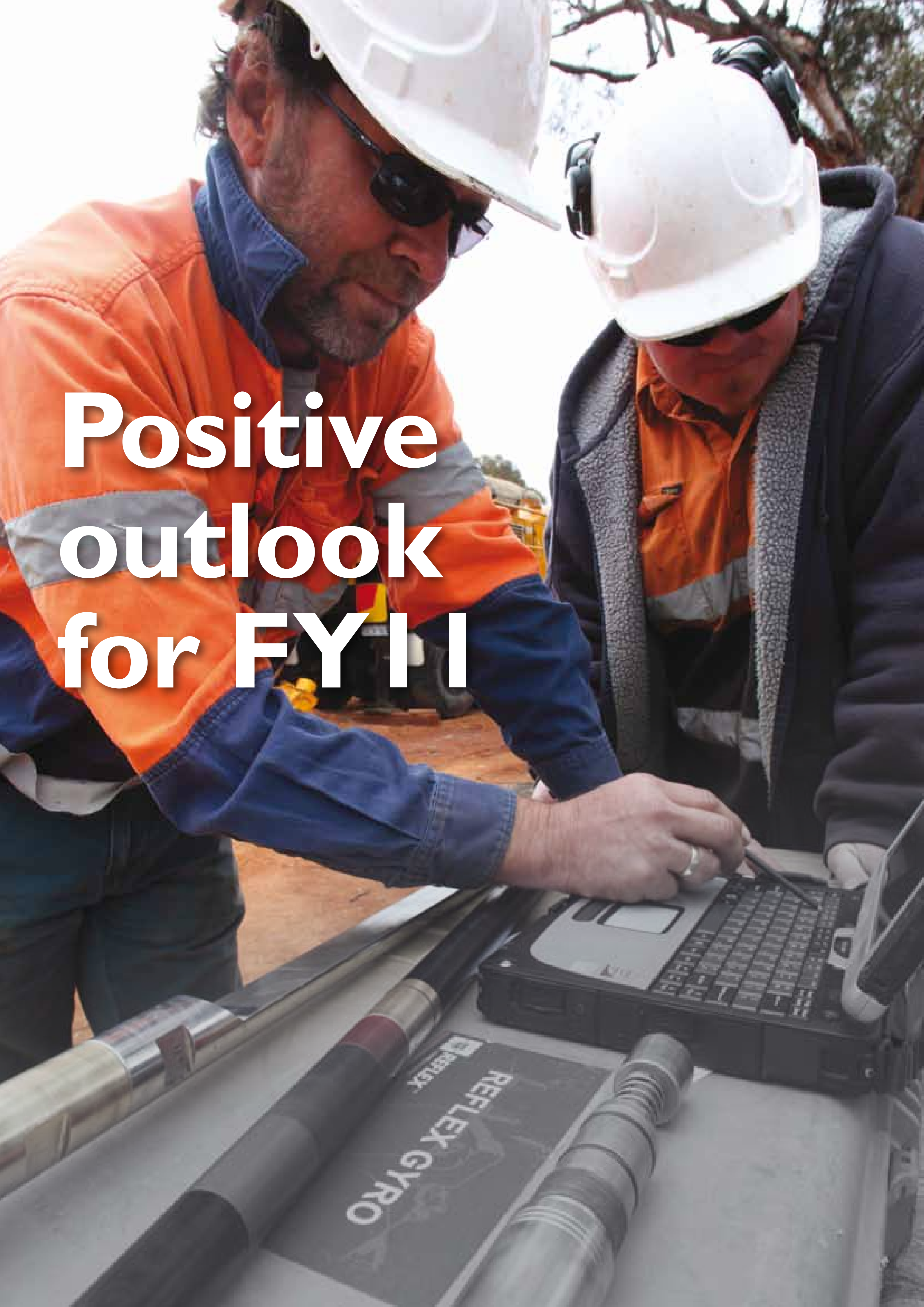
Positive outlook for FY11



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IMDEX LIMITED

and its controlled entities

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2010

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 2010.

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 R W Kelly	Independent, Non Executive Director from 1 July 09 to 14 October 2009 Chairman from 15 October 2009 to current	72	▪ Engineer ▪ Member of the Audit and Compliance Committee ▪ Chairman of the Remuneration Committee until 14 December 2009 ▪ 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. ▪ Appointed as Chairman on 15 October 2009
Mr I F Burston	Independent, Non Executive Chairman Retired 15 October 2009	75	▪ Mechanical Engineer ▪ Member of the Audit and Compliance & Remuneration Committees ▪ Director and Chairman 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 and various other listed companies ▪ Extensive experience leading publicly listed and private companies ▪ Retired on 15 October 2009
Mr B W Ridgeway	Managing Director	56	▪ 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 K A Dundo	Independent, Non Executive Director	57	▪ Lawyer ▪ Chairman of the Audit and Compliance Committee ▪ Member of the Remuneration Committee ▪ Director since 14 January 2004 ▪ Director of Red 5 Limited and Synergy Plus Limited ▪ Previously Director of Intrepid Mines Ltd, St Barbara Mines Ltd and Defiance Mining Corporation
Mr M Lemmel	Independent, Non Executive Director	71	▪ Management Consultant ▪ Director since 19 October 2006 ▪ Chairman of the Remuneration Committee from 14 December 2009 ▪ Chairman of Fiberform Vindic AB ▪ 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
Ms E Donaghey	Independent, Non Executive Director	52	▪ Civil Engineer ▪ Director since 28 October 2009 ▪ Member of the Audit and Compliance Committee from 14 December 2009 ▪ Member of the Remuneration Committee from 14 December 2009 ▪ Previously held a range of technical and senior management positions in Woodside Petroleum and BHP Petroleum

(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:

Name	Company	Position	Period of Directorship
Mr R W Kelly	Clough Limited	Non Executive Director	1996 – 2008
Mr I F Burston	Condor Nickel Ltd Fortescue Metals Group Ltd NRW Holdings Ltd Kansai Mining Corporation Mincor Resources NL Cape Lambert Iron Ore Ltd	Non Executive Director Non Executive Director Non Executive Chairman Non Executive Director Non Executive Director Non Executive Chairman	2010 – Current at date of retirement 2008 – Current at date of retirement 2007 – Current at date of retirement 2006 – Current at date of retirement 2003 – Current at date of retirement 2006 – 2008
Mr K A Dundo	Red 5 Limited Synergy Plus Limited (previously Computercorp Limited) Intrepid Mines Ltd	Non Executive Director Non Executive Director Non Executive Director	2010 – Current 2006 – Current 2002 – 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, eight Board meetings, three Audit and Compliance Committee meetings and three Remuneration Committee meetings were held.

	Board of Directors		Audit and Compliance Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
R W Kelly	8	8	3	3	2	2
I F Burston	4	4	1	1	1	1
B W Ridgeway	8	8	-	-	-	-
K A Dundo	8	8	3	3	3	3
M Lemmel	8	7	-	-	1	1
E Donaghey	4	4	2	2	1	1

(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
R W Kelly	-	380,000	-
B W Ridgeway	-	3,500,000	2,000,000
K A Dundo	-	300,000	-
M Lemmel	500,000	403,909	-
E Donaghey	110,000	-	-

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 33.

(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 and performance rights 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 $371,657, 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 31% 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 additional 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 or performance rights may be issued to the Managing Director as a long term performance incentive. The portion of the Managing Director's compensation package that comprises options or performance rights is linked to the Company's performance. The number of options or performance rights granted are determined with regard to current market trends. The issue of any such options or performance rights requires the approval of Shareholders in General Meeting.

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 or performance rights may be issued to the Executives and staff as a long term performance incentive. The portion of remuneration package that comprises options or performance rights is linked to the Company's performance. The number of options or performance rights granted are determined with regard to current market trends. The issue of any such options or performance rights requires the approval of Shareholders in General Meeting.

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 2010

Director and Senior Management details

The Directors of Imdex Limited during the year were:

(i) Mr R W Kelly (Non Executive Director from 1 July 2009 at 14 October 2009; Chairman from 15 October 2009);
(ii) Mr I F Burston (Non Executive Chairman; retired 15 October 2009);
(ii) Mr B W Ridgeway (Managing Director);
(iii) Mr K A Dundo (Non Executive Director);
(iv) Mr M Lemmel (Non Executive Director); and
(v) Ms E Donaghey (Non Executive Director; appointed 28 October 2009).

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 M L Quesnel (General Manager: Fluids and Chemicals (Oil & Gas) Division; appointed 15 October 2009);
(iv) Mr P J Mander (General Manager: Fluids and Chemicals (Minerals) Division) (ceased to be a member of Senior Management on 1 July 2010 when changed internal reporting structures came into effect) and
(v) Mr P A Evans (Company Secretary and Chief Financial Officer).

Except as noted above Directors and Senior Management held their current position for the whole 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 33) or performance rights granted under the Performance Rights Plan (note 34) or any other equity related benefits 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 2010:

	30 June 2010	30 June 2009	30 June 2008	30 June 2007	30 June 2006
Revenue – continuing and discontinued operations ($000s)	135,625	138,992	150,493	119,340	66,792
Net (loss) / profit before tax from continuing operations ($000s)	(21,071)	18,195	31,885	18,115	11,864
Net (loss) / profit after tax from continuing operations ($000s)	(21,548)	12,067	21,081	11,950	7,984
Share price at start of year (cents)	64.5	165	150	61	22
Share price at end of year (cents)	73.0	64.5	165	150	61
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 (loss) / earnings per share (cents) – continuing operations	(11.05)	6.37	11.22	7.72	6.07
Diluted (loss) / earnings per share (cents) – continuing operations	(11.05)	6.23	10.79	7.09	5.95

IMDEX LIMITED

and its controlled entities

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2010

Year ended 30 June 2010

	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	488,464	10,000	10,261	-	44,885	-	9,728	-	-	-	-	-	563,338
Non Executive Directors													
I F Burston, Chairman *	34,971	-	-	-	-	-	-	-	-	-	-	-	34,971
R W Kelly, Chairman *	101,250	-	-	-	9,112	-	-	-	-	-	-	-	110,362
K A Dundo	80,000	-	-	-	7,200	-	-	-	-	-	-	-	87,200
M Lemmel	80,000	-	-	-	-	-	-	-	-	-	-	-	80,000
E Donaghey *	54,242	-	-	-	4,882	-	-	-	-	-	-	-	59,124
	838,927	10,000	10,261	-	66,079	-	9,728	-	-	-	-	-	934,995

	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	340,983	-	7,200	-	30,688	-	6,789	-	-	72,458	-	-	458,118
D J Loughlin, General Manager: Down Hole Instrumentation Division	299,632	-	6,948	-	27,592	-	5,876	-	-	20,704	-	-	360,752
M L Quesnel, General Manager: Fluids and Chemicals (Oil & Gas) Division *	181,458	-	-	-	5,331	-	-	-	-	-	-	-	186,789
P J Mander, General Manager: Fluids and Chemicals (Minerals) Division	237,651	-	7,349	-	22,050	-	-	-	-	21,738	-	-	288,788
P A Evans, Chief Financial Officer / Company Secretary	304,500	-	-	-	27,405	-	5,885	-	-	39,672	-	-	377,462
	1,364,224	-	21,497	-	113,066	-	18,550	-	-	154,572	-	-	1,671,909

* - On 15 October 2009 Mr Burston retired as Chairman and Mr Kelly, an existing non executive director, was appointed as Chairman. Mr Quesnel was appointed to the position of Fluids and Chemicals (Oil & Gas) Division General Manager on 15 October 2009. Ms Donaghey was appointed as a non-executive director on 28 October 2009. Disclosures above only relate to the period when in office.

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

IMDEX LIMITED
and its controlled entities

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2010

Year ended 30 June 2009

	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 ^ Shares & Units	Equity-settled ^ Options & Rights	Cash settled	Other	Total
	$	$	$	$	$	$	$	$	$	$	$	$	$
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
E Donaghey													
	858,625	-	8,928	-	59,285	-	12,745	-	-	53,377	-	-	992,960

	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 ^ Shares & Units	Equity-settled ^ Options & Rights	Cash settled	Other	Total
	$	$	$	$	$	$	$	$	$	$	$	$	$
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 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 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.

Mr Ridgeway earned a bonus of $10,000 in the current year on the achievement of operational targets. No short term bonus was earned in the prior year as the required hurdles were not met.

No options were granted to Mr Ridgeway in the current year or in the prior year.

The grant of 234,375 performance rights to Mr Ridgeway in the current year was approved by the shareholders at the Annual General Meeting on 15 October 2009. All of these performance rights expired in the current year due to the FY10 EBITA performance hurdles not being met. No value was therefore received by Mr Ridgeway. Refer note 34 for further details.

(ii) **Mr G E Weston** is party to a service contract with Imdex Limited, which sets out a fixed compensation package, reviewable annually. The service contract stipulates a twelve month notice period in the event that the contract is terminated. There are no termination benefits specified in this contract. Performance incentives may be agreed between Mr Weston and Imdex 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 short term bonus was earned in the current or prior years as the required hurdles were not met.

No options were granted to Mr Weston 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 33 for further details.

Mr Weston was granted 136,009 performance rights in the current period under the Performance Rights Plan. All of these performance rights expired in the current year due to the FY10 EBITA performance hurdles not being met. No value was therefore received by Mr Weston. 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 short term bonus was earned in the current or prior years as the required hurdles were not met.

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 33 for further details.

Mr Loughlin was granted 93,493 performance rights in the current period under the Performance Rights Plan. All of these performance rights expired in the current year due to the FY10 EBITA performance hurdles not being met. No value was therefore received by Mr Loughlin. Refer note 34 for further details.

(iv) **Mr M L Quesnel** was appointed to the position of General Manager: Fluids and Chemicals (Oil & Gas) Division on 15 October 2009. Mr Quesnel is a party to a consulting contract with Imdex Limited, which sets out a fixed compensation package. This contract expires on 31 July 2010 and is renewable for a further 12 months if agreed by both parties. The contract sets out a 30 day 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 Quesnel and Imdex Limited from time to time.

No short term bonus was earned in the current year as the required hurdles were not met.

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

Mr Quesnel was granted 68,751 performance rights in the current period under the Performance Rights Plan. All of these performance rights expired in the current year due to the FY10 EBITA performance hurdles not being met. No value was therefore received by Mr Loughlin. Refer note 34 for further details.

(v) **Mr P J Mander** was appointed to the position of General Manager: Fluids and Chemicals (Minerals) Division on 1 September 2008. 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 short term bonus was earned in the current or prior years as the required hurdles were not met.

No options were granted to Mr Mander 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 33 for further details.

Mr Mander was granted 73,437 performance rights in the current period under the Performance Rights Plan. All of these performance rights expired in the current year due to the FY10 EBITA performance hurdles not being met. No value was therefore received by Mr Mander. Refer note 34 for further details.

(vi) **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 short term bonus was earned in the current or prior years as the required hurdles were not met.

No options were granted to Mr Evans in the current or prior year. 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 33 for further details.

Mr Evans was granted 112,110 performance rights in the current period under the Performance Rights Plan. All of these performance rights expired in the current year due to the FY10 EBITA performance hurdles not being met. No value was therefore received by Mr Evans. Refer note 34 for further details.

Bonuses granted to Directors and Senior Managers

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

	Bonus	% of possible bonus earned	% of possible bonus forfeited	% of compensation for the year consisting of performance based bonuses
	$	%	%	%
B W Ridgeway	10,000	7%	93%	2%
G E Weston	-	0%	100%	0%
D J Loughlin	-	0%	100%	0%
M L Quesnel	-	0%	100%	0%
P J Mander	-	0%	100%	0%
P A Evans	-	0%	100%	0%

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2010

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 (ii)	Options granted that have vested in current year	Value of options included in remuneration during the year (iii)	Percentage of remuneration for the year that consisted of options
	Value at grant date	Value at exercise date (i)	Value at lapsing date					
	$	$	$	$	Number	%	$	%
B W Ridgeway	-	-	-	-	-	-	-	-
G E Weston	-	450,000	-	450,000	166,666	33%	72,458	16%
D J Loughlin	-	-	-	-	166,667	33%	20,704	6%
M L Quesnel	-	-	-	-	-	-	-	0%
P J Mander	-	-	-	-	50,000	33%	21,738	8%
P A Evans	-	-	-	-	166,667	33%	39,672	11%

(i) No amounts remain unpaid on these options

(ii) Represents 1/3 of each underlying tranche which vests annually

(iii) 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.

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

Value of performance rights granted to Directors and Senior Managers

Performance rights are granted to Senior Managers at a fixed percentage of their base salaries depending on seniority. Percentages range from 15% to 25%. Each performance right is to be satisfied by the issue of one fully paid Imdex Limited ordinary share for nil consideration should specified EBITA targets be met. Shares issued in satisfaction of performance rights are done so in 1/3 lots on the anniversary date of the satisfaction of the specified hurdles should employment tenure be ongoing. The following table discloses the value of performance rights granted and expired during the year:

	Granted	Satisfied by the issue of shares	Expired (i)		Value included in remuneration during the year	Percentage of remuneration for the year that consisted of performance rights
	19 Feb 10	Value at grant date	Value at date of share issue			
	Number	$	$	Number	$	%
B W Ridgeway	234,375	160,547	-	234,375	-	-
G E Weston	136,009	93,166	-	136,009	-	-
D J Loughlin	93,493	64,043	-	93,493	-	-
M L Quesnel	68,751	47,094	-	68,751	-	-
P J Mander	73,437	50,304	-	73,437	-	-
P A Evans	112,110	76,795	-	112,110	-	-

(i) 100% of performance rights granted to Senior Managers expired on 30 June 2010 due to the FY10 EBITA hurdles to which they relate not being achieved. No value was therefore received by the performance rights holder.

No performance rights were granted to Directors or Senior Managers since the end of the financial year. More details on the Performance Rights Plan can be found in note 34.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2010

Share options held by Directors and Senior Managers

2010	Balance at 1 July 2009	Granted as compensation	Exercised	Inception / (cessation) as key management person	Balance at 30 June 2010	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	-
Mr R W Kelly	-	-	-	-	-	-	-	-
Mr K A Dundo	-	-	-	-	-	-	-	-
Mr M Lemmel	-	-	-	-	-	-	-	-
Ms E Donaghey ^	-	-	-	-	-	-	-	-
Mr G E Weston	2,500,000	-	(1,000,000)	-	1,500,000	-	1,333,332	166,666
Mr D J Loughlin	500,000	-	-	-	500,000	-	500,000	166,667
Mr M L Quesnel +	-	-	-	-	-	-	-	-
Mr P J Mander	150,000	-	-	-	150,000	-	100,000	50,000
Mr P A Evans	500,000	-	-	-	500,000	-	433,333	166,667
	6,650,000	-	(1,000,000)	(1,000,000)	4,650,000	-	4,366,665	550,000

2009	Balance at 1 July 2008	Granted as compensation	Exercised	Inception / (cessation) 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 I Burston retired from the position of Chairman on 15 October 2009. Disclosures above relate only to the period when in office.
^ - Ms E Donaghey was appointed as a director on 28 October 2009. Disclosures above relate only to the period when in office.
+ - Mr Quesnel was appointed on 15 October 2009. Disclosures above relate only to the period when in office.
~ - 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.

No options were granted to key management personnel in the current or prior year.

A total of 1,000,000 options were exercised by key management personnel during the current year. The exercise price was 20c per share. No amounts remain unpaid on the options exercised.

(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)	4,368,327
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)	275,000
Imdex Limited	Staff Share Options	Ordinary	100 cents	23 Feb 2007	22 Feb 2012	(aa)	3,014,001
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)	1,579,536
Imdex Limited	Managing Director Options	Ordinary	30 cents	15 Sep 2005	14 Sep 2010	(bb)	2,000,000
Imdex Limited	Former 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 July 2009	1,141,666
Imdex Limited	Staff Share Options	Ordinary	35 cents	1 Feb 2006	31 Jan 2011	96,669

No options were exercised by Directors in the current year.

(h) Performance Rights

(i) Performance rights on issue at the date of this report

Issuing Entity	Class	Class of shares	Exercise price	Issue date	Expiry date	Key terms	Number of shares under performance right
Imdex Limited	Performance Rights	Ordinary	Nil	19 Feb 2010	Aug 2015	(aa)	458,779

(aa) To be satisfied by the issue of fully paid ordinary shares in Imdex Limited in equal 1/3 lots annually with the anniversary date being the day after signature of the FY10 independent audit report.

(i) 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.

(j) 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 $135.6 million (2009: $139.0 million) and loss after tax of $21.5 million (2009: profit $12.1 million).

(k) Dividends

In the current year no dividends were declared or paid.

In the prior year 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.

(l) Changes in State Of Affairs

There were no significant changes in the state of affairs of the Group.

(m) Subsequent Events

There have been no material events subsequent to the end of the financial year requiring disclosure in this report.

(n) 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.

(o) 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.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2010

(p) 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.

(q) Auditor's Independence Declaration

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

(r) 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.

(s) 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

Ross Kelly

Mr Ross Kelly

Chairman

PERTH, Western Australia, 13 August 2010.

Deloitte.

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

13 August 2010

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 2010, 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

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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 statement of financial position as at 30 June 2010, and the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 45 and 51 to 109.

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.

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 2010 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 2010. 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 2010, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter Rupp
Partner
Chartered Accountants
Perth, 13 August 2010

IMDEX LIMITED

and its controlled entities

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;

(c) in the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and

(d) 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, 13 August 2010.

Ross Kelly
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 2010. 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 2010, 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 R W Kelly, Non Executive Chairman	Independent	Nil
Mr B W Ridgeway, Managing Director	Not Independent	Managing Director
Mr K A Dundo, Non Executive Director	Independent	Nil
Mr M Lemmel, Non Executive Director	Independent	Nil
Ms E Donaghey, Non Executive Director	Independent	Nil

CORPORATE GOVERNANCE STATEMENT

(iii) Board Nomination

The Board does not have a separate nomination committee and, given the Company's size, does not intend to form such a committee. However, the composition of the Board is determined using the following principles:

- The Board should comprise a majority of independent, Non Executive Directors with a broad range of experience, skills and expertise;
- The Chairman of the Board should be an independent, Non Executive Director; and
- The roles of the Chairman and the Managing Director should not be exercised by the same individual.

(iv) Procedure for the selection and appointment of new Directors to the Board

The Company has published on its website, procedures for the selection and appointment of new Directors to the Board. The Company also has terms and conditions which govern the appointment of Non Executive Directors. These are subject to the Company's Constitution and the Corporations Act 2001, and cover: appointment, retirement, Corporate Governance, remuneration, Board meetings, and Board Committees.

The Board does not impose on Directors an arbitrary time limit on their tenure. Under the Company's Constitution and the ASX Listing Rules however, each Director must retire by rotation within a three year period following their appointment. In such cases, the Director's nomination for re-election should be based on performance and the needs of the Company.

(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 2010 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 and Compliance Committee during the year and at the date of this Statement were:

Mr K A Dundo (Chairman);
Mr R W Kelly;
Ms E Donaghey (appointed 14 December 2009); and
Mr I F Burston (retired 14 December 2009).

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 and Compliance Committee meetings at the discretion of the Committee. Details of meetings held by the Audit and Compliance 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 required 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 M Lemmel (Chairman) (appointed 14 December 2009);
Mr K Dundo;
Ms E Donaghey (appointed 14 December 2009);
Mr I Burston (retired 15 October 2009); and
Mr R Kelly (resigned 14 December 2009).

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.

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INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Consolidated Year Ended 30 June 2010 $'000	Consolidated Year Ended 30 June 2009 $'000	Company Year Ended 30 June 2010 $'000	Company Year Ended 30 June 2009 $'000
Revenue from sale of goods and operating lease rental		134,253	136,968	-	-
Other revenue from operations		1,372	2,024	3,153	3,822
Total revenue	4	135,625	138,992	3,153	3,822
Other income	4	297	253	10,255	16,902
Raw materials and consumables used	4	(58,140)	(61,700)	-	-
Employee benefit expense	4	(27,068)	(28,467)	(7,500)	(7,443)
Depreciation expense	4	(4,182)	(3,318)	(236)	(187)
Amortisation expense	4	(6,363)	(6,535)	-	-
Finance costs	4	(2,143)	(2,850)	(1,629)	(2,170)
Impairment charges	4	(33,971)	-	(3,434)	-
Other expenses	4	(25,126)	(18,180)	(5,034)	(1,351)
(Loss) / profit before tax		(21,071)	18,195	(4,425)	9,573
Income tax (expense) / benefit	5	(477)	(6,128)	1,027	(1,057)
(Loss) / profit for the year		(21,548)	12,067	(3,398)	8,516
Attributable to:					
Owners of the Company		(21,548)	12,067	(3,398)	8,516
Non-controlling interests		-	-	-	-
		(21,548)	12,067	(3,398)	8,516
(Loss) / earnings per share					
Basic (loss) / earnings per share (cents)	21	(11.05)	6.37		
Diluted (loss) / earnings per share (cents)	21	(11.05)	6.23		

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated Year Ended 30 June 2010 $'000	Consolidated Year Ended 30 June 2009 $'000	Company Year Ended 30 June 2010 $'000	Company Year Ended 30 June 2009 $'000
(Loss) / profit for the period	(21,548)	12,067	(3,398)	8,516
Other comprehensive (loss) / income				
Exchange differences arising on the translation of foreign operations	(1,517)	758	-	-
Other comprehensive income for the period (net of tax)	(1,517)	758	-	-
Total comprehensive (loss) / income for the period	(23,065)	12,825	(3,398)	8,516
Total comprehensive (loss) / income attributable to:				
Owners of the parent	(23,065)	12,825	(3,398)	8,516
Non-controlling interests	-	-	-	-

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

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

		Consolidated		Company	
	Notes	30 June 2010 $'000	30 June 2009 $'000	30 June 2010 $'000	30 June 2009 $'000
Current Assets					
Cash and Cash Equivalents	30	9,007	11,975	7,644	1,455
Trade and Other Receivables	7	41,210	23,367	1,775	5,836
Inventories	8	28,600	26,535	-	-
Other Financial Assets	9	-	12,340	-	12,340
Other	10	3,496	1,507	24	22
		82,313	75,724	9,443	19,653
Non Current Assets Classified as Held for Sale	11	-	8,130	-	8,130
Total Current Assets		82,313	83,854	9,443	27,783
Non Current Assets					
Other Financial Assets	9	6,802	-	90,443	74,772
Property, Plant and Equipment	12	13,604	10,781	619	541
Deferred Tax Assets	5	10,703	-	2,490	-
Goodwill	13	30,706	55,268	-	-
Other Intangible Assets	14	19,269	23,915	-	-
Total Non Current Assets		81,084	89,964	93,552	75,313
Total Assets		163,397	173,818	102,995	103,096
Current Liabilities					
Trade and Other Payables	15	25,689	12,769	1,579	1,166
Borrowings	16	19,092	13,514	11,019	10,000
Current Tax Liabilities	5	8,768	5,268	6,261	2,249
Provisions	17	1,706	1,317	500	422
Other Current Liabilities	18	-	2,492	-	-
Total Current Liabilities		55,255	35,360	19,359	13,837
Non Current Liabilities					
Borrowings	16	12,926	18,033	8,572	11,500
Deferred Tax Liabilities	5	-	3,674	-	732
Provisions	17	721	553	383	310
Total Non Current Liabilities		13,647	22,260	8,955	12,542
Total Liabilities		68,902	57,620	28,314	26,379
Net Assets		94,495	116,198	74,681	76,717
Equity					
Issued Capital	19	67,415	67,136	67,415	67,136
Foreign Currency Translation Reserve	20	(5,622)	(4,105)	-	-
Employee Equity-Settled Benefits Reserve	20	5,107	4,024	5,107	4,024
Retained Earnings		27,595	49,143	2,159	5,557
Total Equity		94,495	116,198	74,681	76,717

The Statement of Financial Position should be read in conjunction with the accompanying notes.

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

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 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
Profit for the period		-	-	-	-	12,067	12,067
Total comprehensive income for the period		-	-	758	-	12,067	12,825
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
Exchange differences on translation of foreign operations after taxation	20	-	-	(1,517)	-	-	(1,517)
Loss for the period		-	-	-	-	(21,548)	(21,548)
Total comprehensive income for the period		-	-	(1,517)	-	(21,548)	(23,065)
Dividend paid	22	-	-	-	-	-	-
Share based payments - options	20	-	-	-	995	-	995
Share based payments - performance rights	20	-	-	-	104	-	104
Issue of shares under staff option plan	19, 20	279	-	-	(16)	-	263
Balance at 30 June 2010		67,415	-	(5,622)	5,107	27,595	94,495

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

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

COMPANY	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 2008		58,183	6,700	-	2,573	3,015	70,471
Profit for the period		-	-	-	-	8,516	8,516
Total comprehensive income 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
Loss for the period		-	-	-	-	(3,398)	(3,398)
Total comprehensive income for the period		-	-	-	-	(3,398)	(3,398)
Dividend paid	22	-	-	-	-	-	-
Share based payments - options	20	-	-	-	995	-	995
Share based payments - performance rights	20	-	-	-	104	-	104
Issue of shares under staff option plan	19, 20	279	-	-	(16)	-	263
Balance at 30 June 2010		67,415	-	-	5,107	2,159	74,681

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

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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Notes	Consolidated Year Ended 30 June 2010 $'000	Consolidated Year Ended 30 June 2009 $'000	Company Year Ended 30 June 2010 $'000	Company Year Ended 30 June 2009 $'000
Cash Flows From Operating Activities					
Receipts from customers		127,775	161,981	-	-
Payments to suppliers and employees		(110,193)	(132,564)	(11,483)	(8,285)
Intercompany management fees received		-	-	3,782	7,481
Interest and other costs of finance paid		(1,569)	(1,963)	(1,620)	(1,530)
Income tax paid		(10,313)	(11,279)	(7,794)	(1,046)
Net cash provided by / (used in) Operating Activities	30(c)	5,700	16,175	(17,115)	(3,380)
Cash Flows From Investing Activities					
Interest received		87	119	41	56
Dividend received		-	-	-	7,500
Payment for property, plant and equipment	12	(7,546)	(7,741)	(314)	(236)
Proceeds from sale of property, plant and equipment		300	2,113	-	71
Payment for Investment in AMC India		-	-	(62)	-
Payment for development costs capitalised	14	(3,322)	(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(b)	(2,101)	(3,106)	-	-
Repayment of loan from Sino Gas and Energy Holdings Ltd net of sub underwriting commitments	9	4,115	-	4,115	-
Payment for shares of Suay net of cash acquired		-	(500)	-	(500)
Net cash (used in) / provided by Investing Activities		(8,467)	(14,667)	3,780	4,989
Cash Flows From Financing Activities					
Advances from Controlled Entities		-	-	21,179	358
Cash received on exercise of options		263	93	263	93
Dividend paid to owners of the Company	22	-	(5,974)	-	(5,974)
Hire purchase debt raised		3,163	1,838	107	-
Hire purchase and lease payments		(1,137)	(227)	(25)	-
Proceeds from borrowings		7,846	7,000	1,000	7,000
Repayment of borrowings		(9,832)	(6,593)	(3,000)	(2,500)
Net cash provided by / (used in) Financing Activities		303	(3,863)	19,524	(1,023)
Net (Decrease) / Increase in Cash and Cash Equivalents Held		(2,464)	(2,355)	6,189	586
Cash and Cash Equivalents At The Beginning Of The Financial Year	30(a)	11,975	13,276	1,455	869
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		(504)	1,054	-	-
Cash and Cash Equivalents At The End Of The Financial Year	30(a)	9,007	11,975	7,644	1,455

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

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NOTES TO THE FINANCIAL REPORT

1 Adoption of New and Revised Accounting Standards

1.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in note 1.2.

Standard or Interpretation	Nature of Change
AASB 101 *Presentation of Financial Statements* (as revised in September 2007), AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* and AASB 2007-10 *Further Amendments to Australian Accounting Standards arising from AASB 101*	AASB 101(September 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
Amendments to AASB 5 *Noncurrent Assets Held for Sale and Discontinued Operations* (adopted in advance of effective date of 1 January 2010)	Disclosures in these financial statements have been modified to reflect the clarification in AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* that the disclosure requirements in Standards other than AASB 5 do not generally apply to noncurrent assets classified as held for sale and discontinued operations.
AASB 8 *Operating Segments*	AASB 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments. The adoption of this standard has minor impact on the financial statement disclosures in the current or prior financial periods.
AASB 2009-2 *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments*	The amendments to AASB 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.
Amendments to AASB 107 *Statement of Cash Flows* (adopted in advance of effective date of 1 January 2010)	The amendments (part of AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*) specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. Consequently, cash flows in respect of development costs that do not meet the criteria in AASB 138 *Intangible Assets* for capitalisation as part of an internally generated intangible asset (and, therefore, are recognised in profit or loss as incurred) have been reclassified from investing to operating activities in the statement of cash flows. Prior year amounts have been restated for consistent presentation.

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NOTES TO THE FINANCIAL REPORT

1. Adoption of New and Revised Accounting Standards (continued)

1.2 Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Standard or Interpretation	Nature of Change
AASB 2008-7*Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*	The amendments deal with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting A-IFRS for the first time and with the recognition of dividend income from subsidiaries in a parent's separate financial statements.
AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations*	The amendments clarify the definition of vesting conditions for the purposes of AASB 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.
AASB 123 *Borrowing Costs* (as revised in 2007) and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123*	The principal change to AASB 123 was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the Group's accounting policy to capitalise borrowing costs incurred on qualifying assets.
AASB 2008-2 *Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation*	The revisions to AASB 132 *Financial Instruments: Presentation* amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.
AASB 2008-8 *Amendments to Australian Accounting Standards–Eligible Hedged Items*	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.
Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*	The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.
Interpretation 17 *Distributions of Non-cash Assets to Owners* and AASB 2008-13 *Amendments to Australian Accounting Standards arising from AASB Interpretation 17 Distributions of Non-cash Assets to Owners*	The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.
AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* and AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* and AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*	In addition to the changes affecting amounts reported in the financial statements described at 1.1 above, the amendments have led to a number of changes in the detail of the Group's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported.

1. Adoption of New and Revised Accounting Standards (continued)

1.3 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard / Interpretation	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 Project **	1 January 2010	30 June 2011
AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions*	1 January 2010	30 June 2011
AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues*	1 February 2010	30 June 2011
AASB 124 *Related Party Disclosures (revised December 2009),* AASB 2009-12 *Amendments to Australian Accounting Standards*	1 January 2011	30 June 2012
AASB 9 *Financial Instruments,* AASB 2009-11 *Amendments to Australian Accounting Standards arising from* AASB 9	1 January 2013	30 June 2014
AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement*	1 January 2011	30 June 2012
Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010	30 June 2011
AASB 1053 *Application of Tiers of Australian Accounting Standards*	1 July 2013	30 June 2014
AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*	1 July 2010	30 June 2011
AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*	1 January 2011	30 June 2012

* AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* specify amendments resulting from the IASB's annual improvement project to various Australian accounting standards and interpretations. As permitted, the group has early adopted most of the amendments in AASB 2009-5 (refer note 1.2). However, the amendments to AASB 117 *Leases* have not been early adopted. Adoption of these amendments will potentially result in the reclassification of several leases over land as finance leases. The amendments, which apply retrospectively to unexpired leases from 1 July 2010, remove the guidance from AASB 117 which effectively prohibited the classification of leases over land as finance leases. It is not practical to provide a reasonable estimate of the impact of this amendment until a detailed review of existing leases has been completed.

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 13 August 2010.

(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 arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

NOTES TO THE FINANCIAL REPORT

2. Summary of Significant Accounting Policies (continued)

(e) Inventories

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

(f) Property, plant and equipment

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

Depreciation is calculated on a straight line basis in order to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements and assets held under finance lease are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

Plant and equipment:	10% to 50%
Equipment rented to third parties:	10% to 50%
Equipment under finance lease:	10% to 50%

(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 acquisition method. The consideration for each acquisition is measured at 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. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share based payment awards are measured in accordance with AASB 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 Summary of Significant Accounting Policies (continued)

(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 instruments 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

All financial assets are recognised and derecognised on trade date where purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset 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.

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. Available-for-sale financial assets include investments where shareholding is greater than 20% but significant influence is not exerted over the invested company.

(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.

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 liabilities and equity instruments issued by the Group

(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	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 between 3 and 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>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. Impairment losses booked in the current year are detailed in note 13 (Intangibles) and note 14 (Goodwill). No impairment losses were booked in the prior year.

4 Profit from Operations

	Consolidated 2010 $'000	Consolidated 2009 $'000	Company 2010 $'000	Company 2009 $'000
(a) Revenue from operations				
Revenue				
Revenue from the sale of goods	100,576	103,055	-	-
Operating rental income	33,677	33,914	-	-
Interest income - bank deposits	87	118	41	56
Interest income - other loans and receivables	1,285	1,905	3,112	3,766
	135,625	138,992	3,153	3,822
(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:				
Gain / (loss) on disposal of property, plant and equipment	12	(91)	-	41
Foreign exchange (loss) / gain	(1,511)	2,334	(1,319)	2,352
Loans and receivables (including cash and cash equivalents)				
Interest revenue	1,372	2,024	3,153	3,822
Financial liabilities at amortised cost				
Interest expense	(2,143)	(2,850)	(1,629)	(2,170)
Profit before income tax has been arrived at after charging the following items of income and expense:				
Other income				
Gain on disposal of property, plant and equipment	12	-	-	41
Management fees from subsidiaries	-	-	10,188	9,361
Dividends from subsidiaries	-	-	-	7,500
Other revenue	285	253	67	-
	297	253	10,255	16,902
Depreciation and amortisation of Non Current Assets				
Depreciation of property, plant and equipment (note 12)	4,182	3,318	236	187
Amortisation of intangible assets (note 14)	6,363	6,535	-	-
	10,545	9,853	236	187

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4 Profit from Operations (continued)

	Consolidated 2010 $'000	Consolidated 2009 $'000	Company 2010 $'000	Company 2009 $'000
Impairment Charges				
Impairment of Financial Asset (note 9)	10,440	-	3,434	-
Impairment of Goodwill (note 13)	22,498	-	-	-
Impairment of Intangible Asset (note 14)	1,033	-	-	-
	33,971	-	3,434	-
Finance costs				
Interest on hire purchase liabilities	249	53	9	-
Interest on deferred acquisition consideration	15	194	-	-
Interest on commercial bills	1,274	1,315	1,274	1,315
Interest on bank loan - Canada	114	-	-	-
Interest on bank loan - Sweden	128	421	-	-
Interest on overdraft	43	195	13	193
Interest rate cap expense	-	229	-	229
Other interest	320	443	333	433
	2,143	2,850	1,629	2,170
Other expenses				
Commissions	463	974	-	-
Consultancy fees	2,300	1,257	318	306
Legal and professional expenses (i)	2,636	2,020	835	1,012
Foreign exchange loss / (gain)	1,511	(2,334)	1,319	(2,352)
Rent and premises costs	3,175	2,847	285	239
Travel and accommodation	3,242	3,840	662	780
Motor vehicle costs	1,395	1,629	31	85
Other expenses	10,404	7,947	1,584	1,281
	25,126	18,180	5,034	1,351

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

	Consolidated 2010 $'000	Consolidated 2009 $'000	Company 2010 $'000	Company 2009 $'000
Employee benefits expense				
Post-employment benefits:				
Defined contribution superannuation costs	1,367	1,399	410	375
Share based payments:				
Equity-settled share based payments - share options	995	1,487	995	1,487
Equity-settled share based payments - performance rights	104	-	104	-
Other employee benefits	24,602	25,581	5,991	5,581
	27,068	28,467	7,500	7,443
Cost of sales	58,140	61,700	-	-
Movement in provision for doubtful debts	1,037	(68)	-	-
Operating lease rental (minimum lease payments)	3,466	3,306	301	273

5 Income Taxes

	Consolidated 2010 $'000	Consolidated 2009 $'000	Company 2010 $'000	Company 2009 $'000
(a) Income tax recognised in the income statement				
Tax expense comprises:				
Current tax expense	13,885	6,740	2,025	371
Deferred tax expense relating to the origination and reversal of temporary differences	(12,683)	(552)	(3,015)	616
(Over)/under provision per prior year	(725)	(60)	(37)	70
Total tax expense	477	6,128	(1,027)	1,057

5 Income Taxes (continued)

	Consolidated 2010 $'000	Consolidated 2009 $'000	Company 2010 $'000	Company 2009 $'000
Prima facie income tax expense on pre-tax accounting (loss) / profit from operations reconciles to income tax in the financial statements as follows:				
(Loss) / profit from operations	(21,071)	18,195	(4,425)	9,573
Income tax (benefit) / expense calculated at 30%	(6,321)	5,459	(1,328)	2,872
Intercompany dividends received	-	-	-	(2,250)
Non-deductible share based payments	330	446	330	446
Additional provincial tax arising in a foreign jurisdiction	-	201	-	-
Non-deductible interest on deferred payments	4	58	-	-
Non-deductible impairment charges	7,090	-	-	-
Other non-deductible and non-assessable items	182	(224)	8	(81)
Tax rate differential arising from foreign entities	(84)	223	-	-
Carry forward losses not brought to account	-	25	-	-
(Over) / under provision of prior year income tax	(724)	(60)	(37)	70
	477	6,128	(1,027)	1,057

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 2010 $'000	Consolidated 2009 $'000	Company 2010 $'000	Company 2009 $'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)	-	(53)
Deferred tax: Translation of foreign operations	1,351	(223)	-	-
	1,351	(276)	-	(53)
(c) Current tax assets and liabilities				
Current tax payable	8,768	5,268	6,261	2,249
(d) Deferred tax balances				
Deferred tax assets comprise:				
Provisions	392	167	75	-
Inventory	1,217	862	-	-
Property, plant and equipment	8,073	2,114	-	-
Carry forward tax losses in subsidiary companies	2,333	776	-	-
Accruals	598	-	615	-
Available-for-sale non-current assets	1,872	-	1,030	-
Foreign currency translation reserves	1,883	532	726	727
Share issue expenses	44	97	44	97
	16,412	4,548	2,490	824
Deferred tax liabilities comprise:				
Accruals	-	(111)	-	(62)
Property, plant and equipment	-	-	-	-
Intangible assets	(5,709)	(6,617)	-	-
Non-current assets classified as held for sale	-	(1,494)	-	(1,494)
	(5,709)	(8,222)	-	(1,556)
Net deferred tax balances	10,703	(3,674)	2,490	(732)
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	652	426	-	-

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5 Income Taxes (continued)

Tax Consolidation

Relevance of tax consolidation to the Group

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. The Company and its wholly-owned Australian resident entities are eligible to consolidate for tax purposes under this legislation and have elected to be taxed as a single entity from 1 July 2003. The head entity in the tax consolidated group for the purposes of the tax consolidation system is Imdex Limited.

Nature of tax funding arrangements and tax sharing agreements

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

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

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

6 Remuneration of Auditors

	Consolidated		Company	
	2010	2009	2010	2009
	$	$	$	$
Deloitte Touche Tohmatsu (Australia)				
Audit or review of the financial report	246,130	219,208	246,130	219,208
Taxation services - mainly compliance work, transfer pricing and global restructuring advice	136,395	229,184	136,395	229,184
Other non-audit services: Other consulting services	-	30,812	-	30,812
	382,525	479,204	382,525	479,204
Deloitte Touche Tohmatsu (overseas affiliates)				
Audit or review of the financial report	81,006	143,210	-	-
Taxation services - mainly compliance work, transfer pricing and global restructuring advice	11,558	11,166	-	-
Other non-audit services: Other consulting services	5,072	64,138	-	-
	97,636	218,514	-	-
Other auditors				
Audit or review of the financial report	99,871	69,335	-	-
Other non-audit services: Accounting assistance and taxation advice	66,663	448	-	-
	166,534	69,783	-	-
	646,695	767,501	382,525	479,204

7 Trade and Other Receivables

		Consolidated		Company	
		2010	2009	2010	2009
	Notes	$'000	$'000	$'000	$'000
Current					
Trade receivables	(i)	41,843	22,290	1,618	701
Allowance for doubtful debts	(ii)	(1,646)	(609)	-	-
		40,197	21,681	1,618	701
Other receivables		1,013	1,686	157	5,135
		41,210	23,367	1,775	5,836

(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	2,897	1,455	-	-
31 - 60 days past due	6,070	4,362	-	-
61 + days past due	2,023	1,454	1,618	701
	10,990	7,271	1,618	701

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	609	677	-	-
Amounts written off during the year	-	-	-	-
Increase / (Decrease) in allowance recognised in profit or loss	1,037	(68)	-	-
Balance at the end of the year	1,646	609	-	-

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	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Current				
Raw materials - at cost	4,286	4,052	-	-
Work in progress - at cost	562	1,527	-	-
Finished goods - at cost	23,752	20,956	-	-
	28,600	26,535	-	-

9 Other Financial Assets

		Consolidated		Company	
		2010	2009	2010	2009
	Notes	$'000	$'000	$'000	$'000
Current					
Loans carried at amortised cost					
Loan to Sino Gas and Energy Holdings Limited	(i)	-	12,340	-	12,340
		-	12,340	-	12,340
Non-Current					
Available for sale financial asset at fair value					
Investment in Sino Gas and Energy Holdings Ltd	(ii)	6,802	-	196	-
Loans carried at amortised cost					
Loans to Subsidiaries	(iii)	-	-	77,643	62,230
Investments carried at cost					
Investments in Subsidiaries		-	-	12,604	12,542
		6,802	-	90,443	74,772

(i) In the current year interest earned of $1.3 million and a foreign exchange loss of $0.4 million was recognised in the income statement in connection with this loan. On 21 June 2010 capitalised interest of $1.8 million was converted into fully paid Sino Gas and Energy Holdings Ltd (SEH) ordinary shares at $0.20 per share. On 28 June 2010 $7.3 million was converted into 220,470,096 fully paid SEH ordinary shares as part of the sub-underwriting agreement described below and the balance of $4.1 million was repaid.

The prior year balance comprised a loan from the Imdex Group to SEH 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 SEH. Interest of $1.9 million was recognised in the profit and loss in the prior year. The funds advanced were secured by a fixed and floating charge over the assets of SEH. The loan carried interest at 13.5% per annum until 15 September 2009 and 10% per annum thereafter. The loan was repayable on 30 September 2010. The loan carried the option for Imdex Limited to convert the loan balance into equity in SEH at market price. During the prior year $3.63 million of capitalised interest was also converted into shares in SEH at $0.50 per share.

(ii) Comprises 251,908,446 fully paid ordinary shares in SEH held at fair value. This amounts to 26.95% of the issued share capital of SEH. 243,448,446 of these shares are subject to escrow until 15 September 2011.

Despite holding more than 20% of the issued share capital of SEH, the Company does not have significant influence over SEH due to its limited Board representation and minimal involvement in strategic planning and day to day management. The shareholding in excess of 20% is a consequence of partially sub-underwriting SEH's recent capital raising. The partial sub-underwriting was undertaken to facilitate the Company's exit from the convertible note. As the Company's intention remains to realise the value of the investment through sale, subject to escrow arrangements, this investment has been classified, as an available-for-sale non-current asset and carried at fair value.

		2010	
	Note	Shares	$000's
Balance at beginning of financial year (classified as 'Held for Sale')	11	22,260,000	8,130
Uptake of sub-underwriting commitment		220,470,096	7,276
Conversion of loan interest	(i)	9,178,350	1,836
Impairment adjustment		-	(10,440)
Balance at end of financial year		251,908,446	6,802

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9 Other Financial Assets (continued)

During the current year SEH undertook a capital raising which was partially sub-underwritten by Imdex Limited. There was a shortfall on the capital raising and Imdex Limited was called upon to subscribe for 220,470,096 shares at $0.033 per share.

The impairment adjustment of $10.4 million arose on the write down of SEH shares to their market value per the Australian Stock Exchange of $0.027 per share at 30 June 2010.

As part of the SEH capital raising described above, Imdex also received for no consideration 96,263,092 SEH options exercisable at $0.125 each before 31 December 2012. These options have been valued at nil.

(iii) Loans to Subsidiaries are repayable on demand and carry interest at market related rates. These loans are classified as non-current as there is no intention for them to be repaid in the next 12 months.

10 Other Assets

	Consolidated		Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Prepayments	3,496	1,507	24	22
	3,496	1,507	24	22

11 Non-Current Assets Classified as Held for Sale

		Consolidated		Company	
		2010	**2009**	**2010**	**2009**
	Notes	**$'000**	**$'000**	**$'000**	**$'000**
Shares held for sale	(i)	-	8,130	-	8,130

(i) In the prior year 22,260,000 shares were held in Sino Gas and Energy Holdings Limited (SEH). This amounted to 19% of the issued share capital of SEH. As the Company's intention was to realise the value of the investment through sale it meets the requirements of AASB 5: 'Non-Current Assets Held for Sale and Discontinued Operations' and has been disclosed as a non-current asset held for sale.

During the current year, this investment has been reclassified as an 'Available for Sale' financial asset – refer note 9.

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12 Property, Plant and Equipment

Consolidated	Plant and Equipment at cost	Equipment Rented to Third Parties at cost	Equipment under Hire Purchase at cost	Capital Works in Progress at cost	TOTAL
	$'000	$'000	$'000	$'000	$'000
Gross Carrying Value					
Balance at 30 June 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
Additions	2,264	2,435	2,770	77	7,546
Disposals	(754)	(2,004)	-	(179)	(2,937)
Net foreign currency exchange differences	(485)	16	-	(63)	(532)
Transfer	(502)	555	(33)	(20)	-
Balance at 30 June 2010	10,806	7,014	3,229	805	21,854
Accumulated Depreciation					
Balance at 30 June 2008	2,981	5,671	14	-	8,666
Disposals	(1,295)	(3,965)	-	-	(5,260)
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
Disposals	(508)	(2,141)	-	-	(2,649)
Depreciation expense	1,872	2,142	168	-	4,182
Net foreign currency exchange differences	(175)	(104)	-	-	(279)
Transfer	(284)	294	(10)	-	-
Balance at 30 June 2010	4,339	3,628	283	-	8,250
Net Book Value					
As at 30 June 2009	6,849	2,575	367	990	10,781
As at 30 June 2010	6,467	3,386	2,946	805	13,604

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 2008	1,291	-	-	-	1,291
Additions	207	-	-	29	236
Disposals	(488)	-	-	-	(488)
Balance at 30 June 2009	1,010	-	-	29	1,039
Additions	207	-	107	-	314
Transfer	19	-	-	(19)	-
Balance at 30 June 2010	1,236	-	107	10	1,353
Accumulated Depreciation					
Balance at 30 June 2008	769	-	-	-	769
Dispoals	(458)	-	-	-	(458)
Depreciation expense	187	-	-	-	187
Balance at 30 June 2009	498	-	-	-	498
Depreciation expense	216	-	20	-	236
Balance at 30 June 2010	714	-	20	-	734
Net Book Value					
As at 30 June 2009	512	-	-	29	541
As at 30 June 2010	522	-	87	10	619

12 Property, Plant and Equipment (continued)

	Consolidated		Company	
	2010	2009	2010	2009
	$'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	1,872	1,580	216	187
Plant and equipment rented to third parties	2,142	1,613	-	-
Equipment under hire purchase	168	125	20	-
	4,182	3,318	236	187

13 Goodwill

		Consolidated		Company	
		2010	2009	2010	2009
	Notes	$'000	$'000	$'000	$'000
Gross Carrying Amount					
Balance at beginning of the financial year		55,268	52,626	-	-
Recognised on acquisition of Wildcat Chemicals Australia Pty Ltd	(i)	-	1,501	-	-
Recognised on acquisition of Imdex Technology Sweden AB (formerly Flexit AB)	(ii)	-	1,900	-	-
Effect of foreign exchange movements		(2,064)	(759)	-	-
Balance at end of the financial year		53,204	55,268	-	-
Accumulated Impairment Losses					
Balance at beginning of the financial year		-	-	-	-
Impairment losses for the year	(iii)	(22,498)	-	-	-
Balance at end of the financial year		(22,498)	-	-	-
Net Book Value					
At the beginning of the financial year		55,268	52,626	-	-
At the end of the financial year		30,706	55,268	-	-

Goodwill is allocated to cash-generating units as follows:

	2010	2009
Samchem	-	1,568
Wildcat	-	1,501
Suay Energy Services	-	1,266
AMC North America (formerly Poly-Drill Drilling Systems)	-	3,369
Southernland	-	2,537
Reflex / Imdex Technology UK	19,933	21,397
Flexit / Imdex Technology Germany	10,773	23,630
	30,706	55,268

(i) Goodwill arose during the prior 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.

(ii) Imdex Technology Sweden AB (formerly Flexit AB) was acquired on 1 May 2007. On 13 February 2009, a Deed of Variation was signed to alter the original purchase agreement. The signing of this Deed gave rise to an additional amount of goodwill. For more details refer to note19(ii).

13 Goodwill (continued)

(iii) During the current period impairment losses were booked to the following cash generating units:

Impairment losses per cash-generating unit	Goodwill $'000	Intangibles $'000	Total $'000
Samchem	1,499	1,033	2,532
Wildcat	1,501	-	1,501
Suay Energy Services	1,266	-	1,266
AMC North America (formerly Poly-Drill Drilling Systems)	3,369	-	3,369
Southernland	2,363	-	2,363
Reflex / Imdex Technology UK	-	-	-
Flexit / Imdex Technology Germany	12,500	-	12,500
	22,498	1,033	23,531

Impairment losses by segment	Goodwill $'000	Intangibles $'000	Total $'000
Drilling Fluids and Chemicals	9,998	1,033	11,031
Down Hole Instrumentation	12,500	-	12,500
Unallocated	-	-	-
	22,498	1,033	23,531

The major mining regions were hit hard by the global financial crisis and have been slow to recover. In particular this was true for the mining regions of Africa, Canada and Latin America. This caused the financial performance of all cash-generating units to fall below expected levels which was the trigger for performing impairment reviews of the Drilling Fluids and Chemicals cash-generating units. In addition Imdex took the opportunity to restructure these businesses along regional lines and re-branding all entities to the “AMC” brand. The lower performance and technical difficulties experienced in commercialising the oil and gas down hole instrumentation tool suite and penetrating that market was the trigger for the impairment adjustment within the Down Hole Instrumentation segment.

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 2011 forecast plus a terminal value. Future cash flows have been discounted to present values using region specific, real, pre-tax discount rates per the table below. 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.

There has been no change in the identification of cash-generating units or the aggregation thereof when compared to the prior period. The key assumptions used in the value in use calculations for the various significant cash generating units are as follows:

CGU	Forecasted revenue growth	Discount Rate	Forecasted net margins	Expected exchange rate fluctuations
Samchem	Revenue growth has been forecast in line with the expected rate of recovery of the mining and mineral exploration industry in South Africa and the other African regions serviced by Samchem.	25.25%	Net margins have been forecasted using current period actuals as a base on which operational improvements and economies of scale are expected to be gained, particularly from the introduction of a regionalised reporting structure.	Exchange rate fluctuation expectations have been built into the forecasted numbers based on FY11 forecasted exchange rates published by major local and international lending institutions. Discounted cash flow outcomes using these rates are not materially different from having used current spot rates.

13 Goodwill (continued)

<table>
<tr><th>CGU</th><th>Forecasted revenue growth</th><th>Discount Rate</th><th>Forecasted net margins</th><th>Expected exchange rate fluctuations</th></tr>
<tr><td>Wildcat</td><td>Revenue growth has been forecast in line with the expected activity levels of local oil and 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>18.83%</td><td rowspan="4">Net margins have been forecasted using current period actuals as a base on which operational improvements and economies of scale are expected to be gained, particularly from the introduction of a regionalised reporting structure.</td><td rowspan="5">Exchange rate fluctuation expectations have been built into the forecasted numbers based on FY11 forecasted exchange rates published by major local and international lending institutions. Discounted cash flow outcomes using these rates are not materially different from having used current spot rates.</td></tr>
<tr><td>Suay</td><td>Revenue growth has been forecast in line with the expected rate of recovery of the oil and gas industry in Kazakhstan and the broader Caspian Sea region. This has been overlaid with risk adjusted additional revenues expected to be gained by the winning of new contracts and tenders.</td><td>22.86%</td></tr>
<tr><td>AMC North America (formerly Poly-Drill)</td><td>Revenue growth has been forecast in line with the expected rate of recovery of the mining and mineral exploration market in Canada as well as growth expected to arise from the recent creation of regionalised warehousing and sales structures.</td><td>18.38%</td></tr>
<tr><td>Southern-Land</td><td>Revenue growth has been forecast in line with the expected rate of recovery of the mining and mineral exploration market in South and Latin America as well as growth expected to arise from the global alliances and recent managerial function changes.</td><td>12.30%</td></tr>
<tr><td>Flexit / Imdex Technology Germany</td><td>Revenue growth has been forecasted based on the expected rate of recovery of oil and gas activity levels on a global scale. An increment has been added for the expected gain in market share as this business begins to become established on a global scale.</td><td>11.96%</td><td>Net margins have been forecast using the current year actuals as a base. Margin increases are expected in future years as tool volumes increase and economies of scale are achieved.</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 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
Capitalised during the year	-	-	-	-	-	3,322	-	3,322
Impairment losses	-	(1,033)	-	-	-	-	-	(1,033)
Impact of exchange rate changes	-	(48)	(332)	-	(690)	-	(317)	(1,387)
Balance at 30 June 2010	761	1,505	14,080	1,315	10,931	7,401	3,893	39,886
Accumulated Amortisation and Impairment								
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
Amortisation expense	153	150	2,289	85	2,009	945	732	6,363
Impact of exchange rate changes	-	-	(204)	-	(423)	-	(188)	(815)
Balance at 30 June 2010	482	376	8,159	1,223	6,678	1,117	2,582	20,617
Net Book Value								
As at 30 June 2009	432	2,360	8,338	177	6,529	3,907	2,172	23,915
As at 30 June 2010	279	1,129	5,921	92	4,253	6,284	1,311	19,269

During the current period the full value of intellectual property associated with the clay brick manufacture process in Samchem Drilling Fluids and Chemicals (Pty) Ltd in South Africa (within the Samchem CGU) amounting to $1.0 million was considered to be impaired. This line of business is non-core to the Imdex Group and sales and growth in this industry will not be actively pursued. Refer to note 13 above for discussion on how intangibles are allocated to cash generating units.

15 Trade and Other Payables

		Consolidated		Company	
		2010	2009	2010	2009
	Notes	$'000	$'000	$'000	$'000
Trade payables	(i)	20,392	7,921	70	179
Accruals and other payables		5,297	4,848	1,509	987
		25,689	12,769	1,579	1,166

(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

	Notes	Consolidated 2010 $'000	Consolidated 2009 $'000	Company 2010 $'000	Company 2009 $'000
Current borrowings					
Secured					
At amortised cost					
Commercial bill	(i)	11,000	10,000	11,000	10,000
Bank loan - Sweden	(ii)	969	3,029	-	-
Bank loan - Canada	(iii)	5,673	-	-	-
Hire purchase liabilities	(iv) 25	1,450	485	19	-
		19,092	13,514	11,019	10,000
Non-current borrowings					
Secured					
At amortised cost					
Commercial bills	(i)	8,500	11,500	8,500	11,500
Bank loan - Sweden	(ii)	1,938	5,354	-	-
Hire purchase liabilities	(iv) 25	2,488	1,179	72	-
		12,926	18,033	8,572	11,500

(i) Commercial bills bear interest at a floating rate of 6.65% per annum. Bills totalling $8.0 million are repayable on demand. The balance of bills are repayable in 15 instalments of $0.75 million due at the end of each calendar quarter and ending with a final instalment of $0.25 million on 30 June 2014. An interest rate cap of 7% per annum is in place over $10,000,000 of this debt until December 2011. The interest rate cap does not operate where the variable interest rate on bills is below 7%. The bills are secured by a Mortgage Debenture over all the assets and liabilities of Imdex Limited, Australian Mud Company Pty Ltd, Reflex Asia Pacific Pty Ltd, Imdex International Pty Ltd, Wildcat Chemicals Australia Pty Ltd, Flexit Australia Pty Ltd, Imdex Sweden AB, Imdex Technology Sweden AB (formerly Flexit AB), Reflex Instruments AB and Samchem Drilling Fluids and Chemicals (Pty) Ltd.

(ii) Comprises of a loan of SEK 19.8 million and bears interest at the 7 day Stockholm Interbank Offered Rate ('STIBOR'), currently 0.38% plus a margin of 3.5% per annum. The loan is repayable in quarterly instalments of SEK 1.65 million with the next installment due on 30 September 2010. This loan is secured over the assets of the Reflex and Flexit companies that are domiciled in Sweden. The repayment terms of this loan were varied after year end. Refer note 35 for details.

(iii) Comprises a loan of CAD 5.1 million at an interest rate of 5.12%. This loan is repayable in 5 quarterly instalments of CAD 0.4 million each (next instalment due 1 September 2010) and 53 monthly instalments of CAD 0.06 million due on the first day of each month. The loan is disclosed as a current liability since the bank retains the option to have these loans repaid on demand. No such demand has been made at the date of signing this report and the Directors do not expect such a demand to be made in the foreseeable future.

(iv) 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 the hire purchase pledged as security. The weighted average interest rate applicable to these liabilities is 9.38% (2009: 7.89%).

17 Provisions

	Notes	Consolidated 2010 $'000	Consolidated 2009 $'000	Company 2010 $'000	Company 2009 $'000
Current provisions					
Employee entitlements	(i)	1,706	1,317	500	422
Non-current provisions					
Employee entitlements		721	553	383	310

(i) The majority of these entitlements are expected to be taken during the coming year. (2009: same)

NOTES TO THE FINANCIAL REPORT

18 Other Liabilities

	Notes	Consolidated 2010 $'000	Consolidated 2009 $'000	Company 2010 $'000	Company 2009 $'000
Other Current Liabilities					
Unsecured					
At amortised cost					
Deferred acquisition payments	(i) 27(b)	-	2,492	-	-
		-	2,492	-	-

(i) Deferred acquisition payments relate to the purchase of Imdex Technology UK Ltd effective 1 August 2006. The final installment of GBP 1.045 million was paid on 31 July 2009 in accordance with the purchase agreement. No further liabilities remain in connection with this acquisition.

19 Issued Capital

	Notes	Consolidated 2010 $'000	Consolidated 2009 $'000	Company 2010 $'000	Company 2009 $'000
Issued and Paid Up Capital - Fully paid ordinary shares	(i)	67,415	67,136	67,415	67,136
		67,415	67,136	67,415	67,136

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

	Notes	Consolidated and Company 2010 Number	2010 $'000	2009 Number	2009 $'000
Ordinary shares					
Balance at beginning of the financial year		193,808,793	67,136	183,490,932	58,183
Issue of shares as part consideration for the acquisition of Suay		-	-	168,530	278
Conversion of capital	(ii)	-	-	5,000,000	6,700
Issue of shares as part consideration for the acquisition of Imdex Technology Sweden AB (formerly Flexit AB)	(ii)	-	-	5,000,000	1,900
Tax effect of share issue costs		-	-	-	(54)
Issue of shares under staff option plan	(iii)	1,238,335	279	149,331	129
Closing balance at end of the financial year		195,047,128	67,415	193,808,793	67,136

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.

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

On 11 May 2009 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 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 2010 it is estimated that the liability at 1 May 2012 will be nil.

19 Issued Capital (continued)

(iii) Share options granted under the staff option plan

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

In accordance with the provisions of the staff option plan, as at 30 June 2010, executives, directors and staff have options over 13,436,864 ordinary shares (11,814,088 of which had vested), in aggregate. These options expire over a range of dates up to March 2013. 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. Share options granted under the employee share option plan carry no rights to dividends and no voting rights. Details of the Staff Option Plan can be found in note 33.

20 Reserves

		Consolidated		Company	
		2010	2009	2010	2009
	Notes	$'000	$'000	$'000	$'000
Foreign Currency Translation Reserve					
Balance at beginning of the financial year		(4,105)	(4,863)	-	-
Translation of foreign operations		(2,167)	1,083	-	-
Tax thereon		650	(325)	-	-
Balance at the end of the financial year		(5,622)	(4,105)	-	-

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.

		Consolidated		Company	
Employee Equity-Settled Benefits Reserve					
Balance at beginning of the financial year		4,024	2,573	4,024	2,573
Options expensed	4	995	1,487	995	1,487
Performance rights expensed	4	104	-	104	-
Options exercised during the financial year		(16)	(36)	(16)	(36)
Balance at the end of the financial year		5,107	4,024	5,107	4,024

The employee equity-settled benefits reserve arises on the grant of share options and Performance Rights to Directors and employees. Amounts are transferred out of the reserve and into issued capital when options are exercised or shares are issued in satisfaction of Performance Rights. Further information regarding the Staff Option Plan is contained in note 33. Further information regarding the Performance Rights Plan is contained in note 34.

21 (Loss) / Earnings Per Share

	Consolidated 2010 Cents per share	2009 Cents per share
Basic (loss) / earnings per share	(11.05)	6.37
Diluted (loss) / earnings per share	(11.05)	6.23

(a) Basic (loss) / earnings per share	**2010**	**2009**
The earnings and weighted average number of ordinary shares used in the calculation of basic (loss) / earnings per share are as follows:	**$'000s**	**$'000s**
(Loss) / Earnings	(21,548)	12,067
	Shares	**Shares**
Weighted average number of ordinary shares for the purposes of basic (loss) / earnings per share	194,960,972	189,479,588

(b) Diluted (loss) / earnings per share	**2010**	**2009**
The earnings and weighted average number of ordinary shares used in the calculation of diluted (loss) / earnings per share are as follows:	**$'000s**	**$'000s**
(Loss) / Earnings	(21,548)	12,067
	Shares	**Shares**
Weighted average number of ordinary shares for the purposes of diluted (loss) / earnings per share (ii)	194,960,972	193,625,987

(ii) The weighted average number of ordinary shares for the purposes of diluted (loss) / earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic (loss) / earnings per share as follows:	**Shares**	**Shares**
Weighted average number of ordinary shares used in the calculation of basic (loss) / earnings per share	194,960,972	189,479,588
Shares deemed to be issued for no consideration in respect of options and performance rights	-	4,146,399
Weighted average number of ordinary shares used in the calculation of diluted (loss) / earnings per share	194,960,972	193,625,987

(iii) 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 (loss) / earnings per share:	**Shares**	**Shares**
Chairman's options	1,000,000	1,000,000
Managing Director's options	2,000,000	-
Employees share options tranche 2	1,579,536	-
Employees share options tranche 3	700,000	700,000
Employees share options tranche 4	3,014,001	3,242,668
Employees share options tranche 5	275,000	625,000
Employees share options tranche 6	500,000	500,000
Employees share options tranche 7	4,368,327	4,655,000
	13,436,864	10,722,668

NOTES TO THE FINANCIAL REPORT

22 Dividends

	Notes	2010 Cents per share	2010 Total $'000	2009 Cents per share	2009 Total $'000
Recognised amounts					
Fully paid ordinary shares - interim dividend franked to 30%	(i)	-	-	1.00	1,839
Fully paid ordinary shares - final dividend franked to 30%	(ii)	-	-	2.25	4,135
		-	-	3.25	5,974
Unrecognised amounts					
Fully paid ordinary shares - final dividend franked to 30%		-	-	-	-

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

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

	Consolidated 2010 $'000	2009 $'000
Adjusted franking account balance	27,079	19,652
Impact on franking account of dividends not recognised	-	-
Income tax consequences of unrecognised dividends	-	-

23 Commitments for Expenditure

(a) Capital expenditure commitments

At 30 June 2010 the Group had capital expenditure commitments amounting to $1,092,000. These commitments were comprised of $1,039,000 for gyros in Imdex Technology Germany GmbH and $53,000 for sundry capital equipment in Samchem Drilling Fluids and Chemicals (Pty) Ltd.

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 Imdex Technology Germany GmbH 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.

(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 5 years. The Group has options to purchase the equipment for a nominal amount at the conclusion of the arrangements.

	Minimum future lease payments				Present value of minimum future lease payments			
	Consolidated		Company		Consolidated		Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Hire purchase commitments								
Hire purchase commitments are payable as follows.								
Due:								
Within one year	1,777	607	27	-	1,450	485	19	-
Between one and five years	2,688	1,279	84	-	2,488	1,179	72	-
Later than five years	-	-	-	-		-	-	-
Minimum lease payments	4,465	1,886	111	-	3,938	1,664	91	-
Less: future finance charges	(527)	(222)	(20)	-	-	-	-	-
	3,938	1,664	91	-	3,938	1,664	91	-

	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Hire purchase liabilities provided for in the Financial Report				
Current – Note 16	1,450	485	19	-
Non current – Note 16	2,488	1,179	72	-
	3,938	1,664	91	-

(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	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Non-cancellable operating lease payments				
Within one year	3,224	2,662	378	424
Between one and five years	2,607	3,661	162	221
Later than five years	60	190	-	-
	5,891	6,513	540	645

IMDEX LIMITED
and its controlled entities

NOTES TO THE FINANCIAL REPORT

26 Subsidiaries

	Notes	Country of Incorporation	Ownership Interest 2010 %	2009 %
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)	(iv)	United Kingdom	-	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		Kazakhstan	100	100
AMC North America Ltd (formerly Poly-Drill Drilling Systems Ltd)		Canada	100	100
Imdex South America S.A.		Chile	100	100
AMC Chile S.A. (formerly Southernland S.A.)		Chile	100	100
Wildcat Chemicals Australia Pty Ltd	(ii), 27(a)	Australia	100	100
Imdex Technology Australia Pty Ltd	(ii)	Australia	100	100
Flexit Americas Inc		United States of America	100	100
AMC Reflex Argentina S.A.		Argentina	100	100
AMC Reflex Peru S.A.C.		Peru	100	100
Imdex Technology Germany GmbH (formerly System Entwicklungs GmbH)		Germany	100	100
AMC Reflex Do Brasil Serviços Para Mineração Ltda	(v)	Brazil	100	-
AMC Drilling Fluids Pvt Limited	(vi)	India	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) This entity was struck off the Companies Register effective 30 June 2010.
(v) This entity was incorporated on 30 September 2009.
(vi) This entity was incorporated on 10 December 2009.

26 Subsidiaries (continued)

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

Income Statement	**2010 $'000**	**2009 $'000**
Revenue from sale of goods and operating lease rental	80,158	86,339
Other revenue from operations	3,459	3,822
Total revenue	83,617	90,161
Other income	9,991	6,633
Raw materials and consumables used	(41,215)	(46,168)
Employee benefit expenses	(15,576)	(15,629)
Depreciation and amortisation expense	(4,436)	(3,851)
Finance costs	(1,736)	(2,241)
Commissions	(263)	(115)
Consultancy fees	(340)	(318)
Legal and professional expenses	(1,303)	(1,068)
Rent and premises costs	(1,938)	(1,434)
Travel and accommodation	(1,470)	(2,047)
Motor vehicle costs	(1,600)	(808)
Foreign exchange gain/(loss)	(707)	(46)
Impairment charges	(10,440)	-
Other expenses	(5,091)	(1,056)
Profit before income tax expense	7,493	22,013
Income tax expense	(1,551)	(7,324)
Profit for the year	5,942	14,689

NOTES TO THE FINANCIAL REPORT

26 Subsidiaries (continued)

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

Balance Sheet	**2010 $'000**	**2009 $'000**
Current Assets		
Cash and Cash Equivalents	12,753	12,019
Trade and Other Receivables	29,150	26,190
Inventories	13,399	13,507
Other Financial Assets	-	20,470
Other	201	281
Total Current Assets	55,503	72,467
Non Current Assets		
Other Financial Assets	90,495	84,757
Property, Plant and Equipment	14,727	6,263
Other Intangible Assets	772	1,306
Deferred Tax Asset	5,006	-
Total Non Current Assets	111,000	92,326
Total Assets	166,503	164,793
Current Liabilities		
Trade and Other Payables	10,040	10,566
Borrowings	11,000	10,000
Current Tax Payables	5,723	6,530
Provisions	1,212	1,182
Other Current Liabilities	-	2,492
Total Current Liabilities	27,975	30,770
Non Current Liabilities		
Borrowings	8,500	11,500
Deferred Tax Liabilities	-	492
Provisions	704	310
Total Non Current Liabilities	9,204	12,302
Total Liabilities	37,179	43,072
Net Assets	129,324	121,721
Equity		
Contributed Capital	67,414	66,836
Employee Equity-Settled Benefits Reserve	5,107	4,024
Retained Profits *	56,803	50,861
Total Equity	129,324	121,721
* Retained Profit at the beginning of the financial year	50,861	42,146
Net Profit	5,942	14,689
Dividend provided for or paid	-	(5,974)
Retained Profit at the end of the financial year	56,803	50,861

IMDEX LIMITED
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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 prior 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.

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

On 31 July 2009, the third and final deferred acquisition payment of GBP 1.0 million ($2.1 million) was paid. On 31 July 2008 the second of the three deferred acquisition payments, being GBP 1.5 million ($3.1 million), was paid. At 30 June 2010 there are no further amounts outstanding amounts in relation to this acquisition.

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28 Segment Information

Adoption of AASB 8 Operating Segments

The Group has adopted AASB 8 Operating Segments with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (AASB 114 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, the identification of the Group's reportable segments has not changed.

Reportable Segments

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.

The Group comprises the following reportable 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 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.

(a) Segment Revenues

	2010 $'000	2009 $'000
Drilling Fluids and Chemicals	89,597	91,687
Down Hole Instrumentation	44,656	45,281
Total of all segments	134,253	136,968
Unallocated	1,372	2,024
Total revenue	135,625	138,992

(b) Segment Results

	2010 $'000	2009 $'000
Drilling Fluids and Chemicals	8,567	11,277
Down Hole Instrumentation	7,744	8,747
Total of all segments	16,311	20,024
Eliminations	-	-
Impairment adjustments	(33,971)	-
Central administration costs ^	(3,411)	(1,829)
(Loss) / Profit before income tax expense	(21,071)	18,195
Income tax benefit / (expense)	(477)	(6,128)
(Loss)/Profit attributable to ordinary equity holders of Imdex Limited	(21,548)	12,067

^ - includes a loss of $0.7 million (prior period - gain of $2.1 million) on revaluation of loan to Sino Gas and Energy Holdings Ltd

(c) Segment Assets and Liabilities

	Assets		Liabilities	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Drilling Fluids and Chemicals	57,930	62,999	14,869	7,941
Down Hole Instrumentation	98,665	90,349	22,015	15,640
Total of all segments	156,595	153,348	36,884	23,581
Unallocated (i)	6,802	20,470	32,018	34,039
Consolidated	163,397	173,818	68,902	57,620

(i) Unallocated assets comprise the investment in and loan to Sino Gas & Energy Holdings Ltd. Unallocated liabilties comprise commerical bills, bank loans, hire pruchase liabilities and deferred acquisition payments.

28 Segment Information (continued)

(d) Other segment information

	Drilling Fluids and		Down Hole		Unallocated		Total	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Depreciation	1,301	836	2,645	2,295	236	187	4,182	3,318
Amortisation	148	-	6,215	6,535	-	-	6,363	6,535
Acquisition of segment assets	3,913	3,226	3,317	4,279	316	236	7,546	7,741
Significant non cash expenses other than depreciation and amortisation	770	1,041	330	446	15	194	1,115	1,681
Impairment losses	11,031	-	12,500	-	-	-	23,531	-

Geographical Segments

The Group operates in the following geographical segments:
(i) Asia Pacific: Manufacture and sale of drilling fluids and chemicals; sale and rental of down hole instrumentation
(ii) Europe: Manufacture and sale of drilling fluids and chemicals; sale and rental of down hole

(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

	Revenue from external		Segment assets		Acquisition of segment	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Asia Pacific	83,976	77,659	29,918	8,459	5,285	2,934
Europe	4,257	8,185	46,453	67,032	213	2,033
Africa	16,700	23,209	1,039	4,739	749	1,084
Americas	30,692	29,939	3,674	9,734	1,299	1,690
Total	135,625	138,992	81,084	89,964	7,546	7,741

(e) Information about major customers

The Group has a broad range of customers across its global operations with no single customer making up more than 10% of revenue.

29 Related Party Disclosures

(a) Equity interests in related parties

Details of the percentage ownership of subsidiaries and the wholly owned Group is set out in note 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 32.

(ii) Loans to key management personnel

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

29 Related Party Disclosures (continued)

(iii) Key management personnel equity holdings

2010	Balance at 1 July 2009	Granted as compensation	Received on exercise of options	Inception / (cessation) as key management person	Net other change #	Balance at 30 June 2010	Balance held nominally
	No.	No.	No.	No.	No.	No.	No.
Mr I F Burston *	393,786	-	-	(393,786)	-	-	-
Mr B W Ridgeway	3,500,000	-	-	-	-	3,500,000	-
Mr R W Kelly	380,000	-	-	-	-	380,000	-
Mr K A Dundo	300,000	-	-	-	-	300,000	-
Mr M Lemmel	793,084	-	-	-	110,825	903,909	-
Ms E Donaghey ^	-	-	-	70,000	40,000	110,000	-
Mr G E Weston	-	-	1,000,000	-	(650,000)	350,000	-
Mr D J Loughlin	-	-	-	-	-	-	-
Mr M L Quesnel +	-	-	-	-	-	-	-
Mr P J Mander	-	-	-	-	-	-	-
Mr P A Evans	45,000	-	-	-	-	45,000	-
	5,411,870	-	1,000,000	(323,786)	(499,175)	5,588,909	-

2009	Balance at 1 July 2008	Granted as compensation	Received on exercise of options	Inception / (cessation) 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	-	-	-	345,737	793,084	-
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	-	-	-	520,737	5,411,870	-

* - Mr I Burston retired from the position of Chairman on 15 October 2009. Disclosures above relate only to the period when in office.
^ - Ms E Donaghey was appointed as a director on 28 October 2009. Disclosures above relate only to the period when in office.
+ - Mr Quesnel was appointed on 15 October 2009. Disclosures above relate only to the period when in office.
~ - 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

29 Related Party Disclosures (continued)

(iv) Share options issued by Imdex Limited

2010	Balance at 1 July 2009	Granted as compensation	Exercised	Inception / (cessation) as key management person	Balance at 30 June 2010	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	-
Mr R W Kelly	-	-	-	-	-	-	-	-
Mr K A Dundo	-	-	-	-	-	-	-	-
Mr M Lemmel	-	-	-	-	-	-	-	-
Ms E Donaghey ^	-	-	-	-	-	-	-	-
Mr G E Weston	2,500,000	-	(1,000,000)	-	1,500,000	-	1,333,332	166,666
Mr D J Loughlin	500,000	-	-	-	500,000	-	500,000	166,667
Mr M L Quesnel +	-	-	-	-	-	-	-	-
Mr P J Mander	150,000	-	-	-	150,000	-	100,000	50,000
Mr P A Evans	500,000	-	-	-	500,000	-	433,333	166,667
	6,650,000	-	(1,000,000)	(1,000,000)	4,650,000	-	4,366,665	550,000

2009	Balance at 1 July 2008	Granted as compensation	Exercised	Inception / (cessation) 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 I Burston retired from the position of Chairman on 15 October 2009. Disclosures above relate only to the period when in office.
^ - Ms E Donaghey was appointed as a director on 28 October 2009. Disclosures above relate only to the period when in office.
+ - Mr Quesnel was appointed on 15 October 2009. Disclosures above relate only to the period when in office.
~ - 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.

No options were granted to key management personnel in the current or prior year.

A total of 1,000,000 options were exercised by key management personnel during the current year. The exercise price was 20c per share. No amounts remain unpaid on the options exercised.

29 Related Party Disclosures (continued)

(v) Performance rights granted by Imdex Limited

2010	Balance at 1 July 2009	Granted as compensation	Satisfied by the issue of shares	Expired	Closing balance at 30 June 2010
	No.	No.	No.	No.	No.
Mr I F Burston *	-	-	-	-	-
Mr B W Ridgeway	-	234,375	-	(234,375)	-
Mr R W Kelly	-	-	-	-	-
Mr K A Dundo	-	-	-	-	-
Mr M Lemmel	-	-	-	-	-
Ms E Donaghey ^	-	-	-	-	-
Mr G E Weston	-	136,009	-	(136,009)	-
Mr D J Loughlin	-	93,493	-	(93,493)	-
Mr M L Quesnel +	-	-	-	-	-
Mr P J Mander ~	-	73,437	-	(73,437)	-
Mr P A Evans	-	112,110	-	(112,110)	-
	-	649,424	-	(649,424)	-

* - Mr I Burston retired from the position of Chairman on 15 October 2009. Disclosures above relate only to the period when in office.
^ - Ms E Donaghey was appointed as a director on 28 October 2009. Disclosures above relate only to the period when in office.
+ - Mr M L Quesnel was appointed on 15 October 2009. Disclosures above relate only to the period when in office.
~ - 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.

Performance rights expired where performance hurdles were not met. No value was received where performance rights expired.

No performance rights existed in the prior year.

More information on the Performance Rights Plan can be found in note 34.

29 Related Party Disclosures (continued)

(vi) 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 $127,766 (2009: $251,081)

(b) Transactions with Directors

	Note	Consolidated		Company	
		2010	2009	2010	2009
		$	$	$	$
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	vi(a)	127,766	193,865	127,766	193,865
Total assets arising from transactions, other than compensation, with Directors or their related entities:					
Goodwill and intercompany loans (parent: acquisition costs)	vi(a)	-	57,216	-	57,216
Total assets and liabilities arising from transactions, other than compensation, with Directors or their related entities:					
Current Liabilities	vi(a)	9,087	41,420	9,087	41,420

(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 $10,188,290 (2009: $9,361,401) to entities in the wholly-owned Group as disclosed in note 4.

(d) Parent entity

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

30 Notes to the Statement of Cash Flows

(a) Reconciliation of cash and cash equivalents

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

	Consolidated		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Cash and cash equivalents	9,007	11,975	7,644	1,455
Bank overdraft	-	-	-	-
	9,007	11,975	7,644	1,455

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 $9,006,970 (2009: $11,975,244)

30 Notes to the Cash Flow Statement (continued)

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

	Consolidated		Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
(Loss) / Profit for the year	(21,548)	12,067	(3,398)	8,516
Adjustments for non-cash and non-operational items				
Depreciation of non-current assets	4,182	3,318	236	187
Amortisation of intangible assets	6,363	6,535	-	-
Non-cash interest on deferred payments	15	194	-	-
Interest earned on intercompany accounts	-	-	(1,827)	(1,861)
Dividends received disclosed as investing activities	-	-	-	(7,500)
Impairment losses	33,971	-	3,434	-
Interest and forex loss on SEH settled in shares	(608)	-	-	-
Interest received disclosed as investing activities	(87)	(119)	(41)	(56)
Share options and performance rights expensed	1,099	1,487	1,099	1,487
Loss / (profit) on sale of non-current assets	(12)	86	-	(41)
Interest on hire purchase liabilities	249	53	9	-
Fair value adjustment on interest rate cap	-	229	-	229
Changes in assets and liabilities during the financial year				
(Increase) / decrease in assets:				
Current receivables	(17,941)	8,129	(8,368)	(4,842)
Current inventories	(2,065)	(5,321)	-	-
Other current assets	(1,989)	(307)	(2)	(2)
Increase / (decrease) in liabilities:				
Current payables	13,040	(5,365)	413	133
Provision for employee entitlements	557	340	151	359
Current tax liability	3,500	(3,524)	(5,599)	(394)
Deferred tax balances	(13,026)	(1,627)	(3,222)	405
Net Cash Provided by / (used in) Operating Activities	5,700	16,175	(17,115)	(3,380)

(d) Financing facilities

	Consolidated 2010 $'000	Consolidated 2009 $'000	Company 2010 $'000	Company 2009 $'000
Total facilities available				
Bank loan - Sweden	2,907	8,383	-	-
Bank loan - Canada	6,509	-	-	-
Commercial bills	19,500	24,500	19,500	24,500
Equipment finance facility	4,015	2,177	106	2,177
Multi option facility (including bank overdraft)	2,220	220	2,220	220
	35,151	35,280	21,826	26,897
Facilities utilised at balance sheet date				
Bank loan - Sweden	2,907	8,383	-	-
Bank loan - Canada	5,673	-	-	-
Commercial bills	19,500	21,500	19,500	21,500
Equipment finance facility	3,938	-	91	-
Multi option facility (including bank overdraft)	-	-	-	-
	32,018	29,883	19,591	21,500
Facilities not utilised at balance sheet date				
Bank loan - Sweden	-	-	-	-
Bank loan - Canada	836	-	-	-
Commercial bills	-	3,000	-	3,000
Equipment finance facility	77	2,177	15	2,177
Multi option facility (including bank overdraft)	2,220	220	2,220	220
	3,133	5,397	2,235	5,397

31 Financial Instruments

(a) Capital Risk Management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 16, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 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.

The gearing ratio at the end of the reporting period was as follows:

	2010 $ 000's	2009 $ 000's
Debt (i)	32,018	34,039
Cash and bank balances	(9,007)	(11,975)
Net debt	23,011	22,064
Equity (ii)	94,495	116,198
Net debt divided by debt plus equity	19.6%	16.0%

(i) Debt includes commercial bills, bank loans, deferred acquisition liabilities and hire purchase liabilities .

(ii) Equity includes all capital and reserves of the Group that are managed as capital.

(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	
	2010 $ 000s	2009 $ 000s	2010 $ 000s	2009 $ 000s
Financial Assets				
Cash and cash equivalents	9,007	11,975	7,644	1,455
Loans and receivables	41,210	35,707	79,418	80,406
Available-for-sale financial assets	6,802	-	196	-
Financial Liabilities				
Amortised cost	57,707	46,808	21,170	22,666

31 Financial Instruments (continued)

(d) Financial risk management objectives

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

The Group seeks to minimise the effects of these risks by using natural hedges where possible and derivative financial instruments to hedge remaining risk exposures where the benefit of the hedge outweighs the cost. The use of financial derivatives is governed by the Group's treasury policies which are approved by the Board of Directors. These policies describe the Group's policies with respect to foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes. The only derivative instrument in operation at 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	
	2010	2009	2010	2009
	$ 000s	$ 000s	$ 000s	$ 000s
United States Dollars	1,096	1,234	5,696	12,148
South African Rand	1,452	1,274	2,972	3,806
Canadian Dollars	9,299	390	3,675	2,057
Swedish Kroner	3,257	8,495	2,570	3,176
British Pound	1,141	5,165	204	2,984
European Dollar	104	204	519	3,056
Chilean Pesos	465	195	3,797	1,453
Other	657	59	1,138	819

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NOTES TO THE FINANCIAL REPORT

31 Financial Instruments (continued)

(f) Foreign currency risk management (continued)

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% (2009: 5%) increase and decrease in the Australian Dollar against the relevant foreign currencies. The sensitivity rate of 5% (2009: 5%) 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% (2009: 5%) 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% (2009: 5%) 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.

	United States Dollar Impact				
	Consolidated		Company		
	2010	2009	2010	2009	
	$ 000's	$ 000's	$ 000's	$ 000's	
Profit or (loss)	(230)	(546)	-	-	(i)
Other equity	-	-	-	-	(ii)

	South African Rand Impact				
	Consolidated		Company		
	2010	2009	2010	2009	
	$ 000's	$ 000's	$ 000's	$ 000's	
Profit or (loss)	(76)	(127)	-	-	(i)
Other equity	-	-	-	-	(ii)

	Swedish Kroner Impact				
	Consolidated		Company		
	2010	2009	2010	2009	
	$ 000's	$ 000's	$ 000's	$ 000's	
Profit or (loss)	34	266	-	-	(i)
Other equity	-	-	-	-	(ii)

	Canadian Dollar Impact				
	Consolidated		Company		
	2010	2009	2010	2009	
	$ 000's	$ 000's	$ 000's	$ 000's	
Profit or (loss)	281	(83)	-	-	(i)
Other equity	-	-	-	-	(ii)

	British Pound Impact				
	Consolidated		Company		
	2010	2009	2010	2009	
	$ 000's	$ 000's	$ 000's	$ 000's	
Profit or (loss)	47	109	-	-	(i)
Other equity	-	-	-	-	(ii)

	European Dollar Impact				
	Consolidated		Company		
	2010	2009	2010	2009	
	$ 000's	$ 000's	$ 000's	$ 000's	
Profit or (loss)	(21)	(143)	-	-	(i)
Other equity	-	-	-	-	(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

31 Financial Instruments (continued)

(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 (2009: $0.3 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 (2009: $0.3 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

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 (2009: $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 Company's net profit of $0.2 million (2009: $0.2 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

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 2010 this interest rate cap had a fair value of nil (30 June 2009: nil). (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 2010 no such collateral had been obtained. (30 June 2009 : nil)

31 Financial Instruments (continued)

(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.

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
2010					
Non-interest bearing	-	19,267	6,422	-	-
Finance lease liability	9.38%	444	1,332	2,689	-
Variable interest rate instruments	5.00%	15,008	3,739	11,385	-
		34,719	11,493	14,074	-
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	-

Company

	Weighted average effective interest rate	0-3 months	3 months to 1 year	1-5 years	5+ years
	%	$'000	$'000	$'000	$'000
2010					
Non-interest bearing	-	1,184	395	-	-
Finance lease liability	9.88%	7	21	83	-
Variable interest rate instruments	5.09%	8,995	2,779	9,132	-
		10,186	3,195	9,215	-
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	-

31 Financial Instruments (continued)

(i) Liquidity risk management (continued)

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

Consolidated

	Weighted average effective interest rate	0-3 months	3 months to 1 year	1-5 years	5+ years
	%	$'000	$'000	$'000	$'000
2010					
Non-interest bearing	-	41,210	-	6,802	-
Variable interest rate instruments	0.25%	9,007	-	-	-
		50,217	-	6,802	-
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	-	-

Company

	Weighted average effective interest rate	0-3 months	3 months to 1 year	1-5 years	5+ years
	%	$'000	$'000	$'000	$'000
2010					
Non-interest bearing	-	1,775	-	196	77,643
Variable interest rate instruments	0.25%	7,644	-	-	-
		9,419	-	196	77,643
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

31 Financial Instruments (continued)

(i) Liquidity risk management (continued)

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 $'000	3 months to 1 year $'000	1-5 years $'000	5+ years $'000
2010				
Interest rate cap	-	-	-	-
2009				
Interest rate cap	-	-	-	-

(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 'available for sale' listed shares which are measured at fair value (note 9).

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.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $ 000's	Level 2 $ 000's	Level 3 $ 000's	Total $ 000's
Available-for-sale financial assets				
Shares in Sino Gas & Energy Holdings Limited	6,802	-	-	6,802

32 Key Management Personnel Compensation

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

	Consolidated		Company	
	2010	2009	2010	2009
	$	$	$	$
Short-term employee benefits	2,244,909	1,987,338	2,244,909	1,987,338
Post-employment benefits	179,145	154,812	179,145	154,812
Other long-term benefits	28,278	36,688	28,278	36,688
Termination benefits	-	-	-	-
Share-based payments	154,572	252,715	154,572	252,715
	2,606,904	2,431,553	2,606,904	2,431,553

33 Staff Option Scheme

(a) Share Based Payment Arrangements

Staff Option Plan

The Group has in place a Staff Option Scheme (Scheme) to reward employees (including Key Management Personnel) for their past services as well as to provide an incentive for future efforts. The terms and conditions of the Scheme are set out in the Scheme Rules with the Board of Directors responsible for the administration of the Scheme. The options carry no rights to dividends and no voting rights. The options expire on their expiry date. Each employee share option converts to one ordinary share of Imdex Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. Options may be exercised at any time from the date of vesting to the date of expiry. The number of options granted to staff is generally based on an assessment of the performance of that staff member as determined by the Board of Directors. Staff are normally only eligible to receive options when they have been with the Company in excess of 12 months. Options expire when the option holder ceases to be employed by the Group.

Former Chairman's Options

Options were issued to the former Chairman as a reward for past performance and as an incentive for the future. These options have been approved at 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 2010 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 2010 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.

IMDEX LIMITED

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NOTES TO THE FINANCIAL REPORT

33 Staff Option Scheme (continued)

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

2010	Issue Date	Expiry Date	Exercise Price $	Fair Value at Grant Date $	Opening balance	Number of Options 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	1,141,666	-	(1,141,666)	-	-
Tranche 2 (i)	1-Feb-06	31-Jan-11	0.35	0.02	1,716,205	-	(96,669)	(40,000)	1,579,536
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	3,242,668	-	-	(228,667)	3,014,001
Tranche 5 (i)	12-Jun-07	11-Jun-12	1.80	0.51	625,000	-	-	(350,000)	275,000
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	4,655,000	-	-	(286,673)	4,368,327
Former 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
					15,580,539	-	(1,238,335)	(905,340)	13,436,864

2009	Issue Date	Expiry Date	Exercise Price $	Fair Value at Grant Date $	Opening balance	Number of Options 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
Former 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

(i) Exercisable in one third lots in each year commencing one year after issue.
(ii) Expire on their expiry date 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.

33 Staff Option Scheme (continued)

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

No share options were issued in the current or prior year.

(d) Exercised during the financial year

2010

Option Series	Number Exercised	Exercise Date	Share Price at Exercise Date ($)	Amount Paid ($)	Amount Unpaid ($)
Staff Options Tranche 2	33,334	21-Oct-10	0.86	11,667	-
Staff Options Tranche 1	20,000	02-Oct-10	0.71	4,000	-
Staff Options Tranche 2	33,334	01-Oct-10	0.73	11,667	-
Staff Options Tranche 2	20,000	28-Aug-10	0.75	7,000	-
Staff Options Tranche 1	30,000	27-Jul-10	0.62	6,000	-
Staff Options Tranche 1	50,000	24-Jul-10	0.6	10,000	-
Staff Options Tranche 1	15,000	23-Jul-10	0.6	3,000	-
Staff Options Tranche 1	1,667	22-Jul-10	0.59	333	-
Staff Options Tranche 1	1,000,000	16-Jul-10	0.65	200,000	-
Staff Options Tranche 1	25,000	15-Jul-10	0.63	5,000	-
Staff Options Tranche 2	10,000	12-May-10	0.485	3,500	-
	1,238,335				

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	1.565	37,500	-
Staff Options Tranche 1	10,000	25-Jul-08	1.57	2,000	-
Staff Options Tranche 2	20,000	25-Jul-08	1.57	7,000	-
Staff Options Tranche 3	8,333	15-Aug-08	1.68	6,250	-
Staff Options Tranche 3	4,333	1-Sep-08	1.91	3,250	-
Staff Options Tranche 2	5,000	3-Sep-08	1.86	1,750	-
Staff Options Tranche 3	8,333	3-Sep-08	1.86	6,250	-
Staff Options Tranche 1	16,667	15-Oct-08	0.77	3,333	-
Staff Options Tranche 2	16,666	15-Oct-08	0.77	5,833	-
Staff Options Tranche 1	10,000	12-Jun-09	0.65	2,000	-
	149,332				

(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 $1.48 (2009: $1.41), and a weighted average remaining contractual life of 608 days (2009: 911 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

	2010		2009	
	Number of Options	Weighted Average Exercise Price ($)	Number of Options	Weighted Average Exercise Price ($)
Balance at beginning of the financial year	15,580,539	1.41	16,194,872	1.41
Granted during the financial year	-	-	-	-
Forfeited during the financial year	-	-	-	-
Exercised during the financial year	(1,238,335)	0.21	(149,332)	0.62
Expired during the financial year	(905,340)	1.91	(465,001)	1.86
Balance at end of the financial year	13,436,864	1.48	15,580,539	1.41
Exercisable at end of the financial year	11,814,088		10,468,872	

34 Performance Rights Plan

(a) Performance Rights Plan

At the Imdex Limited Annual General Meeting on 15 October 2009 the shareholders approved the formation of a Performance Rights Plan (PRP or Plan). The Plan allows for the issue of performance rights to employees from time to time. The quantum of performance rights granted to employees is at the discretion of the Directors and is generally based on seniority and level of contribution to the strategic goals of Imdex Limited. A performance right is the right to receive one fully paid Imdex Limited ordinary share for nil consideration should set hurdles be achieved and tenure of employment maintained. The hurdles are set by the Directors when performance rights are issued and are generally linked to the achievement of financial or other strategic goals of Imdex Limited. If hurdles are achieved generally shares will be issued evenly over the 3 year period assuming continuity of employment.

(b) Performance rights Granted in the current year

2,262,366 performance rights were granted to employees during the year. One fully paid Imdex Limited ordinary shares will be issued in satisfaction of each performance right should specified FY10 EBITA targets be met. FY10 EBITA targets are required to be met by each individual with due regard to the company and business unit they work in. No shares will be issued where targets are not met. Measurement against targets will only be possible once the FY10 independent audit report is signed in August 2010. Shares issued in satisfaction of performance rights will occur annually in 1/3 lots, with the first 1/3 lot being issued the day after the FY10 independent audit report is signed.

For the purposes of the FY10 financial statements, the Directors have made an estimate of the likelihood of the achievement of FY10 EBITA targets and hence the number of fully paid Imdex Limited ordinary shares that are likely to be issued. An adjustment will be made in the next financial year should the actual number of shares issued be different from those estimated. It is estimated that out of the 2,262,366 performance rights issued, 458,779 will meet the required performance hurdles and will result in 458,779 fully paid Imdex Limited ordinary shares being issued over three years should employment tenure be retained.

The fair value of a performance right at grant date was $0.685 per share. The expected total cost of the estimated 458,779 fully paid ordinary shares to be issued in Imdex Limited will therefore be $0.3 million. This value will be expensed over the vesting period from Feb 10 to Aug 12 with $0.1 million being expensed in the current financial year.

No performance rights were issued in the prior year

2010	Grant Date	Expiry Date	Exercise Price $	Estimated Fair Value at Grant Date $	Estimated Number of Performance Rights				
					Opening balance	Granted	Satisfied by the issue of shares	Expired ^	Closing balance *
Tranche 1	19-Feb-10	Aug-15	-	0.685	-	2,262,366	-	(1,803,587)	458,779

^ - Performance rights expire either on resignation of employees or on failure to satisfy performance hurdles. The Directors estimate that 1,803,587 performance rights will not achieve the specified performance hurdles in the current year and will expire.

* - Fully paid ordinary shares in Imdex Limited will be issued in satisfaction of these performance rights in equal 1/3 lots annually commencing in August 2010

35 Subsequent Events

There have been no material events subsequent to the end of the financial year requiring disclosure in this report.

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ADDITIONAL STOCK EXCHANGE INFORMATION AS AT 5 AUGUST 2010

(a) Distribution of Shareholders

	Number of Fully Paid Ordinary Shareholders	Number of Performance Rights Holders	Number of Option Holders
1 – 1,000	342	-	-
1,001 – 5,000	1,129	2	9
5,001 – 10,000	734	22	31
10,001 – 100,000	1,160	18	134
100,001 – and over	138	-	25
	3,503	42	199
Holding less than a marketable parcel	133	-	-

(b) Substantial Shareholders

Ordinary Shareholders	Fully Paid Number	Percentage
HSBC Custody Nominees (Australia) Limited	25,248,311	12.94%
Invia Custodian Pty Limited <Fiberform Vindic A/C>	23,989,316	12.30%
National Nominees Limited	18,403,067	9.44%
RBC Dexia Investor Services Australia Nominees Pty Limited <Pipooled A/C>	11,729,516	6.01%
J P Morgan Nominees Australia Limited	10,602,128	5.44%

(c) Twenty Largest Holders of Quoted Equity Securities

Ordinary Shareholders	Fully Paid Number	Percentage
HSBC Custody Nominees (Australia) Limited	25,248,311	12.94%
Invia Custodian Pty Limited <Fiberform Vindic A/C>	23,989,316	12.30%
National Nominees Limited	18,403,067	9.44%
RBC Dexia Investor Services Australia Nominees Pty Limited <Pipooled A/C>	11,729,516	6.01%
J P Morgan Nominees Australia Limited	10,602,128	5.44%
ANZ Nominees Limited <Cash Income A/C>	8,913,116	4.57%
Telic Alcatel (Australia) Pty Ltd <Middendorp Directors SF A/C>	3,603,152	1.85%
Cogent Nominees Pty Limited	3,268,772	1.68%
Citicorp Nominees Pty Limited	2,909,916	1.49%
Wear Services Pty Ltd	2,079,630	1.07%
Mr Petrus Middendorp	1,805,850	0.93%
Citicorp Nominees Pty Limited <Cfsil Cwlth Small Co 7 A/C>	1,775,025	0.91%
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%
RBC Dexia Investor Services Australia Nominees Pty Limited <BKCust A/C>	1,233,814	0.63%
Methuen Holdings Pty Ltd <Pb Family A/C>	1,000,000	0.51%
Mr Richard Hill <Icena Account>	901,951	0.46%
Dimana Holdings Pty Ltd	900,000	0.46%
Melcretep Nominees Pty Ltd <The PRC Super Fund A/C>	750,000	0.38%
Queensland Investment Corporation	744,025	0.38%
	122,850,785	**62.99%**

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ADDITIONAL STOCK EXCHANGE INFORMATION
AS AT 5 AUGUST 2010

(d) Director and Company Secretary Shareholdings

Name	Number of Shares	Number of Options
Mr R W Kelly	380,000	-
Mr B W Ridgeway	3,500,000	2,000,000
Mr K A Dundo	300,000	-
Mr M Lemmel	903,909	-
Ms E Donaghey	110,000	-
Mr P A Evans	45,000	500,000
	5,238,909	2,500,000

(e) Company Secretary

Mr Paul Anthony Evans

(f) Registered Office

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8 Pitino Court
Osborne Park
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(g) Share Registry

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Level 2
45 St Georges Terrace
Perth WA 6000
Phone 1300 787 272

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

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

The Company has a presence in all significant mining and exploration regions, and has a global profile and resources to position it for extended future growth.